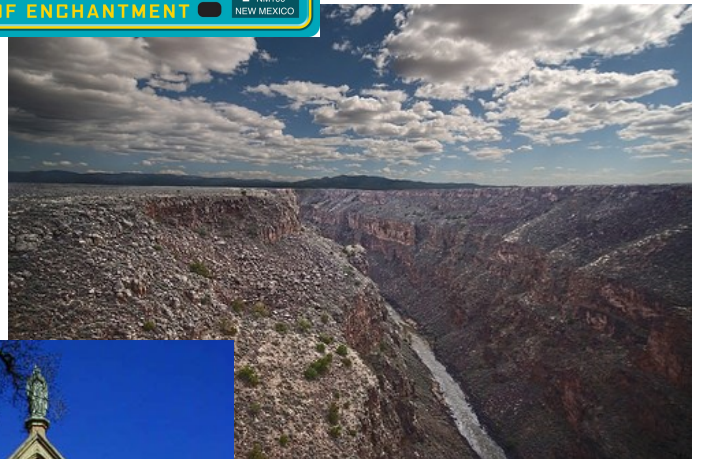


New Mexico Taxation and Revenue Department



Revised 3rd Quarter Performance Report
March 31, 2010



New Mexico
Taxation and Revenue Department

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INTRODUCTION

Section 6-3A-1 through §6-3A-8 NMSA 1978 of the Accountability in Government Act set forth the framework and requirements for performance-based budgeting for New Mexico. A performance based budget links funding to the goals and objectives set out by agencies in their strategic plans. It also formally establishes quantitative targets for performance measures. Among the principles that guide performance-based budgeting is the need to link appropriations with programmatic outcomes rather than simply budget categories or individual account codes. Strategic plans establish goals and objectives for the agency that serve as tools for making resource allocation decisions. Proposed funding levels are accompanied by specific, documented expectations in the form of performance measures.

Performance measures should enhance program performance and accountability, ultimately leading to improved services for New Mexicans. Periodically agencies review and propose changes to identify which services have had strong outcomes and which have had poor or weak results and why. This encourages the agency to focus on results and how best to deliver services. The better the relationship between performance measures, program activities, and desired outcomes; the more relevant and useful data becomes for budget and policy decision making. Performance measures highlight key issues related to the program's desired outcomes. Measuring all of a program's activities is not as useful as measuring a few key items.

Section 6-3A-9 NMSA 1978 requires (1) the State Budget Division (SBD) of the Department of Finance and Administration, in consultation with the Legislative Finance Committee (LFC), to identify key agencies and selected key measures to report quarterly. Taxation and Revenue Department was selected as the key agency. The agency collaborated with SBD and LFC staff to select key measures and develop an agency's format for quarterly reporting. SBD is the final authority for approval of key measures and reporting format.

Each quarterly report includes the following standard items:

- The agency mission statement
- A program purpose statement for each budgeted program

Each key measure in the quarterly report should include the following:

- A measure statement consistent with the legislative bill drafting style
- Four years of historical data (if available, otherwise indicate the baseline or benchmark)
- Quantitative data for the current quarter, including a graphical display of the performance data
- A brief explanation and corrective action plan for performance targets that were not met for the reporting

The Department's Vision, Mission, Values and Goals



Vision

The Taxation and Revenue Department (the Department) will enhance the quality of life for all New Mexicans by effectively collecting and distributing funds to support schools and state and local government operations and protect the public's safety through effective administration of motor vehicle laws. The Department strives to be professional, fair, consistent, and responsive to citizens and respected as an excellent state agency.

Mission

The Department will administer and enforce, with fairness warranting the public's confidence, New Mexico's taxation and revenue laws and motor vehicle code through a system that efficiently and securely delivers quality customer services.

Values

Accountability: Taking responsibility for our actions and performance.

Professionalism: Demonstrating competence, resourcefulness, and the highest standards of conduct.

Integrity: Committing to honest and ethical behavior.

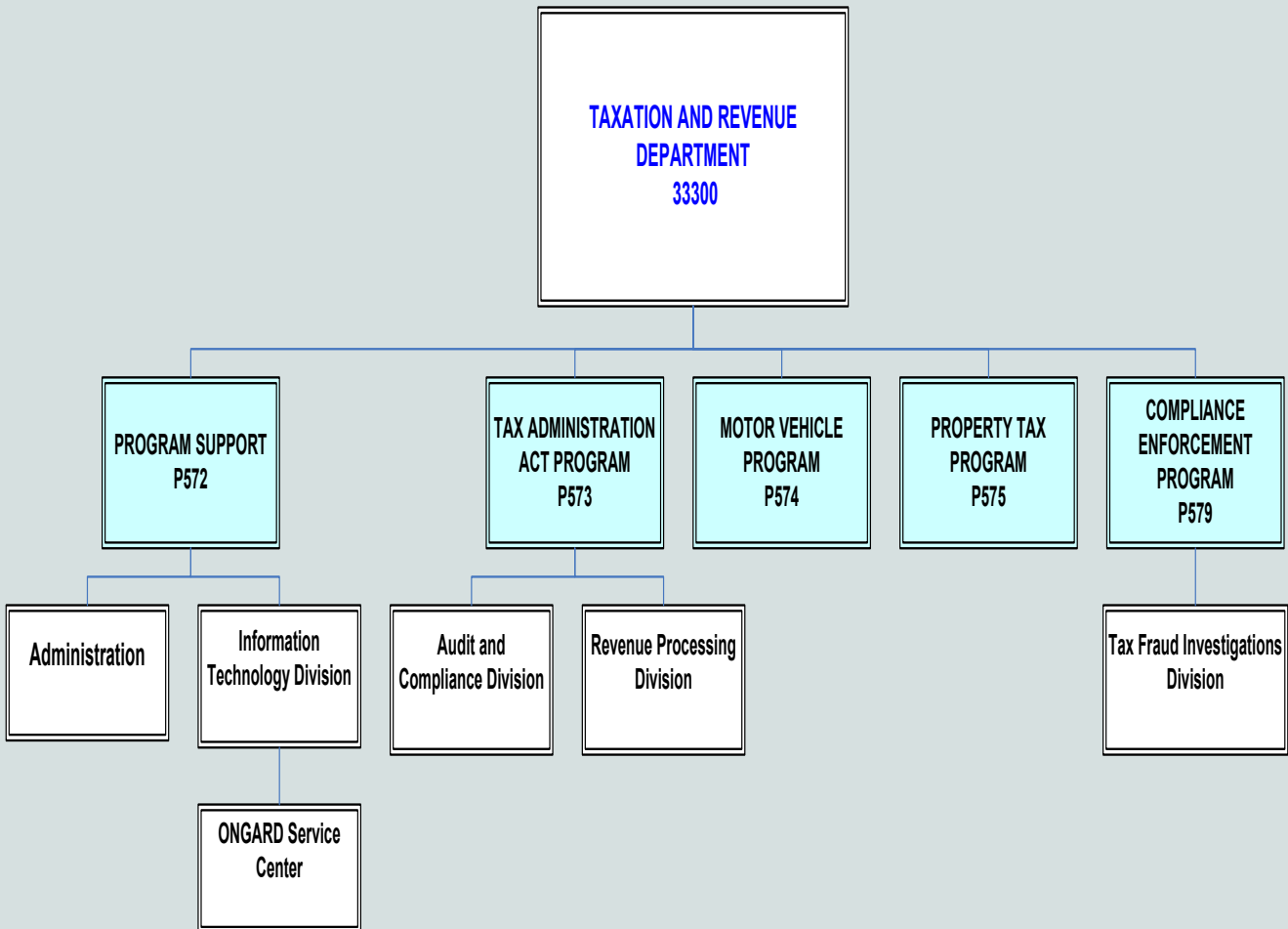
Respect: Honoring diversity, recognizing individual contributions, and treating people with courtesy.

Open Communication: Interacting effectively, building cooperative relationships, and encouraging creative ideas.

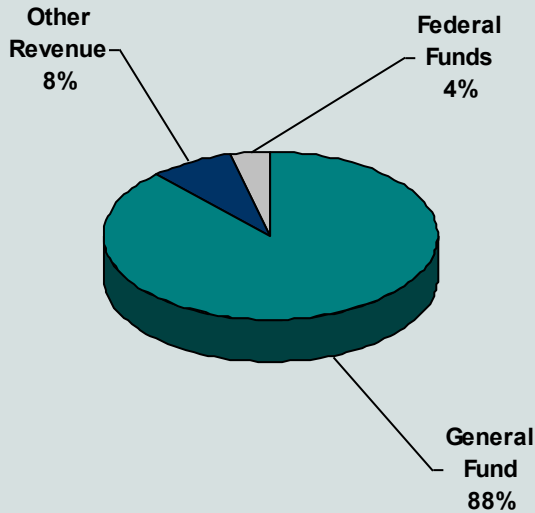
Goals

- *Provide professional and effective service that meets the needs of all customers.*
- *Provide consistent and fair management practices that encourage employee development, productivity, and integrity.*
- *Deliver high-quality information technology services that are reliable, accessible, secure, and meet all internal and external needs.*
- *Deliver responsive, fair, and efficient administration of tax and motor vehicle programs to fund public services.*

Taxation and Revenue Department



Budget



Budget: \$35,225,800

FTE: 617.7

Description

The Tax Administration Act (TAA) program consists of the Audit and Compliance Division (ACD) and the Revenue Processing Division (RPD). These divisions are responsible for returns processing, auditing, collections and taxpayer assistance functions.

Purpose

The overall mission of the Tax Administration Act program is to collect tax and fee revenues for the State of New Mexico and its political subdivisions through the fair, impartial and consistent application of the New Mexico tax laws by implementing effective and timely collection, deposit and auditing activities.

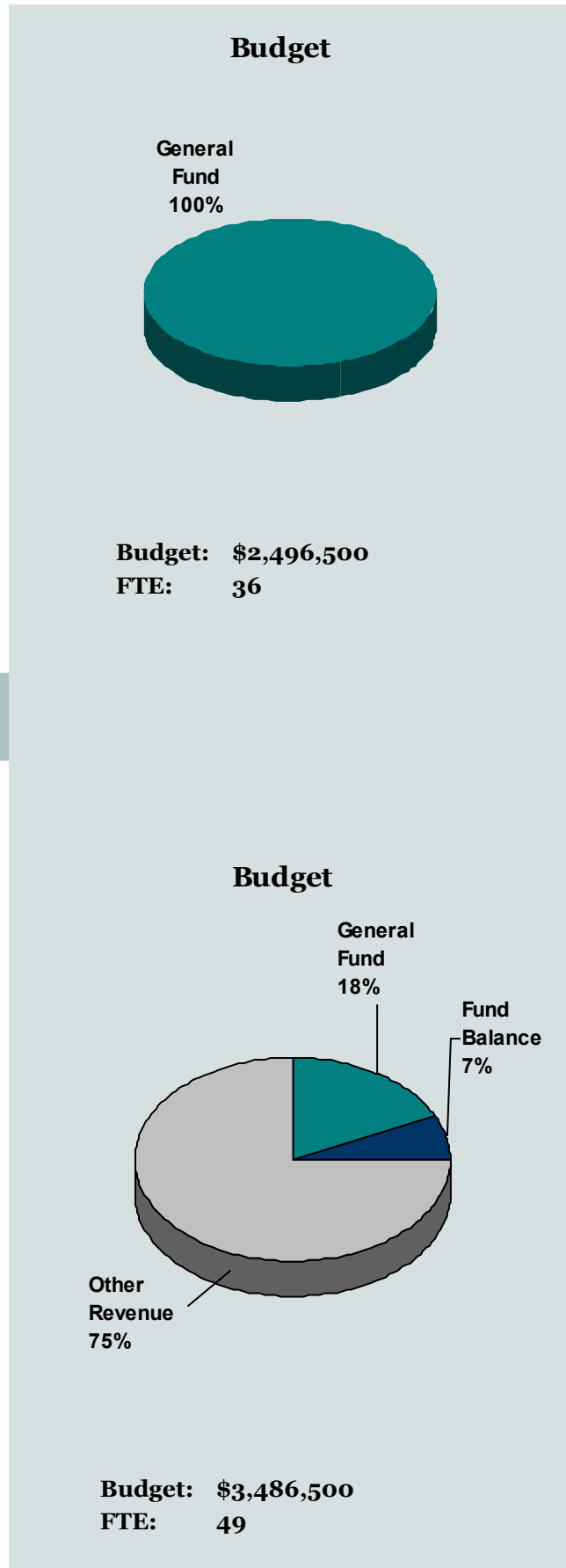
COMPLIANCE ENFORCEMENT PROGRAM

Description

The Compliance Enforcement Program conducts investigations of persons suspected of criminal tax violations to determine if prosecution is warranted. In the investigative process, the division works to obtain sufficient evidence from financial records, witnesses and other sources in order to obtain convictions through the New Mexico judicial system.

Purpose

The mission of the Compliance Enforcement Program is to support the overall TRD mission by enforcing the criminal statutes relative to the Tax Administration Act and other related financial crimes, as they impact state taxes, in order to identify and prosecute fraud, while encouraging and achieving voluntary compliance with tax laws.



PROPERTY TAX PROGRAM

Description

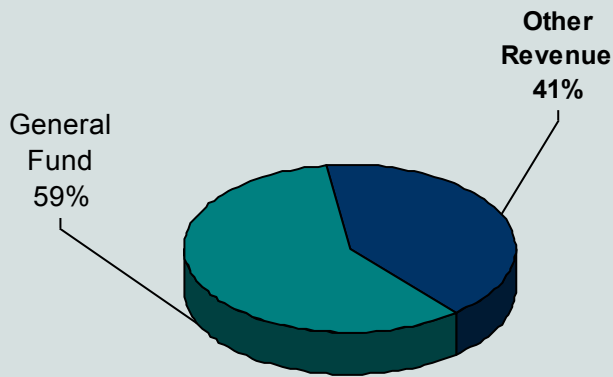
The Property Tax Program includes the Property Tax Division (PTD) which encompasses three separate bureaus. The State Assessed Properties Bureau (SAPB) processes property tax returns for New Mexico's 550 multi-county property tax accounts, which constitute approximately 10% of New Mexico's property tax base. The Appraisal Bureau provides technical assistance to New Mexico's 33 counties pertaining to valuation of multi-family, commercial, special use properties, and personal property. The Delinquent Property Tax Bureau receives county property tax accounts for collection after two years of non-payment.

Purpose

The mission of the Property Tax Program is to administer the Property Tax Code in a professional and efficient manner ensuring fair and equitable valuation of all property classes in the state.

MOTOR VEHICLE PROGRAM

Budget



Budget: \$25,702,700

FTE: 384

Description

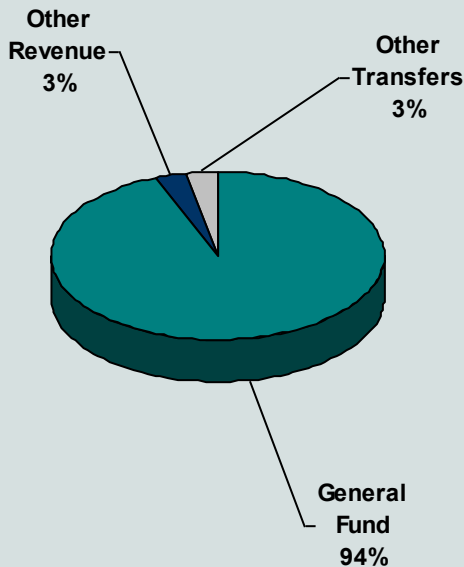
The duties of the Motor Vehicle Division (MVD) are to license commercial and non-commercial drivers; register, title, and license commercial and non-commercial vehicles and boats; license auto dealers and title service companies and contract with private partners to provide selected MVD services. MVD is responsible for assuring compliance with the Motor Vehicle Code (Chapter 66, NMSA 1978).

Purpose

The mission of MVD is to coordinate and administer the New Mexico Motor Vehicle Code and to provide Motor Vehicle Division customers with quality products and services to enhance safe and efficient motor vehicle operations.

PROGRAM SUPPORT

Budget



Budget: \$22,966,600

FTE: 229

Description

Program Support provides TRD with: top management direction and support; tax policy advice; development and collaboration; taxpayer customer service; and administrative support services. The operating units in this program include the Office of the Secretary, Administrative Services Division, Information Technology Division, and the Oil, Natural Gas Administration and Revenue Database (ONGARD) Service Center.

Purpose

Program Support strives to assure that TRD meets its vision, mission and objectives by providing department management and guidance; sound tax policy and accurate information; administrative and fiscal management support; and taxpayer customer service. This program ensures TRD meets statutory, regulatory and internal administrative requirements by performing its tasks in an effective, efficient and positive fashion.

QUARTERLY PERFORMANCE AT A GLANCE

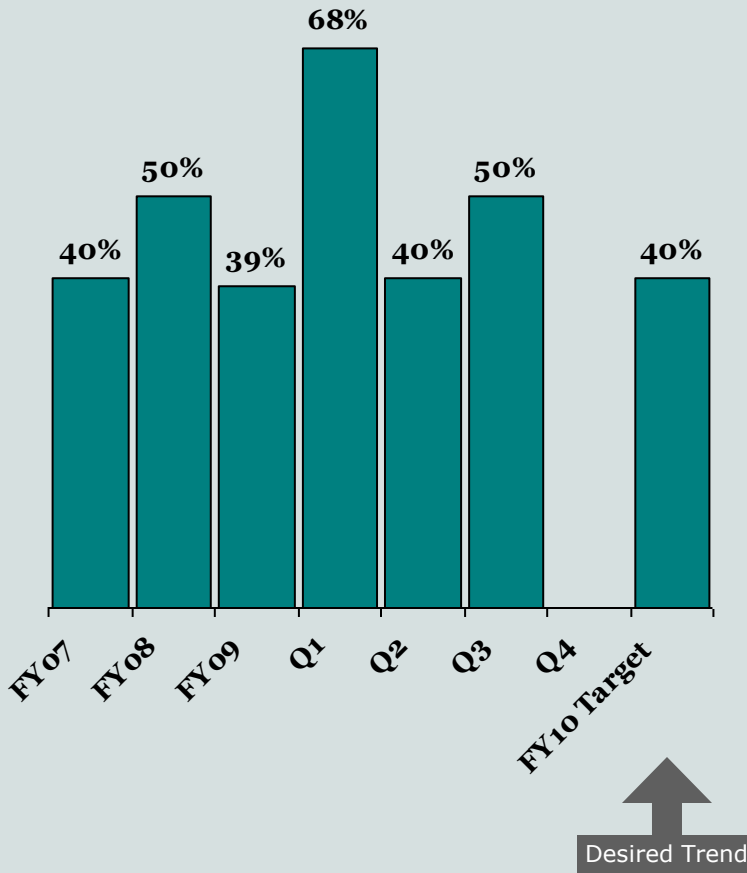
	Key Measure	FYo8 Actual	FYo9 Actual	FY10 Target
P573	Collections as a percent of collectable audit assessments generated in the current fiscal year	50%	39%	40%
	Collections as a percent of collectable outstanding balances from the end of the prior fiscal year	20.8%	21.9%	20%
	Percent of electronically filed returns (PIT, CRS)	48.7%	51.1%	65%
P579	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	100%	100%
P574	Average call center wait time to reach an agent, in minutes	4.52	1.92	3.45
P575	Percent of registered vehicles with liability insurance	90%	90.5%	91%
	Average wait time in q-matic equipped offices, in minutes	14	16.8	14
	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value to market value	N/A	91%	90%
P572	Number of appraisals and valuations for companies conducting business within the state subject to state assessment	484	489	510
	Percent of driving-while-intoxicated drivers license revocations rescinded due to failure to hold hearings within ninety days	1%	.43%	<1%

TAX ADMINISTRATION ACT PROGRAM

PERFORMANCE MEASURE

Collections as a percent of collectible audit assessments generated in the current fiscal year

FY07 Results	FY08 Results	FY09 Results	FY10 Target
40%	50%	39%	40%



STRATEGIC GOAL:

Maintain assessed audit collections at a constant 40% in the year of assessment.

OBJECTIVE:

To measure the Department's effectiveness in generating audit assessments that are collectible. The percentage reflects strictly the amount of field audit assessments generated this fiscal year that were also paid in this fiscal year. Tape match assessments or limited scope audits are not included in this measure. In FY08, TRD began tracking all audit assessments generated in GenTax; previously only CRS, CIT, and PIT were tracked.

ACTION PLAN:

Continue to assess collectible audits and immediately start collection action when accounts become delinquent (31 days).

EXPLANATION:

Third quarter cumulative assessments totaled \$46.13M; \$11.3M is less than 60 days old, \$17.64M is in protest and \$.46M has been abated; leaving a collectible balance of \$16.75M. Collection cannot be enforced until after 60 days on protested amounts. Of the collectible balance, 8.31M has been collected resulting in a 50% collection rate.

CORRECTIVE ACTION PLAN:

On track to achieve year end target.

DATA SOURCE:

Cost recovery report and monthly statistical reports; data reported is cumulative.

TAX ADMINISTRATION ACT PROGRAM

STRATEGIC GOAL:

Maintain collections as a percent of outstanding balance at 20%.

OBJECTIVE:

This is a cumulative measurement. The goal is to collect 20% of \$414.5M by 6/30/10. This will measure how well TRD works with taxpayers to collect taxes that are due and to reduce the accounts receivable balance.

ACTION PLAN:

Continue to increase taxpayer contacts, re-evaluate collection strategies, and focus on a balance between old outstanding assessments and new assessments. Concentrate on new assessments that are more collectible in the early stages. Outsource the collection of certain receivables to private collection agencies. Collectible balances exclude accounts past the statute of limitations, protested accounts, and accounts in bankruptcy.

EXPLANATION:

Collections of the outstanding \$414.5M balance are \$61.4M or 14.8%. The beginning accounts receivable balance has been reduced by an additional \$53.1M as a result of amended returns, abatements, deactivations and reversals. The total reduction through the 3rd quarter is \$114.5M or 27.6% leaving a balance of \$299.9M. This reduction is 83.6% of what was reduced through the same time period in FY09.

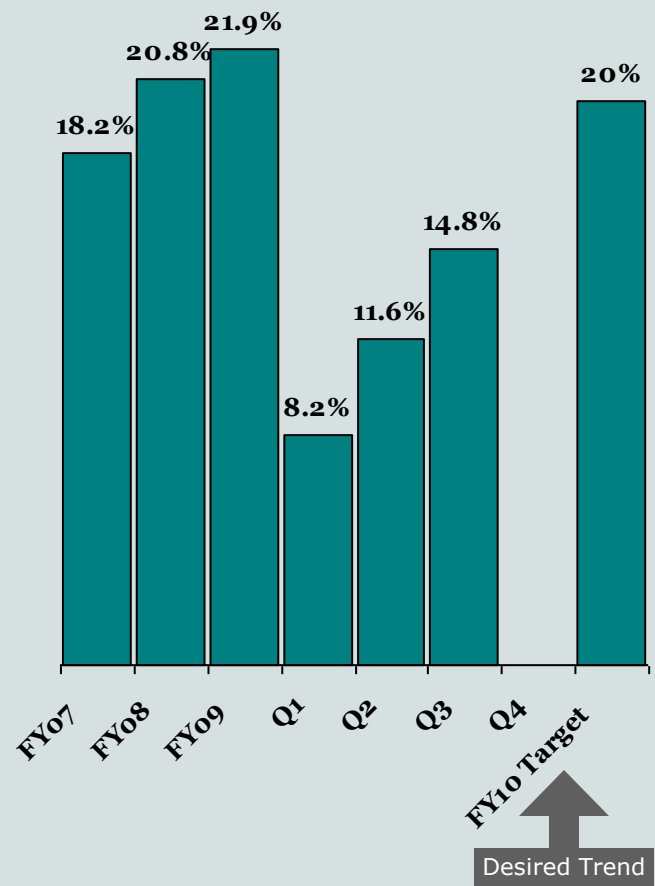
CORRECTIVE ACTION PLAN:

TRD is routing a greater number of accounts to private collection agencies to boost collections on difficult accounts. The call center streamlined its process by establishing a GenTax work list that “pools” accounts for potential bank and levy action to increase the volume of approved levies. A new collection system will be implemented in the 4th quarter which will identify all debt owed by a client and the delinquent program for CRS and PIT.

PERFORMANCE MEASURE

Collections as a percent of collectible outstanding balances from the end of the prior fiscal year

FY07	FY08	FY09	FY10 Target
18.2%	20.8%	21.9%	20%



DATA SOURCE:

GenTax “Prior Year Receivables FY09 Summary” DataMart. Payments divided by fiscal year ending (FYE) receivables equals the collections percentage. FYE receivables minus total reductions equals the total amount outstanding.

TAX ADMINISTRATION ACT PROGRAM

STRATEGIC GOAL:

To work with taxpayers, tax preparers and industry to increase the number of electronically filed returns.

OBJECTIVE:

Electronic returns are more accurate and efficient for both the taxpayer and the department. TRD's goal is to continue to increase the number of electronically filed returns. Percentage is based on the number of returns filed electronically divided by the overall total of returns filed for PIT and CRS.

ACTION PLAN:

The intent of the Department is to try and encourage taxpayer's to file and pay electronically. The department is in the process of implementing a regulation that mandate CRS taxpayers to file return information electronically via NMWebFile. The approach will occur in phases beginning in August 2010 for taxpayers who owe taxes over \$20.0k

EXPLANATION:

Pursuant to 7-1-71.4 NMSA the electronic media implemented by the department requires that a PIT return be electronically processed by TRD when a tax preparer files over 25 returns that contain a 2D bar code. This has had a positive impact reflecting an increase in the percentage of electronically filed returns for FY10. The majority of electronic filing for PIT occurs between February and June of each year. The percentage of electronically filed returns increased in the third quarter. While the method of filing is at the discretion of taxpayers and outside of TRD's control, TRD has focused on IT solutions and outreach efforts to achieve this efficiency target.

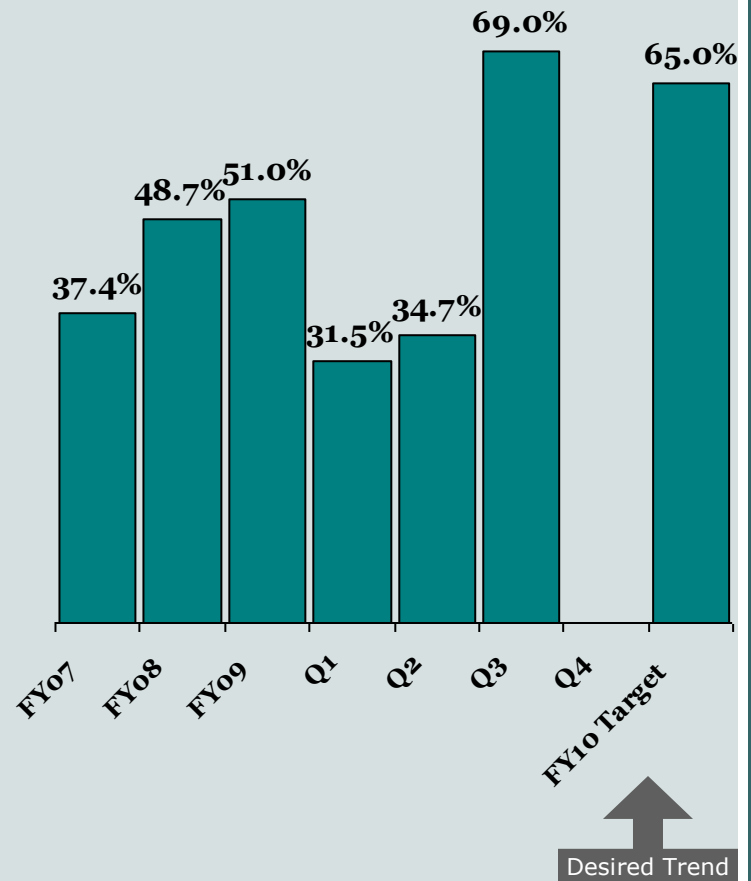
CORRECTIVE ACTION PLAN:

Target on track for cumulative result.

PERFORMANCE MEASURE

Percent of electronically filed returns (PIT, CRS)

FY07	FY08	FY09	FY10 Target
37.4%	48.7%	51.1%	65%



DATA SOURCE:

Gentax processing statistic for PIT and CRS electronically filed tax returns

COMPLIANCE ENFORCEMENT PROGRAM

STRATEGIC GOAL:

Maintain a 100% prosecuted case rate.

OBJECTIVE:

Identify, investigate, and support the prosecution of tax fraud — both to collect the specific monies due and to act as a deterrent to others who might consider fraud. Successful prosecutions (and the ensuing publicity) are key measures of success.

ACTION PLAN:

Support the overall mission of the Taxation and Revenue Department by enforcing the criminal statutes relative to the Tax Administration Act and other related financial crimes, as they impact state taxes, in order to encourage and achieve voluntary compliance with the state tax laws.

EXPLANATION:

There were three successfully prosecuted cases this quarter.

CORRECTIVE ACTION PLAN:

Target met. There are twenty-six open cases that are under investigation. The cases will be included when the judicial system process is complete on each individual case. The completion time can not be reasonably determined and should not be a basis for future prosecutions.

PERFORMANCE MEASURE

Successful Tax Fraud prosecutions as a percent of total cases prosecuted

FY07	FY08	FY09	FY10 Target
100%	100%	100%	100%



DATA SOURCE:

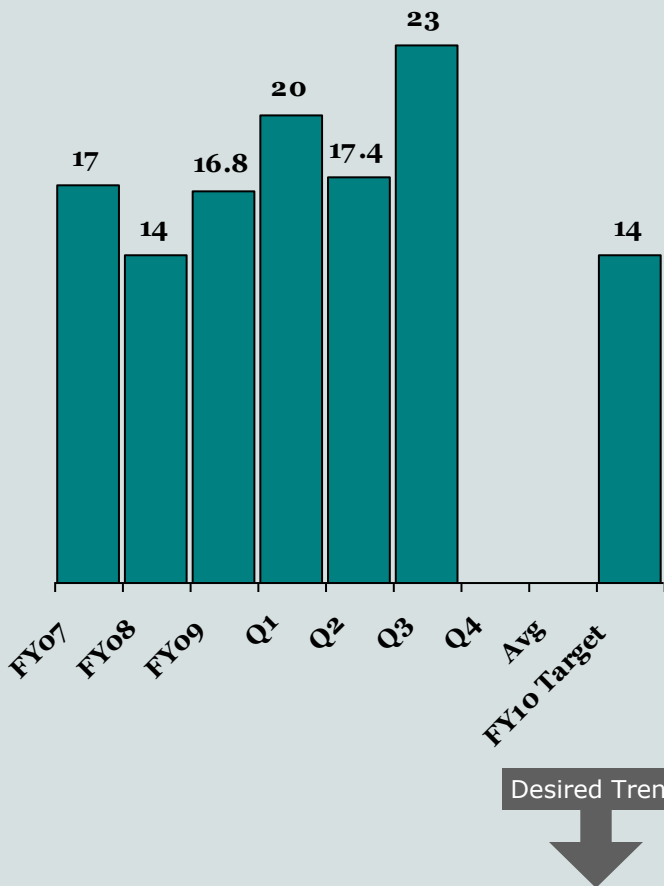
Guilty pleas proceedings on file with State District Courts.

MOTOR VEHICLE PROGRAM

PERFORMANCE MEASURE

Average wait time in Q-Matic equipped offices, in minutes

FY07	FY08	FY09	FY10 Target
17	14	16.8	14



DATA SOURCE:

Data is collected using the Q-Matic software located in: Alamogordo, Belen, Carlsbad, Clovis, Cottonwood, Espanola, Farmington, Gallup, Grants, Las Cruces, Las Vegas, Los Alamos, Los Lunas, Metro, Montgomery Plaza, Moriarty, Portales, Raton, Rio Bravo, Roswell, Ruidoso, Sandia vista, Santa Fe, Silver City, Socorro, T or C and Tucumcari. (Note: the Q-matic equipment in the Taos office has not been replaced since the fire in that office destroyed the equipment.)

STRATEGIC GOAL:

Provide quality customer services that are consistent, efficient, timely, accurate, and confidential.

OBJECTIVE:

The twenty-seven offices equipped with an automated system for measuring wait-time account for the majority of transactions in field offices statewide.

ACTION PLAN:

Collect wait time data on a weekly basis and analyze data to identify offices that are and are not meeting the target. Data is reported to the director on a weekly basis and used to identify and address underperformance.

EXPLANATION:

The wait-time average for the third quarter was 22.57 minutes. It went from a low of 0 minutes to a high of 53.54 minutes. The hiring freeze continues to impact the MVD field offices. In addition, the state had two furlough days in the third quarter, which impacted customers. The vacancy rate was 17% at the end of the last quarter.

Corrective Action Plan:

MVD continues to improve its processes as follows:

- Implementing an appointment process, express lines, and substitute clerk program for peak periods.
- Implement 3rd party testing for skills tests to increase and simplify online services.
- Improve automated call center functions (IVR) to expand options and improve capabilities.
- Implement a quality control program.
- Increase and improve training of field office managers and agents and fill vacancies when approved.
- Expanding website to offer more current and detailed information on various topics including vehicle registration, citations, addresses, and contact info.

MVD's focus is on the quality of work and completing tasks error free.

MOTOR VEHICLE PROGRAM

STRATEGIC GOAL:

Reduce the number of uninsured motorists in New Mexico

OBJECTIVE:

Enforce the Mandatory Financial Responsibility Act (66-5-201 through 66-5-239 NMSA) by monitoring all registered vehicles to ensure compliance with the minimum liability insurance requirements.

ACTION PLAN:

- Create process-flow diagram for tracking first and second letter notification results,
- Create process description for use in initial and recurring training,
- Continue mailing of first notification letter and revocation letter,
- Determine system “level-off” percentage,
- Analyze system to determine how to increase the insured rate above the “level-off” percentage, and
- Implement improvement actions and re-evaluate.

EXPLANATION:

The insured rate for the third quarter ranged from a high of 91.28% to a low of 90.40% for an average insured rate of 90.84%. The weekly insured rate never dropped below 90%, as compared to the national average of 85.4%.

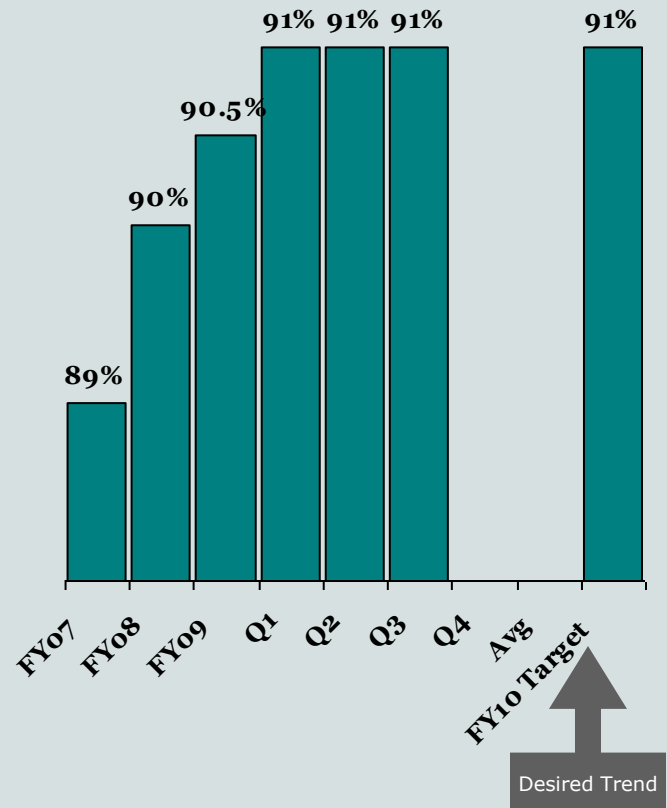
Corrective Action Plan:

Target met.

PERFORMANCE MEASURE

Percent of registered vehicles with liability insurance

FY07	FY08	FY09	FY10 Target
89%	90%	90.5%	91%



DATA SOURCE:

- Three data sources are used
- MVD’s vehicle database
 - Individual insurance company databases
 - Insurance Identification Database

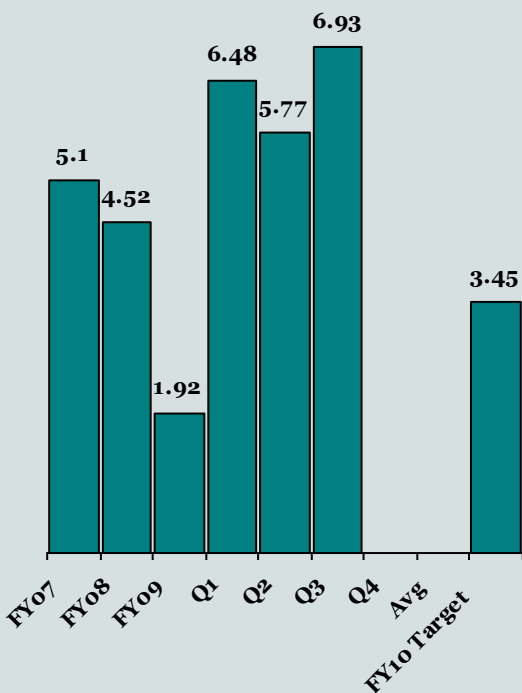
ITD maintains the MVD vehicle database. A 3rd-party contractor receives individual insurance company vehicle insurance information (minimum monthly) and compares the information against the MVD vehicle database.

MOTOR VEHICLE PROGRAM

PERFORMANCE MEASURE

Average call center wait time to reach an agent, in minutes

FY07	FY08	FY09	FY10 Target
5.1	4.52	1.92	3.45



DATA SOURCE:

Call Center wait-time data is retrieved from the IVR system.

STRATEGIC GOAL:

Provide quality customer services that are consistent, efficient, timely, accurate, and confidential.

OBJECTIVE:

Respond to incoming calls in the Motor Vehicle Division call center in a timely manner.

ACTION PLAN:

- Create a process description for use in initial/recurring training,
- Rewrite IVR system script to reduce need to talk to call center person,
- Analyze data to identify possible improvement actions to include process improvement and staffing adjustments, and
- Implement improvement actions and reevaluate.

EXPLANATION:

63,338 calls answered by clerks. Foreign nationals in need of licenses and vehicle owners tracking registrations have surpassed other issues and continue to increase the volume. DWI reinstatements also continue to make up a large portion of the call volume. The 6.93 minute result is the average time it took in the third quarter to reach a clerk once chosen from the IVR system. Overall call time has increased 6 seconds from the prior quarter at 3:30 to 3:36, which is a direct result of customer issues that must be researched or taken to another unit for resolution. In the past, call time variance typically was 3-5 seconds from quarter to quarter. Average calls per clerk are trending downwards as call time lengthens.

CORRECTIVE ACTION PLAN:

Despite hiring a clerk, 2 vacancies remain, which offset clerk productivity. A lack of resources caused a delay in implementing corrective action identified in Q2 so not all plans went live until recently. New procedures to hasten the issuance of foreign national ID's will be implemented. The website has been expanded to include a license lookup feature that is reflecting increased usage. An E-support Customer Satisfaction Team has just gone live; inquiries received via the web are now routed to them, which has begun to take some demand off clerks. It is too soon to see dividends but we expect a larger volume of customers will look to the web as their first line of support. We are working to filter and cleanse bad address data, which results in customers calling to locate vehicle plates, renewal notifications and registrations. It will take a full annual cycle to vet corrupt or expired data.

PROPERTY TAX PROGRAM

STRATEGIC GOAL:

Improve Sales Ratio Study to include measures of pre-sales assessment and assessor performance.

OBJECTIVE:

The State Assessed Property Bureau (SAPB) values the property of 450 to 600 companies doing business in multiple counties. The property value of these entities constitutes approximately 11% of the assessed property in New Mexico. While the number of appraisals/valuations is just an activity measure, it provides a perspective on Property Tax Division work load.

ACTION PLAN:

Each year the Property Tax Division's Appraisal Bureau collects sales data from all thirty-three counties. The Division compares the sales data to current assessments reported by the County Assessor's Offices. This study is completed toward the end of July in each calendar year. The FY10 result reflects the 2009 reassessment of sales (Sales Ratio Study) that occurred in calendar year 2008.

EXPLANATION:

This is an annual study. The FY10 results were completed in July of 2009.

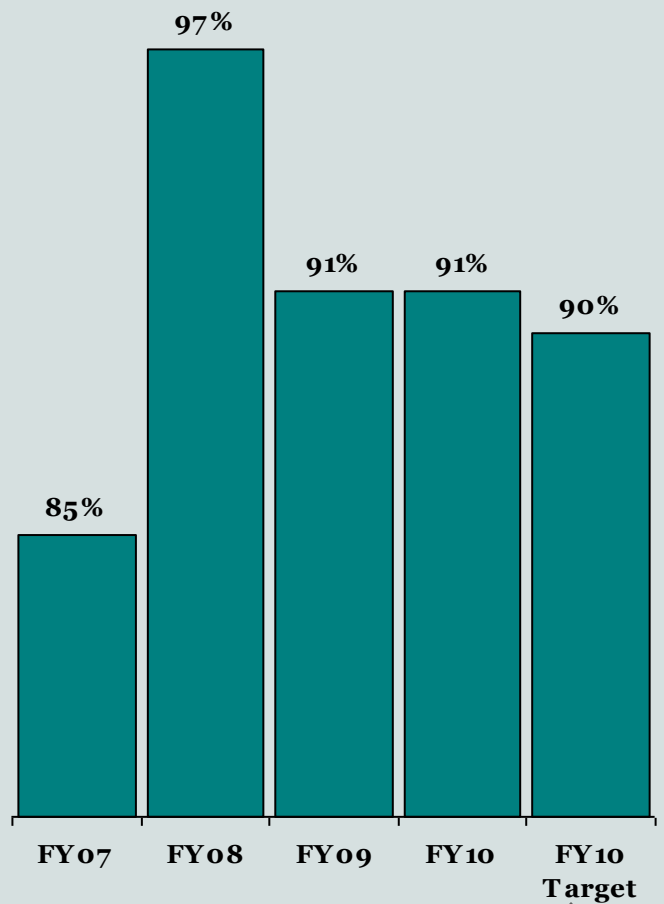
CORRECTIVE ACTION PLAN:

Target met.

PERFORMANCE MEASURE

Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value to market value

FY07	FY08	FY09	FY10	FY10 Target
85%	97%	91%	91%	90%



DATA SOURCE:

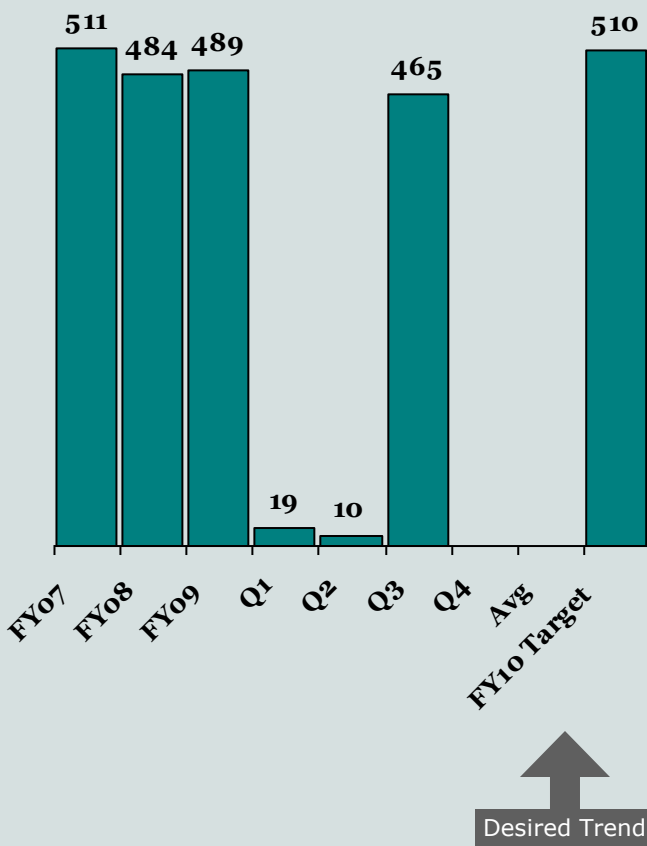
Sales and assessments are reported by the County Assessors. This is an annual study. The FY10 results were completed in July of 2009.

PROPERTY TAX PROGRAM

PERFORMANCE MEASURE

Number of appraisals and valuations for companies conducting business within the state subject to state assessment.

FY07	FY08	FY09	FY10 Target
511	484	489	510



DATA SOURCE:

The SAPB and the Appraisal Bureau maintain computer logs of the names of all properties appraised and valued.

STRATEGIC GOAL:

To ensure that appraisals and valuations are being conducted on all eligible companies within the state.

OBJECTIVE:

The State Assessed Property Bureau (SAPB) values the property of 450 to 600 companies doing business in multiple counties. The property value of these entities is approximately 11% of the assessed property value in New Mexico. The number of appraisals/valuations is an activity measure and doesn't address output, however, it provides perspective on workings of the Property Tax Division.

ACTION PLAN:

The valuation cycle begins in January with the notice of value mailed on May 1 of every year. Taxpayers have thirty days after the mailing of notice to protest the valuation. SAPB focuses on the first and second quarters of the fiscal year on resolving protests from the prior year's valuations, concentrating on taxpayer compliance. Implementation of the improved form of County Tax Role Certification continues to provide greater insight on each county's property tax program. Detailed annual assessor evaluations are conducted to encourage greater efficiency at the county level in handling protests and scheduling County Valuation Protest Board meetings.

EXPLANATION:

The third and fourth quarter account for the bulk of the property tax returns processed each year by the SAPB. SAPB completed 465 returns in the third quarter and a total of 494 returns or 97% of the FY10 target in the first three quarters.

Corrective Action Plan:

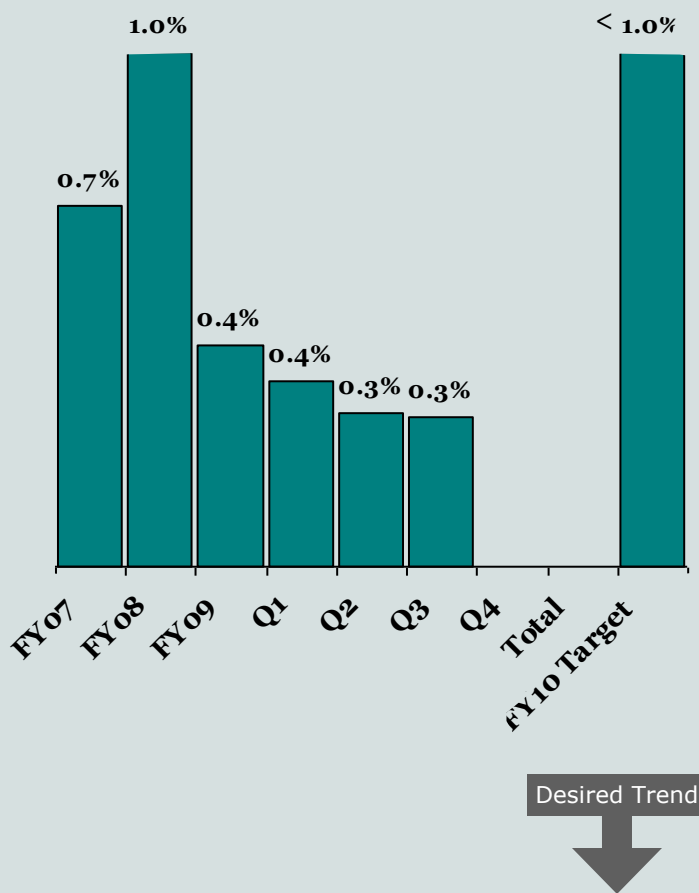
The number of SAPB property tax returns is a function of eligible companies, not bureau performance. The decline in number of the returns was caused by mergers and retirements. The changes in county certification requires additional work with the county assessors.

PROGRAM SUPPORT

PERFORMANCE MEASURE

Percent of DWI driver's license revocations rescinded due to failure to hold hearings within ninety days

FY07	FY08	FY09	FY10 Target
0.7%	1.0%	0.43%	<1.0%



DATA SOURCE:

The Hearing Bureau uses data retrieved from the MVD database. The Chief Hearing Officer also researches the Hearing Bureau's database for decisions that are rescinded based on the code listed by the hearing officers.

STRATEGIC GOAL:

To ensure that hearings are held within ninety days to ensure compliance with the Implied Consent Act.

OBJECTIVE:

Under the Implied Consent Act, drivers are entitled to a hearing within 90 days to contest the suspension of their license. If the hearing is not held within this timeframe, the driver's license is no longer suspended.

ACTION PLAN:

The Hearing Bureau continues to review its case scheduling procedures to provide timely notice to the drivers and law enforcement officers and to schedule the hearings on a date that allows cases to be re-scheduled when there are errors with the notice or weather causes a cancellation.

EXPLANATION:

A total of 1,402 cases were scheduled in the third quarter; 4 of the cases were rescinded due to the following errors:

- lack of current or incorrect information
- miscommunications
- inclement weather

Corrective Action Plan:

On track to achieve year end target.

