

TRD Business Credit Bureau, Data Analytics Group and Taxpayer Advocate

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Overview

- ▶ Today we will discuss how TRD will enhance customer service and transparency through the following Process Improvements :
 - ▶ Business Credit Bureau
 - ▶ Data Analytics Group
 - ▶ Taxpayer Advocate

Business Credit Bureau

- ▶ On September 7, 2017, Internal Audit, finalized IA 17-104, Business Tax Credit Management Process
 - ▶ TRD management should develop a process to automate the exchange of standardized information from external agencies issuing approvals.
- ▶ Business Credit Unit will manage business tax credits meeting best practices and will provide the public timely and effective services. TRD approved approximately \$50 million in CRS business credits in FY17.

Best Practices in the following states

State Benchmarking Study Renewable Energy Credit Processing Analysis					
State	Department Responsible for Approving Credit Application	Verification Data Received from Approving Agency	Department Responsible for Tracking Externally Approved Business Credits	Review of Credit Claim Before Approval	Audits of Claims Conducted Post Refund
Arizona	Arizona Commerce Authority	Copy of certificate sent directly to AZ DOR from ACA	Office of Economic Research and Analysis (four staff members)	Processing unit does not modify returns	Questionable claims referred to audit unit
Iowa	Iowa Utilities Board	Certificate data loaded from IUB into CACTUS	Tax Research Team (eight Tax Research Analysis)	Up front check of large credits, database verification	Back end audits
New Mexico	Energy, Minerals and Natural Resources Department	Copy of certificate sent from taxpayer	Revenue Processing Division (one Tax Examiner)	Processing division reviews/approves/denies credit claims	Not included in audit selection criteria
Utah	Governor's Office of Energy Development	Certification form not submitted with return. GenTax Discovery tool to match with agency information at audit level.	Tax Research Team	Returns stop processing/up front audits identified and assigned using scoring/GenTax Audit Discovery	Back end audits

Tax Incentive Goal: Shaking Hands with Goldilocks

- ▶ Economic Development Perspective: “The State of New Mexico and its communities offer employers aggressive incentives to encourage job creation and investment.”
 - ▶ Tool kit for economic developers.
- ▶ General Fund Perspective: Progress Report: October 30, 2017 Tax Gap, Audit & Compliance, and Fraud
 - ▶ “Tax expenditures, as part of the state’s overall economic policy require continuous review.”
 - ▶ “By providing tax incentives, the state foregoes revenue to the general fund, and when a tax expenditure has weaknesses, foregone revenue can impact the general fund much more significantly.”

Business Credit Bureau

- ▶ Vision-To assure that business credits are the most cost effective way to achieve the desired outcome
- ▶ Mission-To assure that tax incentives are effective and efficient
- ▶ The team will be comprised of the following employees:
 - ▶ Economist
 - ▶ Attorney Advanced
 - ▶ 2 Operation Research Analysts
 - ▶ Tax Examiner

Business Credit Bureau Tasks

- ▶ Development and tracking
- ▶ Development of a compliance strategy
- ▶ Review and maximize the interactions with other agencies
- ▶ Provide guidance and oversight to the current administration of tax credits in Audit & Compliance and Revenue Processing
- ▶ Provide subject matter expertise to the Executive and Legislative branches in relation to tax incentives
- ▶ Draft necessary regulations and proposed statute changes
- ▶ Assist with the Tax Expenditure Report
- ▶ Monitor tax incentives and react to any system weaknesses

Audit and Compliance Data Analytics Team

- ▶ Vision-To achieve maximum efficiency in tax operations grounded in reliable data
- ▶ Mission-To advise senior management and empower users with advanced analytics tools
- ▶ The team is divided into two groups.
 - ▶ Group 1 is made up of Business Operations Specialists whose main functions include defining IT projects, coordinating with the business side and IT, and testing the projects.
 - ▶ Group 2 is made up of Research Analysts that make use of statistical analysis software to design datasets, analyze data and present statistical summaries, build models for audit selection, and help in the prevention of fraud.

Audit and Compliance Data Analytics Structure

- ▶ Data Analytics and Analysis team will be composed of 7 to 9 full-time employees.
 - ▶ Bureau Chief
 - ▶ Economist
 - ▶ 2 Research Analyst III
 - ▶ 2 Research Analyst II
 - ▶ 3 Business Specialist III

Audit and Compliance Data Analytics Economist

- ▶ The Economist is responsible for:
 - ▶ tracking collections revenues
 - ▶ analyzing economic indicators to aid in collection strategies
 - ▶ formulating collections projections
 - ▶ reporting statistical summaries of audit and compliance operations
 - ▶ coordinating the review of legislation and regulations
 - ▶ designing models to enhance collections and audit selection
 - ▶ collaborating with vendors to design tools that enhance audit selection
 - ▶ writing statistical programs for data analysis
 - ▶ providing research and supporting operations of the Tax Analysis, Research and Statistics team in the Office of the Secretary
 - ▶ researching taxpayer behavior

Audit and Compliance Data Analytics Analysts

- ▶ Research Analysts and Business Specialists are responsible for:
 - ▶ analyzing audit and collections data to identify trends, anomalies, and other information pertinent to audit and compliance activities using statistical analysis software
 - ▶ reviewing tax legislation and regulations
 - ▶ writing business requirements for IT projects
 - ▶ serving as the liaison between the business side and IT to ensure successful implementation of projects
 - ▶ reviewing and approving testing results of IT projects
 - ▶ composing reports to upper management detailing statistical summaries such as employee return on investment
 - ▶ supporting the creation of models to enhance collections

Data Business Opportunity

- ▶ The GenTax Discovery manager has allowed ACD to conduct matching of various sources of data, for various tax programs, to perform basic audit selection.
- ▶ The GenTax Fraud Manager has allowed ACD to perform some analysis of Fraud for Personal Income Tax (PIT).
- ▶ Several states have identified that the Fraud has decreased significantly in the PIT realm and has moved into business taxes. TRD has shifted focus to build models that may predict compliance, provide audit selection and detect fraud in these business sectors.
- ▶ Accounts Receivable(AR) Balance has increased significantly due to the use of external data for assessments, this is compounded by the fact that the number of abatements and Protests has increased over the last 3 years

Purpose - TRD Data Analytics GRT Project

- ▶ TRD determined that the PIT enhancements using GenTax FDS would not provide as large of revenue enhancements as a more advanced solution for Gross Receipts Tax (GRT) would.
- ▶ The purpose of the Data Analytics project is to extend the SAS platform and implement a Solution for GRT Audit Selection Process and enhance the Agency's External Analytics capabilities for the Gross Receipts Tax (GRT) tax program.
- ▶ SaS Fraud Framework provides a more streamlined data mining process and creates highly accurate predictive and descriptive models that will lead to more advanced audit selections.
- ▶ Higher level of data analytics expertise within SAS to assist and discover unknown patterns and key relationships to identify variables of non-compliance

Data Analytics Project

Current Status

- ▶ Initiation Certification complete
- ▶ TARC Approval
- ▶ IV&V Waiver
- ▶ Contract in place
- ▶ Hardware set-up in progress
- ▶ Performing necessary security verifications

What is the purpose of the Taxpayer Advocate?

- ▶ The Taxpayer Advocacy Program is designed to *provide assistance* to taxpayers, *identify systemic problems* within the department, and *recommend long term solutions* to solving those problems.
- ▶ The taxpayer advocate can assist in resolving issues when the normal process has broken down. The taxpayer advocate will ensure that the rights afforded to the taxpayer in the Taxpayer Bill of Rights are protected.

What Can't I do?

- ▶ Act as the first contact with the department
- ▶ Provide relief or a remedy not provided by law
- ▶ Reverse decisions made by the Administrative Hearing Office or the Courts

What can the Taxpayer Advocate Do?

- ▶ Provide assistance to those who have tried to operate within the normal departmental channels
- ▶ Coordinate communications between you and the department
- ▶ Ensure your rights under the Taxpayer Bill of Rights are being upheld
- ▶ Advocate for a resolution of your issue on your behalf
- ▶ Identify systemic problems
- ▶ Recommend long-term solutions

The Taxpayer Bill of Rights

- ▶ What is the purpose of the taxpayer bill of rights?
 - ▶ Ensure that the rights of New Mexico taxpayers are adequately safeguarded and protected during the assessment, collection and enforcement of any tax administered by the Department pursuant to the Tax Administration Act;
 - ▶ Ensure that the taxpayer is treated with dignity and respect, and
 - ▶ Provide brief but comprehensive statements that explain in simple, non-technical terms the rights of taxpayers as set forth in the statute.
- ▶ How are they enforced?
 - ▶ Many of the rights are integrated in automated processes within the case management system, such as notices and audit timelines
 - ▶ Wide array of publications from the department explaining processes, remedies, and rights
 - ▶ FYIs, Brochures, Bulletins, as well as newly published audit manual
 - ▶ The taxpayer advocate provides feedback to directors when lapses occur

Taxpayer Bill of Rights (NMSA 7-1-4.2)

- ▶ The right to available public information and prompt, courteous tax assistance;
- ▶ The right to representation by counsel or other qualified representative at any time during your contacts with us according to Section 7-1-24 NMSA 1978 or with the Administrative Hearings Office according to the Administrative Hearings Office Act;
- ▶ The right to have audits, inspections of records and meetings take place at a reasonable time and place (Section 7-1-11 NMSA 1978);
- ▶ The right to simple, non-technical information explaining procedures, remedies and rights during audit, protest and collection proceedings under the Tax Administration Act;
- ▶ The right to an explanation of audit results and the basis for audits, assessments or denials of refund that identify tax, interest or penalty due;
- ▶ The right to seek review, through formal or informal proceedings, of findings or unfavorable decisions that occur during audit or protest procedures (Section 7-1-24 NMSA 1978 and the Administrative Hearings Office Act);

Taxpayer Bill of Rights (Continued)

- ▶ The right for your tax information to remain confidential unless otherwise specified by law in Sections 7-1-8.1 through 7-1-8.10 NMSA 1978;
- ▶ The right to abatement (forgiveness) of an assessment of taxes that has been incorrectly, erroneously or illegally made (Section 7-1-28 NMSA 1978) and a right to seek a compromise of a stated tax liability. When the Secretary of Taxation and Revenue in good faith doubts that you owe us the amount we claim, you have the right to seek compromise if a way exists in your particular case according to Section 7-1-20 NMSA 1978;
- ▶ The right to clear information about penalties if a tax assessment is not paid, secured, protested or otherwise provided for according to Section 7-1-16 NMSA 1978. If you become a delinquent taxpayer, upon notice of delinquency you have the right to timely notice of collection actions that require sale or seizure of your property under the Tax Administration Act, and
- ▶ The right to ask to pay your tax obligations by installment agreements according to Section 7-1-21 NMSA 1978.

Questions

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