

Taxation and Revenue Department update on Tax Gap, Audit and Compliance, and Fraud Prevention Initiatives

Presented to the Legislative Finance Committee
July 22, 2021

Stephanie Schardin Clarke, Secretary of Taxation and Revenue
Aysha Mora, Director of Audit and Compliance, Taxation and Revenue

Executive Leadership Team

Office of the Secretary
Cabinet Secretary: Stephanie Schardin Clarke
Deputy Cabinet Secretary: Emily Oster, CPA
Tax Policy Director: Mark Chaiken, JD, LLM
Chief Legal Counsel: Vacant
General Counsel: Elizabeth Korsmo, JD
Director of Communications: Charlie Moore
Chief Information Security Officer: Vacant
Taxpayer Advocate: Vacant
Chief Economist: Lucinda Sydow
Local Government Liaison: David Montieth

Property Tax Division

Director:
Santiago Chavez

Deputy Director:
Michael O'Melia

Revenue Processing Division

Director:
Lakisha Holley

Deputy Director:
Rick Lopez

Motor Vehicle Division
Director: Vacant
Deputy Director Field Operations:
Htet Gonzales
Deputy Director Central Admin:
Gerasimos Razatos

Tax Fraud Investigation

Director: Vince Mares

Deputy Director:
Greg McCormick

Information Technology

CIO: Mike Baca

Deputy CIO:
Darshana Kanabar

Administrative Services

Director:
Denise Irion

Deputy Director:
Miranda Ntoko

Audit & Compliance
Director: Aysha Mora
Deputy Director:
Audit: Aaron Brown
Deputy Director:
Compliance:
Tiffany Smyth

Compliance Continuum

Risk and Expense



	Education	Processing	Compliance Campaigns	Audits	Collections	Litigation	Fraud Cases
<u>Tax & Rev</u>	Forms, Instructions, Outreach, Training, and User Groups	Capture information and process payments	Discoveries using third party data, managed audit offers	Records reconstruction to identify assessments	Payment options and enforcement actions	Protests, legal defense, and settlements	Criminal charges for individuals and fraud rings
<u>Taxpayer</u>	Review information and gather documentation	File returns and make payments	Respond by paying, protesting, or move into collections	Provided records and contest the presumption of correctness	Set up payment plan, subject to levies or liens	Legally challenge the Agency position with AHO or in court	Legally challenge the Agency in court and pay restitution

Voluntary Compliance



Taxpayer Outreach and Education

- Online Taxpayer workshops for new businesses and new employers
 - Workers Compensation Administration and Secretary of State provide joint presentations
 - During FY2021, 560 taxpayers attended online workshops
- Fillable Forms and form simplification for improved compliance
- Alignment of instructions with forms and Taxpayer Access Point (TAP)
- Department website: <http://www.tax.newmexico.gov/>
- Department YouTube Channel:
<https://www.youtube.com/channel/UC5cM2t8EvaVfktonhMwDgNw/featured>
 - YouTube videos had about 800 English and 200 Spanish views in FY202 1Q4
- Subscribe to notification service: <https://www.tax.newmexico.gov/nm-taxation-revenue-department-notification-service/>

New and Improved Taxpayer Access Point

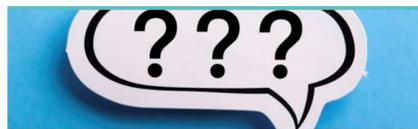
New Mexico Taxation & Revenue Department

NM | TAXATION & REVENUE **&** Taxpayer Access Point (TAP)

Can I Help?

Logon
Password
Log in
Forgot logon or password?
New to TAP?
Create a Logon
Why sign up?

What are you looking for?



Help

Don't see what you're looking for? Let us help.

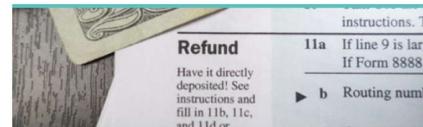
- > [View our TAP Frequently Asked Questions \(FAQs\)](#)
- > [View our CRS Redesign Project FAQs](#)
- > [View the Interactive GRT Rate Map](#)
- > [View Video Trainings and Tutorials](#)



Payments

Make an online payment now.

- > [Make a Payment](#)



Personal Income

View my refund status or 1099-G Statement.

- > [Where's My Refund?](#)
- > [View My 1099-G Statement](#)

New TAP Features

- More intuitive, user friendly
- Action Center provides reminders and guides users through filing and payment
- Improved search function, help tools, and personalized favorites
- Self-service changes to registration details such as adding new accounts and changing addresses
- Accountant's Center supports tax practitioners who work on behalf of multiple clients
- New option to receive email notifications and e-correspondence
- Improved refund process – when taxpayer submits amended return through TAP, automatically prompted to request a refund

Processing changes to promote compliance

- E-file mandates for high volume or high risk tax programs
- E-pay mandates when E-file mandates are in place (2021 HB98)
- Tax and Rev auto population of returns using third party data
 - Health Care Quality Surcharge returns
- Decoupling of business tax programs to simplify filing- CRS Redesign
- GRT returns can now be filed using mobile devices

CRS Redesign benefits

- Simplify instructions & forms
- Reduce errors
- Apply payments as intended by taxpayer
- Reduce taxpayer burden: amending returns, submitting supplemental info
- Reduce Department burden: manual processing



Compliance Initiatives

- Non-filer campaigns focused on non-active businesses for business closures
- Outbound calls to offer payment plans and managed audits
- Field office staff answer incoming call center calls when in person service is not required
 - 63 employees available to take calls (up from 23)
- Cashiering and TAP enhancements that provide improved payment channels for taxpayers
- Created a Lien and Levy team using Questionable Return Unit staff and Data Warehouse tools to target work for improved efficiency of collections
- Implemented E-correspondence option in TAP to reduce paper mailings

Audit Initiatives

- Expanded managed audit program to allow a greater number of taxpayers 180 days without penalty and interest to voluntarily comply and deescalate tax disputes
- Matching programs comparing third party data to NM returns
- Implemented paperless audit processes that limit travel and customer touchpoints to complete audits
- Completed Data Analytics project to modernize selection of GRT returns for audit

In Progress by Function	Measure	FY21 Fiscal Year	% Recovery
	# Assessed	60	
SAS Field	Amount Assessed	\$17,448,223	
	Amount Recovered	\$4,065,530	23%
	# Assessed	22	
SAS Managed	Amount Assessed	\$2,258,720	
	Amount Recovered	\$1,937,093	86%

Upcoming Audit and Compliance Initiatives

- Expand cashiering functionality to offer E-check capability
- Expand use of data analytics in collections processes to identify the most collectible leads and reduce accounts receivable balance
- Reduce use of paper forms, promote TAP functionality and electronic options for filing and payment
- Authorize Tax & Rev to enter into reciprocal collections agreements with other State revenue departments (statutory change needed)
- Expand collection options for out-of-state taxpayers to align with destination-based sourcing changes

Litigation and Fraud

- Reduce protest backlog by assigning more ACD resources to assist with review
- Implement technology to track protest cases and improve efficiency
- Tax Fraud Investigations Division (TFID) offers Tax & Rev employees criminal fraud detection training
- ACD and TFID working together on referrals and sharing technology for efficiency
- Increased focus on education and upfront compliance to reduce risk and expense to the State and the taxpayer



Administrative Fee Changes for Tax & Rev

- Beginning in FY2020, Other State Funds received by Tax & Rev were eliminated entirely due to removal of notwithstanding language in HB2.

Fiscal Year	ACD Per 7-6-1.41	ITD Per 7-1-6.41	ACD Food	ACD Medical	Totals
2009	\$121,675	\$34,519	N/A	N/A	\$156,193
2010	\$1,186,061	\$336,482	N/A	N/A	\$1,522,543
2011	\$1,520,887	\$414,947	N/A	N/A	\$1,935,834
2012	\$1,856,880	\$479,212	\$2,259,899	\$764,765	\$5,360,757
2013	\$1,310,899	\$427,694	\$3,394,418	\$1,128,228	\$6,261,239
2014	\$1,252,372	\$536,337	\$3,475,816	\$1,076,949	\$6,341,474
2015	\$1,372,847	\$551,255	\$3,504,870	\$1,012,907	\$6,441,879
2016	\$1,471,913	\$591,034	\$3,436,660	\$977,985	\$6,477,592
2017	\$1,496,629	\$600,959	\$3,100,232	\$1,549,051	\$6,746,871
2018	\$1,724,736	\$692,554	\$3,286,021	\$699,505	\$6,402,816
2019	\$1,945,392	\$781,156	\$2,768,142	\$687,852	\$6,182,542

FY21 Challenges- Budget

- Budget comparison over a 3 year period
- ACD Vacancy rates were above 25% during FY21 due to budget issues and inability to hire

	FY2020 Actuals	FY2021* Opbud	FY2022** Opbud	% Change FY2020 vs FY2022	% Change FY2022 vs FY2021
SOURCES					
General Fund	29,363.5	26,707.0	29,328.9	-0.1%	9.8%
Federal Revenues	1,383.9	1,526.8	1,526.8	10.3%	0.0%
Other Revenues	1,055.8	6,550.7	1,130.1	7.0%	-82.7%
SOURCES Total	31,803.2	34,784.5	31,985.8	0.6%	-8.0%
USES					
Personal Services & Employee Benefits	26,376.9	27,496.5	24,672.7	-6.5%	-10.3%
Contractual Services	319.8	145.2	346.9	8.5%	138.9%
Other	5,509.9	7,142.8	6,966.2	26.4%	-2.5%
EXPENDITURES Total	32,206.6	34,784.5	31,985.8	-0.7%	-8.0%
USES Total	32,206.6	34,784.5	31,985.8	-0.7%	-8.0%
FTE's	490.8	490.8	474.0	-3.4%	-3.4%

*To sustain FY21 expenditures, \$1.0M was transferred from P574 (MVD) to P573 (TAA) using program transfer authority language authorized for FY21 only. A \$1.125 million supplemental appropriation for FY21 for P573 was also authorized.

**FY22 Appropriation Request corrected for the General Fund source in the amount of \$1.55 million but the request was not fully funded

Legislative Changes that Impact Collections

- Successfully implemented the most comprehensive state tax reform in decades: internet sales taxation, hospital GRT reform, mandatory combined CIT reporting, etc. (HB6, 2019)
- Cannabis Regulation Act and Cannabis Excise Tax will decrease tax gap associated with underground economy
- Tax & Rev may now mandate electronic payment (HB98, 2021)
- Tax and Rev would like to seek statutory authority to enter reciprocal tax collection agreements with other states – requires statutory change

Thank you!

Stephanie Schardin Clarke

StephanieS.Clarke@state.nm.us

Emily Oster, CPA

Emily.Oster@state.nm.us

Aysha Mora

Aysha.Mora3@state.nm.us

<http://www.tax.newmexico.gov/>

Please subscribe to the “New Mexico Taxation & Revenue” YouTube Channel for educational videos and outreach:

<https://m.youtube.com/channel/UC5cM2t8EvaVfktonhMwDgNw>

The information contained in this presentation is an informal analysis of the facts presented. Please be advised that this presentation does not constitute a ruling issued pursuant to NMSA 1978, Section 9-11-6.2, and does not stop the Department from taking a contrary position in the future.

