



DEPARTMENT OF REVENUE

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Senator Drew Perkins, Acting Chairman
Committee Members
Wyoming Government Spending and Efficiency Commission

Mr. Chairman:

The Department of Revenue would like to submit the following testimony related to efforts made by our agency over the last 19 years to minimize costs and generate more revenue to the state while maintaining our ability to meet our strategic goals. The Department understands the need to review the effectiveness of government and the efficient use of limited resources. We also understand the importance of insuring that we collect and distribute revenues due the state and local governments on a timely basis. There is a point where limiting resources affects the ability to collect revenue.

The Department is comprised of six operating units; Administration, Administrative Services, Excise Tax Division, Mineral Tax Division, Property Tax Division, and the Liquor Division. With the exception of the Liquor Division, the Department of Revenue receives its funds from the state general fund. The Liquor Division is an enterprise agency that operates on the profit from the sale of wine and spirits to retail licensees.

The Department has been working to become more efficient for years. Probably the best place to begin is a review of the agency's workforce. In 1998, the Department staff included 139 employees, 133 fulltime, and 3 part-time and 3 contract employees. As of this date, the agency staff includes 112 employees and 6 temporary employees. The only business unit that has increased staff has been the Liquor Division which has seen exceptional growth over the years.

The reduction in staff has been possible for a number of reasons. The Department has developed a strategic plan that focuses on delivery of excellent customer service. We make ourselves available to our customers. Customers receive direct lines to the team that can provide assistance. We educate our vendors and taxpayers on the appropriate way to collect and pay the taxes we administer. The goal is to maximize compliance with tax law. Through compliance, the State receives the revenues authorized by the legislature.

Many of the efficiencies the Department has undertaken are specific to the divisions within the agency. We would like to address them individually.

Excise Tax Division:

The Division recognized the need for modernizing the previous computerized tax collection system that had evolved over the previous fifteen years. The development of the new system from start to finish encompassed a 5-year timeframe. The new system integrated all excise taxes with the sales and use tax system under a common user interface. The Department developed the Mineral Tax System but used the same user interface. We enhanced electronic filing, which led to major reduction in the handling of paper returns.

The Excise Division created a separate section (Education and Taxability) to handle all taxability requests and to implement a vendor education program. With the reduction in our travel budget the Education and Taxability section responded by training vendors using webinars rather than on-site seminars. By providing educational opportunities for our vendor-force, we have raised compliance with the tax laws from approximately 60% to over 95% based on audit findings.

The Division implemented a more effective mechanism for revocation of licenses. When a licensee becomes delinquent with the agency, it is critical to resolve these delinquencies quickly. Issues that at one time took over a year to resolve through the court system are now being resolved in 60 days by conducting in-house hearings.

Property Tax Division:

The most significant efficiencies achieved by this Division came with the formation of a task force on purchase of a single Computerized Assisted Mass Appraisal system (CAMA) for all twenty-three counties in Wyoming. The task force researched the available products on the market, generated a request for proposal and then selected the product for rollout to the local assessors.

This implementation placed all counties on a single system, both hardware and software. Training on the system became more efficient as it applied to all assessor offices across the state. Performing property valuations on a common platform aids the state's statutory obligation to value property at its fair market value. All data is at the fingertips of the assessors rather than waiting for reports printed at the state offices and mailed.

The assessment information is stored on each county's servers. The same data is replicated on the State's servers. This helps the Department when we are performing reviews of the assessor's compliance with assessment practices. With the division travel budget significantly reduced, the ability to review county data does make the review process much more efficient. It does not replace an actual on-site visit but does help the department mitigate problems with our statutorily required review of the county assessor's practices.

Mineral Tax Division:

The implementation of the new Mineral Tax System (MTS) has been helpful in the performance of the annual severance tax gross products tax reconciliation. This was once a manual process involving many man-hours of time-consuming labor to report discrepancies. The system now

conducts the match, identifies discrepancies in value between the two taxes, and creates the notices to the taxpayers.

The user interface for the MTS software is common to the Excise Tax System interface previously described. Having common interfaces makes cross training employees from other areas much more efficient. The navigation within each system looks and feels the same.

The accounting system for the MTS system including electronic filing significantly more efficient. The Mineral Division has reduced staffing from 22 employees to 15 during a time when the volume of data received was growing exponentially.

Administrative Services Division:

The upgrades of both the ETS and MTS tax systems have led to significant improvements in the operation of the Division that processes incoming and outgoing correspondence with taxpayers and vendors. The percentage of vendors filing electronically with the State has increased to 55% of the 27,000 vendors in the system. The savings alone in postage, paper and personnel costs has been substantial. The Division has gone from 15 employees in 1998 to 10 employees in 2017.

In 1999 the Division brought the printing of tax returns in-house in order to minimize postage costs and eliminate a contract they had with a third party printer. Tax returns that were being printed and mailed at 75 cents per form. Bringing the process in-house reduced the cost to 18 cents per form including the machinery purchased to print the returns in-house.

With the upgrade of the ETS and MTS systems, the processing of tax returns has improved with the purchase of high-speed scanners. Reading the paper returns with an "Optical Character Recognition" system that posts the returns to the vendor accounts automatically again reduces the human interaction with the posting process making staff more efficient. The Division is in the process of implementing an electronic deposit of funds that effectively eliminates handling checks manually. The process referred to as "Check 21" transmits images of the checks to the bank without the physical check.

We have not included the Liquor Division as part of this discussion as the Division receives its funding from profits of sales of alcohol to retailers in Wyoming.

Potential Efficiencies:

Based on the efficiencies gained by the Department through electronic filing it might be beneficial to alter the vendor compensation statutes to provide incentive to vendors to file electronically. Rather than offering the incentive to file early as the statutes currently read, offer compensation for filing electronically. This would save the state in postage, supplies such as paper, envelopes, printer ink and in labor. It would cost no more than it currently does to offer the incentive. Since the rollout of the ETS system in 2011, we have been averaging roughly \$20,000 in annual postage savings with additional savings in paper costs and envelopes. The more vendors that file electronically the more the State will save on these costs.

The Excise Tax Division could be more efficient in the collection of delinquent accounts with creation of a “trust tax” obligation with vendors related to the collection and remittance of sales taxes from taxpayers. Currently the only vendors that held personally liable for the payment of the taxes collected and not remitted are “sole proprietors” and “simple partnerships”. Members of LLCs and officers of corporations are not liable for the payment of this tax. The entity structure shields members and officers from the liability. In many states, the officers of the corporation or members of an LLC are liable for taxes; they have collected from the public and not remitted to the State. This would allow the State to issue liens directly on the officers and pursue collection beyond the corporate veil. Of \$3,852,350 in tax, penalty and interest written off in FY 2017, almost \$2,000,000 of that amount was associated with businesses organized under corporations or LLCs. How much of that amount is associated with taxes collected and not remitted is indeterminable without looking at each license individually.

The Department is currently investigating a new methodology for valuing minerals for property tax purposes. If we find this methodology to be viable, it would significantly reduce administrative burdens on both state and local resources. The method currently under investigation is referred to as “Discounted Cash Flow” valuation. A number of the mineral producing states value minerals with Discounted Cash Flow. It removes the volumes of amendment activity that we process annually.

The Department of Revenue will continue to pursue efficient means of collecting the State’s revenue while insuring we provide the services our citizens deserve.

With regards,

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