

Taxation and Revenue Department Update: Agency Operations and Bill Implementation

Presented to the
Revenue Stabilization and Tax Policy Committee

August 10, 2021

Emily Oster, Deputy Cabinet Secretary

Mark Chaiken, Tax Policy Director

Aysha Mora, Audit & Compliance Division Director

TRD Agency Update

Executive Leadership Team

Office of the Secretary
Cabinet Secretary: Stephanie Schardin Clarke
Deputy Cabinet Secretary: Emily Oster, CPA
Tax Policy Director: Mark Chaiken, JD, LL.M
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

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

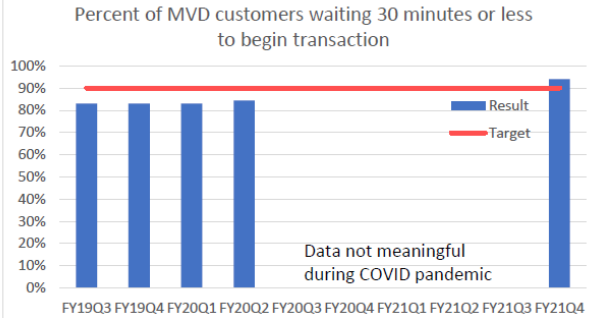
INNOVATION We will:

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

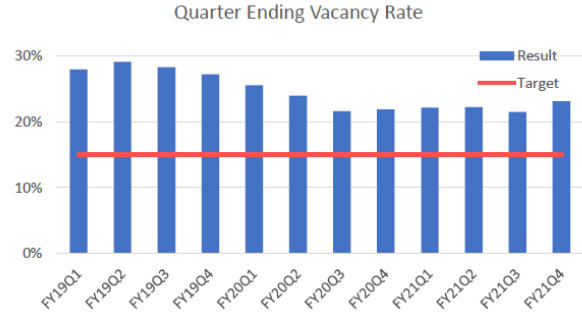
TRD Strategic Plan Performance Dashboard

Taxation and Revenue Department Strategic Plan Highlights

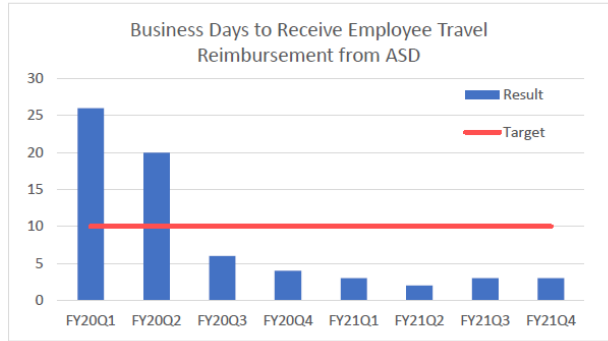
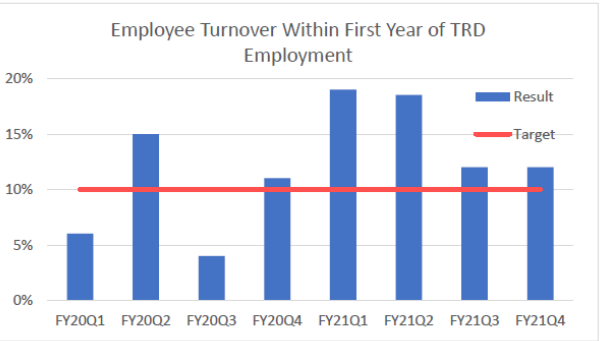
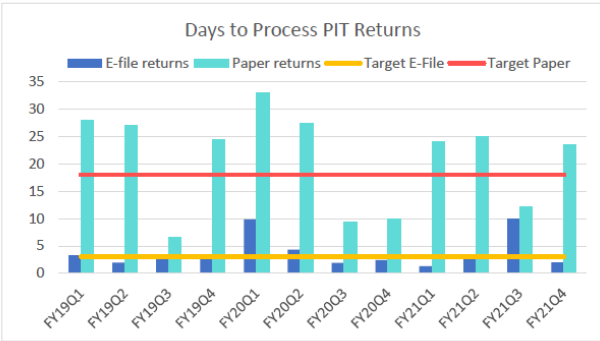
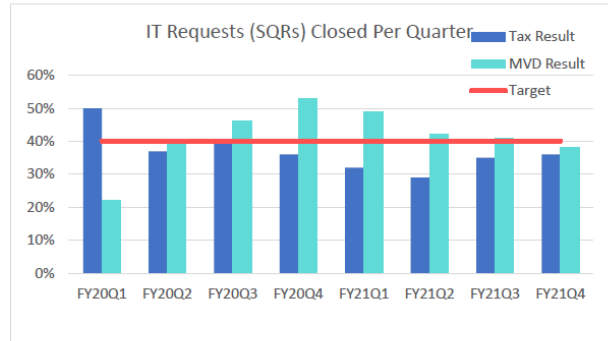
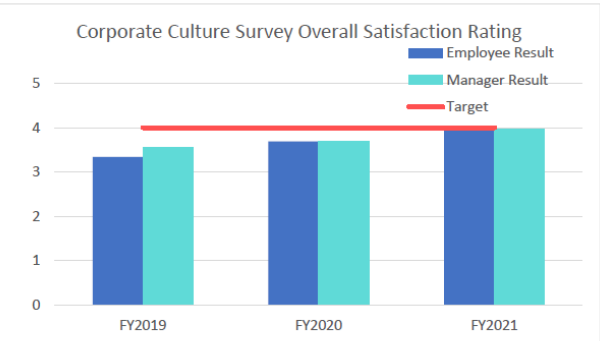
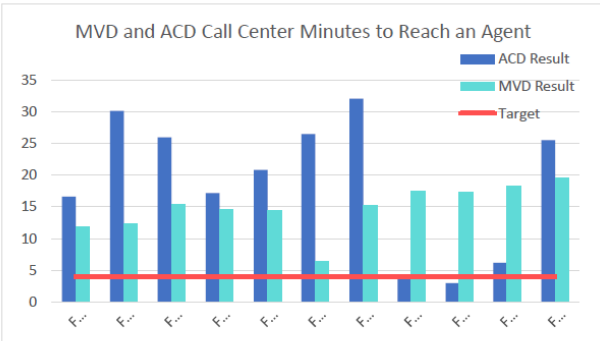
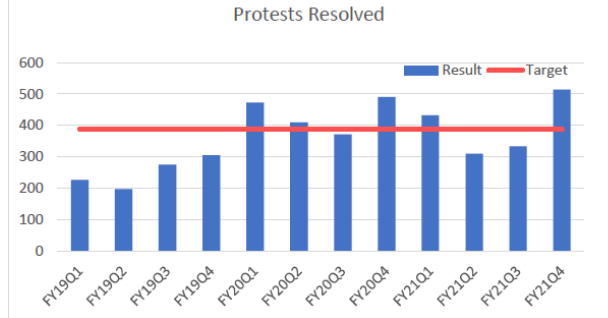
Goal 1: Enhance Customer Experience and Customer Service



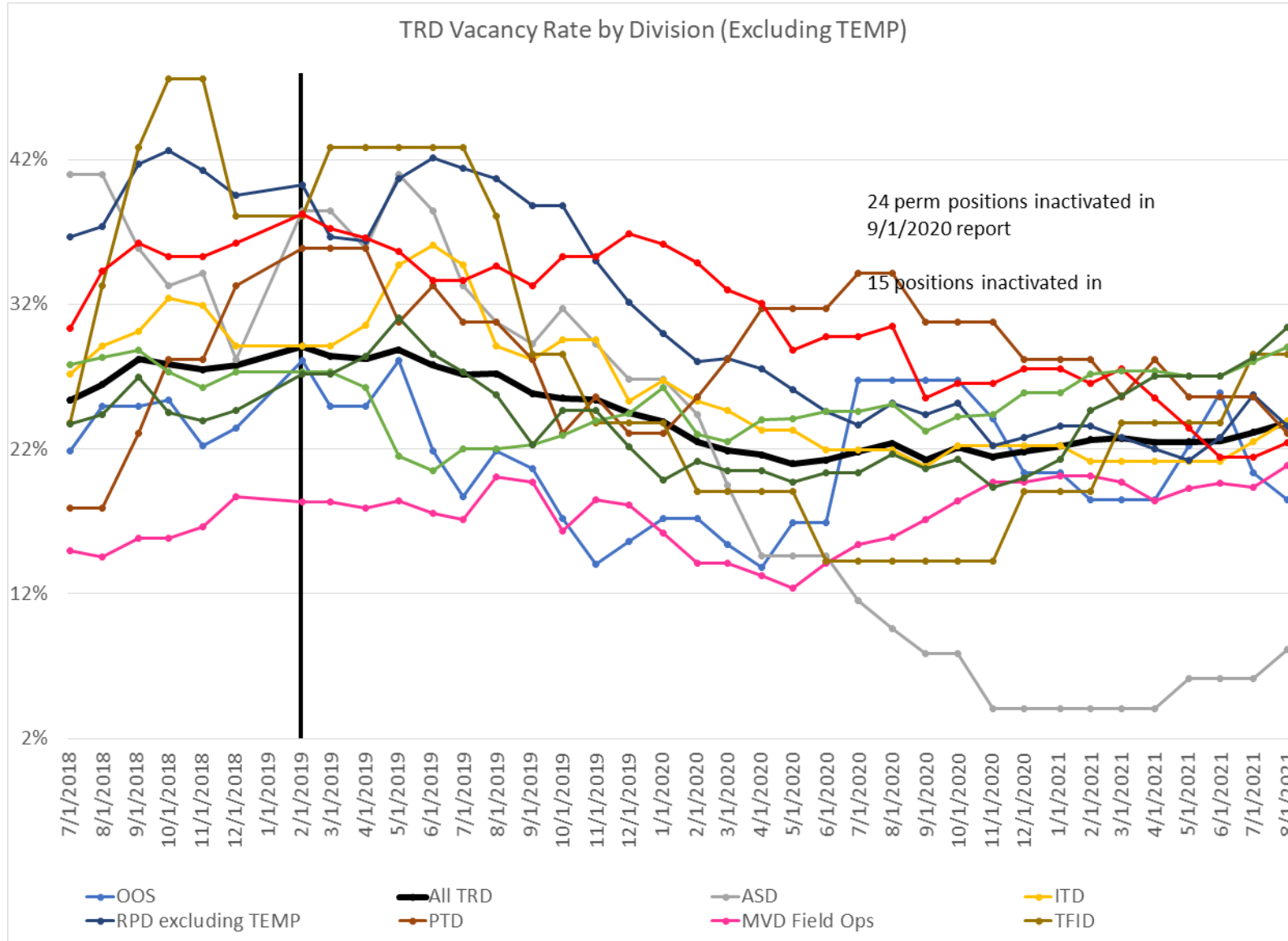
Goal 2: Cultivate Workforce Excellence



Goal 3: Improve Efficiency, Security and Transparency of Operations

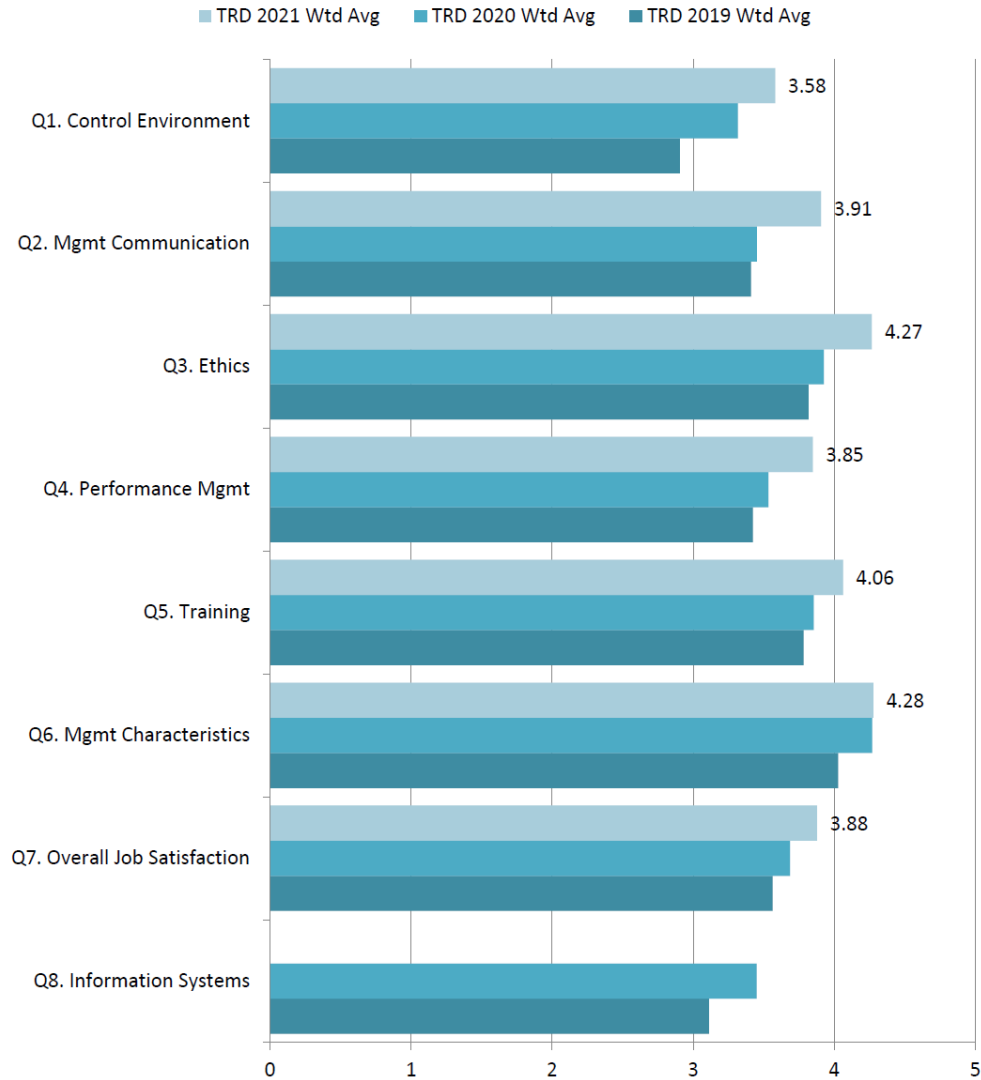


Agency Staffing: 23.8% vacant, 789 employees

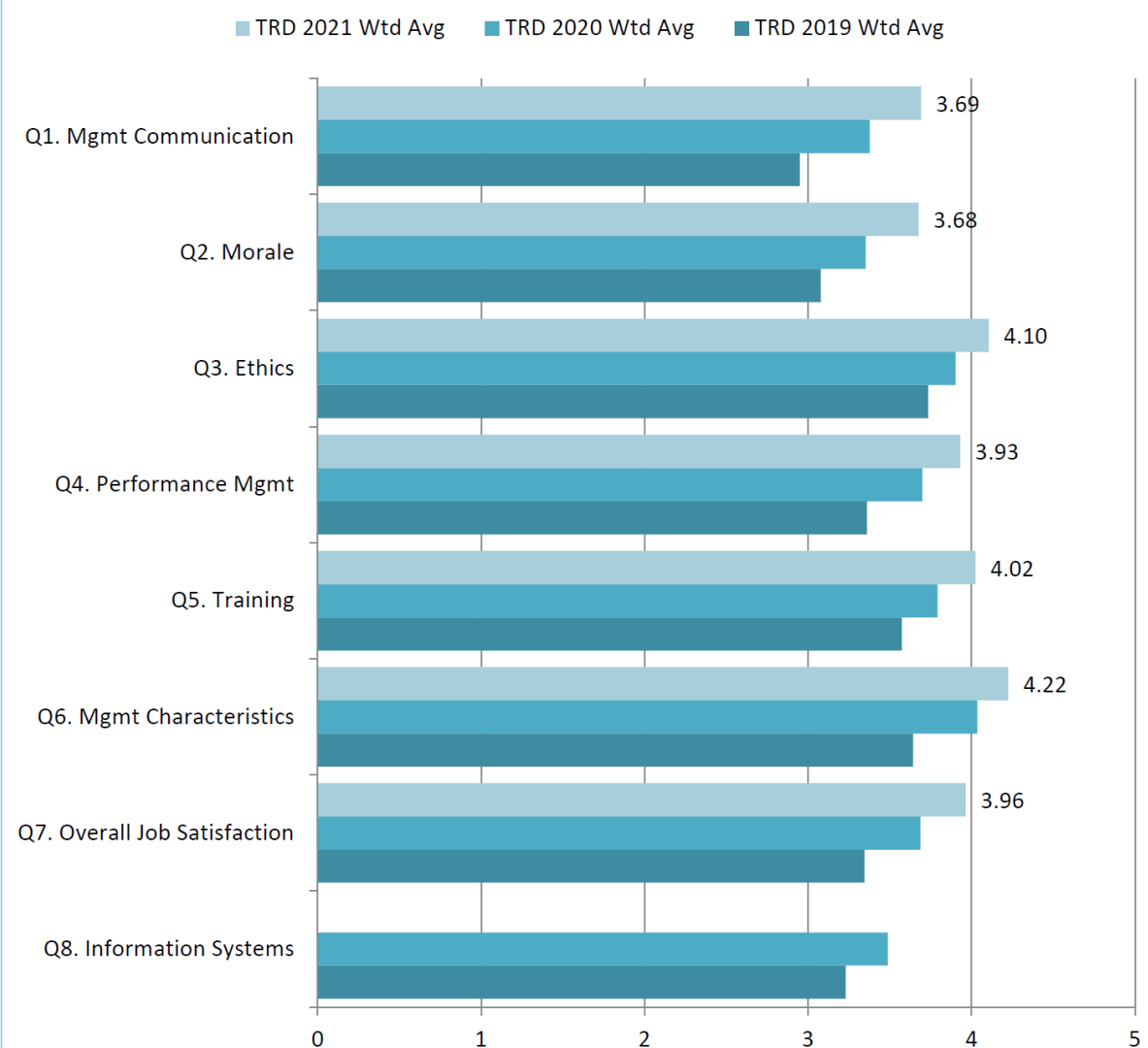


2021 Corporate Culture Survey Results

Variance of 2020 - 2021 Management Survey Results



Variance of 2020 - 2021 Employee Survey Results



Initiatives to Support Employee Engagement

- Alternative work schedules
- Using values-based recruitment to ensure new hires share management's values, encourage hiring outside of government agencies
- Active personnel management/fair and consistent application of policies
- Mandatory civility in the workplace training
- Corporate Culture Survey and other opportunities for anonymous employee feedback
- Adopted mentoring policy in October 2020, 2nd cohort currently underway
- Virtual employee appreciation week in June 2021- Office Olympics
- Continued focus on COVID mitigation and safety (for employees and customers)
- Implemented non-mandatory telework
 - 527 employees participating (about 70%)

Recently Completed Initiatives

- Stimulus checks pursuant to Senate Bill 1 distributed to low-income New Mexicans
- Temporary food and beverage deduction pursuant to Senate Bill 1 implemented
- Corporate unitary reporting implemented, including adoption of implementing regulations
- Destination based sourcing implemented, including adoption of implementing regulations
- Albuquerque offices moved from Bank of the West to Copper Pointe
- Completed CRS Redesign project using \$8.4 million non-recurring appropriation received in 2020 regular session
- Upgraded to Version 12 of GenTax software
- MVD Kiosks available in retail grocery stores
- Tax call center functionality expanded to make outbound calls and to tier calls by skill

Major Initiatives Underway

- Cannabis tax implementation
- LEDA implementation (SB 1 (Special Session))
- Regulatory overhaul of many outdated regulations and revisions to account for CRS redesign
- Implementing codes for reporting of all deductions
- E-file and E-pay mandates (HB98)
- Upgrading network bandwidth in tax and MVD field offices – 25 of 32 complete
- Drafting legislative package for 2022 regular session
- Property Tax Division System Modernization: \$2 million for modernization and automation of the property tax business system, completion expected in December 2021
- REAL ID – federal deadline delayed to May 3, 2023; 73% of NM credentials are currently REAL ID Compliant
- Updating regulations, definitions relating to services, including definition of “product of a service”, “initial use”, and related terms near completion

Audit & Compliance Update

Compliance Continuum

Risk and Expense

	<u>Education</u>	<u>Processing</u>	<u>Compliance Campaigns</u>	<u>Audits</u>	<u>Collections</u>	<u>Litigation</u>	<u>Fraud Cases</u>
<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



Taxpayer Access Point (TAP)



Logon

Password

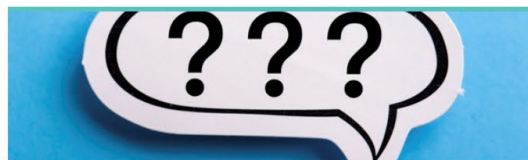
Log in

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.

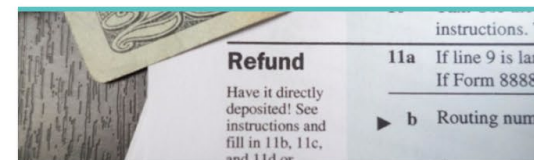
- > [View our TAP Frequently Asked Questions \(FAQs\)](#)
- > [View our CRS Redesign Project FAQs](#)
- > [View the Interactive GRT Rate Map](#)
- > [View Video Trainings and Tutorials](#)



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
- Auto-registration for data sources that indicate a business needs to register, such as registration with other Agencies

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
- GRT returns can now be filed using mobile devices



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

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, payment and registration
- 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
- Expand filing of liens with county clerks to improve the lien filing process

FY21 Challenges- Budget

- Budget comparison over a 3 year period
- ACD's vacancy rate rose from 22% to 28% over 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

^This revenue was budgeted, but it was not realized

Bill Implementation Update

Rules, Publications and Communications

- Completed implementation of destination sourcing regulations, and updated FYI-200 (Business Location) and FYI-105 (GRT and Compensating Tax) to reflect destination sourcing
- Revised over 40 publications to conform to changes made pursuant to the CRS redesign project
- Revised all paper forms to conform to changes made pursuant to the CRS redesign project
- Completed FYI for marketplace providers and sellers
- Conducted multiple seminars to businesses, industry groups, accountants, and lawyers to explain destination sourcing rules
- Future outreach will focus on webinars for the foreseeable future

TRD Resources

- Acting Taxpayer Advocates David Monteith and April Vigil provide assistance to taxpayers, identify systemic problems within TRD, and recommend long term solutions:
David.Monteith@state.nm.us or April.Vigil3@state.nm.us or call (505) 629-8111
- Tax Practitioner Liaison Rusvelina Escalante assists CPAs, tax lawyers, and enrolled agents to navigate TRD processes: Rusvelina.Escalante@state.nm.us or call (505) 841-6556
- Contact the Managed Audit Information Line at (505) 841-6216 or email managed.audit@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

Thank you!

Emily Oster

Emily.Oster@state.nm.us

Mark Chaiken

Mark.Chaiken@state.nm.us

Aysha Mora

Aysha.Mora3@state.nm.us

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

