

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 299

Short Title: GPAC-Department of Revenue.

(Public)

Sponsors: (by request) Representatives Hensley, Blue, Barnes, Diamont, Hackney, H. Hunter, G. Miller, Nesbitt, and Robinson.

Referred to: Appropriations.

February 25, 1993

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT A RECOMMENDATION OF THE GOVERNMENT
PERFORMANCE AUDIT COMMITTEE REGARDING THE DEPARTMENT OF
REVENUE.

The General Assembly of North Carolina enacts:

—ELIMINATE REVENUE FIELD OFFICERS.

Section 1. (a) The General Assembly finds that the Department of Revenue has more permanent field offices and suboffices than other states and that overall revenue collections would increase if some of the less efficient permanent field offices were eliminated.

(b) The Department of Revenue shall eliminate the 19 permanent field offices that are within 45 miles of another field office and have average collections of less than three hundred thousand dollars (\$300,000) a year. The Department of Revenue shall also eliminate the eight suboffices that do not have free office space. The Department of Revenue shall reassign the revenue officers of the eliminated offices to existing offices that have the potential for higher collections and shall acquire rental office space at these existing offices as necessary.

(c) This section becomes effective July 1, 1993.

—EXPAND INTERSTATE TAX AUDITS.

Sec. 2. (a) The General Assembly finds that:

(1) On average, the Department of Revenue's interstate auditors generate more revenue than its in-State auditors.

- 1 (2) Several southeastern states have interstate audit divisions larger than
2 that of North Carolina, and other southeastern states plan to expand
3 their interstate audit operations.
- 4 (3) The Department of Revenue has had plans to expand its interstate audit
5 division by:
- 6 a. Transferring one position to Atlanta.
- 7 b. Using an existing vacancy in the interstate audit division to hire
8 an auditor in the New Jersey/New York area.
- 9 c. Reclassifying an expected vacancy in the Field Services
10 Division as an out-of-state auditor for the New Jersey/New
11 York area.
- 12 d. As three other vacancies occur in the Field Services Division,
13 reclassifying the positions as interstate auditors to be assigned
14 to California, Chicago, and Dallas.
- 15 e. Transferring five corporate auditors from the Corporate Income
16 and Franchise Tax Division to the interstate audit division
17 where they will be trained to conduct other types of audits and
18 will assist in training other interstate auditors to conduct
19 corporate audits.
- 20 (4) It is the Department of Revenue's goal that each interstate auditor will
21 have assessments of one million dollars (\$1,000,000) per year.
- 22 (5) If the Department of Revenue carries out its plans described above and
23 reaches its assessment goal for auditors, the interstate audit group
24 could assess up to twenty million dollars (\$20,000,000) per year.
- 25 (b) The Department of Revenue shall continue and complete its planned
26 expansion of the interstate audit division.
- 27 (c) This section is effective upon ratification.
- 28 —ELIMINATE DEPUTY SEC. OF REVENUE.
- 29 Sec. 3. (a) The General Assembly finds that:
- 30 (1) The Deputy Secretary of Revenue has two major responsibilities, that
31 of hearing officer and that of legislative liaison.
- 32 (2) The position of Deputy Secretary of Revenue seems unnecessary
33 because the Deputy Secretary performs similar functions as the Tax
34 Administration Division staff.
- 35 (3) The staff in the Tax Administration Division is responsible for
36 formulating tax policy, planning and developing strategies for
37 implementing legislation, and commenting on proposed legislation.
- 38 (4) The legislative liaison function of the Deputy Secretary of Revenue
39 should be performed by the Tax Administration Division and the
40 position should be reclassified as a hearing officer.
- 41 (b) The position of Deputy Secretary of Revenue is reclassified as a hearing
42 officer and moved to the Office of Hearings and Legislative Tax Policy.
- 43 (c) The Department of Revenue should provide that the Office of Hearings and
44 Legislative Tax Policy and the Tax Research Division report directly to the Secretary of

1 Revenue. The Department of Revenue should provide that the Security Office reports
2 directly to the Assistant Secretary for Administration.

3 (d) The base budget of the Department of Revenue is reduced by forty thousand
4 dollars (\$40,000) for the 1993-94 fiscal year and forty thousand dollars (\$40,000) for
5 the 1994-95 fiscal year due to the reclassification of a personnel position mandated by
6 subsection (b) of this section. This reduction represents the difference between the
7 personnel cost of a Deputy Secretary of Revenue and the personnel cost of a hearing
8 officer.

9 (e) This section is effective upon ratification.

10 ---ELIMINATE 2 REVENUE POSITIONS.

11 Sec 4. (a) The General Assembly finds that in two of the Department of Revenue's
12 field offices, the number of auditors and revenue officers does not warrant two
13 supervisors, one for auditors and one for revenue officers.

14 (b) The Department of Revenue shall eliminate one supervisor position from the
15 Rockingham field office and one supervisor position from the Elizabeth City field
16 office. The Department of Revenue shall designate the remaining supervisor position in
17 each office as the supervisor of the entire office.

18 (c) The decrease in personnel mandated in Section 2 of this act should result in
19 an annual savings to the General Fund of seventy-four thousand seven hundred two
20 dollars (\$74,702). The base budget of the Department of Revenue is reduced by
21 seventy-four thousand seven hundred two dollars (\$74,702) for the 1993-94 fiscal year
22 and seventy-four thousand seven hundred two dollars (\$74,702) for the 1994-95 fiscal
23 year due to the decrease in personnel mandated in subsection (b) of this section.

24 (d) This section becomes effective July 1, 1993.

25 ---END IN-PERSON TAXPAYER ASSISTANCE.

26 Sec. 5. (a) The General Assembly finds that:

27 (1) Revenue officers spend a significant percentage of their time helping
28 taxpayers complete their tax returns and registering for business.

29 (2) The taxpayer assistance function is an essential function of the
30 Department of Revenue, but the Department should move toward
31 providing assistance by way of toll-free lines rather than face-to-face
32 in field offices.

33 (3) By eliminating most face-to-face assistance and replacing it with
34 increased telephone assistance over a five-year period, the Department
35 of Revenue could eliminate 41 positions for a net savings of one
36 million three hundred fifty-nine thousand five hundred seventy-six
37 dollars (\$1,359,576) per year after the changes are fully implemented.

38 (4) After these changes are implemented, taxpayers who are no longer
39 receiving face-to-face assistance should be able to receive the same
40 level of assistance over the telephone.

41 (5) Telephone lines will be more convenient and efficient for taxpayers
42 because they can receive assistance in their homes rather than waiting
43 in line at a revenue office.

1 (b) The Department of Revenue, Field Operations Division, shall phase out most
2 personalized, face-to-face taxpayer assistance that is currently provided by revenue
3 officers in the field. Revenue officers should answer simple questions but should not
4 fill out a taxpayer's return. At the appropriate point in the phaseout process, the
5 Department of Revenue shall notify taxpayers to whom tax forms are mailed that
6 revenue officers will no longer be providing this assistance, but the same level of
7 assistance will be provided by telephone.

8 (c) The Department of Revenue, Field Operations Division, shall increase the
9 scope of assistance currently provided by toll-free telephone lines to include all taxes.
10 The Department of Revenue shall develop performance measures to monitor whether
11 providing assistance by telephone is effective.

12 (d) Effective July 1, 1993, 10 revenue officer positions in the Field Operations
13 Division of the Department of Revenue are eliminated. Effective July 1, 1994, 10 more
14 revenue officer positions in the Field Operations Division of the Department of Revenue
15 are eliminated. It is the intent of the General Assembly that 10 more revenue officer
16 positions in the Field Operations Division of the Department of Revenue shall be
17 eliminated in each of the following fiscal years: 1995-96 and 1996-97. It is the intent
18 of the General Assembly that six more revenue officer positions in the Field Operations
19 Division of the Department of Revenue shall be eliminated in the 1997-98 fiscal year.

20 (e) The decrease in personnel provided in Section 4 of this act will result in
21 savings to the General Fund of three hundred thirty-six thousand one hundred fifty-nine
22 dollars (\$336,159) in the 1993-94 fiscal year and six hundred seventy-two thousand
23 three hundred eighteen dollars (\$672,318) in the 1994-95 fiscal year. The intended
24 personnel reductions in subsection (d) of this act, when combined with the actual
25 reductions for the 1993-95 biennium, will result in the following annual savings to the
26 General Fund:

27 1995-96	\$1,008,477
28 1996-97	\$1,344,636
29 1997-98	\$1,546,331
30 Each year thereafter	\$1,546,331.

31 (f) There is appropriated from the General Fund to the Department of
32 Revenue, Field Operations Division, the sum of thirty-seven thousand three hundred
33 fifty-one dollars (\$37,351) for the 1993-94 fiscal year and the sum of seventy-four
34 thousand seven hundred two dollars (\$74,702) for the 1994-95 fiscal year to hire one
35 new tax technician beginning in the 1993-94 fiscal year and one additional new tax
36 technician beginning in the 1994-95 fiscal year. It is the intent of the General Assembly
37 to appropriate additional funds to the Field Operations Division of the Department of
38 Revenue so that one more tax technician position shall be added in each of the
39 following fiscal years: 1995-96, 1996-97, and 1997-98. These tax technicians shall
40 provide telephone assistance to taxpayers.

41 (g) This section becomes effective July 1, 1993.

42 —INTEGRATED TAX ADMIN. SYSTEM.

43 Sec 6. (a) The General Assembly finds that:

- 1 (1) The Department of Revenue's ongoing functional reorganization is
2 sound and consistent with reorganizations in other states.
- 3 (2) Three other southeastern states have indicated that functional
4 organization is effective because duplication of effort is eliminated and
5 taxpayers receive better service because they have a single point of
6 contact.
- 7 (3) The success of the Department of Revenue's functional reorganization
8 will depend on its implementation of a new Integrated Tax
9 Administration System (ITAS), a computer-based, fully integrated tax
10 administration system that would support all of the essential functions
11 of tax administration for which the Department is responsible.
- 12 (4) The Department of Revenue's current information technology
13 infrastructure is so inefficient and error-prone that the mission of the
14 Department is at risk: the Department's computer hardware is old and
15 unreliable, and the current production tax application systems are
16 written in an outdated language and depend on punch cards or tape
17 which makes processing slow.
- 18 (5) The key to establishing a highly efficient and effective Department of
19 Revenue is ITAS, which has the potential, if properly designed and
20 implemented, to boost productivity and reduce staffing costs.
- 21 (6) Long-term collections increases and personnel and operational costs
22 savings will significantly exceed the costs of implementing and
23 operating ITAS.
- 24 (b) There is appropriated from the General Fund to the Department of Revenue
25 the sum of six million three hundred thousand dollars (\$6,300,000) for the 1993-94
26 fiscal year to implement a new Integrated Tax Administration System (ITAS), a
27 computer-based, fully integrated tax administration system that would support all of the
28 essential functions of tax administration for which the Department is responsible.
- 29 (c) As part of its functional reorganization, the Department of Revenue shall
30 implement an in-depth training program to train employees in areas outside their current
31 area of expertise and to keep them continuously updated in changes in the law.
- 32 (d) This section becomes effective July 1, 1993.