

# **State of Alaska FY2002 Governor's Operating Budget**

Department of Revenue  
Tax Division  
Component

## **Component: Tax Division**

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## **Component Mission**

The mission of the Tax Division is to collect taxes.

## **Component Services Provided**

Tax program administration includes development and processing of tax forms, audit and compliance work, collection of revenue, taxpayer service, and updating regulations. Advice on revenue issues includes research and presentation of information to the public and policy makers. The four non-tax revenue programs are the charitable gaming program, salmon price reporting, auditing of oil and gas royalties and the administration of unclaimed property.

## **Component Goals and Strategies**

FY 2001 is the first budgeted year of the Tax Division and fulfills the 1999 legislative intent to merge Oil and Gas Audit Division and the Income and Excise Audit Division. The Tax Division performs revenue audit and taxation functions for twenty tax types and four non-tax revenue programs administered by the Department of Revenue.

## **Key Component Issues for FY2001 – 2002**

Ramp up for a challenge under the oil and gas property tax to our valuation of the single largest asset in the State, the 5.6 billion dollar Prudhoe Bay Facility.

Complete the switch to paperless filing for our largest tax type and then focus on undertaking the same project with a different tax type or types.

Continue to cut down on backlog of unresolved cases.

Continue to work the merger of the two heritage divisions.

## **Major Component Accomplishments for FY2000**

Continued to resolve old cases and bring caseload more current. Resolutions include (1) a 1981 production tax case, bringing the oldest unresolved production tax matter to 1994, and (2) a multi-year oil and gas income tax case for over 400 million dollars.

Merger of the old Oil and Gas Audit and Income and Excise Audit divisions. Specifically, reconfigured the Anchorage space and began the work of merging those functions shared by the old divisions.

Reworked the annual fiscal forecast to provide more useful information.

Worked on moving the production tax to electronic filing.

Adopted major regulatory changes for the treatment of gas and valuation of oil under AS 43.55.

Contributed much time and effort to the analysis of the Arco BP merger and the sale of Arco Alaska to Phillips.

**Statutory and Regulatory Authority**

AS 04.11\*  
AS 09.50  
AS 10.25\*  
AS 16.51  
AS 38.05  
AS 43.05  
AS 43.10  
AS 43.19  
AS 43.20  
AS 43.21  
AS 43.31  
AS 43.35\*  
AS 43.40\*  
AS 43.50  
AS 43.55  
AS 43.56  
AS 43.57  
AS 43.60  
AS 43.65  
AS43.75\*  
AS 43.76  
AS 43.77\*  
AS 43.80  
AS 42.05  
AS 42.06  
15 AAC 04.001 - 15 AAC 04.320  
15 AAC 05.001 - 15 AAC 05-320  
15 AAC 19.011 - 15 AAC 19.1390  
15 AAC 20.010 - 15 AAC 20.390  
15 AAC 20.410 - 15 AAC 20.920  
15 AAC 21.001 - 15 AAC 21.9701  
15 AAC 35.010 - 15 AAC 35.100  
15 AAC 40.010 - 15 AAC 40.900  
15 AAC 50.010 - 15 AAC 50.190  
15 AAC 55.010 - 15 AAC 55.9700  
15 AAC 56.005 - 15 AAC 56.130  
15 AAC 60.010 - 15 AAC 60.310  
15 AAC 65.010 - 15 AAC 65.990  
15 AAC 75.010 - 15 AAC 75.300  
15 AAC 76.010 - 15 AAC 76.290  
15 AAC 77.005 - 15 AAC 77.990  
15 AAC 80.010  
15 AAC 116.010 - 15 AAC 116.700  
15 AAC 160  
26 U.S.C. 38 Internal Revenue Code

\* Statutes provide for sharing taxes and fees.

### Key Performance Measures for FY2002

**Measure: The division budget as compared to the total amount collected by the division.**  
*(Developed jointly with Legislature in FY2000.)*

**Measure: The percentage of taxes collected as compared to the percentage of taxes due.**  
*(Developed jointly with Legislature in FY2000.)*

**Measure: The time expended compared to the time budgeted and the average time taken to complete audits.**  
*(Developed jointly with Legislature in FY2000.)*

**Measure: The amount of assessments disallowed on appeal as compared to the amount of assessments claimed.**  
*(Developed jointly with Legislature in FY2000.)*

**Measure: The Tax Division will receive 100% oil and gas production taxpayers monthly reports on CD disks by Feb. 28, 2001.**  
*(Not yet addressed by Legislature.)*

**Current Status:**

The Tax Division expects all oil and gas production taxpayers to begin filing electronically by the Feb. 28, 2001 due date for the company's January 2001 reports.

**Measure: At least 10% of calendar 2001 taxpayers for one type of excise tax will participate in an electronic filing project.**  
*(Not yet addressed by Legislature.)*

**Current Status:**

The Tax Division has selected the Alaska Salmon Price Report and motor fuel taxes as the first two tax programs to move onto the Internet.

### Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• The division budget as compared to the total amount collected by the division.			X		
• The percentage of taxes collected as compared to the percentage of taxes due.			X		
• The time expended compared to the time budgeted and the average time taken to complete audits.			X		
• The amount of assessments disallowed on appeal as compared to the amount of assessments claimed.			X		
• The Tax Division will receive 100% of oil and gas production taxpayers monthly reports on CD disks by Feb. 28, 2001.			X		
• At least 10% of calendar 2001 taxpayers for one type of excise tax will participate in an electronic filing project.		X			

**Tax Division**  
**Component Financial Summary**

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	0.0	5,555.0	5,458.2
72000 Travel	0.0	165.9	161.3
73000 Contractual	0.0	1,178.9	925.4
74000 Supplies	0.0	53.6	51.6
75000 Equipment	0.0	8.4	4.9
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>0.0</b>	<b>6,961.8</b>	<b>6,601.4</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	0.0	5,706.8	5,631.8
1005 General Fund/Program Receipts	0.0	754.6	604.5
1007 Inter-Agency Receipts	0.0	115.0	115.3
1053 Investment Loss Trust Fund	0.0	27.9	0.0
1061 Capital Improvement Project Receipts	0.0	12.8	12.7
1103 Alaska Housing Finance Corporation Receipts	0.0	106.9	0.0
1105 Alaska Permanent Fund Corporation Receipts	0.0	237.8	237.1
<b>Funding Totals</b>	<b>0.0</b>	<b>6,961.8</b>	<b>6,601.4</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
<b>Unrestricted Revenues</b>						
Unrestricted Fund	68515	0.0	2,918.0	2,918.0	1,418.0	1,418.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>2,918.0</b>	<b>2,918.0</b>	<b>1,418.0</b>	<b>1,418.0</b>
<b>Restricted Revenues</b>						
Interagency Receipts	51015	0.0	115.0	115.0	115.3	115.3
General Fund Program Receipts	51060	0.0	754.6	754.6	604.5	604.5
Capital Improvement Project Receipts	51200	0.0	12.8	12.8	12.7	12.7
Permanent Fund Earnings Reserve Account	51373	0.0	237.8	237.8	237.1	237.1
Investment Loss Trust Fund	51393	0.0	27.9	27.9	0.0	0.0
AK Housing Finance Corporation Receipts	51407	0.0	106.9	106.9	0.0	0.0

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Restricted Total		0.0	1,255.0	1,255.0	969.6	969.6
Total Estimated Revenues		0.0	4,173.0	4,173.0	2,387.6	2,387.6

## Tax Division

### Proposed Changes in Levels of Service for FY2002

Proposed service changes for FY 2002 include the transfer of the Unclaimed Property Section to the Treasury Division.

### Summary of Component Budget Changes From FY2001 Authorized to FY2002 Governor

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2001 Authorized</b>	<b>6,489.3</b>	<b>0.0</b>	<b>472.5</b>	<b>6,961.8</b>
<b>Adjustments which will continue current level of service:</b>				
-Convert Special FY2001 Labor Cost Fund Sources to GF	106.9	0.0	-106.9	0.0
-Unclaimed Property Section Transfer to Treasury Division	-161.4	0.0	0.0	-161.4
-Reverse One-Time Funding for HB363 Salmon Price Reports Fiscal Note	-23.5	0.0	0.0	-23.5
-Reverse one-time supplemental, Sec. 32, Ch 135, SLA00	-150.0	0.0	0.0	-150.0
-Year 2 Labor Costs - Net Change from FY2001	-25.0	0.0	-0.5	-25.5
<b>FY2002 Governor</b>	<b>6,236.3</b>	<b>0.0</b>	<b>365.1</b>	<b>6,601.4</b>

## Tax Division

## Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	90	87	Annual Salaries	4,411,732
Part-time	2	1	COLA	63,885
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,391,435
			<i>Less 7.00% Vacancy Factor</i>	<i>(410,652)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>92</b>	<b>88</b>	<b>Total Personal Services</b>	<b>5,456,400</b>

## Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	0	0	2	0	2
Accounting Spvr II	0	0	1	0	1
Accounting Tech I	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	2	0	6	0	8
Administrative Clerk III	0	0	1	0	1
Administrative Manager II	0	0	1	0	1
Administrative Supervisor	0	0	1	0	1
Analyst/Programmer I	0	0	2	0	2
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer IV	0	0	1	0	1
Analyst/Programmer V	0	0	1	0	1
Deputy Director	1	0	0	0	1
Division Director	1	0	0	0	1
Economist I	1	0	0	0	1
Economist II	1	0	0	0	1
Economist III	0	0	1	0	1
Investigator III	1	0	0	0	1
Investigator IV	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Petroleum Economist I	3	0	0	0	3
Petroleum Economist II	1	0	0	0	1
Revenue Audit Supvr I	0	0	2	0	2
Revenue Audit Supvr II	2	0	0	0	2
Revenue Audit Supvr III	1	0	2	0	3
Revenue Auditor II	1	0	0	0	1
Revenue Auditor III	7	0	2	0	9
Revenue Auditor IV	8	0	1	0	9
Revenue Auditor V	11	0	0	0	11
Tax Technician I	0	0	1	0	1
Tax Technician II	2	0	2	0	4
Tax Technician III	3	0	5	0	8
Tax Technician IV	0	0	2	0	2
<b>Totals</b>	<b>49</b>	<b>0</b>	<b>39</b>	<b>0</b>	<b>88</b>