

# FY22 - Appropriation Request Highlights

**Stephanie Schardin Clarke, Cabinet Secretary**

Emily K. Oster, Deputy Cabinet Secretary

Denise A. Irion, Administrative Services Division Director

Miranda Ntoko, Administrative Services Division Deputy Director

Manoj Shah, Budget Director

# Executive Leadership Team

**Office of the Secretary**  
**Cabinet Secretary: Stephanie Schardin Clarke**  
Deputy Cabinet Secretary: Emily K. Oster, CPA  
Tax Policy Director: Mark Chaiken, JD, LL.M.  
Chief Legal Counsel: Tim Van Valen, JD  
General Counsel: Elizabeth Korsmo, JD  
Director of Communications: Charlie Moore  
Chief Security Officer: Lydia VanOrman (Acting)  
Taxpayer Advocate: Tiffany Smyth  
Chief Economist: Lucinda Sydow  
Local Government Liaison: David Montieth

**Property Tax Division**  
  
Director:  
Santiago Chavez  
  
Deputy Director:  
Michael O'Melia

**Revenue Processing Division**  
  
Director:  
Charlene Trujillo  
  
Deputy Director:  
Rick Lopez

**Motor Vehicle Division**  
Director:  
Marcos Martinez (Acting)  
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 A. Irion  
Deputy Director:  
Miranda Ntoko

**Audit & Compliance**  
Director: Aysha Mora  
Deputy Director:  
Audit: Aaron Brown  
Deputy Director:  
Compliance:  
Lisa Trujillo

# Agency Overview

## TRD Divisions

**P572 - Administrative Services Division (ASD)**

**P572 - Information Technology Division (ITD)      Program Support**

**P573 - Revenue Processing Division (RPD)**

**P573 – Audit and Compliance Division (ACD)      Tax Administration**

**P574 – Motor Vehicle Division (MVD)**

**P575 – Property Tax Division (PTD)**

**P579 – Tax Fraud Investigations Division (TFID)      Compliance Enforcement**

## 5% Reduction in General Fund

**In general, the 5% reduction was primarily realized in the 200s category representing 4.7% reductions while the remaining is absorbed in the 300s and 400s categories.**

# FY22 TRD Appropriation Request Overview (in 000's)

<b>FY22 Budget Request</b>									
<b>Agency Name:</b>		Taxation and Revenue							
<b>Agency BU:</b>		33300							
		<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY22 Budget Request change over FY21 final Operating Budget</b>			
<b>SOURCES:</b>		<b>Actual</b>	<b>Actual</b>	<b>Operating</b>	<b>Request</b>		<b>Amount</b>	<b>% reduction</b>	
General Fund		53,732.2	63,302.3	64,065.5	62,827.0	<b>FY21</b>	\$64,065.5		
Other Transfers						<b>FY22</b>	\$60,862.2		
Federal Revenue		1,024.3	1,445.2	3,403.3	3,103.3		<b>(3,203.30)</b>	<b>-5%</b>	
Other Revenue		39,475.8	32,239.9	31,245.3	32,044.6	<b>General Fund Correction:</b>			
Fund Balance (MVD - not included in base request)					1,000.0	<b>ACD</b>	\$1,552.0		
<b>TOTAL</b>		<b>94,232.3</b>	<b>96,987.4</b>	<b>98,714.1</b>	<b>98,974.9</b>	<b>IT</b>	\$412.6		
							<b>\$1,964.6</b>		
<b>USES:</b>							<b>(\$1,238.70)</b>	<b>-2%</b>	
200 - PSEB		49,494.2	56,484.1	57,419.1	57,219.8				
300 - Contracts		13,149.0	11,461.9	16,887.3	13,583.1				
400 - Other		9,031.7	20,460.0	18,241.3	22,005.6				
500 - Other Financing Uses		3,313.9	3,313.9	6,166.4	6,166.4				
<b>TOTAL</b>		<b>74,988.8</b>	<b>91,719.9</b>	<b>98,714.1</b>	<b>98,974.9</b>				

# Foregone Items by Division

- **Program Support Division - Administrative Services & Information Technology-P572**
  - ❖ Governance risk & compliance software - \$300.0K
  - ❖ Corporate executive board membership and other trainings - \$40.0K
  - ❖ Kiosk, IVR, Data analytics, FAST, TEK systems maintenance contract services reduction - \$1,584.7K
- **Tax Administration Act (Revenue Processing and Audit & Compliance)-P573**
  - ❖ Significantly increased inability to make payroll; directly impacts ability to collect tax revenue - \$3,000.0K
  - ❖ SAS RMSS contract and our ability to change audit selection - \$50.0K
  - ❖ Decrease in FTE and funding long term impact diminishes capacity to audit, enforce compliance and collect outstanding balances
  - ❖ Numerous operating needs and incentives like tuition reimbursement, statute books, travel, postage of statement accounts, QMATIC for all 5 districts and FAST supplier services; could decrease revenue generation - \$685.0K
- **Motor Vehicle Division-P574**
  - ❖ Reduction in Tapestry system contractor support. Will lead to downtime and system delays as IT and MVD staff are not seasoned programmers \$400.0K
  - ❖ Reduction in tapestry version 12.0 upgrade. Staff will be split between operations and pre-upgrade release testing. This may slow operations \$350.0K
  - ❖ Huge MVD agent staff turnover and increased vacancy rate. \$400.0K will have been invested in staffing to combat this.
- **Compliance & Enforcement Division-P579**
  - ❖ Holding positions vacant due to budget constraints.

# FY21 Operating Budget Shortfall Explained

- For FY21, HB2 appropriated \$5.7M for tax administration (ACD) and \$700.0K for program support (IT) in Other State Funds (OSF) that will not materialize, resulting in an overstatement of operating budget of \$6.4M.
- P573 FY21 appropriation request had General Fund (GF) reduced by \$2.5M, in anticipation of the above OSF funds.
- Reduction BARs were processed for P573 (\$5.7M) and P572 ( \$700.0K) to reduce OSF funds budgeted that will not materialize. \$6.4M reduction in total, in addition to mandated compensation and sanding reductions of 4%.
- Significant budget issues in P573 will critically endanger TRD`s ability to collect revenues and ITD`s ability to effectively staff and support the systems that make revenue collection and distribution possible.

# FY22 Budget Highlights

- Notwithstanding language in the 2019 HB2 removed TRD`s authority to collect administrative fees on gross receipts tax (GRT) approximately \$5.7M annually.
- TRD`s FY21 Appropriation Request overstated Other State Funds (OSF) by \$6.4M and understated General Fund by \$2.5M in anticipation of receiving administrative fee revenue. The funds were appropriated as requested. Reduction BARs were completed totaling \$6.4M to reduce the FY21 budget for administrative fees that will not materialize.
  - Tax Administration Act (TAA) reduction (\$5.7M)
  - IT Division reduction (\$700K)
  - These reductions were before the mandated compensation adjustments, 4% sanding and the FY22 5% general fund reduction
- TRD submitted the FY22 Appropriation Request to include a correction for the General Fund (GF) for P573 and P572 in the amount of \$1,964.6M (\$1,552.0M plus \$412.6K respectively). Net impact results in an overall FY22 reduction of \$1.2M or 2%.

# Agency Options To Address Shortfall \$3.2M (\$2.5M for ACD and \$700.0K for ITD)

## **FY21 OPTIONS:**

- Exercise program authority transfer language up to \$2.0M
  - ❖ Processing \$1.0M BAR from MVD to ACD
  - ❖ Budget constraints in other divisions limit their ability to transfer funds to ACD
- Amend 2020 special appropriation up to \$5.0M available through 6/30/2021 (HB2 item 29, pg. 188)
  - Current authorized use is for tax legislative changes enacted by the 54<sup>th</sup> Legislature
  - TRD's proposal is to extend the funding to include tax legislative changes enacted by the 55<sup>th</sup> Legislature, and add the flexibility to use the funding to support operating expenses related to the tax administration act program
- Submitted FY21 ACD Supplemental Request for \$1.2M
- Continuous agency wide budget monitoring to restrict spending to necessary goods or services

## **FY22 OPTIONS:**

- Like all other agencies, TRD's FY22 budget adheres for the most part to the 5% reduction in general fund
- For P572 (ITD) and P573 (ACD) for which the 5% FY22 reduction was based on an incorrect or over reduced base; TRD submitted a correction to the GF base to DFA in the amount of \$1.9M (\$1.5M for ACD and \$412.6K for IT)

# Vacancy Rates as of November 2<sup>nd</sup>, 2020

Divisions	FY 20			FY 21			FY 22		
	TOTAL FTEs	No. of Vacant Positions	Actual Vacancy Rate	TOTAL FTEs	No. of Vacant Positions	Actual Vacancy Rate( July - Oct.)	Total FTEs	Targeted No. of Vacant Positions	Appropriation Request
ASD	110.0	21.1	19.2%	103.0	15.0	14.6%	108.0	23.9	22.0%
ITD	72.0	15.8	21.9%	72.0	16.0	22.2%	71.0	20.6	29.1%
ACD	348.5	79.5	22.8%	343.7	77.0	22.4%	341.5	87.8	25.7%
RPD	142.3	33.7	23.7%	131.8	29.0	22.0%	135.8	36.0	26.5%
MVD	338.0	73.3	21.7%	331.0	72.0	21.8%	331.0	83.4	25.2%
PTD	41.0	14.0	34.1%	39.0	12.0	30.8%	39.0	0.0	0.1%
TFID	21.0	3.0	14.3%	21.0	3.0	14.3%	21.0	5.0	23.7%
	<b>1072.8</b>	<b>240.3</b>	<b>22.4%</b>	<b>1041.4</b>	<b>224.0</b>	<b>21.5%</b>	<b>1047.3</b>	<b>256.7</b>	<b>24.5%</b>
<b>Not funded by GF</b>									

# Agency Strategic Initiatives

- TRD is focused on continuing to meet customer needs despite the pandemic, enhancing online services, expediting review and approval of refunds, abatements and tax credits, and ensuring flexibility in enforcement efforts
- **Mission statement:**
  - The mission of the Taxation and Revenue Department is to serve New Mexico by providing fair and efficient tax and motor vehicle services
- **Vision statement: 3-YEAR VISION STATEMENT**

The Taxation and Revenue Department:

  - Promotes a culture of integrity, respect, and innovation
  - Earns the trust of our customers through our actions
  - Empowers customers through outreach, education, and ease of compliance
  - Offers flexible and secure solutions to improve customer experience
  - Administers tax and motor vehicle laws efficiently and transparently
  - Maintains a skilled, knowledgeable, and service-oriented workforce
- **Strategic Goals:**
  - Goal 1: Enhance customer experience and customer service
  - Goal 2: Cultivate workforce excellence
  - Goal 3: Improve efficiency, security and transparency of operations

# Recently Completed Initiatives

- Transitioned over 700 employees to full or partial telework
- Transitioned Insurance Premium Tax administration from OSI to TRD effective January 1, 2020
- Implemented Healthcare Quality Surcharge in April 2020 in coordination with HSD
- Implemented all 2019 HB6 and other legislation on time and on budget
- Completed Tax and MVD call center improvements to restore Interactive Voice Response and more efficient call routing to reduce call wait times
- New MVD online service offerings: CDL renewal, license renewal for ages 79+
- Completed Point of Sale (POS) Cashiering project in May 2020 to allow acceptance of credit card processing in tax field offices – previously not available due to PCI Compliance issues
- Developed subscriber text and email notification service of TRD publications (sign up at [tax.newmexico.gov](http://tax.newmexico.gov), News & Alerts page)
- Transitioned new business CRS workshops to online format
- Added option for taxpayers to enter into payment plans online through Taxpayer Access Point (TAP)

# Recent Initiatives...continued

- Expanded managed audit program to increase voluntary compliance:
  - Taxpayer is no longer required to waive protest right on any managed audit assessment
  - Taxpayers are allowed to opt for managed audit if they were recently approached for a field audit
  - Managed audit now available to taxpayers previously (but not currently) under criminal tax investigation
- Office of Internal Oversight continues to work with divisions to document processes for better internal control implementation and ensuring business continuity
- GenTax (TRD tax system) supported 35 tax programs, processing over \$11.0B in FY20
- Property Tax system modernization project implementation underway using geospatial information technology interfacing with case management systems for better functionality
- State Assessed Property Tax Bureau assessed \$25.1B, a 1.6% increase from FY19

# TRD Responses to COVID-19 and Economic Downturn

- New Mexico and the IRS extended the deadline to file and pay personal and corporate income taxes from April 15 to July 15, 2020
- New Mexico extended the deadline to file and pay Withholding Taxes due March 25 through June 25 to July 25, 2020
- During the June 2020 Special Legislative Session, a tax penalty and interest relief bill (HB6) was enacted with bipartisan support
  - Taxpayers required to **file** tax returns timely but allows additional time to **pay** without incurring penalty or interest

Tax Program	Taxes Due these dates are eligible for penalty and interest relief	Deadline to file tax returns to avoid late-filing penalty	Deadline to pay in full to qualify for relief
PIT and CIT	April 15, 2020 – July 15, 2020	July 15, 2020	April 15, 2021
Withholding Tax	March 25, 2020 – July 25, 2020	July 25, 2020	April 25, 2021
GRT/Compensating Tax	March 25, 2020 – July 25, 2020	Original due dates	April 25, 2021
Property Tax	April 10, 2020 – May 10, 2020	NA	May 10, 2021

# TRD Ongoing Response & Challenges of COVID-19 Environment

- **Motor Vehicle Division –**
  - Demand for transactions exceeds ability to safely operate
  - Use of online services is much higher than pre-pandemic, but certain transactions must be done in person – first time Real ID or standard license, CDL exam, VIN inspection
  - Governor’s Executive Order waiving fees and penalties for documents expiring during the pandemic and directing State Police not to issue citations
    - Automated preparation of temporary driver’s licenses available by email
- **Audit and Compliance Division –**
  - Not conducting on-site field audits, shifting to remote audit, modifying practices
- **Property Tax Division –** unable to safely schedule delinquent property auctions

# Major Initiatives Underway

- Albuquerque offices moved from Bank of the West to Copper Pointe November 16, 2020
- Received \$8.4M non-recurring appropriation in 2020 regular session for CRS redesign – project underway
- GenTax software version 12 upgrade work underway
- Upgrading network bandwidth in tax and MVD field offices – 22 of 33 complete
- Rule drafting – most notably for internet/remote sales and corporate income tax changes
- Drafting legislative package for 2021 regular session – administrative cleanup
- Property Tax Division system modernization implementation underway – \$2.0M for modernization and automation of the property tax business system
- MVD self-service Kiosks– ability to renew registrations and pay citations. Launch scheduled for December 2020
- REAL ID – federal deadline delayed to October 1, 2021; 69% of NM credentials are currently REAL ID Compliant

# Questions & Discussion?

# Thank you!

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