

# Taxation and Revenue Department Update: Agency Operations and Bill Implementation

Presented to the  
Revenue Stabilization and Tax Policy Committee

August 7, 2020

Stephanie Schardin Clarke, Cabinet Secretary

Mike Baca, Chief Information Officer

# TRD Agency Update

# Executive Leadership Team

## Office of the Secretary

Cabinet Secretary: Stephanie Schardin Clarke

Deputy Cabinet Secretary: Emily Oster, CPA

Tax Policy Director: Vacant

Chief Legal Counsel: Tim Van Valen

General Counsel: Elizabeth Korsmo

Director of Communications: Charlie Moore

Acting Chief Security Officer: Lydia Van Orman

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

Acting Director:  
Marcos Martinez

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 for  
Audit: Aaron Brown

Deputy Director for  
Compliance: Lisa  
Trujillo

## **MISSION**

The mission of the Taxation and Revenue Department is to serve New Mexico by providing fair and efficient tax and motor vehicle services

## **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

**INTEGRITY** We will:

- Adhere to the highest ethical standards
- Deliver what we promise
- Protect our financial and human resources
- Be trustworthy stewards of customer information

**RESPECT** We will:

- Promote employee safety, empowerment and inclusion
- Treat others with civility, empathy, and dignity
- Actively listen and value the contributions of others

**EXCELLENCE** We will:

- Deliver an exceptional customer experience
- Provide timely and consistent guidance to customers and staff
- Support workforce growth and development

**COMMUNICATION** We will:

- Ensure timely, thoughtful and effective connection with our customers and each other
- Promote respectful, meaningful exchanges of ideas
- Demonstrate transparency through open communication

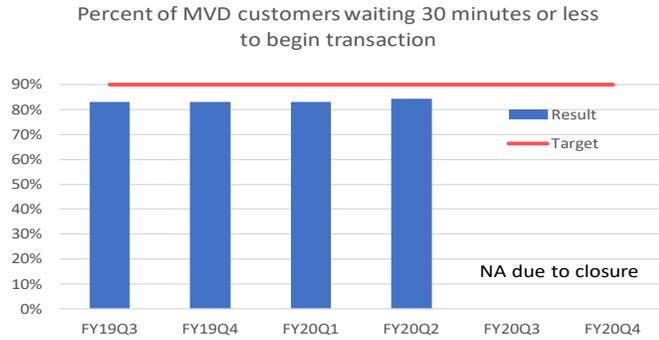
**INNOVATION** We will:

- Commit to continuous improvement in efficiency and service quality
- Challenge conventional thinking and be open to change
- Encourage and recognize diverse perspectives and creativity

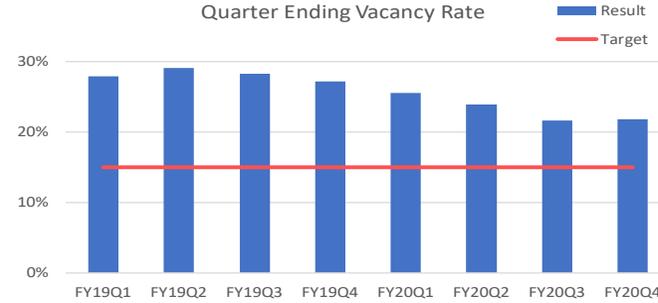
# TRD Strategic Plan Performance Dashboard

## Taxation and Revenue Department Strategic Planning Highlights

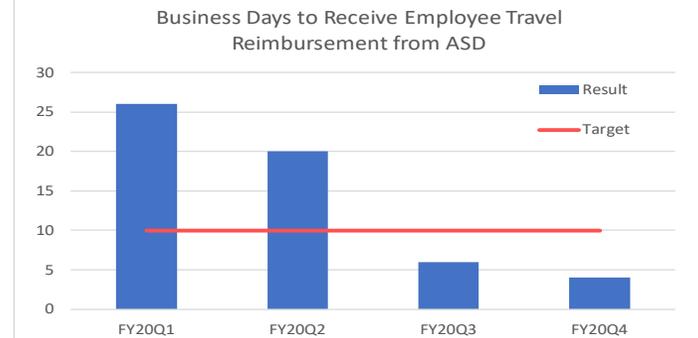
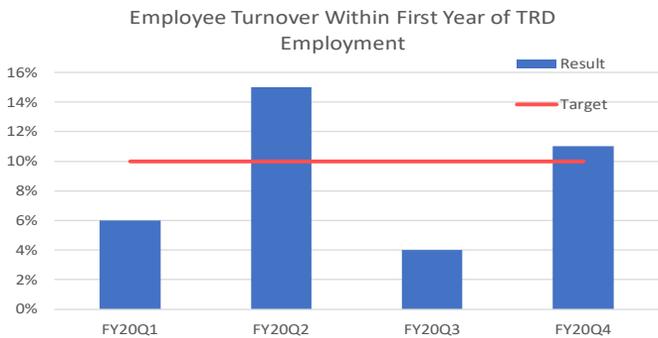
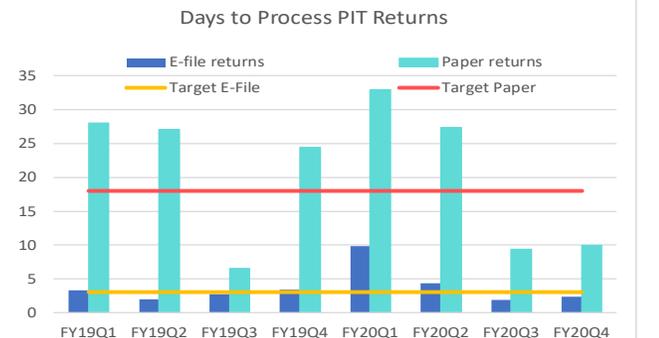
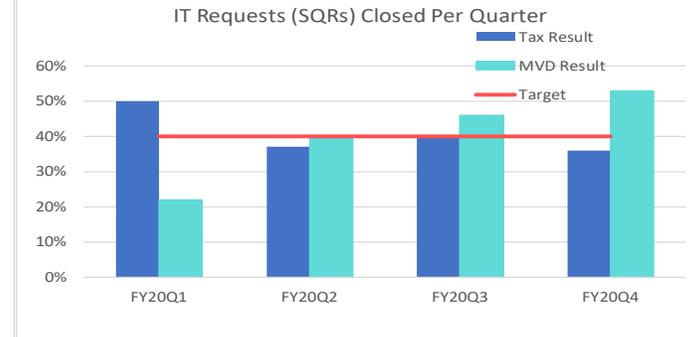
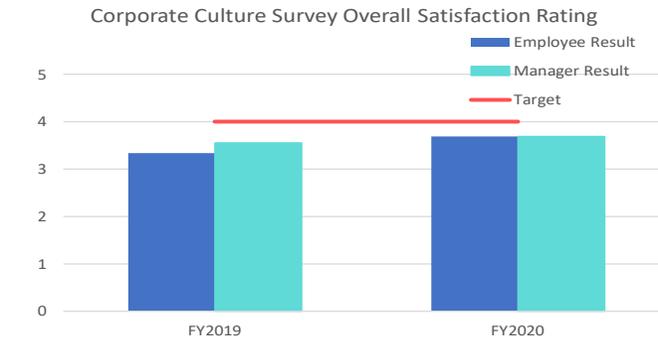
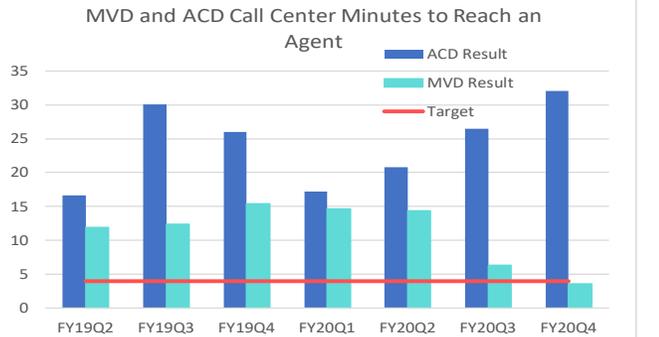
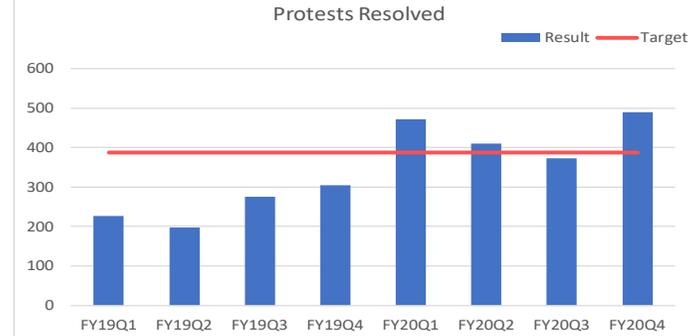
### Goal 1: Enhance Customer Experience and Customer Service



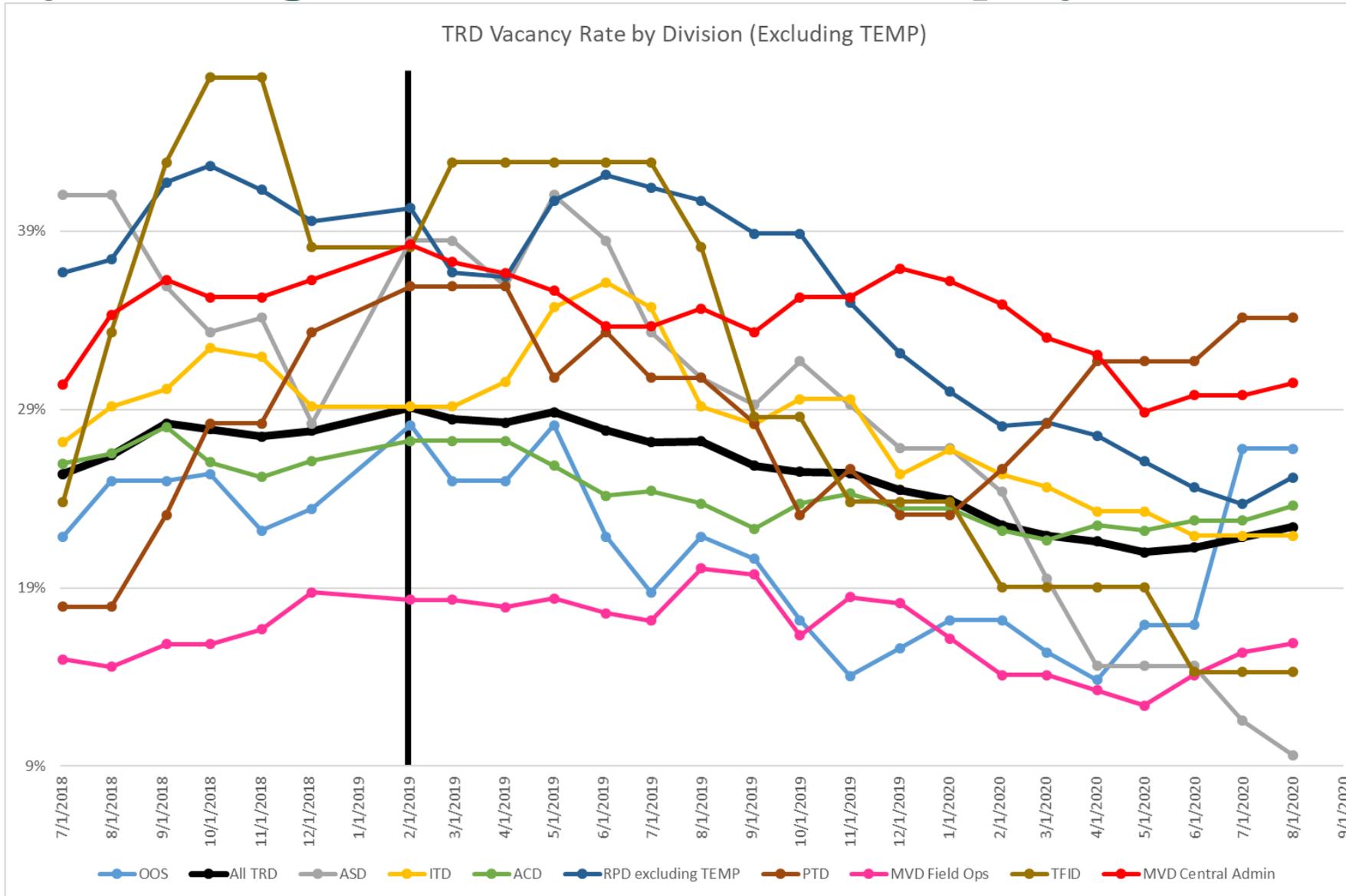
### Goal 2: Cultivate Workforce Excellence



### Goal 3: Improve Efficiency, Security and Transparency of Operations

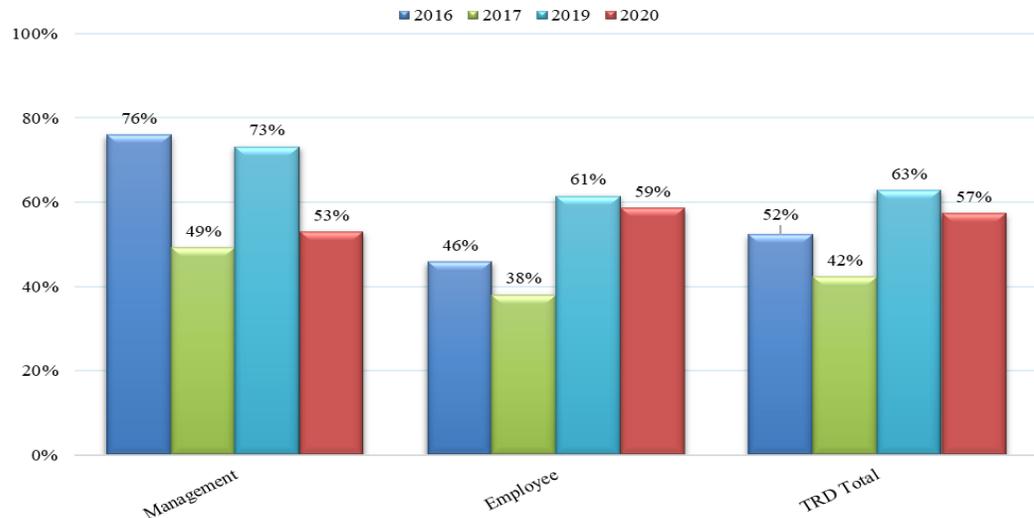


# Agency Staffing: 22.4% vacant, 835 employees

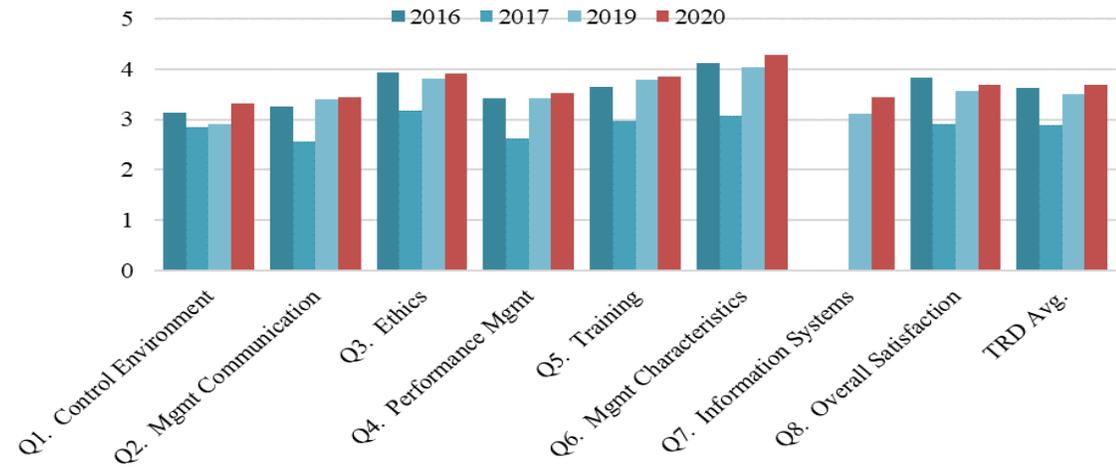


# 2020 Corporate Culture Survey Results

**Participation Comparison by Year**



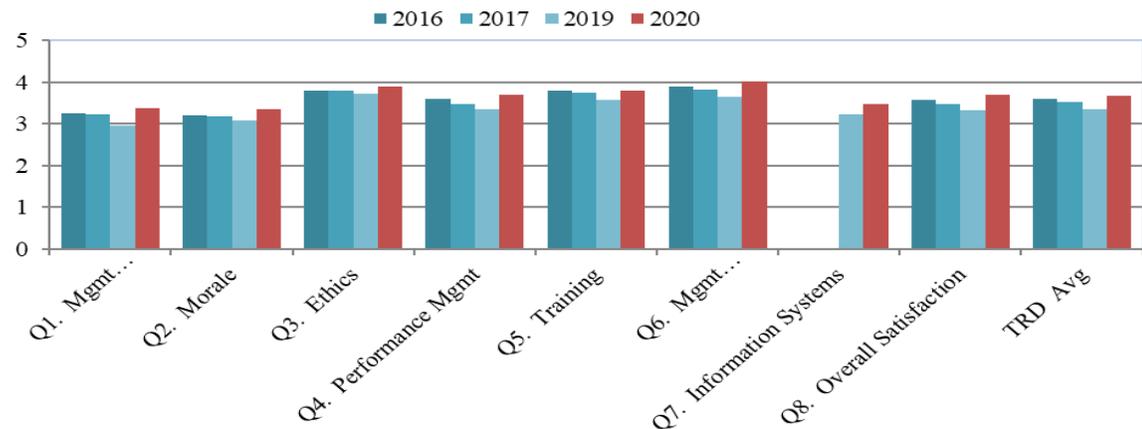
**Management Comparison by Year and Category**



## Main Themes from Survey Results

- Managers and employees see incremental improvement
- Concerns around vacancies, communication, job training, roles and responsibilities clarity

**Employee Comparison by Year and Category**



# Initiatives to Support Employee Engagement

- New Strategic Plan, Mission Statement, 3-Year Vision, and Guiding Principles adopted January 2020
- Fitness and wellness leave
- Tuition assistance and educational leave – tuition assistance currently unavailable due to budget concerns
- Alternative work schedules
- Using values-based recruitment to ensure new hires share management’s values, encourage hiring outside of government agencies
- Internal Podcast “Radio MVD”, and internal video “Telecast TRD” since pandemic
- Internal Newsletter “TRD Today”
- Active personnel management/fair and consistent application of policies
- Mandatory civility in the workplace training
- TRD Leadership Lending Library to grow the leaders of tomorrow
- Corporate Culture Survey and other opportunities for anonymous employee feedback
- Amended FMLA policy to allow intermittent leave for child birth/adoption and to include care for domestic partners
- About to adopt mentoring policy with first pairings targeted to begin October 2020

# 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
- Completed Tax and MVD call center improvements to restore Interactive Voice Response and more efficient call routing to greatly reduce call wait times
- 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 payment plans online through Taxpayer Access Point (TAP)
- 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

# 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
- In 2020 Special Legislative Session, 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 Responses to COVID-19 and Economic Downturn

- To get money in pockets of taxpayers, TRD has shifted more resources to processing refunds, business credits and abatement of taxes due, resolving protests, and clearing identity verification issues holding up refunds
- Since March 30, 2020, TRD has modified its enforcement and collection efforts to offer taxpayers options to ease financial hardship. Modified enforcement is currently in place through August 31, 2020. Modifications include:
  - No new liens, levies, property seizures, or injunctions
  - Taxpayers are offered extensions to payment plans, though encouraged to make good faith payments to prevent defaults
  - Taxpayers are offered extensions to field or desk audits and more time to produce records
  - Suspended program that garnishes state tax refunds if a federal tax debt is owed
  - Expanded eligibility for Managed Audit program to include taxpayers who are approached for field audit, taxpayers formerly (but not currently) under criminal tax investigations, and no longer requiring taxpayer to waive protest right
- Motor Vehicle Division:
  - Automated preparation of temporary driver's licenses available by email
  - Governor's Executive Order waiving fees and penalties for documents expiring during the pandemic and directing State Police not to issue citations
  - Added commercial driver's license renewal to online services
  - Serving customers in person by appointment only to protect public health

# TRD Ongoing Challenges of COVID-19 Environment

- Motor Vehicle Division –
  - Demand for transactions exceeds ability to safely operate, appointments are booked out into September-October
  - Call center struggling with call volume, but much improved due to technology changes recently implemented
  - 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
- Audit and Compliance Division –
  - Not conducting in site field audits, shifting to remote audit, modifying practices
  - Call center struggling with call volume, but much improved due to technology changes recently implemented
- Property Tax Division – unable to safely schedule delinquent property auctions
- Agency-wide vacancy rate is slowly rising

# Major Initiatives Underway

- Albuquerque offices to move from Bank of the West to Copper Pointe October 15, 2020
- Received \$8.4 million non-recurring appropriation in 2020 regular session for CRS redesign – project kickoff and scope definition underway
- Upgrading to Version 12 of GenTax software
- Phase 2 Data Analytics - \$1.15 million non-recurring appropriation in 2019 regular session
- Upgrading network bandwidth in tax and MVD field offices – 22 of 33 complete
- Rule drafting – most notably for internet sales and corporate income tax changes
- Drafting legislative package for 2021 regular session – considering administrative cleanup and revenue options
- Property Tax Division System Modernization: \$2 million for modernization and automation of the property tax business system
- MVD Kiosks– contract executed, expect self-service MVD kiosks in retail locations by January 1, 2021
- Tax call center functionality to be expanded to make outbound calls in August 2020
- REAL ID – federal deadline delayed to October 1, 2021; 70% of NM credentials are currently REAL ID Compliant

# Bill Implementation Update

# Estimated Costs of Implementing Tax Changes

- Major tax changes were mandated through 2019 legislation
- Contractual services to implement 2019 bills were initially estimated at \$27.4 million
- Minor tax changes were mandated in 2020 regular and special sessions

2019 SESSION DETAILED BILL COST							
	HB479 D-Earmark Local Option GRT	SB246 Health Care Surcharge	HB6 Tax Changes	HB162 Insurance Premium Tax Provisions	SB189 Mobility Limitation Transport Placards	SB278 Driver's License Changes	TOTAL
FAST Contract	\$3,024,000	\$1,650,000	\$11,979,200	\$5,000,000	\$249,375	\$99,531	\$22,002,106
PM/BA	\$150,000	\$225,000	\$300,000	\$300,000	\$0	\$0	\$975,000
Contract Resource for Data Verification	\$0	\$0	\$0	\$42,000	\$0	\$0	\$42,000
IV&V	\$317,400	\$187,500	\$1,227,920	\$500,000	\$0	\$0	\$2,232,820
GRT	\$294,587	\$174,023	\$1,139,663	\$492,919	\$21,041	\$8,398	\$2,130,631
Total Contractual Cost including GRT	\$3,785,987	\$2,236,523	\$14,646,783	\$6,334,919	\$270,416	\$107,929	\$27,382,557

# Funding Sources for Bill Implementation

Source	Amount	Expenditure through June 30, 2020
Board of Finance Emergency Loan	\$1,250,000	\$1,250,000
TRD FY2019 Operating Budget	\$870,363	\$870,363
TRD FY2020 Operating Budget	\$69,047	\$69,047
HB2 (Laws 2019), Section 5, Paragraph 23	\$1,000,000	\$1,000,000
HB2 (Laws 2019), Section 7, Paragraph 4	\$3,000,000	\$1,368,900
HSD HCQS – (HSD Funded)	\$2,400,000	\$1,935,677
<b>TOTAL AVAILABLE FUNDING</b>	<b>\$8,589,410</b>	<b>\$6,493,987</b>

# Priority 1 – Effective June 14, 2019 and July 1, 2019

Bill Number	Bill Title	Percentage Complete
HB 2	Admin Fee Changes	100%
HB 6	Tax Changes (Sections 1-3, 5-8, 10, 23-29, 31, 33-49, 51, 54-56)	100%
SB 2	Film Tax Credit Changes	100%
SB 413	Liquor Permit, Tax & Definition Changes	100%
SB 129	Tax Protests & Admin Hearings	100%
HB 165	Modifying High Wage Jobs Tax Credit	100%
HB 407	Driver Search with Last4 SSN and DOB	100%
SB 20	Sex Designation on Vital Records	100%
SB 189	Mobility Limitation Transport Placards	100%
SB 236	Disabled Veteran License Plate Options	100%
SB 517	DWI with Minor in the Vehicle	100%
	<b>Total Completion:</b>	<b>100%</b>

## Priority 2 – Effective by June 30, 2020

Bill Number	Bill Title	Percentage Complete (6/30/2020)
HB 427	Motor Vehicle Code Offense Penalties	100%
SB 278	Driver's License Changes	100%
SB 234	Pollinator Protection License Plate	100%
SB 672	Early & Auto Voter Registration	16%
HB 162	Insurance Premium Tax Provisions	100%
SB 246	Healthcare Quality Surcharge Act	100%
HB 479	De-Earmark Local Option Gross Receipts Tax	100%
HB 6	Tax Changes (Sections 4, 9, 11, 13-15, 16-22)	100%
HB 163	Tax Deduction for Non-Resident Beneficiary	100%
	<b>Total Completion:</b>	<b>98%</b>

## Priority 3 – Effective by July 1, 2021

Bill Number	Bill Title	Percentage Complete (6/30/2020)
HB 6	Tax Changes (Sections 49, 50, 52, 53 – includes Local Option Gross Receipts and Compensating Taxes Act changes, marketplace sellers internet sales, and associated CRS redesign funded in 2020 HB2)	0%

# 2020 Legislation (Regular and Special Session)

Bill Number	Bill Title	Percentage Complete
HB 6 (2020 SS)	Temporary Tax Waivers and Distributions - Increase GRT Distributions to Municipalities and Counties	75%
HB 6 (2020 SS)	Temporary Tax Waivers and Distributions - Waiver of penalty and interest for income tax and CRS	45%
HB 6 (2020 SS)	Temporary Tax Waivers and Distributions – Waiver of interest for Managed Audits	45%
HB 83	Early Childhood Education & Care Fund	45%
HB 157	Childhood Cancer Family Support License Plate	100%
HB 158	Transfer Angel Investment Credit Review	100%
HB 170	Extend Small Business Saturday	100%
HB 255	Technology Readiness Gross Receipts Credit	100%
HB 326	Tax Changes (Investment Tax Credit)	85%
SB 29	Solar Market Development Income Tax Credit	15%
SB 122	Distribution to Judicial Retirement Funds	100%
SB 151	Car Title and Registration E-signatures – Capture e-signature	100%
SB 151	Car Title and Registration E-signatures - Registration Plate on Title Issuance	5%
	<b>Total Completion:</b>	<b>70%</b>

# Rules, Publications and Communications

- Contracted with Tax Research Institute to assist with rulemaking and communications – focus on internet sales and destination-based sourcing, but also corporate income tax changes
- Start with model regulations established by Multistate Tax Commission
- CRS filing kit has been updated to include changes
- FYI-105, GRT and Compensating Tax, was revised in July 2020
- FYI-200, Business Location, was revised August 2019
- Future outreach will focus on webinars for the foreseeable future
- Publications in the works:
  - FYI on marketplace sellers/providers in final drafting stage
  - Further revisions to FYI-200, Business Location, are underway

# TRD Resources

- Taxpayer Advocate Tiffany Smyth provides assistance to taxpayers, identifies systemic problems within TRD, and recommends long term solutions: [Tiffany.Smyth2@state.nm.us](mailto:Tiffany.Smyth2@state.nm.us) or call (505) 841-6565
- Tax Practitioner Liaison Rusvelina Escalante assists CPAs, tax lawyers, and enrolled agents to navigate TRD processes: [Rusvelina.Escalante@state.nm.us](mailto:Rusvelina.Escalante@state.nm.us) or call (505) 841-6354
- Contact the Managed Audit Information Line at (505) 841-6216 or Marti Rodriguez at 505-231-0526, [martha.rodriguez@state.nm.us](mailto:martha.rodriguez@state.nm.us)
- For Payment Plans, visit <https://tap.state.nm.us> for self-service or call the TRD Audit and Compliance Division call center at 866-285-2966
- For questions about taxability of various transactions or to request a ruling, email [policy.office@state.nm.us](mailto:policy.office@state.nm.us)



# Thank you!

Stephanie Schardin Clarke

[StephanieS.Clarke@state.nm.us](mailto:StephanieS.Clarke@state.nm.us)

Mike Baca

[Mike.Baca@state.nm.us](mailto:Mike.Baca@state.nm.us)

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