

New Mexico Taxation and Revenue Department



**1st Quarter Performance Report
September 30, 2011**



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 period or that are not expected to be met for the year

Quarterly reports are due 30 days after the end of each quarter.

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, state, and local government operations and by protecting 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.

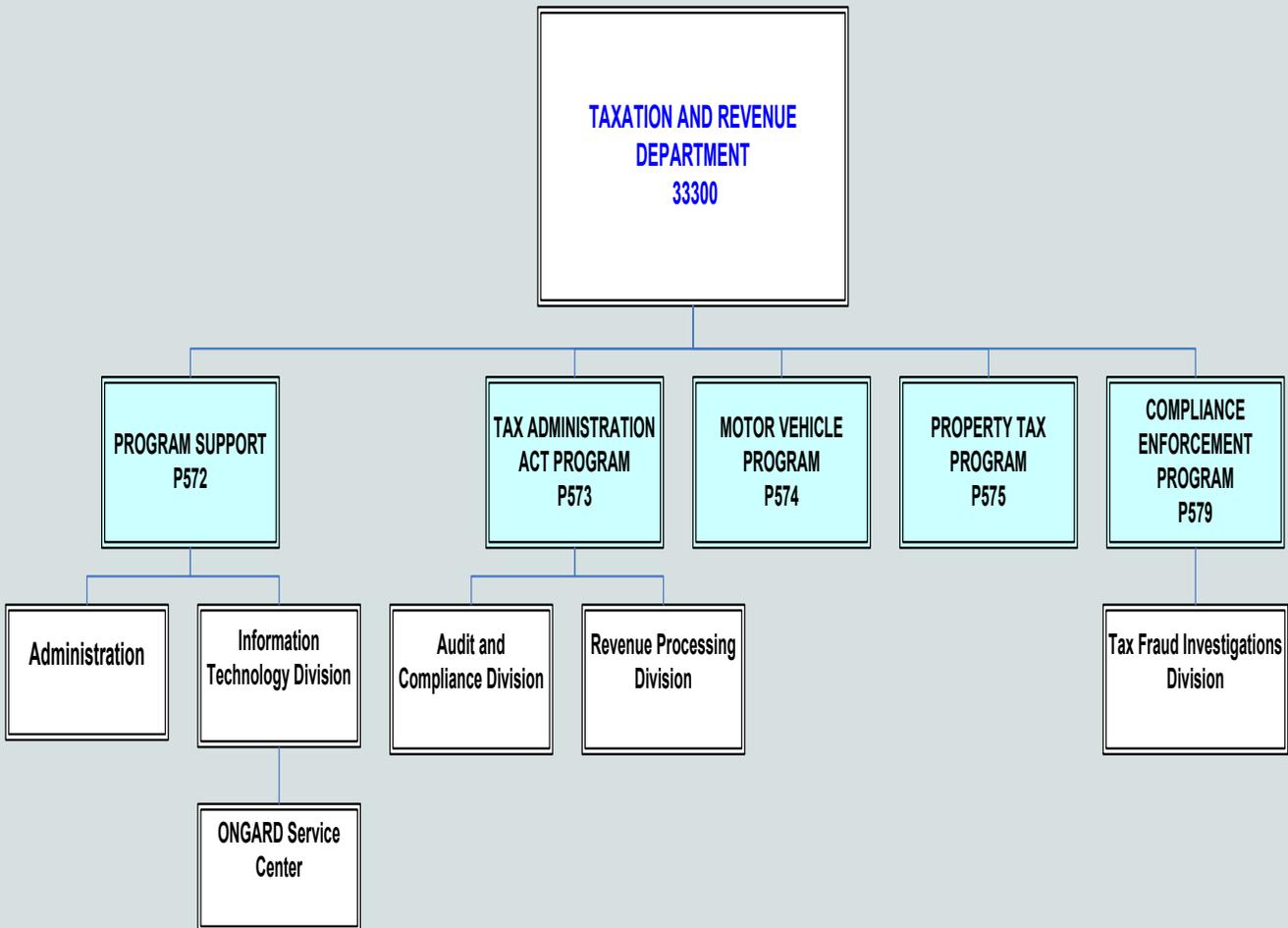
Respect: Honoring diversity, recognizing individual contributions, and treating people with courtesy.

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



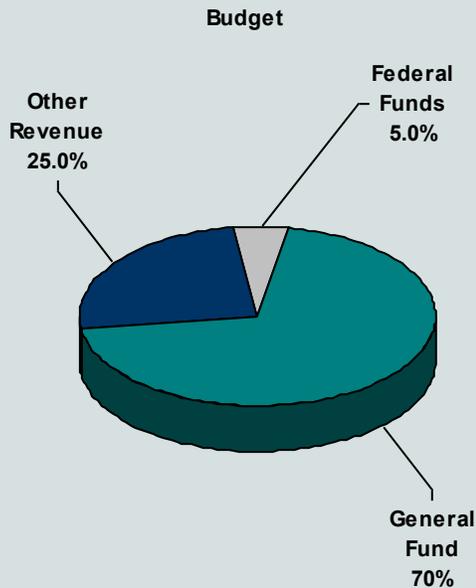
TAX ADMINISTRATION ACT PROGRAM

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.



Approved Budget: \$30,603,000
FTE: 528.0

COMPLIANCE ENFORCEMENT PROGRAM

Description

The Compliance Enforcement Program (TFID) 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

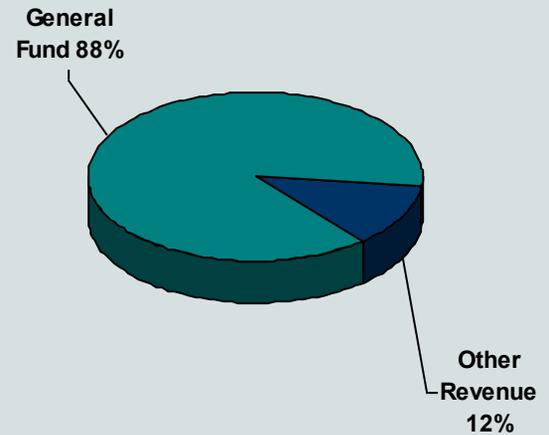
Description

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 approximately 550 multi-county property tax accounts, which constitute approximately 11% 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

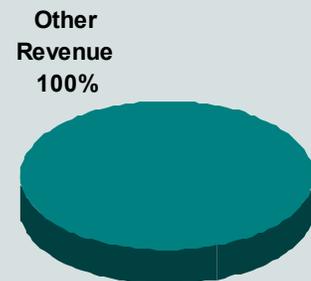
The mission of the Property Tax Program is to administer the Property Tax Code in a professional and efficient manner ensuring fair and equitable valuation of all property classes in the state.

Budget



Approved Budget: \$2,033,300
FTE: 28

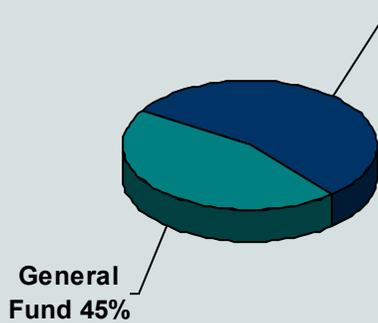
Budget



Approved Budget: \$3,091,400
FTE: 41

MOTOR VEHICLE PROGRAM

Budget
Other Revenue 55%



Approved Budget: \$24,178,500
FTE: 348

Description

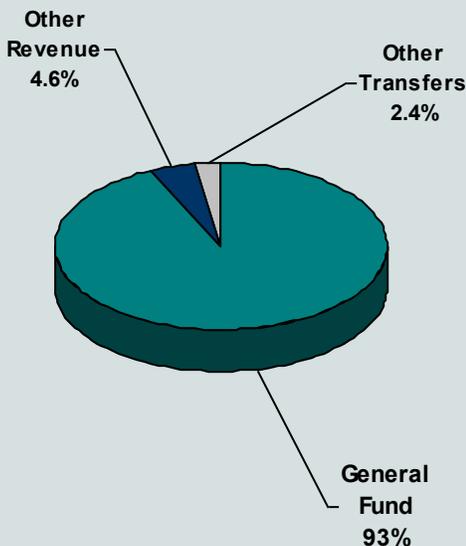
The duties of the Motor Vehicle Division (MVD) are to license commercial and non-commercial drivers; register, title, and license commercial and non-commercial vehicles and boats; license auto dealers and title service companies and contract with private partners to provide selected MVD services. MVD 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



Approved Budget: \$20,182,300
FTE: 191

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	FY10 Actual	FY11 Actual	FY12 Target
P573	Collections as a percent of collectable audit assessments generated in the current fiscal year	53%	51%	40%
	Collections as a percent of collectable outstanding balances from the end of the prior fiscal year	18.3%	15.4%	15%
	Percent of electronically filed returns (PIT, CRS)	54.5%	63.3%	65%
P579	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	93%	100%
	Number of tax investigations referred to prosecutors as a percent of total investigations assigned	N/A	44%	40%
P574	Average call center wait time to reach an agent, in minutes	6:53	9:19	6:00
	Percent of registered vehicles with liability insurance	91%	91%	92%
	Average wait time in Q-Matic equipped offices, in minutes	21.5	27.6	20
P575	Number of appraisals and valuations for companies conducting business within the state subject to state assessment	539	515	540
P572	Percent of driving-while-intoxicated drivers license revocations rescinded due to failure to hold hearings within ninety days	.3%	.29%	<1%

TAX ADMINISTRATION ACT PROGRAM

PERFORMANCE MEASURE

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

FY09 Results	FY10 Results	FY11 Results	FY12 Target
39%	53%	51%	40%



DATA SOURCE:

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

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 collectable. 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. TRD began tracking all audit assessments generated in GenTax in FY08; previously only CRS, CIT, and PIT were tracked.

ACTION PLAN:

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

EXPLANATION:

First quarter assessments totaled \$7.5 M; \$6.4M is less than 60 days old leaving a collectable balance of \$1.1M. Collection cannot be enforced until after 60 days or on protested amounts. Of the collectable balance \$340K has been collected resulting in a 30.9% collection rate.

CORRECTIVE ACTION PLAN:

There was \$546K attributed to a single taxpayer that did not pay nor protest, therefore, it prevented ACD from meeting this goal in the first quarter. The Division believes this will balance out through the fiscal year.

TAX ADMINISTRATION ACT PROGRAM

STRATEGIC GOAL:

Maintain collections as a percent of outstanding balance at 15%.

OBJECTIVE:

This is a cumulative measurement. The goal is to collect 15% of \$525.9M by 6/30/12. 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 collectable in the early stages. Outsource the collection of certain receivables to private collection agencies. Collectable balances exclude accounts past the statute of limitations, protested accounts, and accounts in bankruptcy.

EXPLANATION:

Collection toward the fiscal year beginning accounts receivable balance of \$525.9M are \$46.4M or 8.8%. As this goal is cumulative, the Division believes we are currently on target to achieve this goal.

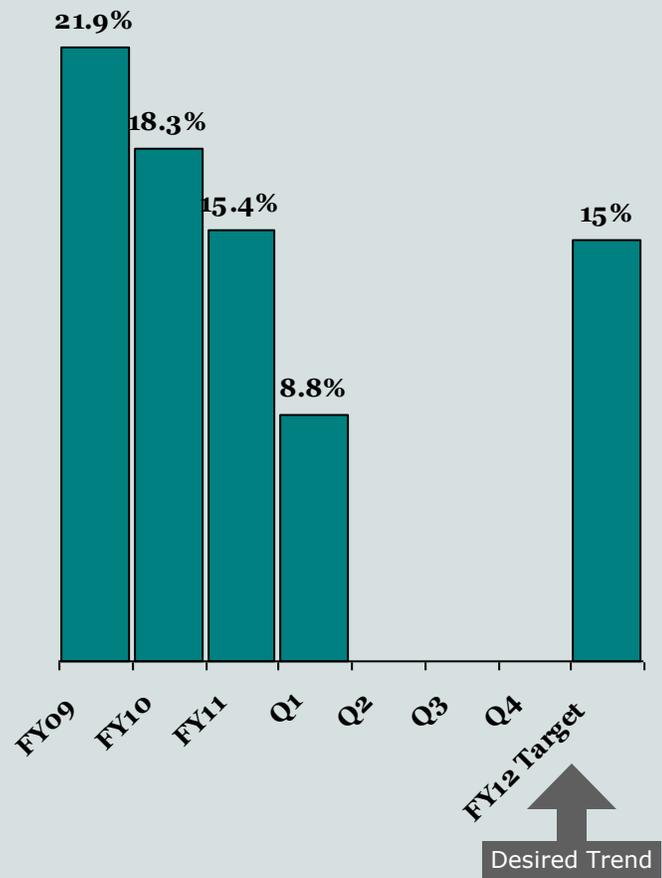
CORRECTIVE ACTION PLAN:

These amounts are cumulative and exclude uncollectable balances for bankruptcies, protested assessments and liabilities less than 30 days old.

PERFORMANCE MEASURE

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

FY09	FY10	FY11	FY12 Target
21.9%	18.3%	15.4%	15%



DATA SOURCE:

GenTax "Prior Year Receivables FY12 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 percentage of electronically filed returns. The measurement 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 encourage taxpayers 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 began in August 2010 for taxpayers who owe taxes over \$20K.

EXPLANATION:

This quarter there were 342,833 returns filed, of that 249,658 or 69.9% were filed electronically. With the implementation of the E-filing mandate, the division has seen the number of CRS returns filed double from the same time last year. The Department is amending the regulation to require taxpayers with a combined monthly total of \$1,000 or greater to file electronically. This will alleviate undue hardship on small businesses that do not have the means to file electronically.

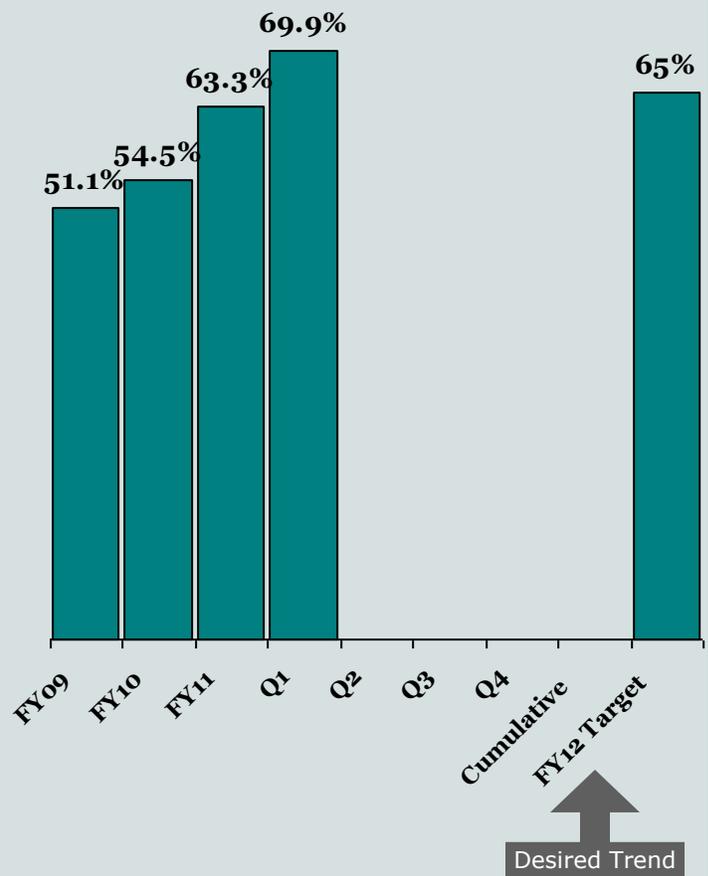
Corrective Action Plan:

Results are cumulative and based on this first quarter the results will far exceed the target.

PERFORMANCE MEASURE

Percent of electronically filed returns (PIT, CRS)

FY09	FY10	FY11	FY12 Target
51.1%	54.5%	63.3%	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 aid in the collections of the specific monies due and to act as a deterrent to others who might consider committing tax 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 was one successfully prosecuted case this quarter. TFID continues to work with prosecuting attorneys to better inform them of essential evidence for tax fraud cases and the presentation of such evidence.

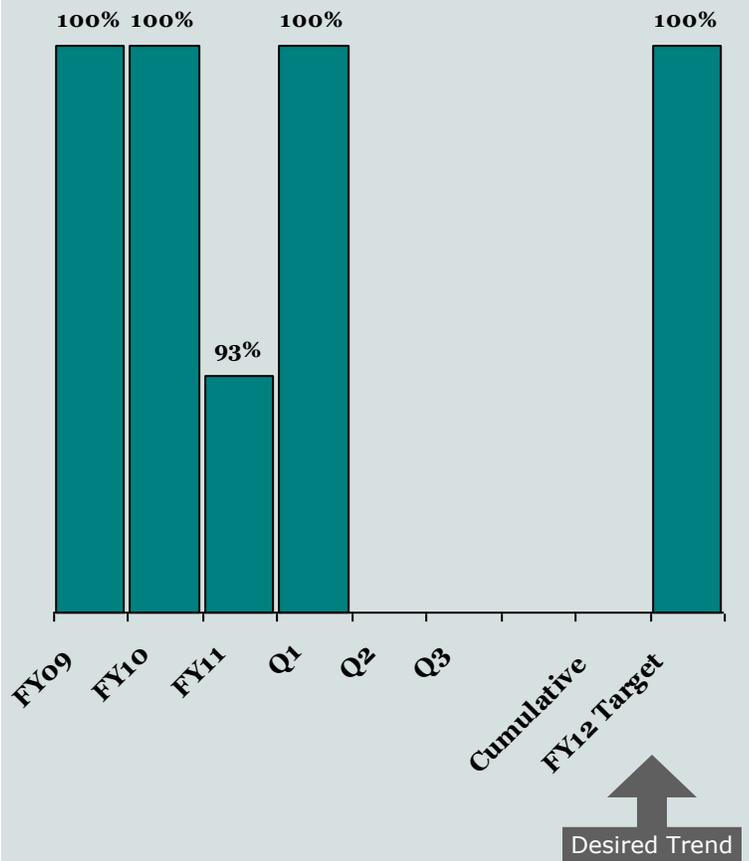
CORRECTIVE ACTION PLAN:

Target met.

PERFORMANCE MEASURE

Successful Tax Fraud prosecutions as a percent of total cases prosecuted

FY09	FY10	FY11	FY12 Target
100%	100%	93%	100%



DATA SOURCE:

Guilty pleas proceedings on file with State District Courts.

COMPLIANCE ENFORCEMENT PROGRAM

STRATEGIC GOAL:

Ensure that at least 40% of open and assigned investigations are referred for prosecution consideration throughout the year.

OBJECTIVE:

Identify, investigate, and lend support in the prosecution of tax fraud – both to aid in the collection of the specific monies due and to act as a deterrent to others who might consider committing tax fraud. Successful prosecutions (and the ensuing publicity) are key elements 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:

For the first quarter of fiscal year 2012, no cases were referred for prosecution and three cases were assigned. This performance measure is cumulative for the fiscal year, therefore, the determination on whether the target is met will be determined at year-end.

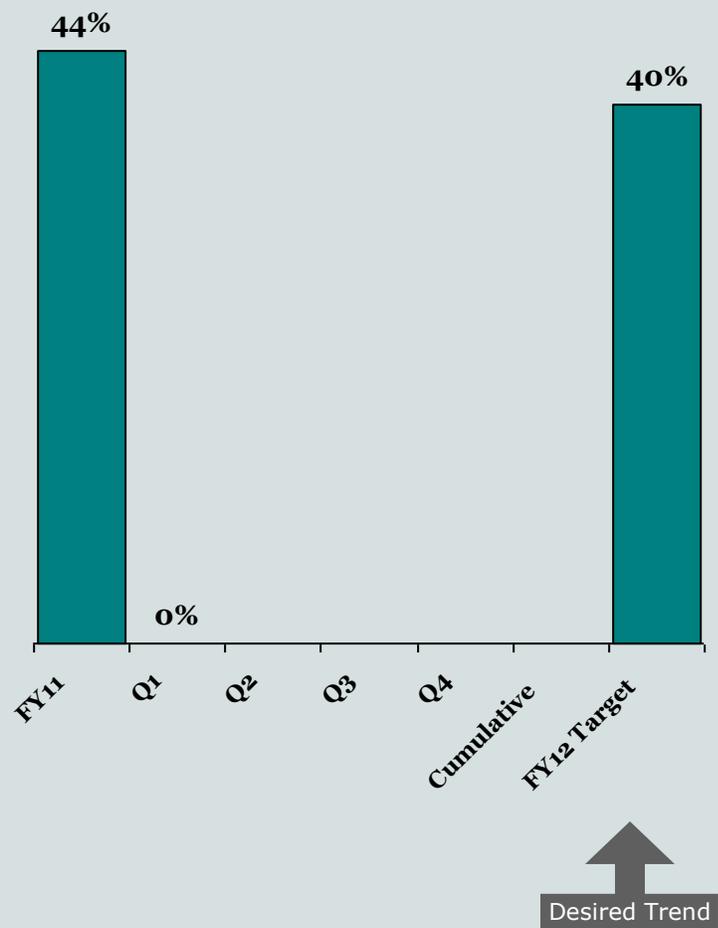
CORRECTIVE ACTION PLAN:

No corrective action plan at this time, although, TFID has been directed to dedicate its resources to special initiatives regarding the issuance of foreign national driver's licenses. It is expected that the referral of tax fraud investigations to prosecutors will be very minimal. Investigators will continue to work on the completion of assigned, on-going tax fraud investigations as time permits.

PERFORMANCE MEASURE

Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year

FY09	FY10	FY11	FY12 Target
N/A	N/A	44%	40%



DATA SOURCE:

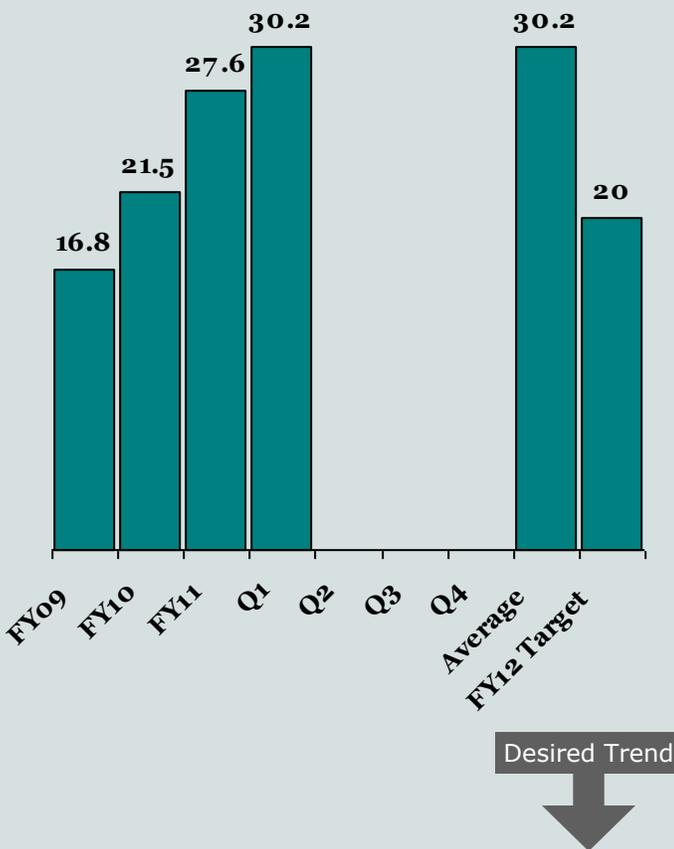
Inventory of tax fraud investigation case referrals and open and assigned cases..

MOTOR VEHICLE PROGRAM

PERFORMANCE MEASURE

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

FY09	FY10	FY11	FY12 Target
16.8	21.5	27.6	20



DATA SOURCE:

Data is collected using the Q-Matic software located in: Alamogordo, Belen, Carlsbad, Clovis, 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-six 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 first quarter was 30.2 minutes. There were 312,246 customers served. Vacancies continue to affect wait times in the field offices. The vacancy rate for the period was 19.6%. Total positions are 225 of these there are 44 vacant positions.

CORRECTIVE ACTION PLAN:

MVD continues to improve its processes as follows:

- New IVR system implemented in July 2011 has moved to a cloud-based platform which will allow more calls to be held in the queue reducing busy signals for customers;
- Implementation of accepting citation payments through the IVR in November-December to assist with call volume and decrease customers having to conduct this business in a field office or a live agent over the telephone;
- A detailed action plan is being developed to review the top ten field offices with the highest wait times. Current operations will be reviewed in order to modify or implement new changes with the goal of reducing customer wait times;
- Continue to expand web site online transactions. The Division is researching the possibility of on-line driver license renewals to reduce the traffic in field offices.
- Review staffing needs and continue to fill vacant positions as budget availability permits.

MOTOR VEHICLE PROGRAM

STRATEGIC GOAL:

Reduce the number of uninsured motorist 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 first quarter ranged from a high of 92.1% to a low of 91.2% for an average rate of 91.7%. The weekly insured rate never dropped below 91%, as compared to the national average of 85.4%, in spite of New Mexico demographics and tight economic conditions. This quarter’s achievements were of special significance due to achieving the highest percentage rate since program inception.

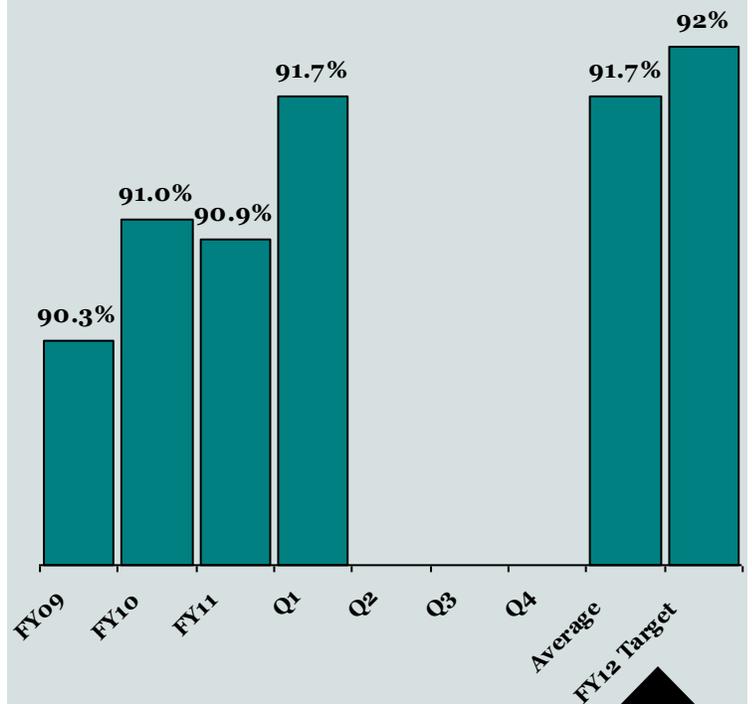
Corrective Action Plan:

The target was just short by three tenths of a percent but MVD believes that no corrective action is necessary at this time.

PERFORMANCE MEASURE

Percent of registered vehicles with liability insurance

FY09	FY10	FY11	FY12 Target
90.3%	91%	90.89%	92%



DATA SOURCE:

Three data sources are used

- MVD’s vehicle database
- Individual insurance company databases
- Insurance Identification Database

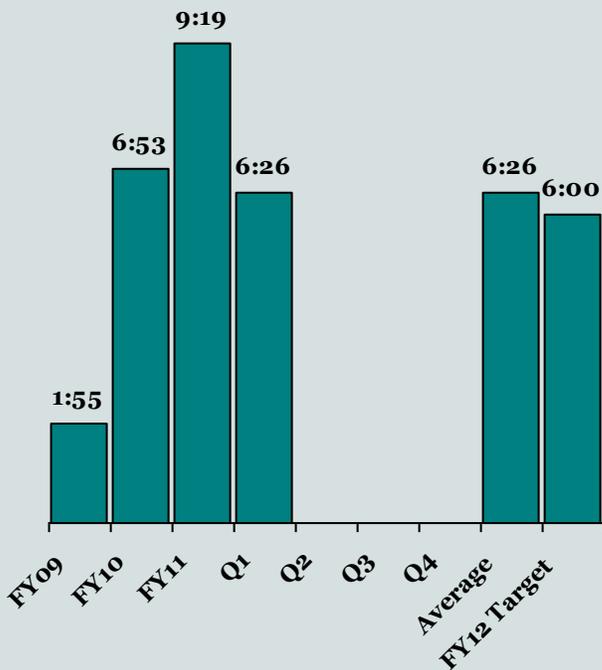
ITD maintains the MVD vehicle database. A 3rd-party contractor receives individual insurance company vehicle insurance information and compares the information against the MVD vehicle

MOTOR VEHICLE PROGRAM

PERFORMANCE MEASURE

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

FY09	FY10	FY11	FY12 Target
1:55	6:53	9:19	6:00



Desired Trend

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, and
- Implement improvement actions and reevaluate.

EXPLANATION:

There was an increase of 16,712 calls answered from the prior quarter. The total number of calls in this quarter were 67,057. The calls were handled in an average of 3:44. There were 238,028 calls coming into the IVR continues to show that customers are using the call center as an option to resolve matters with MVD. The additional 16,712 calls taken are a direct result of utilizing ATA temps to assist in the daily operations of the Call Center. Improved customer service continues to be achieved as MVD handles this additional call volume. Three ATA temps were used in conjunction with 10 FTE to handle these calls, one short of the call center staffing level of 14. Filing a supervisor position in July that had been vacant for the majority of FY11 also assisted in reaching our goals.

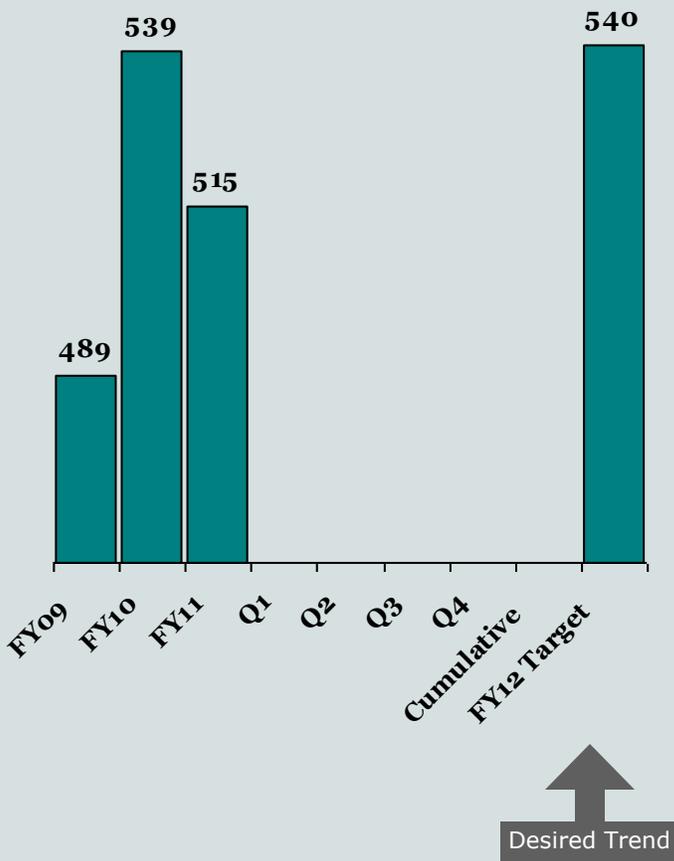
CORRECTIVE ACTION PLAN:

Because of the increased staffing MVD has managed to lower the wait time by 4:22 minutes from last quarter. Continued improvements in staffing and implementation of Phase II of the new IVR system should continue to assist in reducing wait times. MVD will continue to monitor what is driving calls to insure MVD can identify areas of opportunity within MVD offices.

PERFORMANCE MEASURE

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

FY09	FY10	FY11	FY12 Target
489	539	515	540



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 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:

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 focus of work during the first quarter of the fiscal year is on compliance items. During this quarter the SAPB works on protests and litigation from the previous tax year as well as records management and providing assistance to the counties. Taxable valuations are finalized during the last two quarters of the fiscal year.

Corrective Action Plan:

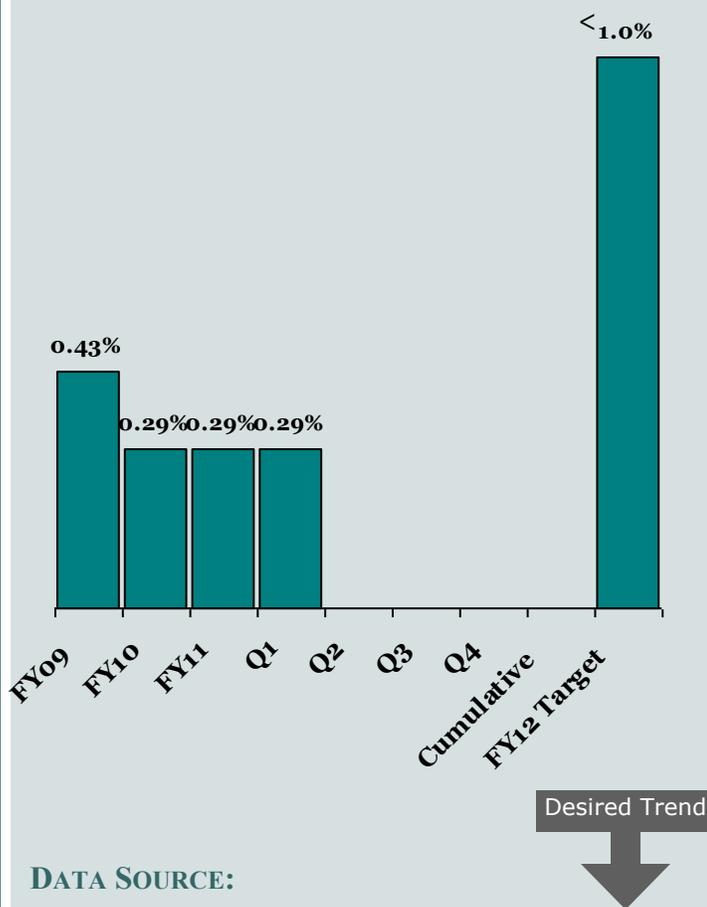
Target is cumulative through the year.

PROGRAM SUPPORT

PERFORMANCE MEASURE

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

FY09	FY10	FY11	FY12 Target
0.43%	0.29%	0.29%	<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 1,351 implied consent cases were scheduled for this quarter. Of these cases four cases were rescinded due to the following:

- File that the Bureau received from MVD was an unreadable microfilm copy and MVD was unable to retrieve the original file;
- The Department received the request for a hearing but MVD never received the letter;
- The Hearing Officer lost the audio recording;
- The Hearing Officer could not attend the hearing due to weather conditions and could not reschedule within the 90th day.

Corrective Action Plan:

Target met

