

5% Base Budget Reduction Form
[17-7-111-3\(f\)](#)

AGENCY CODE & NAME:

		Minimum Requirement	
		General Fund	State Special Revenue Fund
TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET		\$ 3,098,846	\$ 289,482
Priority		General Fund Annual Savings	State Special Revenue Annual Savings
	SERVICE(S) TO BE ELIMINATED OR REDUCED		
1	DO-Personal Services Reduction	\$ 350,269	\$ 27,238
2	TSD-Personal Services & Operating Costs Reductions	\$ 565,483	\$ 8,333
3	CCD-Personal Services Reductions		\$ 203,109
4	IMCD-Personal Services & Operating Cost Reductions	\$ 316,317	\$ 5,993
5	BITD-Personal Services & Operating Cost Reductions	\$ 577,095	\$ 44,095
6	PAD-Personal Services Reduction	\$ 1,289,682	\$ 714
7			
8			
9			
10			
11	TOTAL SAVINGS	\$ 3,098,846	\$ 289,482
	DIFFERENCE	0	0

Form A

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5801 Department of Revenue

#1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduction in personal services. The Director's Office is a central services provider for the agency. A reduction in personal service funding will cause an inability to provide critical services, thereby negatively impacting the entire department, the public, local governments, tax preparers, and businesses.

#2 **THE SAVINGS THAT ARE EXPECTED:**

377,507

#3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Delays in the hiring process due to vacancy savings in the Director's Office will: (1). Result in slower response to information requests that will adversely affect the public's, legislators', and state and local governments' expectation of timely and accurate information;
(2) Place the department's legal position at risk and impact timeliness in litigation, which impacts taxpayers and local and state governments dependent on timely resolution of litigation. It will have a direct impact on revenue collections;
(3) Delay statutory-mandated distributions of tax revenue to state funds, local governments, and tribal governments, negatively impact the payment of department expenses on a timely basis, also preventing the department from meeting its obligations in closing the state's accounting records at fiscal year-end.

#4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

A reduction in personal services in the Directors' Office will reduce expectations for promptness of replies to information requests; reduce revenues due to the lack of prosecution and the timeliness of litigation matters; and lower the public's expectation of personal customer service. The department will need to communicate to individuals and businesses that they will experience slower services than they have been accustomed to due to a reduction in staffing.

#5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No statutory programs would be cut but public expectations for service levels extend well beyond the statutory services.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5801 Department of Revenue

#1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduction of personal services and operating costs. The Technology Services Division (TSD) is the central technology services provider for the agency. A reduction in its funding will cause a reduction in the ability to provide critical services, thereby negatively impacting the entire department, the public, local governments, tax preparers, and businesses. These reductions will adversely affect Montana citizens by slowing the processing of tax returns, putting IT software systems at higher risk of security breaches and instability, and diminishing the overall efficiency of tax administration to the public, including online/electronic tax filing services.

#2 **THE SAVINGS THAT ARE EXPECTED:**

573,816

#3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Reductions in TSD will result in slower responses to information requests and negatively impact tax processing services and the soundness of our tax information systems. Slower response to information requests will adversely affect the public's, legislators', and state and local governments' expectation of timely and accurate information. Fewer IT staff will directly affect tax revenues due to the inability to resolve systems errors, implement enhancements, and counteract increased security risks. The department currently has a bare-bones IT staff. The skills and training for maintaining complex state income tax, property assessment, and alcoholic beverage systems are highly specialized. The loss of any positions in this unit will jeopardize the state's financial position, increase the potential for security breaches, and delay tax processing. Technology is critical in any modern organization, especially when budgets are tight, and there is a need to do more with less. This means agency staff will be required to become more efficient and productive. This is only possible through the use of technology, which requires, at the very least, maintaining current IT resource levels and, preferably, increasing them.

#4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Reduce the expectations for prompt responses to information requests, timely processing of taxes, and staying current with security management. Acceptance of a higher level of risk is associated with not being able to provide timely fixes to system issues or the ability of enhancements to the department's IT systems.

#5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No statutory programs would be cut but public expectations for service levels and information protection extend well beyond statutory requirements.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5801 Department of Revenue

- #1** **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**
Reduction in personal services and operating expenses, which includes temporary services. The Information Management and Collection Division (IMCD) provides various services for the agency. A reduction will significantly impact electronic filing, data capture, collections, payment processing, and refunds, thereby negatively impacting the entire department, the public, local governments, tax preparers, and businesses.
- #2** **THE SAVINGS THAT ARE EXPECTED:** 322,310
- #3** **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**
Reductions in personal services and operating expenses will jeopardize development and support of electronic filing services currently offered by the department. The reductions will result in delays in capturing data used for tax compliance and time-sensitive service to e-file vendors, taxpayers, tax preparers, and state and local governing bodies. Reductions in the IMCD Collections Bureau will result in a loss of revenue to the state. Based on past revenue collection, the lost revenue that would occur is estimated to be at least 5 times the value of the budget reduction resulting in approximately a \$1.5 million revenue loss per year. In addition, a reduction in the service levels provided would negatively impact tax compliance; frustrate taxpayers interacting with the department; delay income tax return and refund processing; and ultimately slow the deposit and distribution of state, local, and tribal government revenues. The department is unable to quantify the negative impacts of the reductions on voluntary compliance but expects the impacts to be substantial.
- #4** **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**
If these reductions are made, the department will need to lower the public's expectation of timely income tax refunds and personal customer service. The department will need to communicate to individuals and businesses that they will experience slower services than they have been accustomed to due to reduction in staffing and operating expenses. The department will also need to communicate to the public and staff that the department will not be as responsive to the constantly-changing environment of electronic filing and payment services, including cash payments dropped off for the medical marijuana program.
- #5** **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**
No statutory programs would be cut, but public expectations for service levels extend well beyond statutory requirements. However, in accordance with § 17-6-105(6), MCA, all money, credits, evidences of indebtedness, and securities received by a state agency must be deposited with the state treasurer each day when the accumulated amount of coin and currency requiring deposit exceeds \$200 or total collections exceed \$750.

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AGENCY CODE & NAME: 5801 Department of Revenue

#1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reductions in personal services and operating expenses. The Business and Income Taxes Division (BITD) administers Montana's income taxes, as well as several other taxes and fees, and annually values centrally assessed property. A critical component is developing forms, instructions, and outreach materials to ensure taxpayers and their representatives understand how to meet their tax filing obligations. BITD also administers compliance programs to ensure taxpayers pay their fair share.

#2 **THE SAVINGS THAT ARE EXPECTED:**

621,190

#3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Reductions in personal services and operating expenses would decrease BITD's ability to administer tax programs, which would reduce state and local revenues necessary to fund government services. Based on past revenue collection, the department estimates the lost revenue would be at least five times the value of the budget reduction amounting to approximately \$3 million of lost revenue every year. The department is unable to quantify the negative impacts of the reductions on voluntary compliance, but there would be a further loss of revenue. The reduction of personal services and operating expenses would also reduce the quality of customer service provided to Montana citizens, local governments, tax preparers, and businesses. This would include delays in publishing tax forms, issuing tax refunds to taxpayers, and responding to taxpayer questions.

#4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

One potential way to mitigate the impacts on citizens would be proactively communicating changes to business processes and responsiveness. This would include explaining the impact of reduced staff on timelines for publishing tax forms, processing tax refunds, and responding to taxpayer requests and questions. From a staffing perspective, BITD would re-prioritize work to ensure that high priority functions like processing returns and issuing refunds take precedence over more complex audit and compliance efforts.

#5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No statutory programs would be cut. However, 15-1-201, MCA, requires the department to administer Montana's tax laws. The services BITD provides stem from that general authority. The department is also guided by other constitutional and statutory provisions mandating (among other things) that when administering Montana's tax laws, all citizens are treated uniformly, and provide adequate notice of the actions the department undertakes.

Form B

5% Base Budget Reduction Form

AGENCY CODE & NAME: 5801 Department of Revenue

#1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduction in personal services in the Property Assessment Division (PAD) represents 5.92% of the personal services budget or approximately 17 FTE. Personal services in PAD was significantly reduced during previous legislative sessions but was unchanged in the last session. As a result, PAD would be forced to further reduce the number of field offices and may need to reduce hours if personal services are cut, further negatively impacting prompt and personal service to taxpayers and local governments and our ability to review all property for changes.

#2 **THE SAVINGS THAT ARE EXPECTED:**

1,290,396

#3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

the division's ability to accurately value property that generates nearly \$2.2 billion in annual revenue for the state, schools, and local governments. About 16% of that amount is annually deposited in the state's general fund, and the remaining 84% is for local government operations.

PAD certifies taxable values to over 1,400 taxing jurisdictions and generates appraisals for 900,000+ parcels. A reduction in staff impacts the division's work with the state, schools, and local governments, hampering the timeliness of that information to local governments and the legislature. Reducing resources will limit sales data collection, which is imperative for accurate mass appraisal, and delay identifying new construction, which delays adding newly taxable property. This, in turn, reduces new revenue for local governments.

PAD has already reduced the number of field offices and may need to reduce hours or close more offices if the proposed reductions are made. A reduction in staff will primarily impact local governments. The following are examples of the risks to our work and the impact of not having enough staff to complete our work:

- (1) Fewer resources to appraise and add new construction values on the tax rolls, resulting in less newly taxable property for local government operations.
- (2) Fewer onsite property visits by appraisers to verify and record up-to-date and accurate property characteristics data.
- (3) Fewer resources to verify sales impacts the quality and quantity of sales, which is imperative for accurate mass appraisal of all Montana property.
- (4) Fewer resources to complete ownership changes and land splits, which need to be completed prior to tax billing. This could result in property tax bills being mailed to the wrong party or previous owner, increasing the potential of delinquent property taxes and additional property appeals.
- (5) Disruption of the department's services to other agencies, including water rights clean up to DNRC, DNRC cabin site lease values, DNRC Fire protection data, MonTax mill levy data, Montana Association of Soil Conservation data and Department of Livestock per capita fee data.
- (6) Reduced PAD resources will limit the implementation of new technology that enhances parcel identification and maintenance. This will adversely impact state and federal agencies, nonprofits, local organizations, citizens, and private companies that use and depend on this data.
- (7) Higher turnover rate of employment due to increased workload and statutory deadline pressure.
- (8) Not providing quality valuation reduces our accuracy and credibility. Therefore, residential, commercial, and industrial property values may not reflect the current market and would likely increase appeals and litigation costs.

#4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Reduce expectations of taxpayers and local governments for the timeliness and accuracy they have become accustomed to. Reduce number and frequency of onsite visits to properties by appraisers.

#5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

Yes. Statutorily and Constitutionally required. Property tax is the primary source of revenue for state and local governments.

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#1 **BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduction in personal services. The Cannabis Control Division is responsible for licensing marijuana businesses, marijuana testing laboratories, registered cardholders, and marijuana worker permits. Additionally, the CCD educates industry and members of the public regarding marijuana laws and rules and inspects all marijuana businesses in the state. The CCD is also responsible for the inspection and enforcement of non-licensed businesses selling synthetic cannabinoids which are banned in Montana. A reduction in personal service funding will cause an inability to provide critical services, thereby negatively impacting the public's health and welfare, local governments, licensees, cardholders, and businesses.

#2 **THE SAVINGS THAT ARE EXPECTED:**

203,109

#3 **THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Delays in the hiring process due to vacancy savings will: (1). Result in slower processing of licensure applications and renewals, delay inspections of either annual renewals or complaint based, which will adversely affect the public's health, safety, and welfare, impact licensed businesses, registered cardholders, and worker permits, and negatively impact state and local governments; (2) Place the department's legal position at risk and impact timeliness in litigation, which impacts licensees, and local and state governments dependent on timely resolution of litigation. It will have a direct impact on revenue collections.

#4 **HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Reduce expectations of licensees and local governments for the timeliness and accuracy they have become accustomed to. Reduce number and frequency of onsite inspections to licensed premises. Slow down/delay processing new and renewal applications. Delayed responses to complaints and data requests regarding sales and revenue projections from cannabis taxes.

#5 **WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

Yes. Statutorily required. The processing of applications and inspection deadlines are defined in statute. Cannabis tax is a source of revenue for state and local governments.