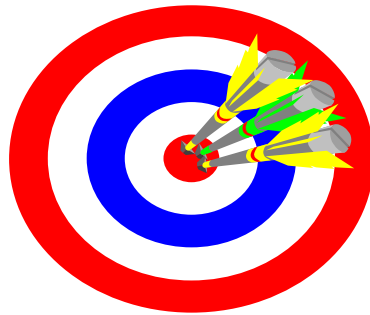


# *DEPARTMENT OF REVENUE*

## *2003 Biennium*

### MAJOR GOALS



### OBJECTIVES

*and Statutory Authorizations*

Updated July 2002 ...Including  
2002 Executive & Legislative Budget Reductions

## **Customer Service Goal**

**GOAL I: Promote fair and consistent treatment of all customers through uniform application of tax and liquor laws.**

### **Director's Office**

**OBJECTIVE 1: During each biennium following the legislative session, review all agency administrative rules and internal policies and procedures to ensure they reflect current law; implement additional and remove unnecessary administrative rules, policies and procedures required by new laws.**

During the past 12 months, the department's Policy and Performance Management Process (PPM) continued to focus significant attention on administrative rules and to craft new or update existing rules through the biennial review process. During this period 36 of the 38 chapters in title 42 were reviewed. Development of new rules and the amendment or repeal of existing rules was necessary because of statutory enactments from the 2001 Legislature. The department filed 24 proposal notices, conducted several public hearings, and concluded 20 rule actions addressing various matters during this time period. The department presently has 32 open rule files in various stages of development.

One of the largest rule projects completed during this period pertained to the revision of Chapter 17, business tax rules. This project included: transferring and amending rules pertaining to unemployment insurance previously administered by the Department of Labor and Industry; reviewing and amending the department's withholding rules for accuracy and applicability; creating new sub-chapters to separate withholding and unemployment specific rules into two separate sub-chapters; placing those that apply to both into another sub-chapter. This change will make it easier for taxpayers to locate rules that may apply to their business activities.

The department developed an appeals rule that establishes a time frame for both the taxpayer and department to follow if there is a dispute concerning a statement of account (bill) or tax assessment sent to the taxpayer. The rules include a flow chart showing the step-by-step process the parties must take during each period of time.

In a concerted effort to keep the public involved in the department's rule-making process, the department continues to meet informally with representatives for the following areas: the energy industry; the breweries; liquor store agents; agricultural; forest land; developers; realtors; local government; taxpayer groups; and other interested parties to develop efficient rules that are clear, concise, and not unduly burdensome.

The department's administrative rule web site continues to be enhanced to make search capabilities easier. Taxpayers can easily access department proposal and adoption notices and the final rules on the Internet web site under "Administrative Rules of Montana." The site provides easy access to all department rules for both department staff and customers. The full text of the rules is updated quarterly. Current rules reflect changes through December 31, 2001.

Policy and Performance Management (PPM) continued to review policies to determine their applicability to current practice and statutory requirements. Several policies were developed during this reporting period and there are presently 60 policies either being developed for the first time or revised to bring them into compliance with current department practice and philosophy.

Procedures continue to be identified and developed throughout the department. In all instances, PPM works with the Processes to develop and acquire Process Lead approval for these procedures. This practice provides a consistent use of terminology, writing style, and continuity throughout the department regarding format, content, applicability and establishment of consistent performance measures. As part of the department's effort to ensure adequate internal control, procedures have been developed since re-engineering and POINTS implementation. At this time, more than 150 procedures are currently being drafted or revised department-wide to ensure that Process practices conform to a process-oriented structure.

During the past six-months, the department determined a need in some areas to supplement department procedures with desk-top instructions to further clarify specific tasks assigned to staff. The PPM Process was tasked with developing a format, numbering and tracking system for this new process. PPM will work in conjunction with each Process to determine if desk-top instructions are needed to supplement a procedure. If so, PPM will develop the necessary desk-top instruction for review and approval by the Process Lead. Staff members may access all department policies and procedures on the department's Intranet site.

The annotation library, which cross-references all applicable department statutes, administrative rules, policies and procedures, is moving forward with development. During the past 12-months, sections were developed and are ready to add to the department's Intranet site as a reference tool for the staff. This material will be accessible by July 15, 2002.

The "glossary" for all department policies will soon be ready to add to the site and then the remaining policy sections will be completed. This material will be ready to add to the site within the next six-months.

### **2002 Executive & Legislative Budget Reduction Impacts**

*Budget reductions will impact the timeliness of developing procedures, performance measures, desktop instructions, administrative rules and statutory requirements. Existing policies, procedures, measures and desktop instructions will have to be reviewed and adjustments made to accommodate staffing levels and deadline dates. A backlog may occur in all of these areas.*

### **OBJECTIVE 2: Complete development of and implement the Corporate and Individual Income Tax modules of Phase II of the Integrated Tax System (POINTS).**

Continued progress has been made on Phase II of the POINTS project, which includes the replacement of the Corporate License Tax (CLT) and Individual Income Tax systems (IIT). Those tax types will be integrated with modules in the POINTS production application. The acceptance-testing phase was completed in April 2002. Thereafter the POINTS I and POINTS II teams were merged into a single team under the direction of the department's Information Technology (IT) and Policy and Performance Management (PPM) Divisions. A unified project plan was crafted with POINTS stability as the number one priority and a date of 12/31/02 established for completing 52 items on a target list of POINTS problem areas that were preventing users from fully utilizing POINTS for their tax processing work.

Along with the stabilization plan the department undertook a comprehensive look at how best to reconcile and integrate the IIT and CLT systems into the POINTS environment. Analysis suggested that delaying reconciliation of those tax types into the core modules would best be accomplished after POINTS I stability and on a not to interfere basis with the 2003 peak tax processing season. Analysis from Dr. Joel Henry, software and testing expert, provided detailed reports on the project's testing phases, the overall maintenance effort, and getting POINTS Phase I to a stable condition.

Project plans, including a detailed work breakdown structure for required tasks, envisions starting reconciliation on a gradual basis during the remainder of 2002, completing that task in April 2003, initiating a parallel implementation phase of approximately 4 months, and going into production with IIT and CLT in September 2003. Adequate staffing is on hand to accomplish both of the POINTS priorities outlined above. These implementation targets were established based on workforce availability and workload impacts.

## Compliance, Valuation & Resolution (CVR)

**OBJECTIVE 3:** Review and update the compliance strategy, which will address each of the tax types, administered by the department. Complete major tax types by 12/31/01 and all tax types by 2/28/02.

### **2002 Executive & Legislative Budget Reduction Impacts**

*As of 1/29/02, compliance strategies have been reviewed for corporation, income, and wage-base taxes. The estimated time to complete the review and update the remaining tax types has not yet been reset.*

**OBJECTIVE 4:** Implement self-reporting of real property improvements statewide by 1/14/2002.

Twelve Montana counties are involved in a pilot project on self-reporting of real property improvements. The counties are Broadwater; Cascade; Custer; Granite; Lincoln; Meagher; Musselshell; Park; Richland; Stillwater; Toole; and Valley. The mailing of self-reporting forms was completed during the week of June 24-28, 2002. Taxpayers were asked to return the form within 30 days of receipt of the form.

The approach to the self-reporting form is similar to the Business Equipment Valuation System (BEVS) forms the department has successfully used for several years. In that approach, we give the taxpayer a listing of what's currently on the property tax record and allow them to make corrections. With respect to self-reporting, current information from our Computer Assisted Mass Appraisal (CAMA) system was identified on the left side of the form and blank boxes, for the taxpayer's use in providing information, were provided on the right side of the form. Since this project is targeted only to residential and agricultural improvements, there were no exempt, agricultural land, forestland, or commercial properties mailed out to taxpayers. We requested that the taxpayer review the cover letter and instructions and, if appropriate, indicate more correct information in the blank boxes. A stamped envelope was provided for the taxpayer's use in returning the information. Once the form is returned to the department office in Helena, it's scanned. The scanned information is uploaded into a specially designed screen in the CAMA system. The appraiser can access the screen, review the taxpayer's submission, accept any or all of the information, or contact the taxpayer for follow-up in instances where there is significant disparity between what is on the CAMA system and the information the taxpayer has provided. The hard copy of the form will be returned to each field office so staff has access to any notes the taxpayer may have made on the form.

Self-reporting of property provides a valuable opportunity to correct any errors that may exist in the property tax records, gives the taxpayer an avenue to provide information, and ultimately helps make the property tax system as fair as possible.

**2002 Executive & Legislative Budget Reduction Impacts**

*Due to budget constraints, the department will be unable to pursue a statewide application of self-reporting of property at this time. However, we will continue with the completion of the pilot project, analyze the impact and financial result of the project, determine how the project could be improved, and make recommendations on its future application.*

**OBJECTIVE 5: Complete periodic revaluation (reappraisal) by 12/31/02 of all taxable property within classes three, four, and ten as promulgated in 15-7-111, MCA.**

Class 3 - Agricultural Land

Class 4 - Real Property, Mobile Homes

Class 10 - Forest Lands

**2002 Executive & Legislative Budget Reduction Impacts**

*There is an ongoing effort in reappraisal related work. Target dates for completion of the annual and reappraisal work responsibilities are being affected by the recent budget reductions. Close monitoring of our progress towards annual and reappraisal responsibilities is critical at this time. We will continue to prioritize work assignments, move staff to areas of greatest need, and adjust interim deadlines as required. We anticipate that assessments from the current reappraisal will be sent out within required timeframes.*

Reappraisal work activities accomplished are:

- Completed land valuation for reappraisal (CALP),
- Developed cost tables for residential, commercial, and agricultural improvements,
- Developed and implemented a procedure and process for establishing residential "benchmark" properties,
- Completed the process of "Benchmarking" residential properties,
- Focused on the acquisition of income and expense (I&E) information gathering from commercial property owners,
- Appointed an Agricultural Land Valuation Advisory Committee. The committee recommended valuation schedules for the department's use for reappraisal.
- Finalized market models,
- Began the development of income models,
- Finalized forest land valuation schedules;

**OBJECTIVE 6: Complete work within workplans and comply with key deadlines for all compliance, valuation and resolution functions.**

In the property tax function of the Compliance, Valuation, and Resolution Process (CVR), work plans have been established for every employee for both annual and reappraisal activities. Every deadline, related activities, and the tasks involved in the activities have been detailed in the work planning process. A new progress reporting system, which measures the progress accomplished against the established work plan, was implemented. Progress report information is electronically captured from the property computer systems. Remediation plans are developed for any activity in which there is a negative variance.

Individual Income Tax (IIT) work plan is centered on the tax master file due 10/25/02 to Tax Policy and Research (TPR). This date is significant because revenue estimates are needed for the upcoming 2003 Legislative session. The plan includes daily goals for each individual auditor working income tax returns and progress is monitored weekly. Staff allocations, processing error sheets, completion of the tax master file, as well as processing Revenue Agent Reports (RAR's) and CP 2000's are all built into the plan.

**2002 Executive & Legislative Budget Reduction Impacts**

*Adjustments have been made to the Individual Income Tax work plan to reflect the authorization of ten additional compliance staff by the 2002 Executive and Legislative Budget Reduction Session, which will result in increased compliance activity. (Impacts to property tax functions are discussed in Goal I Objective 5, 2002 Executive & Legislative Budget Reduction Impacts above.)*

For wage-based taxes, we are continuing to focus our efforts on responsiveness to taxpayer requests and reducing work backlogs. The timeline for technical stabilization of POINTS continues to be 12/31/02. We are continuing efforts to ensure accurate data in POINTS.

It was our target to have work plans developed by 7/31/02 for lodging facilities use and contractors' gross receipts taxes. Final review of these work plans will occur by 10/31/02. Work plans are in place and progress is monitored for corporation, natural resource, large customer property (centrally assessed and industrial) and other miscellaneous taxes, to ensure completion of any statutory deadlines and distribution of revenues and valuations. Compliance revenue for corporate license tax is estimated for HJR2 purposes and collections exceeded that estimate for fiscal year 2002.

## Customer Service Center (CSC)

### **OBJECTIVE 7: Complete work with workplans and comply with key deadlines for all tax and liquor processing and collection functions.**

Work plans have been developed for calendar year 2002 for all Document and Information Processing (DIP) functions. Each key deadline date includes tasks to accomplish this key date item. Each month, the key items are placed on a monthly work plan as the milestones and then tasks for those milestones are determined. The monthly work plans are completed in the preceding month and will be adjusted each week as needed. We continue to develop the monthly work plans and share that information with other appropriate processes.

Customer Intake (CI) work plans have been established and put into production for the following areas; tobacco tax, form design, One Stop, abandoned property, call center, liquor and UI. Weekly meetings with members of the area are held to review the future week and its expected workloads. Discussions are conducted on what needs to be accomplished for the week, a review of previous weeks logs for seasonal history, and if time is available to, assist other areas within CI and CVR.

Accounts Receivable and Collections (ARC) has developed work plans for its collection and bankruptcy activities. These work plans are monitored weekly to determine progress towards goals and identify issues/concerns.

#### **2002 Executive & Legislative Budget Reduction Impacts**

*Work plans and performance standards for the Customer Service Center will need to be adjusted in the event staff cannot be hired as in past years, to accommodate the peak-processing season. During the peak season of filing income tax, the department receives thousands of customer inquires in the call center. Performance standards and work plans will be adjusted for current staff levels.*

*In the DIP area most of the tasks involve manual processing of millions of payments and hundreds of thousands of paper documents each year. The peak season for this is the February through May timeframe. Without the manpower and temporary staff, key deadline dates will have to be adjusted and statutory requirements of processing timely payments and refunds may not happen. Work plans and performance standards will have to be recalculated and set to accommodate staffing issues.*

*Work plans and performance standards will be adjusted to accommodate the addition of three ARC collectors, which will result in increased collection activity.*



## Information Technology (IT)

**OBJECTIVE 8:** Continue maintaining miscellaneous legacy tax systems and develop a plan to integrate them into POINTS.

During the second half of 2001, and the first six months of 2002 the Information Technology (IT) Process provided technical support to all department legacy systems including Accommodations, Abandoned Property, Cigarette Quota, Inheritance, Utility Assessments, New Hire, One Stop Licensing, Warp on the Web, Solid Minerals, Property (CAMA, MODS, and BEVS), IT4 (Income Tax), and Corporation License Tax. While the latter two tax types are part of the POINTS Phase II project, both are expected to be integrated into the POINTS environment during 2003. Therefore business processing for IIT and CLT will continue with the existing legacy systems until the conversion to POINTS is complete. All of the other listed tax types will be supported during the remainder of 2002, and are addressed in the department's strategic plan for conversion into the POINTS environment. Budget and staffing priorities will drive decisions on which, if any, of the legacy tax systems will be scheduled for conversion to POINTS and the timetable for doing so.

**OBJECTIVE 9:** Complete the revision of the department's website by 9/30/01 to link and parallel the official state website, Discovering Montana.

### **Objective Accomplished**

This project was completed on September 15, 2001. The department's web site is now compatible with the state's Discovering Montana format and is maintained in-house with new DreamWeaver software by the Information Support Center staff with assistance from the Communications Team. Favorable public comment has also been received about the web site in the new format.

**GOAL II:** Make conducting business with the department as simple and pleasant as possible.

## Customer Service Center (CSC)

**OBJECTIVE 1:** Process all timely filed individual income tax refunds within 45 days of receipt of return or due date of return whichever is later.

### **Objective Accomplished for 2002**

As of May 31<sup>st</sup>, we had processed 270,903 refunds and data entered all timely filed returns by May 15th. Approximately 99.85% of refunds received were processed timely; the remaining items required further research. For refunds not processed within 45 days, interest must be paid at the rate of 1% per month to the customer. Interest paid for the refunds not processed within 45 days was \$19,306 compared to \$102,418 the previous tax-processing year or, a reduction of \$83,112 due to improvements in the processing cycle, which improved significantly from the previous year's average of 45 days to 31 days.

#### **2002 Executive & Legislative Budget Reduction Impacts**

*Refund timeliness will be significantly impacted if the hiring freeze precludes the hiring of temporary staff during peak times of operations. This peak time is generally from February to May during which returns are submitted to the department for processing. Not hiring temporary staff will delay the processing of approximately 35,000 to 40,000 in refund returns in a timely fashion of 45 days. Without this addition, it may result in paying interest to customers of as much as \$350,000 to \$400,000 and losing interest earning of approximately \$200,000.*

**OBJECTIVE 2: Streamline existing liquor license processes and develop and implement internal control procedures by 3/31/02.**

#### **Objective Accomplished**

Process controls for on-premises licensing are in place supplemented by defined performance metrics. These controls have reduced time to approve and issue a liquor license from an average of 193 days in calendar year 2000 to 107 days for most applications. In addition to the process controls, a joint liquor license and gaming operator license application has been developed in cooperation with the Department of Justice (DOJ), Gaming Control Division. The joint application was implemented on April 1<sup>st</sup> of 2002 and initial results have been very positive. The first joint application to be approved took 59 days. In addition to the timesavings, customer response has been positive, as it has eliminated duplication of effort by only having to provide information to one source that is shared by both agencies.

To provide additional management support, a Unit Manager has been hired to assist in the management of the liquor licensing process ensuring that established process controls are monitored. The Process Lead and Sub-Process Lead of the Customer Service Center and the Unit Manager meet weekly to review the status of each liquor license application in process. In addition to these meetings, DOR management meet weekly with DOJ management to review and discuss combined liquor and gaming applications in process and other matters to ensure that license applications are processed as timely as possible.

**OBJECTIVE 3: The Customer Service “Call Center” will answer 80% of the inbound calls without the need to transfer the call to a specialist by 12/31/01.**

For the first six months of calendar year 2002, the call center answered 79.44% of all incoming questions immediately without transfer. Including calls where customer information consultants answered part of the questions asked before transfer to a specialist raises the percentage to 81% of inbound calls receiving an immediate response. These percentages were achieved in spite of the activation of three new call center employees and the necessity of some call center veterans to perform other duties outside of the call center.

**2002 Executive & Legislative Budget Reduction Impacts**

*As a result of the 2002 Executive and Legislative Budget Reductions, the department reduced the number of customer information consultants from 10-8. For the remainder of calendar year 2002 and 2003 we anticipate answering 75% of inbound calls. If any other vacancies occur in the call center during the remainder of 2003, this will affect our percentage rate in answering inbound calls from our customers.*

In addition to the established goal, we have implemented a quality assurance program. This program will evaluate the accuracy of our responses and answers by using the following methods: telephone line monitoring, callbacks, and review assistance from specialists.

**OBJECTIVE 4: Increase customer access to electronic products and services utilizing state of the art technology such as interactive voice response (IVR) options, automated forms/reports, increased e-file capabilities, increased electronic payment options, and increased Email options.**

DOR continues to offer the ability to file individual income tax returns using telefile and joint federal/state e-filing. For tax year 2001, the number of vendors approved to offer joint federal/state e-filing increased due to a campaign of contacting potential vendors and encouraging their participation. In addition, for tax year 2001, taxpayers could pay current year, back year or estimated individual income tax payments by credit card through the DOR's web site as well as the state's portal, Discovering Montana.com.

The electronic filing of individual income tax returns continued to grow. As of June 30, 2002 we have received a 28% growth in electronically filed 2001 income tax returns. Approximately 29,700 additional returns for 2001 were received electronically compared to 2000 returns received electronically. Montana's growth rate in electronically filed returns continues to exceed the national average for growth in this area.

DOR has developed options for customers to File Transfer Protocol (FTP) reports to the department replacing reel-to-reel tapes and cartridges for the electronic filing of Unemployment Insurance (UI) and Withholding Tax reports.

We are planning to offer enhanced individual income tax forms over the Internet to our customers. Using existing well-established technology, taxpayers will be able to fill in the tax forms on-line with imbedded formulas in the forms performing all the necessary tax calculations as well as providing tax assistance through pop-up boxes on the form. The implementation of these forms will take place this next tax year. This electronic filing format is a break through in the filing of tax returns. The forms will eliminate addition errors and increase the ease of filing tax returns.

### Resource Management (RM)

**OBJECTIVE 5: Establish a public service campaign through the use of paid and Public Service Announcement (PSA) advertising, etc., which will increase awareness of income tax law changes, income taxpayer assistance programs, liquor streamlining and the department's electronic commerce opportunities available to the public. To be completed by 12/31/01. A second program to be establish by 12/21/02 with the same goals, excluding liquor streamlining.**

### **Objective Accomplished for 12/31/01**

#### Public Service Announcements

Radio and television public service announcements covering a variety of income tax and property tax matters were produced and ran during the first quarter of 2002. Three 30-second spots feature Director Alme and encourage taxpayers to file early, find forms easily and use e-file. These spots ran on both radio and television, through the Non-Commercial Sustaining Announcement (NCSA) program of the Montana Broadcasters Association. The television spots also aired on cable television in selected markets through AT&T Media Services. Eight 30-second radio spots featuring Governor Martz asked taxpayers to take advantage of specific income tax credits, income tax deductions, property tax assistance programs and tele-file. The spots aired statewide during the period from the last week of January through the third week of March. The campaign was successful as electronic filers increased by 28%. ***For changes to the Public Service Campaigns for 2002 please review Goal 3 Objective 8, 2002 Executive & Legislative Budget Reduction Impacts.***

#### Internet Site

The DOR Internet site supplies information to a variety of department customers, including taxpayers, tax practitioners, vendors and local governments. In the summer of 2001, the site was completely redesigned and updated to be more

compatible with the State of Montana's site (discoveringmontana.com). The site contains general information about the department's structure, major goals, employment opportunities and office locations. Specific information is provided about taxes, licenses and fees; electronic filing; abandoned property; liquor distribution, and other department programs. The site also contains resource/reference information (Montana Codes Annotated, Administrative Rules, Taxpayer Bill of Rights) and links to other useful sites. To date, more that 200 of our Montana tax, business, unemployment insurance and miscellaneous forms have been made electronically accessible for download from the DOR Internet site. These forms cover the current tax year (2001) and go as far back as 1993.

**GOAL III: Foster a positive relationship with government and citizen groups impacted by the department.**

**Director's Office**

**OBJECTIVE 1: Annually perform a "customer needs" assessment to identify customer service needs, issues, and desires, through surveys, stakeholder communications, and advisory boards.**

The department annually sends out the "1099 Comment Cards" to taxpayers with their 1099 state income tax forms. The comment cards are attached to the 1099-G and mailed to taxpayers with a Montana address, who received a state tax refund of \$10 or more. The card asks the customer to rate the service they received during their contact with the Department of Revenue. The rating matrix uses a scale of Very Good to Poor. The comment card also includes an area for comments and asks for recommendations/suggestions to help the department provide better service. This information is then analyzed and reviewed for possible changes in process requirements and business needs.

The "1099 Comment Cards" have been received and compiled for Income Tax year 2001. The overall rating was favorable, but the trend for the last three years is a slight decline in favorable ratings in customer service as shown in the table below:

<b>Rating of Service</b>	<b>1996</b>	<b>1997</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Very Good (1)	66%	64%	68%	65%	63%
Rate 2	22%	21%	19%	20%	19%
Rate 3	6%	8%	4%	6%	7%
Rate 4	3%	1%	3%	3%	3%
Poor 5	4%	6%	5%	5%	7%

Stakeholder communications and comments are received through the One-Stop Advisory Board, the Revenue and Taxation Committee and the department's Annual Employee Assessment Survey. These assessments, together with other evaluation techniques, tend to give greater weight in identifying the needs of the customer and changes to business requirements.

The Policy and Performance Management Process (PPM) has a plan to further identify customer needs through research and design of external customer surveys. This planned approach will be used in identifying survey groups and issues and provides management with insights for planning and action steps. We will continue these types of efforts to ensure we are responding to the actual needs of our customers, not our perception of those needs.

**OBJECTIVE 2: Implement feasible service need changes identified in OBJECTIVE 1(above).**

Following each evaluation of customer needs, an assessment is completed to determine applicability of changes, prioritization of changes, and a plan to implement changes within a reasonable time frame. Not all needs identified will result in changes, which are feasible by statute, budget, or within the department vision.

**2002 Executive & Legislative Budget Reduction Impacts**

*The 2002 Executive and Legislative Budget Reductions will reduce the ability of the department to implement changes resulting from customer evaluations.*

**OBJECTIVE 3: Meet quarterly and as opportunity arises with stakeholder groups (Stakeholder Advisory Board, MACO Budget Committee, Revenue and Transportation Committee (RAT), One Stop Licensing Board of Review, etc.) to exchange ideas, discuss issues, and acquire guidance, emphasizing the department's efforts to build positive customer relationships.**

The Department of Revenue regularly meets with the Stakeholder Advisory Board, the One-Stop Board of Review, RAT, and other committees on a monthly and quarterly basis. These meetings are used to exchange ideas, discuss issues, report progress and build positive customer relationships.

### *Tax Policy and Research (TPR)*

**OBJECTIVE 4:** Tax Policy and Research will calculate the amount of the fiscal 2001 Entitlement Share Payments and Resource management will transmit the funds to local government by 9/30/2001. These Entitlement Share Payments will be made each quarter thereafter.

#### **Objective Accomplished**

Payments were calculated and electronic payments or state warrants sent on September 17, 2001. The information that was necessary for the counties and cities was mailed by TPR. Reports on the goal have been made to the Stakeholders Advisory Council and the Revenue and Transportation Interim Committee.

Payments were subsequently recalculated to account for any adjustments found by counties or cities in the payment base amount.

Currently all 56 counties receive the entitlement share payments by electronic funds transfer, and 13 out of 127 cities and towns receive electronic funds transfer.

The department has added to its work plan the quarterly HB124 entitlement share payments and the semi-annual distributions to the urban and industrial tax increment finance districts.

### *Compliance, Valuation and Resolution (CVR)*

**OBJECTIVE 5:** Certify taxable values for property to taxing jurisdictions by statutory deadline. The certified values include newly taxable property and eliminated property. Initial certification of taxable value occurs the second Monday in July and final certification of taxable value is the first Monday in August.

The department is on target to complete its initial annual certification of the taxable value to local taxing entities, on a statewide basis, by the statutory deadline in July for the 2002-tax year. The department convened a task force that included representatives from the legislature, local government, and the Montana Taxpayers Association for the purpose of resolving issues and problems that occurred with the process in 2001. The task force recommendations and plan allowed the department to make necessary adjustments in areas such as training, production, and quality assurance to ensure timely and accurate completion of the objective for the 2002 tax year. It also developed language for proposed legislation that will be presented to the 2003 Legislative Session.

**OBJECTIVE 6: Send out experience employer ratings, before year-end 12/31/01 and 12/31/02, to all private employers.**

Experience ratings for 2001 to be used in paying unemployment insurance taxes in 2002 were sent out during the last week of March 2002. It is still our target to mail the 2002 employer experience, to be used for unemployment taxes paid in 2003, by 12/31/2002.

**OBJECTIVE 7: Send out governmental experience ratings prior to 6/30/2001 and 6/30/2002.**

**Objective Accomplished for 2002**

Governmental experience ratings were mailed on 6/24/2002.

**Resource Management (RM)**

**OBJECTIVE 8: Continue to expand awareness of taxpayer assistance programs by 12/31/01, through the use of educational outreach programs, public service announcements, letters to affected groups, internet, etc.**

**Objective Accomplished**

Public awareness of tax law changes and taxpayer assistance programs is promoted through a variety of methods. Changes in tax law are communicated to businesses through Assistance for Business Clinics (approximately 15 per year) and to tax practitioners through the Tax Practitioner Institutes and regular legislative updates. Training on state tax preparation is also provided yearly to volunteer preparers working with the Tax Counseling for the Elderly (TCE) and Volunteer Income Tax Assistance (VITA) programs. The department coordinates with several other organizations to make this information available from year to year, including the IRS, MT Dept. of Labor & Industry, Job Service, the MT Society of CPA's, and the MT Society of Public Accountants. Additionally, an "electronic newsletter" for tax practitioners has recently been added to the department's Intranet site. It includes numerous timely articles on tax related issues on a regular basis.

Taxpayer assistance programs are also promoted through our Internet site and the Call Center. In 2001 and 2002 we have communicated upcoming programs and educational sessions including the Assistance for Business Clinics, Tax Practitioner Institutes and TCE & VITA training sessions.



Consistent with the Public Education Strategy, implemented by the department in 2001, we continue to seek new avenues for the dissemination of tax information.

### **2002 Executive & Legislative Budget Reduction Impacts**

*In previous years, the department was able to pay for advertising production and placement, publish ample copies of taxpayer publications such as the Biennial Report and Guide to Taxes, participate in public education efforts such as Assistance for Business Clinics, and mail tax materials to practitioners such as Package X. The department will discontinue participation in the Assistance for Business Clinics and will no longer provide a Package X. To the extent the department will be able to provide information through lower cost or no cost options such as the Internet, we will continue to do so. Customers will have less information and education of these topics.*

*In 2003, the department will be implementing a statewide property re-appraisal effort, which will require public information and education efforts. To date, the department has developed a significantly scaled back education plan appropriate for the current limited budget. **Impacts to public service announcements are listed in Goal 2 Objective 5.***

### **Learning and Growth Goal**

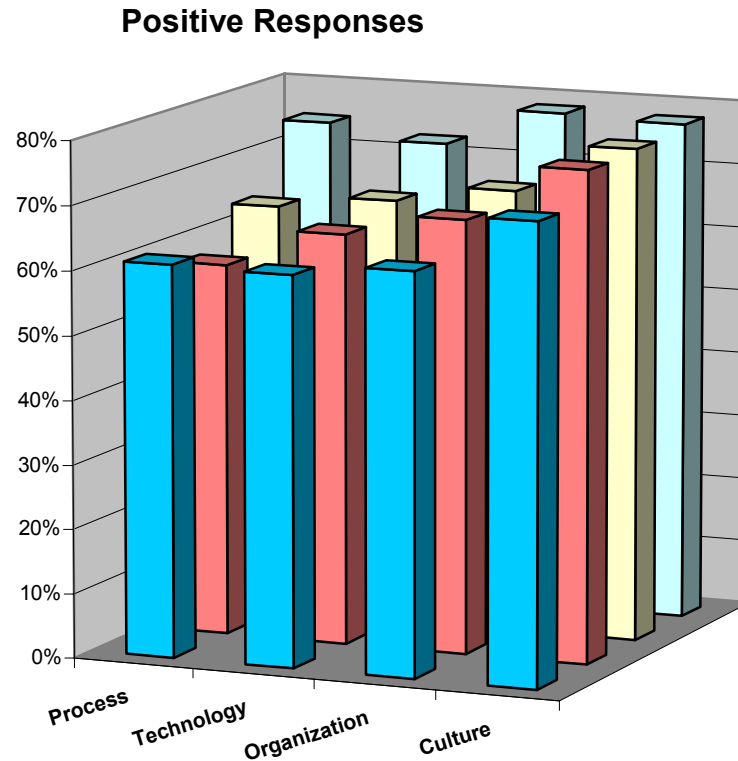
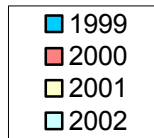
#### **GOAL IV: Maintain and value a high quality workforce.**

#### **Director's Office**

#### **OBJECTIVE 1: Annually survey employees to measure employee satisfaction. Complete by 9/30/01 and 9/30/02.**

The DOR Employee Feedback Assessment Survey was sent out in June 2002. This survey is the fourth in a series of annual surveys conducted with the intent of gauging the pulse of the organization from the employee perspective.

Approximately 40% of the employees responded to the survey which provided measures and comments in the areas Process - increased performance, planning and working efficiently; Technology – having access to the necessary information to complete our work and other technological recourses; Organization – measurement of quality in treatment of customers and employees in a courteous, fair and respected manner, leadership abilities, and timely and effective on the job training for our employees; Culture – measuring satisfaction, morale, motivation and initiative of department personnel.



The results showed significant improvements in most areas of measurement. This is a noteworthy improvement in view of the fact that in 1999 employees identified 12 areas of risk, 2000 there were 10 areas identified, 2001 – six, and this year, 2002, no areas were identified. A risk area is an area where there were greater negative responses than positive.

**2002 Executive & Legislative Budget Reduction Impacts**

*Budget Reductions, such as reductions in training, supplies and overtime; delay in replacing computer hardware and software; and increased vacancy savings will likely adversely impact all four areas surveyed in the future.*

## Resource Management (RM)

**OBJECTIVE 2: Employ evaluation and assessment techniques to determine the type of training needed by employee group (i.e. appraisers, auditors, specialist, customer service reps, etc.) by 4/30/02.**

Education & Training, with the assistance of department training reps, has completed development of training curriculums for each grade level within all specific roles, such as appraiser, auditor, specialist, etc. The training curriculums identify all formal training courses needed for an employee to function effectively in their role. Adjustments are being made to curriculums for roles in the regional areas.

Current effort is focused on prioritizing the development and implementation of courses that remain undeveloped. Criteria for prioritization will include the number of employees in a particular role in which a course is needed, as well as potential impacts on department productivity or service to taxpayers.

In addition to formal training courses, Education & Training has developed and implemented an on-the-job training program. In this program, the hiring supervisor oversees the development of a detailed on-the-job training plan for each new hire, appointing a mentor to implement the plan. Education & Training documents the training that each person receives and stores the information in individual training records once the instruction is complete.

### **2002 Executive & Legislative Budget Reduction Impacts**

*Limited resources have deemed it necessary to eliminate training except training deemed critical to the process. The department no longer has available staff to assist as Training Representatives, which limits the amount of educational and informational materials being produced and distributed to staff, therefore giving employees less training to do their work. On-the-job training will be the department's main focus in training, with certain core classroom training.*

**OBJECTIVE 3: Based on the analysis in objective 2, the training needs will be determined and the training emphasis will be adjusted to address those needs for the following year. Complete by 6/30/02.**

Following the prioritization of course development, Education & Training will present a suggested plan for the development and implementation of new training courses to each department process for leadership input. Training emphasis will be adjusted to meet the most critical needs for the coming year.

Business experts, with assistance from Education & Training, will develop and train tax type specific courses. Full-time training staff or support service staff will develop and train core courses, which apply to all department roles.

### **2002 Executive & Legislative Budget Reduction Impacts**

*Because of the reduction in available staff due to increased overtime and decreased vacancy savings, the development of training classes will be delayed, requiring additional focus with on-the-job training.*

#### **OBJECTIVE 4: Establish a career ladder for each role and place all employees within those career ladders, except Information Technology, by 12/31/01.**

The establishment of a role description for each position within the department is complete including roles for all Information Technology employees. Every employee has been assigned to a role and grade. The implementation of the role and grade for each employee will depend on the performance appraisal cycle assigned to that role. Currently, a pilot project for career ladders has been initiated for Resource Management (RM) personnel. DOR Leadership will review the results of the pilot project in determining if and when to implement career ladders department wide.

#### **OBJECTIVE 5: Establish and implement a performance appraisal process, except Information Technology, by 12/31/01.**

The development of the Performance Appraisal form is complete. Each role has been assigned one of three performance appraisal cycles. At this time, 70% of employees have been put on a performance appraisal cycle. The remaining employees will be put on the July 31<sup>st</sup> performance appraisal cycle. The expected completion date for this objective, which includes the Information Technology employees, is August 1, 2002.

### **Program Goal**

#### **GOAL V: Continually seek greater efficiency in agency programs, helping to ensure that resources are used wisely.**

### **Director's Office**

#### **OBJECTIVE 1: Analyze the performance trends of each process to identify areas of improvement and weakness. Acknowledge areas of improvement and implement changes necessary to eliminate or minimize weaknesses.**

On a quarterly basis, the department's Leadership Team reviews performance in four prospective areas: Customer Service, Learning & Growth, Internal Business Process, and Financial. The Balance Scorecard, which contains this information, utilizes the balance approach methodology to measure how the department is progressing not just in

compliance work, but also in developing a healthier organization. This type of "pulse of the organization" encourages the continual discussion of priorities across processes and the impacts one process may have on another.

### **Compliance, Valuation and Resolution (CVR)**

**OBJECTIVE 2: By 7/1/2002 implement the use of Geographic Information Systems (GIS) statewide in the Department's field offices to improve the accuracy and compatibility of parcel information and increase efficiency in process activities.**

DOR has completed a GIS parcel data project reviewing CAMA neighborhood data in all counties in the state. The process spatially represented all CAMA neighborhood values with parcel data to allow local staff to analyze the data for continuity and quality from neighborhood to neighborhood. A similar project, sales ratio mapping, is currently in progress. There are numerous other CAMA mapping projects that DOR will be supporting local offices with during the current reappraisal cycle.

Also in progress, is a project that will enable local offices to review CAMA irrigation data with parcel information when compared to the DNRC water rights database. As of June 30, 2002 all counties had received this coverage. Staff will be able to spatially locate discrepancies between the two databases to improve the CAMA data accuracy of irrigation information.

Specification requirements to use digital ortho quarter quads (doqq) in local offices are completed. Subsequent tasks, which are in progress, include data preparation and training to implement doqq use on a full statewide basis. DOQQ integrated with parcel data have numerous applications in DOR such as site location, parcel split assistance and land use. This project is scheduled for completion by December 31, 2002.

GIS workstations, that will be located in DOR regional offices, have been purchased. Work is in progress on configuring the workstations for DOR local system networks. Subsequent tasks include training DOR appraisal staff in applying GIS and CAMA data for property valuation activities.

**OBJECTIVE 3: Review internal control mechanisms before and after POINTS Phase II implementation for every tax type and revise if necessary. Wage-based 9/30/01, Income Tax 10/31/01, Corporation License Tax 11/30/01, other taxes 12/31/01.**

Please see Objective 7.

**OBJECTIVE 4: Develop and implement a plan to monitor audit collections for all tax types. This activity will include identifying and monitoring the number of audits conducted, assessments made and collections received as a result of the audits completed. Major tax types by 7/01/01, all tax types by 12/31/01.**

**Objective Accomplished**

This objective has been completed and audit collections are being monitored monthly.

**OBJECTIVE 5: Review the Compliance, Valuation and Resolutions structure to determine improvements in the manner in which we conduct business. Implement identified structural changes by 8/31/01.**

**Objective Accomplished**

The CVR structural changes that were identified and implemented by 8/31/01 were:

- Primary teams in Region 1 through 6 were reorganized by geographical units and not by roles.
- Field auditors were transferred to Region 8 and formed into a primary team.
- Teams in Regions 7 and 8 were realigned by subject matter.
- Twelve unit managers were added and spread among the eight regions. This has reduced the span of control for managers to a goal of 25. Prior to re-engineering, the department had 94 managers. Re-engineering reduced that number to 29. After adding the unit managers, the total number of managers in the department is still only 41, 44 after considering the three unit managers discussed in Objective 6, below.
- Teams continue to be a primary decision making group, though the final decision on issues will reside with the Unit Manager or Region Lead.
- Region 7 team members will no longer have specific secondary roles on other teams, but cross training will continue to occur on a case-by-case basis.
- All management positions require as part of their role description, subject matter knowledge in the tax type(s) being supervised.
- The District Leads have changed regions to permit them to supervise regions to administer tax types in which they have the greatest expertise.

## Customer Service Center (CSC)

**OBJECTIVE 6: Review the Customer Service Center structure to determine improvements in the manner in which we conduct business. Implement identified structural changes by 12/31/01.**

### **Objective Accomplished**

Implementation of the new structure is complete and the objective accomplished. Unit managers for the DIP and CI areas have been hired and have been resident in their positions for two months. Follow-up reviews of the change of service will be conducted.

**OBJECTIVE 7: Review internal control mechanisms before and after POINTS Phase II implementation for every tax type and liquor process and revise if necessary. Wage-based 9/30/01, Income Tax and Liquor Licensing 10/31/01, Corporation License Tax 11/30/01, other taxes 12/31/01.**

### **Liquor Process & Liquor Licensing**

Liquor licensing process maps now exist for all liquor tasks. On and off premises licensing applications now have written procedures. Procedures are being developed for the remaining tasks. On and off premise licenses now have internal controls. This objective is substantially complete for liquor licensing.

### **Wage Base Income Tax Corporation License Tax Other Taxes**

The department has developed workflow(s) to help identify internal control mechanisms for wage-based income tax, liquor licensing, corporation licenses tax, as well as other tax types. Reviewing this workflow(s), the department is identifying and making necessary revisions to internal control mechanisms. The currently developed workflow(s) will be used to develop department procedures. Additionally, they will serve as a basis for development of desktop instructions for the newly developed on-the-job training program.

As of 6/30/2002, procedures and desktop instructions have been developed for the Wage Base area. A list of the remaining areas in other tax types will be reviewed and a priority assigned to them for development of future procedures and desktop instructions.

On and off premises licensing applications have developed procedures and now have internal controls. The objective is substantially complete for liquor licensing. Workflow(s) are also being reviewed for wage-based, income tax, corporate income tax and other taxes at this time to identify internal control mechanisms.

A department wide "Quality Assurance Program" (QA) has also been developed. The QA program will be used to provide adequate information and assurances that processes, policies, procedures, and/or requirements are performed satisfactorily. Performance measures as well as identifying risk factors and training issues are provided in each procedure developed. The risk factor is the measure used to identify the priority of areas to go through the QA program.

**OBJECTIVE 8: Develop and implement a method to monitor liability collection activity for all tax types by 10/31/01.**

The Accounts Receivable and Collections (ARC) unit has developed and put in place a status reporting mechanism using Excel spreadsheets which tracks individual and team work progress on a monthly basis. Recently two collection campaigns have been initiated with the first campaign complete. Campaign 1 focused on past due accounts (45 days to three years) and monitored individual collector activity as well as the success of the collection effort. Campaign 2 will continue to focus on performance measures and the results of increased contacts with past due accounts.

ARC has developed several system reports in POINTS that allow the department to monitor liability collection activity for all tax types. These reports monitor overall collection activity of the department's Accounts Receivable and Collections process as well as individual collector activity in some areas. Some of these reports were recently put into place and other reports are anticipated to be ready for use in conjunction with the completion of POINTS Phase I development efforts. We eventually expect several of these reports to replace the existing Excel status-reporting mechanism.

**Information Technology (IT)**

**OBJECTIVE 9: Stabilize POINTS Phase I by resolving defects critical to department operations.**

The department has implemented a detailed work plan to stabilize the main application of POINTS by December 31, 2002. In these efforts the department is working against a "target list" of critical defects, which are hindering the department's work or requiring work-around procedures. Through the first six months of 2002 significant progress against the target list was accomplished and with six months to go to complete this objective the department is on schedule for successful completion. It is important to note, however, the term stabilization does not mean that all POINTS defects are repaired or that data integrity is ensured. In a large integrated system such as POINTS, a defect identification and repair



will be ongoing, along with user requested enhancements. An analysis of the department's data integrity is ongoing. With the target list completed the department's operations will be much more efficient as this goal is achieved.

**OBJECTIVE 10: Draft, coordinate, and implement a comprehensive maintenance plan for POINTS Phase I, covering level of effort for production operations, defect tracking and re-mediation, enhancements, and conversions. Complete by 12/31/01.**

#### **Objective Accomplished**

The detailed work plan described in objective 9 above is the plan called for in this objective. The stabilization plan and the attendant processes and activities outline each of the elements of this objective. Progress against this plan is proceeding better than expected and ahead of schedule. One measure of that progress is the plan anticipated reasonable contingencies of work hours to address known and unknown risks in stabilizing and maintaining POINTS. Comparing planned against actual use of those contingencies by this point in time on the calendar; the actual contingency use is approximately 50% of expected. This is but one positive indicator that the plan is valid and being well executed.

#### **Financial Goal**

**GOAL VI: Obtain net financial benefit for the State through the proper administration of tax policy.**

**OBJECTIVE 1: Experience personal service savings of \$271,000 (10 FTE) and operational cost savings of \$20,000 during the biennium by 6/30/02.**

#### **Objective Accomplished**

In FY2002, the department eliminated one FTE for a cost savings of \$26,401 in FY2002 and \$26,465 in FY2003 (personal services \$49,280 and operating expenses \$3,586). The department eliminated an additional nine FTE in FY2003 for a cost savings of \$238,190 (personal services \$222,053 and operating expenses \$16,137). These nine FTE have been identified to the governor's office of Budget and Program Planning and to the Legislative Fiscal Division as required by statute.

**OBJECTIVE 2: When POINTS Phase II is fully functional, identify increased revenues through the identification of non-compliant taxpayers using state-of-the-art cross matching techniques and modern technology.**

Programming for POINTS II is complete and was extensively tested. As of June 2002 the department is preparing for a reconciliation phase during which POINTS I and POINTS II will be merged (reconciled) and again extensively tested. Project plans show implementation occurring in the fall of 2003.

<b>Statutory Authorizations</b>	
2-15-1301, MCA	The authority for the establishment of the Department of Revenue
2-15-1302, MCA	The authority for the Director of the Department of Revenue
17-3-302, MCA	Authorizes the department to collect the national housing tax.
69-1-224, MCA	Authorizes the department to calculate the Consumer Counsel tax.
Title 10 Chapter 4, Part 2, MCA	Provides the authority to collect the tax for Emergency 911 telephone service regulations.
Title 15, Chapter 1	Concerns tax administration and addresses the Department of Revenue, investigations and hearings, protest payments, actions to recover, and alternative remedies. Also addressed are the disposition of tax records, multistate tax compacts and collection of delinquent taxes including warrant for distraint.
Chapter 2	Concerns the composition and organization, powers and duties, and appeal procedure for the State Tax Appeal Board (STAB).
Chapter 6	Concerns property subject to taxation and addresses classification and tax exempt property.
Chapter 7	Concerns appraisal and discusses general methods, greenbelt appraisal, the Realty Transfer Act and appraisal of residential property in areas of changing use.
Chapter 8	Concerns assessment procedure and addresses when, how, where, and to whom property is assessed. The chapter also addresses assessment revision and assessment and map books.
Chapter 9	Concerns equalization.
Chapter 10	Concerns property tax levies and addresses statewide levies, statement of levies, entry of taxes and limitation on property taxes.
Chapter 15	Concerns property tax appeals to the county tax appeal board.
Chapter 16	Concerns collection of property taxes. The chapter further addresses the responsible for issuing the notice, how special payments are handled, reporting delinquent taxes, liens and limitations, collections, refunds, cancellations and suspensions dealing with real property.
Chapter 23	Concerns centrally assessed property and addresses railroads, public utilities, airlines, mine net proceeds, oil and gas net proceeds, coal gross proceeds, and metal mines gross proceeds.

<b>Statutory Authorizations</b>	
Chapter 24	Concerns special property tax applications and addresses twenty separate items. These items are: motor vehicle fleets; mobile homes; migratory personal property; insurance companies; production credit associations; building and loan associations; livestock; leasehold and other interests in U.S. property; state and other exempt property; new industry--real property development; remodeling of building or structures; historic properties; commercial property; business incubators; industrial parks; local economic development organizations; value-added manufacturing; and trucks and truck trailers.
Chapter 25	Concerns the dangerous drug tax.
Chapter 30	Concerns individual income tax and addresses rate and return of tax, withholding and estimated tax, and administration and collection.
Chapter 31	Concerns corporation license or income tax and addresses corporation licenses, collection of delinquent taxes including warrant for restraint, tax rate and return, small business corporations, allocation and apportionment of income and corporation income tax. The chapter also addresses lists of corporations and banks and savings and loan associations.
Chapter 32	Concerns energy-related and ecological incentives and addresses investment in energy conservation or alternative energy, tax credit for purchasing Montana produced organic fertilizer, wind-generated electricity and recycling of material.
Chapter 33	Concerns small business investment incentives and in particular addresses small business investment companies and tax exemptions.
Chapter 34	Concerns coal producers license tax.
Chapter 35	Concerns the coal severance tax and in particular the New Coal Production Incentive Tax Credit Act.
Chapter 36	Concerns oil and gas severance tax.
Chapter 37	Concerns mining license tax and addresses metalliferous mines and micaceous mineral mines.
Chapter 38	Concerns resource indemnity trust tax (RITT) and addresses the resource indemnity trust fund.
Chapter 44	Concerns forest lands tax.
Chapter 50	Concerns public contractor's fees and tax and addresses tax on contractors and contractor's tax return.
Chapter 51	Concerns electrical energy producer's tax.
Chapter 53	Concerns retail telecommunications excise tax.
Chapter 59	Concerns cement taxes and addresses cement and gypsum producers.
Chapter 60	Concerns nursing facility utilization fee and addresses collection of the fee.

<b>Statutory Authorizations</b>	
Chapter 61	Concerns medical care savings accounts and the administration of the accounts.
Chapter 62	Concerns family education savings act and the administration of the accounts.
Chapter 63	Concerns first-time homebuyer savings accounts and the administration of the accounts.
Chapter 65	Concerns the lodging facility use tax.
Chapter 72	Concerns the electrical generation tax (wholesale energy transaction tax).
Title 16 Chapter 1	Concerns administration and taxation and addresses scope and code and exemptions, Department of Revenue powers, duties and limitations and taxation of alcoholic beverages.
Chapter 2	Concerns state liquor stores and addresses operation of stores, price of liquor and sale of table wine.
Chapter 3	Concerns control of liquor, beer, and wine and addresses official seal and other controls, regulation of brewers, beer importers, and beer wholesalers. It also addresses retail sales restrictions and sale of table wine.
Chapter 4	Concerns license administration and addresses beer and wine licenses, all-beverage licenses, special licenses, licensing criteria and licensing fees. Distribution of a portion of the beer and liquor taxes to incorporated cities and towns based on population.
Chapter 6	Concerns enforcement and addresses investigations, prosecutions and miscellaneous prohibitions and penalties.
Chapter 10	Concerns minimum cigarette pricing.
Chapter 11	Concerns taxation of tobacco products. The chapter also concerns the Youth Access to Tobacco Products Act and the tobacco products reserve fund.
Title 17 Chapter 4	Concerns the debt collection service provided to other agencies and local governments by the department.
Title 39 - Labor	Concerns the administration of the Old Fund Liability Tax.
Title 39 Chapter 51 Parts 11 through 13	Concerns the administration of employer contributions and classification, experience ratings for Unemployment Insurance.
Title 70 Chapter 9	Concerns abandoned property as provided by the Uniform Unclaimed Property Act.
Title 72 Chapter 14, Parts 1-3, MCA	Provide the authority governing escheated estates, (Handled by the Attorney General's Office)
Title 72 Chapter 16	Concerns inheritance and estate taxes. The chapter also covers powers of state officers and agencies, imposition of the tax, exemptions and rates, determination and payment of the taxes, apportionment of the tax, securities transfers, and nonresident decedents.
30 USC §1735	Contracted Federal royalty audit activities.

