

GOVERNMENTAL OPERATIONS

Agency 140

Department of Revenue

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2013-15 Expenditure Authority	1,193.7	213,626	38,662	252,288
Total Maintenance Level	1,184.3	219,149	27,853	247,002
Difference	(9.4)	5,523	(10,809)	(5,286)
Percent Change from Current Biennium	(0.8)%	2.6%	(28.0)%	(2.1)%
Performance Changes				
Reduce Information Technology Services		(240)		(240)
Increase Electronic Communications	(1.0)	(430)		(430)
Program Changes	(3.4)	(500)		(500)
Reduce Property Tax Program	(3.0)	(244)		(244)
Reduce Tax Administration Activities	(5.6)	(662)		(662)
Revenue Implementation Funding		7,146	91	7,237
Reduce Audit Services		(1,000)		(1,000)
Working Families Tax Exemption		106,447		106,447
Tax and Licensing System Replacement	9.0	18,680	9,222	27,902
Headquarters Office Relocation		880	220	1,100
Enhance Field Office Security		392		392
CTS Rate Adjustment		(104)	(12)	(116)
Archives/Records Management		(1)		(1)
Audit Services		(1)		(1)
Legal Services		44	5	49
Office of Chief Information Officer		31	4	35
CTS Central Services		211	27	238
DES Central Services		233	30	263
Core Financial Systems Replacement		54	7	61
Fleet Program Rate Reduction		(6)		(6)
Time, Leave and Attendance System		75	9	84
Self-Insurance Liability Premium		(9)	(1)	(10)
State Public Employee Benefits Rate		266	27	293
Nonrepresented Job Class Specific Increases		94	18	112
WPEA General Government Master Agreement		6,753	575	7,328
General Wage Increase for State Employees		1,557	144	1,701
Subtotal	(4.0)	139,666	10,366	150,032
Total Proposed Budget	1,180.3	358,815	38,219	397,034
Difference	(13.4)	145,189	(443)	144,746
Percent Change from Current Biennium	(1.1)%	68.0%	(1.1)%	57.4%
Total Proposed Budget by Activity				
Administration	78.3	26,610	7,271	33,881
Property Tax Administration	53.3	14,899		14,899

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	Annual FTEs	General Fund State	Other Funds	Total Funds
State and Local Revenue Collection and Distribution	573.2	242,101	4,924	247,025
Tax Auditing	309.1	55,220	144	55,364
Tax Policy Research, Analysis, and Interpretation	50.9	14,303	9	14,312
Taxpayer Appeals	26.1	5,682		5,682
Unclaimed Property Management	33.9		8,828	8,828
Business Licensing Services	55.5		17,043	17,043
Total Proposed Budget	1,180.3	358,815	38,219	397,034

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Reduce Information Technology Services

The department currently contracts for information technology services to provide support for technology issues that may arise with third party software. Funding will be reduced for these contract services.

Increase Electronic Communications

The department will generate savings by issuing up to 60 percent of their tax assessments electronically and eliminating printing and mailing forms and notices to electronic filers.

Program Changes

The department will reduce funding for the collection of unpaid wages and realize savings by moving the collection of the commercial vessel tax to the Department of Licensing.

Reduce Property Tax Program

Funding is reduced for the administration of the property tax program. This reduction is not intended to impact grant or deferral programs.

Reduce Tax Administration Activities

Funding for administrative functions is reduced for taxpayer assistance and education, human resources, executive team, log export program, internal auditing, and development of policies and procedures.

Revenue Implementation Funding

Funding is provided for the implementation costs associated with proposals to raise revenue from a capital gains tax, tobacco taxes, and repeal or modification of tax preferences.

Reduce Audit Services

Funding is reduced for audit services within the Tax Collection division. Savings will be achieved through efficiencies in vacancies, staff reductions, or reductions in travel or goods and services.

Working Families Tax Exemption

The Working Families' Tax Exemption program was enacted in 2008 to provide refunds to qualified taxpayers for the prior year equal to, or greater than, ten percent of the federal earned income tax credit or fifty dollars. A portion of the Carbon Pollution Accountability Act revenue will be used to implement and administer this program.

Tax and Licensing System Replacement

Funding is provided for Certificate of Participation (COP) financing to complete the next phase of the tax and licensing system. (General Fund-State, Business License Account-State)

Headquarters Office Relocation

Headquarters staff will be moved to an energy efficient building located closer to other department staff.

Enhance Field Office Security

Funding is provided to maintain current security measures implemented in the 2013-15 biennium due to increased tax collections paid with cash.

CTS Rate Adjustment

Agency budgets are adjusted to reflect changes in Consolidated Technology Services (CTS) rates. Specific changes include a reduction in metered storage rates and elimination of tailored storage rates, elimination of redundant firewalls, reduction in long distance telephone rates, a general rate reduction to reflect administrative efficiencies within CTS, and enhancements to the identity management service.

Archives/Records Management

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect a 10 percent reduction in the number of boxes submitted for records storage.

Audit Services

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect a 5 percent reduction in charges for audit services.

Legal Services

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect a reduction in legal service charges. The Attorney General's Office (AGO) will work with client agencies to implement stricter policies and best practices regarding utilization of its services to achieve lower legal bills.

Office of Chief Information Officer

Agency budgets are adjusted to update each agency's allocated share of charges and to reflect increased billing levels for software subscriptions and office relocation.

CTS Central Services

Agency budgets are adjusted to update each agency's allocated share of charges from Consolidated Technology Services (CTS) to reflect an increase in business continuity/disaster recovery costs and a new allocated charge for state data network costs.

DES Central Services

Agency budgets are adjusted to update each agency's allocated share of charges and to align with anticipated billing levels from the Department of Enterprise Services (DES) in the 2015-17 biennium, including changes to the enterprise systems fee, personnel services, and small agency financial services.

Core Financial Systems Replacement

Agency budgets are adjusted to align with anticipated billings from the Office of Financial Management in the 2015-17 biennium for core financial systems replacement planning through the One Washington project.

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Fleet Program Rate Reduction

Agency budgets are adjusted to reflect efficiencies and reduced costs for the Department of Enterprise Services' fleet program.

Time, Leave and Attendance System

Agency budgets are adjusted to align with anticipated billings for the Time, Leave and Attendance system, including debt service and project completion costs.

Self-Insurance Liability Premium

Agency budgets are adjusted to reflect updated premium rates and a reduction in billings for the 2015-17 biennium.

State Public Employee Benefits Rate

Health insurance funding is provided for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. Insurance for employees covered by the health insurance coalition is included in funding for their respective collective bargaining agreements. The insurance funding rate is \$913 per employee per month for Fiscal Year 2016 and \$947 per employee per month for Fiscal Year 2017. (General Fund-State, various other accounts)

Nonrepresented Job Class Specific Increases

Funding is provided for classified state employees who are not represented by a union for pay increases in specific job classes in alignment with other employees. (General Fund-State, various other accounts)

WPEA General Government Master Agreement

Funding is provided for a collective bargaining agreement with Washington Public Employees Association (WPEA), which includes a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for all employees who earn \$2,500 a month or more, effective July 1, 2016; a general wage increase of 1 percent plus a \$20 per month increase for all employees who earn less than \$2,500 per month, effective July 1, 2016; salary adjustments for targeted classifications; an additional in-service day for the Washington State School for the Blind and Center for Childhood Deafness and Hearing Loss; and employee insurance. (General Fund-State, various other accounts)

General Wage Increase for State Employees

Funding is provided for wage increases for state employees who are not represented by a union or who are covered by a bargaining agreement that is not subject to financial feasibility determination. It is sufficient for a general wage increase of 3 percent, effective July 1, 2015; a general wage increase of 1.8 percent for employees who earn \$2,500 a month or more, effective July 1, 2016; and a general wage increase of 1 percent plus a \$20 per month increase for employees who earn less than \$2,500 per month, effective July 1, 2016. This item includes both higher education and general government workers. (General Fund-State, various other accounts)

ACTIVITY DESCRIPTIONS

Administration

Internal administrative services support activities to effectively carryout agency operations and the strategic business plan. These services include the overall management of the agency through executive oversight, internal auditing, accounting and budgeting, payroll administration, facilities management, purchasing, human resources, organizational development, and legal services provided by the Attorney General's Office.

Property Tax Administration

The Department of Revenue has a statutory obligation to ensure uniformity within the state's property tax system and oversee the administration of property taxes at both the state and local levels. The Department also determines the state school levy; conducts complex appraisals on commercial, industrial, and special use properties; administers property tax exemptions and deferral programs; and provides guidance, training, and assistance on property tax issues to county officials. The Department also performs appraisals throughout the state on inter-county and inter-state utility companies. These activities have a combined assessed value in excess of \$15 billion and provide over \$179 million dollars in property tax each year for local government and state schools.

State and Local Revenue Collection and Distribution

The Department of Revenue is responsible for the fair, efficient, and uniform administration of state tax laws. Primary activities include taxpayer registration, tax return processing collection activities, accounting for and distributing state and local tax revenues, promotion of voluntary compliance through taxpayer education, information and assistance, and enforcement. These activities are conducted from offices throughout the state and are supported by a statewide computer network.

Tax Auditing

Audit Division activities support the voluntary reporting and payment of taxes and the administration of the tax system. Audit Division staff are assigned to field offices across the state and other locations throughout the United States, or as roving out-of-state auditors based out of Washington. Auditors conduct audits of businesses that have activity in Washington State, working directly with taxpayers to verify the accuracy of taxes reported, and to identify and correct improper reporting, leveling the tax burden on Washington State businesses. Audit Division activities also include educating taxpayers about tax reporting through business outreach seminars, consultation visits, and other speaking engagements. Internally, the Audit Division assists the Department in understanding the practical application of tax law by identifying changes in technology, business activities, and industries. Externally, the Audit Division is, in many cases, a face for the Department and often serves as a taxpayer's first and only primary contact with the Department.

Tax Policy Research, Analysis, and Interpretation

Tax policy activities focus on providing timely and accurate information for policy decision makers, clear guidance to taxpayers, employees, and the public regarding tax law and policy application, and coordinating interdivisional policy analysis and studies. Specific functions include coordinating interdepartmental policy analysis and studies; preparing fiscal notes; analyzing and drafting legislation; reviewing and drafting rule revisions; providing technical policy advice to operating divisions; forecasting non-general fund revenues; and analyzing proposed changes to tax statutes on small business.

Taxpayer Appeals

The Department receives over 900 taxpayer appeals each year. These appeals are comprised of five case types: small claims (single issue, up to \$50,000 in tax, penalties, and interest); executive (first impression, industry wide significance); maintenance (regular appeals); revocations (business registration revocations), and Board of Tax Appeals (BTA) informal appeals from agency final decisions. When an appeal is concluded the Department issues written determinations, renders confidential tax law interpretations, negotiates settlements of tax disputes, executes settlement closing agreements when appropriate, and publishes select determinations. When these cases are appealed to the BTA, the Appeals Division presents the agency case during informal proceedings. The BTA renders the final decision.

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Unclaimed Property Management

The Department administers the provisions of the State Uniform Unclaimed Property Act. The unclaimed property program is a consumer protection program charged to return abandoned property to the property owner. The Department receives the transfer of abandoned property to the state and attempts to locate the owners through advertising and by providing public access to abandoned property information. The Department's role is to act in the interest of the property owners and return the abandoned property to the rightful owners whenever possible. Examples of abandoned property include utility deposits, insurance policies, safety deposit box contents, dividends, and savings accounts. Unclaimed property does not include real estate, vehicles, and most other physical property. (Unclaimed Personal Property Account-Nonappropriated)

Business Licensing Services

The Business Licensing Service within the Department of Revenue provides one-stop licensing services for more than 200 state endorsements and 70 city licenses. This service provides assistance with business registration, license renewals, change of ownership, change in business locations, registration and change of trade names, obtaining minor work permits, optional insurance coverage or hiring people to work in or around private residences