



# What's happening at the NM Taxation & Revenue Department

Stephanie Schardin Clarke, Cabinet Secretary

Emily Oster, Deputy Cabinet Secretary

April 5, 2019

# Mission of the Taxation and Revenue Department (TRD)

- Collecting and distributing revenues according to state law: distributions total \$8 - \$9 billion per year
- Administer tax, revenue and motor vehicle laws
- Includes dozens of tax programs – some of the largest:
  - Gross Receipts Tax
  - Personal Income Tax
  - Corporate Income Tax
  - Severance Taxes
  - Motor Vehicle Excise Tax
  - Property Tax
- TRD's Tax Fraud and Investigation Division helps ensure that those who break criminal tax laws are held accountable. Collaborates with various law enforcement agencies

# More About Us

- TRD administers driver's licensing and motor vehicle registration laws, including recent REAL ID changes
- TRD is organized in to 8 divisions with 1072 FTE
  - 780 current employees, 292 current vacancies
  - 27.23% vacancy rate
- FY19 annual budget of \$89.587M

# Executive Leadership Team

**Office of the Secretary**  
**Cabinet Secretary: Stephanie Schardin Clarke**  
Deputy Cabinet Secretary: Emily Oster  
Tax Policy Director: Clinton Turner  
Chief Legal Counsel: **Vacant**  
Director of Communications: Charlie Moore  
Chief Security Officer: Raja Sambandam  
Taxpayer Advocate: Tiffany Smyth  
Chief Economist: **Vacant**  
Local Government Liaison: David Montieth

**Property Tax Division**  
  
Director: **Vacant**  
Deputy Director: Michael O'Melia

**Revenue Processing Division**  
  
Director: Charlene Trujillo  
Deputy Director: **Vacant**

**Motor Vehicle Division**  
  
Director: Alicia Ortiz  
Deputy Director Field Operations: Jerry Valdez  
Deputy Director Central Admin: **Vacant**

**Tax Fraud Investigation**  
  
Director: **Vacant**  
Deputy Director: **Vacant**

**Information Technology**  
  
CIO: Mike Baca  
Deputy CIO: Darshana Kanabar

**Administrative Services**  
  
Director: Denise Irion  
Deputy Director: **Vacant**

**Audit & Compliance**  
  
Director: **Vacant**  
Deputy Director Audit: Aysha Mora  
Deputy Director Compliance: Lisa Trujillo

# Vision

- Fair, consistent, professional Tax Administration for all New Mexico taxpayers
  - Fill vacancies
  - Support employees, improve retention
  - Training and professional development opportunities
  - Deliver quality customer service
- Guiding principles of integrity, ethics, respect, collaboration, communication
- Do the right thing!

# A Fresh Approach to Customer Service

- Taxpayers: deserve fair audits and assessments, prompt resolution of protests, consistent application of laws and regulations, responsiveness on questions, security of taxpayer data from fraudsters
- Legislators: deserve quality information on revenue trends and forecasts, resolution of constituent issues, budget needs, performance reporting,
- Local Governments/Political Subdivisions: deserve timely and accurate distributions, responsive answers to questions about distributions, proactive assessment of State-assessed properties to capture property taxes due
- State Agencies: deserve a collaborative partner that shares data, guides policymaking, informs on trends
- CPAs and Tax Attorneys: deserve collaborative partner to resolve taxpayer issues and identify and implement process improvements.

# Recent Successes Despite Austerity

- Achieved Payment Card Industry (PCI) data security compliance in January 2019
- Entered Joint Powers Agreement with Workforce Solutions and Workers' Compensation Administration to improve compliance and reduce fraud
- Utilization of Internal Audit – Working on agency wide standardization and enhancement of standard operating procedures
- Outreach Positions Created: Local Government Liaison, Tax Payer Advocate, CPA Liaison (recently vacant), Business Credit Unit

# Recent Successes (Continued)

- Information Technology
  - TRD can only be as strong as its IT backbone
  - Integrated GenTax and Tapestry service packs and upgrades
  - Average MVD Field Office wait times have been reduced to pre-Real ID implementation times. Struggles remain in areas affected by Permian labor market shortages
  - Severance Tax Replacement of ONGARD - \$4.8 million on time and on budget in March 2018
  - Data Analytics – Phase I underway will enhance GRT audit selection, expected to go live July 2019



# Recent Successes (Continued)

- Revisited and revised segregation of duties to strengthen internal controls
- Enhanced Personal Income Tax fraud prevention efforts through data analytics and questionable return unit
- Reorganized Audit and Compliance Division (ACD) to optimize revenue collection efforts
- Implemented abatement work flow tracking

# Opportunities for FY2020 and beyond

- Vacancy rate 28.94% February 1, now aggressively hiring, down to 27.23% April 2:
  - Executive leadership team had been vacant or acting long-term, now filling positions
  - Filling vacancies properly requires competitive market salaries, working with State Personnel Office to process in pay band increases for many employees
  - Entry-level positions especially difficult to recruit and retain – State worker salary increases and increase in State minimum wage will help
- Finalize implementation of Real ID – roughly 50% of licenses currently converted to Real ID

# Opportunities for FY2020 and beyond

- Work through high profile, high-dollar protest/refund claims
- Assume responsibility for Insurance Premiums Tax Administration
  - Conduct industry outreach on new processes
  - Funding not received for implementation of program in GenTax
- Constant GenTax and Tapestry system maintenance/upkeep
- Oversee corporate culture shift to provide strong enforcement hand-in-hand with exceptional customer service
  - Strive for excellence
  - Strictly adhere to ethical behavior, professional standards, code of conduct, equal opportunity

# FY2020 IT Projects

- **Advanced Data Analytics Phase 2:**
  - Phase 1 centered on GRT audit selection
  - Phase 2 (\$1.15 million) plans focused on insider threat and external threat mitigation, and predictive analysis on revenue forecasting
- **Call Center Modernization Project:** \$235,000 to enable phone system with ability to effectively and securely process transactions (PCI-DSS compliance for payment cards)

# More FY2020 IT Projects

- **Point-of-Sale Cashiering in GenTax for ACD:** \$715,000 to Combine POS pin pad functionality with GenTax Cashiering Manager to securely process payment cards and other transactions
- **Property Tax System Modernization:** \$2 million for modernization and automation of the property tax business system – ongoing project
- **Implementation of 2019 Legislation passed during 2019 Legislation Session into TRD's IT systems, forms, regulations**
  - Estimated \$15 million implementation cost of HB6, received \$1 million

# Significant New Legislation

- Active session, many bills passed by Legislature and sent to Governor
- Signing period ends April 5<sup>th</sup> (Today!)
  - HB 6 Tax Changes
  - HB 162 Insurance Premium Tax Provisions
  - HB 479 De-Earmark Local Option Gross Receipts
  - SB 2 Film Tax Credit Changes
  - SB 129 Tax Protests & Admin Hearings Office
  - SB 246 Health Care Quality Surcharge Act
  - Many more!

# HB 6 Tax Changes

- Significant impacts to TRD GenTax system
- GRT on internet sales – levels the playing field for in-state businesses
- Local Compensating Tax – levels the playing field for in-state businesses
- Increase working families tax Personal Income Tax credit
- Reduce capital gains deduction from Personal Income Tax
- Dependent deduction to offset recent federal tax changes
- Hospital GRT – levels the playing field between like hospitals
- Combined reporting of Corporate Income Tax
- Increases Cigarette Tax rate, changes Tobacco Products tax, including taxation of vaping products
- Contingent Tax Year 2021 new top PIT bracket and rate, may go into effect dependent on FY2020 general fund recurring revenue growth

# HB 162 Insurance Premium Tax Provisions

- Authorizes TRD to administer Insurance Premium Tax under the Tax Administration Act (TAA)
  - Gives TRD tools to audit taxpayers
  - Gives taxpayers protections under Taxpayer Bill of Rights
- Clean-up from 2018 legislation
  - Reinstates distribution of premium tax revenue to Law Enforcement Protection Fund
- TRD begins administering Insurance Premium Tax program January 1, 2020
  - Information sharing and collaboration with Office of Superintendent of Insurance- before, during and after transfer
- Significant impacts to TRD GenTax system, not yet funded



# HB 479 De-Earmark Local Option Gross Receipts

- Allows wider use of many municipal and county local option gross receipts tax increments
- Changes related to local option gross receipts tax increments that may be imposed by municipalities and counties
- Greater flexibility for municipalities and counties to manage their finances
- Not required to reduce from current rates (grandfathered in)
- Significant impacts to TRD GenTax system

# SB 2 Film Tax Credit Changes

- Replaces \$50M cap system with new model: New Mexico is open for business!
  - TRD authorized to pay \$110M in credits each fiscal year (\$110M cash cap)
  - EDD manages project budget certification/credit application process to ensure that backlog does not exceed \$100M (\$100M maximum backlog liability)
- “Film Partners” that have made 10-year commitment to New Mexico excluded from cap
- Extra 5% credit available for rural film production
- Improved reporting and transparency
- Appropriates \$195M to repay backlog of approved but unpaid film credits accrued under the prior \$50 million cap

# SB 129 Tax Protests & Admin. Hearings Office

- Changes to timeline for protests and refund claims
  - Protests are filed with TRD, adjudicated through TRD Protest Office, and then Administrative Hearings Office (AHO) if necessary
  - 90 day time period for payment of undisputed amounts
  - Increases from 45 to 180 days the amount of time that taxpayers and TRD can work together to informally resolve protests, before escalation to AHO
- Two ways to dispute an assessed liability for taxes
  - File administrative protest, OR
  - Pay and then claim a refund
- Clarification of what must be included in a written protest
- Changes to Administrative Hearings Office Act
  - Tax protest procedures, who can represent taxpayers at AHO

# SB 246 Health Care Quality Surcharge Act

- Enhances federal financial participation in Medicaid to increase Medicaid provider reimbursement rates and support facility quality improvement efforts
- Collaborative effort between Human Services Department and TRD on rate, with support from Federal CMS
- TRD will administer and enforce pursuant to Tax Administration Act (TAA)
- Surcharge distributed to new Health Care Facility and Disability Health Care Facility funds
- Significant impacts to TRD GenTax system

# External Outreach: Taxpayers

- Taxpayer Advocate: Tiffany Smyth
- Provides assistance to taxpayers, identifies systemic problems within TRD, and recommends long term solutions
- Assists in resolving issues when the normal process has broken down
- Ensures that the rights afforded to the taxpayer in the Taxpayer Bill of Rights are protected
- Contact information
  - [Tiffany.Smyth2@state.nm.us](mailto:Tiffany.Smyth2@state.nm.us)
  - Phone (505) 841-6565

# External Outreach: Tax Practitioners

- Tax Practitioner Liaison: Recently vacant (**call us!**)
- Provides assistance to tax practitioners, assists practitioners in navigating through processes administered by TRD
- Maintains Tax Practitioner's Hotline- strive for responses within 24 hours
- Assists in resolving issues when the normal process has broken down
- Provides training to stakeholders on statutes, regulations, policies, and procedures

# External Outreach: Local Governments

- Local Government Liaison: David Monteith
- First point of contact for municipalities, counties and tribal governments who need assistance from TRD
- Goal is to provide prompt answers to questions regarding services that are provided by TRD
- Contact information
  - [tax.localgov@state.nm.us](mailto:tax.localgov@state.nm.us)
  - Phone (505) 827-2588

# Governor's Tax Commission

- Governor Michelle Lujan Grisham has proposed creation of a Tax Commission
- Expected to be created through Executive Order in coming months
- Purpose is to allow venue for communication between TRD and its many stakeholder groups. Membership may include CPA and Tax Attorney communities, local government representatives, legislators, etc.



# Questions & Discussion?

# Thank you!

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