



UTAH STATE TAX COMMISSION - ADMINISTRATION

BUSINESS, ECONOMIC DEVELOPMENT AND LABOR APPROPRIATIONS SUBCOMMITTEE
STAFF: ZACKERY KING

BUDGET BRIEF

SUMMARY

The primary function of the State Tax Commission is collection of revenue for state and local governments and administering tax and motor vehicle laws. The Tax Commission handles revenue from about 40 taxes, surcharges, and fees; registers automobiles, and regulates the automobile dealer industry.

The Tax Commission Administration line item comprises ten programs:

- Administration
- Auditing
- Multi-State Tax Compact
- Technology Management
- Processing
- Seasonal Employees
- Taxpayer Services
- Property Tax Division
- Motor Vehicles
- Motor Vehicle Enforcement Division.

For more detail and discussion of these line items and programs, please refer to the Compendium of budget information at:

http://le.utah.gov/lfa/reports/cobi2012/agcy_120.htm

ISSUES AND RECOMMENDATIONS

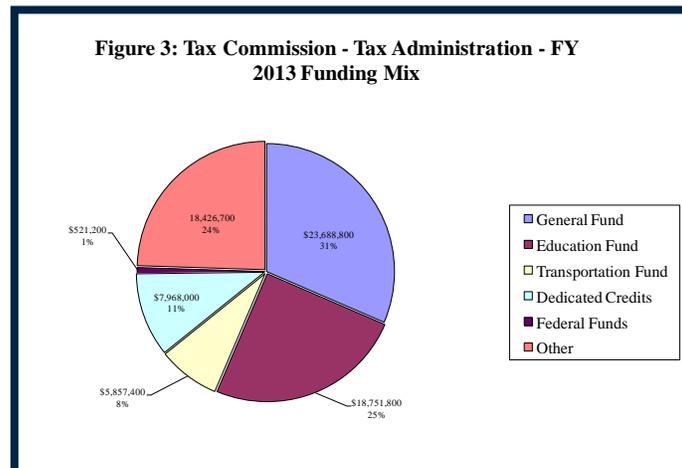
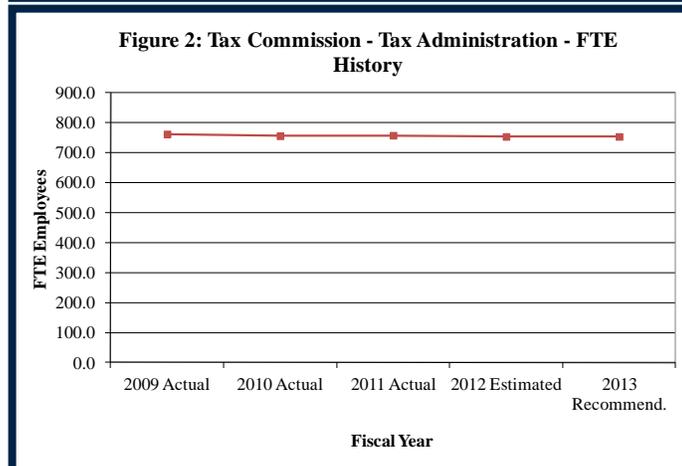
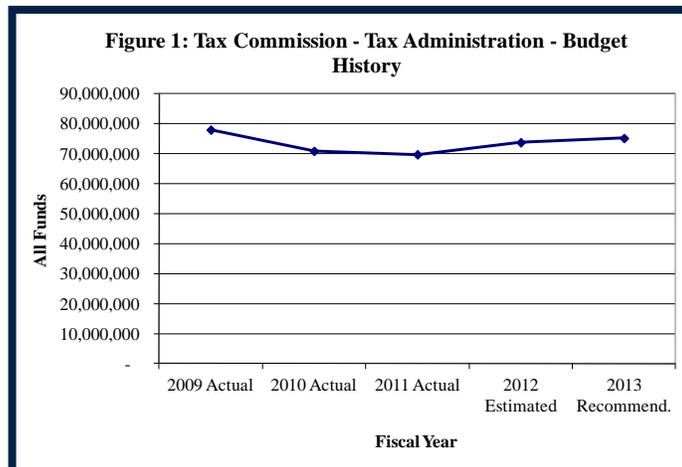
Budget Adoption

For the Tax Commission main line item, the Fiscal Analyst recommends a FY 2013 budget of \$75,213,900 as shown in the budget detail table on page 3.

Intent Language

The subcommittee may wish to consider intent language authorizing the Tax Commission nonlapsing authority for FY 2012 funds. The following intent language has been proposed by the Tax Commission for the subcommittee's consideration:

Under Section 63J-1-603 of the Utah Code, the Legislature intends that appropriations provided to the Utah State Tax Commission in Item 17 Chapter 1, Laws of Utah 2011, not lapse at the close of Fiscal Year 2012. The use of any nonlapsing funds is limited to the costs directly related to the modernization of tax and motor vehicle systems and processes.



Federal Funds

The Fiscal Analyst recommends the subcommittee approve federal funds for the Tax Commission as shown in the issue brief titled “Business, Economic Development, and Labor: Federal Funds.”

Fees

The Fiscal Analyst recommends the fee schedule for FY 2013 as shown in the issue brief entitled *Tax Commission: FY 2013 Fee Schedule*—This brief contains a fee increase of two cents per standard unit to the **Motor Vehicle Transaction Fee**, from \$1.37 to \$1.39 per standard unit. An increase to the **Electronic Payment Fee for MV Temporary Permit Books** is also contained in this brief; this increase is equal to \$1 per permit book sold and covers the online credit card processing costs. In this brief, no change has been made to the **Temporary Permit – Motor Vehicle Enforcement Fee**, it is held constant at \$12.00 per temporary permit.

The Tax Commission has requested the following fee increases for FY 2013:

Tax Commission Requested Fee Changes	Old	New
Motor Vehicle Transaction Fee - per standard unit	\$1.37	\$1.39
Temporary Permit - Motor Vehicle Enforcement (permit sales to dealers – bulk)	\$12.00	\$14.00
Electronic Payment Fee for MV Temporary Permit Books	\$3.00	\$4.00

Motor Vehicle Transaction Fee

UCA 59-2-406(3) outlines the administration of this fee, subsection 3c indicates the adjustment to this fee be correlated with an increase in the Consumer Price Index.

Temporary Permit – Motor Vehicle Enforcement Fee

The Fiscal Analyst recommends no change to this fee for FY 2013. The table below shows the revenue history of this fee since FY 2007. Over this five year period the fee has increased by 78 percent; a \$2 increase for FY 2013 would be a 107 percent increase since FY 2007.

As can be expected in a slumping economy, FY 2008 and 2009 saw a combined \$389,183 decrease in revenues, it is between these two years that the fee increased by its largest percentage. In FY 2010, revenues from this fee rebounded due to fee increases. The FY 2011 increase in revenue is a result of an additional fee increase, combined with a 1 percent increase in volume.

According to the Fiscal Analysts Office, economic indicators give reason to expect another year of growth in volume; some of these indicators are population growth, forecasted increase in new vehicle sales for Utah, and an improving Utah economy.

Fiscal Year	Revenue	Growth	Fee	Volume	% Change
2007	\$2,641,478	\$358,536	\$6.75	391,330	15.7%
2008	\$2,602,956	-\$38,522	\$7.22*	360,491	-7.9%
2009	\$2,252,295	-\$350,661	\$8.67**	259,888	-27.9%
2010	\$2,633,870	\$381,575	\$11.00	239,443	-7.9%
2011	\$3,023,000	\$389,130	\$12.00	242,258	1.2%

* The average fee amount for FY 2008
 ** The average fee amount for FY 2009

Tobacco Settlement

The Analyst recommends a decrease of \$58,300 from the GFR – Tobacco Settlement Account as a result of declining receipts. The Legislature already replaced these lost funds with ongoing General Fund during the 2011 General Session, so this action will not result in a funding cut for the Tax Commission. In FY 2012 revenues will likely be 23 percent lower than FY 2011. The majority of tobacco settlement revenues are directed by statute to mandatory programs. The balance is directed by appropriation to discretionary programs. The Tax Commission is one of the discretionary programs. The Tax Commission uses these funds to pay salary and benefits for a compliance agent with oversight of business requirements for the Tobacco Settlement.

GOVERNOR’S RECOMMENDATIONS

The Governor has made the following recommendations for the Tax Commission:

1. Administrative Law Judge – Property Tax Appeals - \$100,000 ongoing Education Fund.
2. Delinquent Tax Accounts – Mailing Costs - \$45,000 ongoing Education Fund and \$5,000 ongoing General Fund.

BUDGET DETAIL

Tax Commission - Tax Administration						
Sources of Finance	FY 2011 Actual	FY 2012 Appropriated	Changes	FY 2012 Revised	Changes	FY 2013* Recommended
General Fund	24,049,200	23,688,800	0	23,688,800	0	23,688,800
General Fund, One-time	0	18,500	0	18,500	(18,500)	0
Education Fund	19,343,000	18,751,800	0	18,751,800	0	18,751,800
Transportation Fund	5,857,400	5,857,400	0	5,857,400	0	5,857,400
Federal Funds	520,900	501,200	20,000	521,200	0	521,200
Dedicated Credits Revenue	13,788,500	8,069,600	(95,000)	7,974,600	(6,600)	7,968,000
GFR - Electronic Payment Fee Restr	0	6,886,300	0	6,886,300	0	6,886,300
GFR - Sales and Use Tax Admin Fee:	2,477,100	0	0	0	0	0
GFR - Tax Commission Administrat	6,113,800	8,945,500	0	8,945,500	0	8,945,500
GFR - Tobacco Settlement	76,800	76,800	0	76,800	(58,300)	18,500
TFR - Uninsured Motorist I.D.	133,800	133,800	0	133,800	0	133,800
Transfers	128,700	136,800	0	136,800	0	136,800
Beginning Nonlapsing	5,035,300	2,913,700	3,748,600	6,662,300	(805,800)	5,856,500
Closing Nonlapsing	(6,662,300)	(1,595,700)	(4,260,800)	(5,856,500)	2,305,800	(3,550,700)
Lapsing Balance	(1,077,400)	0	0	0	0	0
Total	\$69,784,800	\$74,384,500	(\$587,200)	\$73,797,300	\$1,416,600	\$75,213,900
Programs						
Administration Division	6,513,100	7,613,100	1,306,800	8,919,900	1,500,000	10,419,900
Auditing Division	10,343,900	10,432,600	125,600	10,558,200	0	10,558,200
Motor Vehicle Enforcement Divisio	2,856,300	3,020,100	56,400	3,076,500	0	3,076,500
Motor Vehicles	19,193,600	21,511,200	(968,500)	20,542,700	(25,100)	20,517,600
Multi-State Tax Compact	241,200	233,200	10,000	243,200	0	243,200
Property Tax Division	4,377,000	4,280,200	20,400	4,300,600	0	4,300,600
Seasonal Employees	173,400	167,900	0	167,900	0	167,900
Tax Payer Services	10,028,000	10,270,300	(439,400)	9,830,900	0	9,830,900
Tax Processing Division	7,397,300	7,955,000	(560,200)	7,394,800	(58,300)	7,336,500
Technology Management	8,661,000	8,900,900	(138,300)	8,762,600	0	8,762,600
Total	\$69,784,800	\$74,384,500	(\$587,200)	\$73,797,300	\$1,416,600	\$75,213,900
Categories of Expenditure						
Personnel Services	45,295,300	46,275,200	222,400	46,497,600	(58,300)	46,439,300
In-state Travel	167,200	155,300	53,900	209,200	0	209,200
Out-of-state Travel	330,000	372,800	12,900	385,700	0	385,700
Current Expense	13,582,100	16,596,500	(1,240,400)	15,356,100	(25,100)	15,331,000
DP Current Expense	9,128,900	9,746,700	(352,200)	9,394,500	0	9,394,500
DP Capital Outlay	1,251,900	1,238,000	701,200	1,939,200	1,500,000	3,439,200
Capital Outlay	29,400	0	15,000	15,000	0	15,000
Total	\$69,784,800	\$74,384,500	(\$587,200)	\$73,797,300	\$1,416,600	\$75,198,900
Other Data						
Budgeted FTE	758.0	753.0	1.0	754.0	0.0	754.0
Actual FTE	713.7	0.0	0.0	0.0	0.0	0.0
Vehicles	68.0	65.0	(65.0)	0.0	65.0	65.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

SUMMARY OF RECOMMENDATIONS

The Analyst recommends the Legislature:

1. Adopt the recommended FY 2013 budget of \$75,213,900 as shown in the budget detail table.
2. Consider for approval, the intent language contained on page 1.
3. Adopt the FY 2013 fee schedule provided in the issue brief *Tax Commission: FY 2013 Fee Schedule*.
4. Approve federal funds for the Tax Commission as shown in the issue brief titled "Business, Economic Development, and Labor: Federal Funds."