

DFA - REVENUE SERVICES DIVISION

Enabling Laws

Act 70 of 2012
Act 161 of 2012

Arkansas Code Annotated:

§2-8-101 et seq.	§2-20-101 et seq.	§2-35-101 et seq.
§2-40-101 et seq.	§3-4-201 et seq.	§3-5-101 et seq.
§3-7-101 et seq.	§3-9-101 et seq.	§8-7-901
§8-7-908	§8-9-402 et seq.	§14-164-101
§15-4-1001 et seq.	§15-4-1201 et seq.	§15-4-1508
§15-4-1602	§15-4-1701 et seq.	§15-4-1901 et seq.
§15-5-1301 et seq.	§17-21-101 et seq.	§23-113-101 et seq.
§23-114-101 et seq.	§26-5-101 et seq.	§26-17-203
§26-18-101 et seq.	§26-19-101 et seq.	§26-36-301 et seq.
§26-51-101 et seq.	§26-52-101 et seq.	§26-53-101 et seq.
§26-55-101 et seq.	§26-56-101 et seq.	§26-57-201 et seq.
§26-57-901 et seq.	§26-58-101 et seq.	§26-59-101 et seq.
§26-60-101 et seq.	§26-62-101 et seq.	§26-74-101 et seq.
§26-75-101 et seq.	§27-14-101 et seq.	§27-15-101 et seq.
§26-52-301 et seq.	§26-53-126	§27-16-101 et seq.
§27-19-101 et seq.	§27-20-101 et seq.	§27-23-101 et seq.
§27-50-801 et seq.	§27-50-901 et seq.	

Act 555 of 1965, Act 142 of 1949 and Act 134 of 1911

History and Organization

Act 88 of 1925 that created the Office of Insurance and Revenues first established the Revenue Division. Act 115 of 1927 separated the powers of the Insurance Commissioner and changed the title to Commissioner of Revenues. Act 38 of 1971 transferred the Department of Revenues to the Department of Finance and Administration. The Revenue Division is responsible for administration and enforcement of state

taxing laws, vehicle and driver licenses imposed under Arkansas law. The following nine major offices properly administer the varied tax laws, license laws and other functions of Revenue Division operations:

1) Office of the Assistant Commissioner for Policy and Legal

This office consists of three sections: one for the Assistant Commissioner, another for Hearings and Appeals and lastly Taxpayer Assistance. The Office of Assistant Commissioner for Policy and Legal was created in 1995. This office is responsible for policy and legal matters for the Revenue Division. The Hearings and Appeals Section was created by Act 401 of 1979 and is responsible for reviewing all written protests submitted by taxpayers and making findings on proposed assessments. The Taxpayer Assistance Office was created in 1993 and assists taxpayers in resolving problems with the various offices in the Revenue Division.

2) Office of Income Tax

The Office of Income Tax consists of four sections: Administration, Individual Income Tax, Corporate Income Tax and Income Tax Systems. Individual Income Tax administers tax laws as they apply to individuals, fiduciaries, partnerships and estates. Corporate Income Tax administers tax laws applying to corporations doing business in the State. Income Tax Systems processes income tax returns and provides income tax data entry.

3) Office of Field Audit

Act 235 of 1935 gave the Revenue Commissioner the duty of employing Field Auditors and Collectors. The Office is organized into nine sections; Administration, five Audit Districts covering the State, Audit Coordination, Collections and Nexus. The Audit Districts are responsible for performing audits and collection of delinquent taxes in their district. Audit Coordination organizes requests for information and audits between the various tax sections and the Audit Districts. The Collections Section collects delinquent and deficient taxes as well as insufficient fund checks. Act 1151 of 2005, the Local Option Horse Racing and Greyhound Racing Electronic Games of Skill Act added audit responsibilities to Field Audit for games of skill.

4) Office of Motor Vehicle

This Office was first authorized to issue licenses by Act 134 of 1911. Act 142 of 1949 required motor vehicle titles. The Office of Motor Vehicle administers licensing, registration and titling of all vehicles subject to registration. The Office consists of five sections; Administration, Systems Support, Direct Services, International Registration Plan and Registration and Title. The Systems Support section provides customer service for motor vehicle automated systems. The International Registration Plan section registers and licenses all Arkansas trucks under the International Registration Plan. The Direct Services section files all direct liens and provides information on motor vehicles to the general public and to law enforcement on a 24 hour basis. The Registration and Title section provides data entry for titles, renewals and registrations, maintains control records for licenses and fees issued and examines applications for title for completeness and proper documentation. It microfilms all documents submitted with applications for title.

5) Office of Excise Tax Administration

This Office administers tax laws of the State. The Office consists of five sections; Administration, Sales Tax, Motor Fuel Tax, Miscellaneous Tax and Tax Credits. Sales Tax administers taxes on sales, use, mixed drink and beverage excise for State and Local governments. Motor Fuel administers taxes on motor fuel. Miscellaneous Tax administers various tax laws such as cigarette, real estate transfer, amusement, vending and severance. Tax Credits administers the various tax credit programs. Act 388 of 2007, the Charitable Bingo and Raffles Enabling Act, added the tax administration of Bingo and Raffles to the office.

6) Office of Driver Services

Act 555 of 1965 established the Driver Licensing Bureau. Act 311 of 1977 created the color photo driver license program. This Office consists of six sections; Administration, Issuance, Technical Services, Safety Responsibility, Driver Control and Commercial Driver License. The Issuance section is responsible for procedures for issuance of licenses to qualified individuals and for maintaining driver license records. The Technical Services section is responsible for data entry, Traffic Violation Reports and Revenue Micrographics. The Safety Responsibility section administers the financial responsibility laws. Driver Control monitors problem drivers statewide. The Commercial Driver License section administers that program.

7) Office of Assistant Commissioner for Operations and Administration

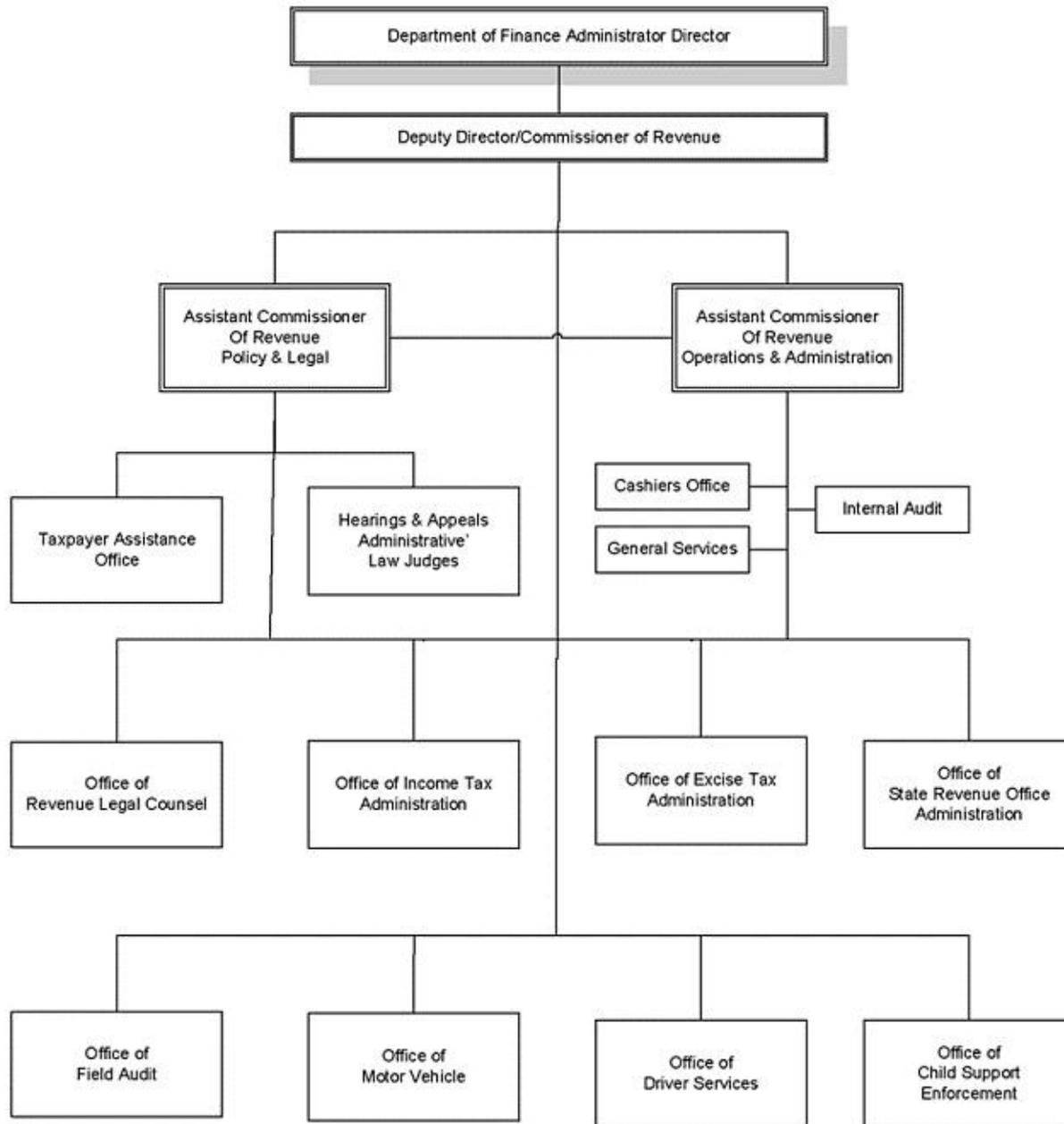
This Office consists of three sections; Office of the Assistant Commissioner, Cashier and General Services. The Cashier section prepares deposits of all monies for deposit with the State Treasurer. The General Services section is responsible for audits all State Revenue Offices, reconciles bank accounts and processes revenues collected by State Revenue Offices, building maintenance and security, central supply, processing all revenues paid by mail and all incoming and outgoing mail.

8) Office of Revenue Legal Counsel

This Office provides legal counsel for the Revenue Division and the operating offices of the Revenue Division. It represents the Division in litigation involving taxes, fees, licenses and programs administered by the Division.

9) Office of State Revenue Office Administration

This office was created to meet the requirements of Act 465 of 1967 that allows individuals to apply in person in their County of residence for automobile registration and renewal. The Office consists of six sections; Administration and five districts dividing the State.



Agency Commentary

DFA Revenue Services Division is funded primarily from the State Central Services Fund and collects taxes, assures taxpayer compliance with the revenue laws of the State, maintains driver history records and titles and licenses motor vehicles. Fees are also collected for the Commercial Driver's License Program and dedicated as special revenue to support this program.

Sections of the Revenue Services Division include the following offices:

- Assistant Commissioner for Operations and Administration
- Assistant Commissioner for Policy and Legal
- Revenue Legal Counsel
- Income Tax
- Field Audit
- Motor Vehicle
- Excise Tax Administration
- Driver Services / Commercial Driver's License
- State Revenue Office Administration

The Revenue Division seeks to restore 10 currently authorized positions: 5 in the State Revenue Offices, 1 in the Office of Income Tax, 2 in the Office of Excise Tax, 1 in the Office of Motor Vehicles, and 1 in Commercial Driver License. These positions all support the collection of general and special revenue or in the regulation and licensing of drivers and motor vehicles. Shortages of positions throughout the Revenue Division resulting in reduced or slower collection of revenue and the reduction of of service in licensing drivers and motor vehicles will result if these positions are not restored.

The Revenue Division is also requesting to transfer 5 positions to Agency 0610 - DFA Management Services - Office of Information Systems (OIS). These positions are functional and technical IT positions that are ongoing support for the Arkansas Integrated Revenue System (AIRS).

Reclassification of 8 A059C - Tax Auditor (C119) to A054C - Tax Auditor II (C120). Once reclassified these 8 positions will be able to participate in the Tax Auditor Grid in place for the current 171 Tax Auditor II positions.

Reduction of 21 currently authorized positions (10 Base Level and 11 Unbudgeted) from 1506 currently authorized positions. The positions no longer need to be utilized due to efficiencies of the agency.

The Revenue Division also requests the following maintenance and operation requests (Appropriation 281 - Revenue Operations):

- \$225,000 increase each year in Operating Expenses. This will cover the anticipated increases in postage that have become routine from the United States Postal Services, additional postage costs related to the Certified Mail requirement for mailing taxpayer notification that their state tax debt is being submitted to the Treasury Offset Program (TOP) for federal refund offset.
- Reallocation of \$736,207 each year from Professional Fees to Operating Expenses to properly classify technical services expenses; and reallocation of \$225,000 each year from Refunds / Reimbursements to Operating Expenses. These expenses are directly related to AIRS automatic generation of liens and simplifies the writ filing process. Using this new system has enabled the Collections Section to more aggressively pursue collection activities and result in additional revenues collected.
- Capital Outlay in the amount of \$610,000 in FY14 and \$661,500 in FY15 for replacement of 78 aging and high mileage vehicles.

In conclusion, a continuation of a \$4,000,000 Cash in Treasury Appropriation requested and approved in FY13. The installation of the Cash Management System (CMS) / Arkansas Integrated Revenue System (AIRS) has provided additional opportunities to change business processes to allow better internal controls to safeguard state assets. This appropriation was set up to make the necessary changes in the business processes for disbursing the Motor Vehicle Special License Plates fees to the proper entities.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT
AUDIT OF :
DFA - REVENUE SERVICES DIVISION
FOR THE YEAR ENDED JUNE 30, 2010

Findings

Recommendations

Audit findings are reported under DFA-Administrative Services.

Employment Summary

	Male	Female	Total	%
White Employees	214	731	945	68 %
Black Employees	51	373	424	30 %
Other Racial Minorities	6	16	22	2 %
Total Minorities			446	32 %
Total Employees			1,391	100 %

Publications

A.C.A. 25-1-204

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution
		Governor	General Assembly		
Ad Valorem Assessment Return	26-26-1601	N	N	250,000	Statutory requirement to file annual return
Amusement Machine Tax Register	26-57-404	N	N	200	Statutory requirement to register annually
Beef Promotion Assessment Report	2-35-401	N	N	1,350	Statutory requirement to file monthly report
Beer Excise Tax Report	3-7-104(6)(A)	N	N	500	Statutory requirement to file monthly report
Brucellosis & Swine Testing Report	2-40-206	N	N	1,000	Statutory requirement to file monthly report
Catfish Feed Assessment Report	Act 790 of 1999	N	N	200	Statutory requirement to file a report on the 15th day following collection
Cigarette Excise Tax Report	26-57-201	N	N	1,000	Statutory requirement to file monthly report
Cigarette Paper Tax Report	26-57-801	N	N	1,000	Statutory requirement to file monthly report
Coin-Operated Vending Tax Register	Act 928 of 1997	N	N	2,000	Statutory requirement to register annually
Construction Permit Fee Report	Act 474 of 1999	N	N	200	Statutory requirement to file a report on the 15th day following collection

A.C.A. 25-1-204

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution
		Governor	General Assembly		
Corn & Grain Sorghum Assessment Report	Act 271 of 1997	N	N	200	Statutory requirement to file monthly report
Corporation Income Tax	26-51-806	N	N	30,000	Required by law
Driver License Renewal Notice	None	N	N	520,000	To remind people when their license expires
Estimated & Withholding	26-51-806	N	N	110,000	Required by law
Gross Receipts Tax Regulations	26-52-105	N	N	15,000	To provide sales and use tax reporting information and guidelines
IFTA Quarterly Report	26-55-1102	N	N	25,000	IFTA Agreement requires that all accounts must file a quarterly report
IFTA Renewal Application	26-55-1102	N	N	3,500	IFTA Agreement requires that all accounts must file an annual renewal
Imported Wine Tax Report	3-7-104(4)(5)	N	N	200	Statutory requirement to file monthly report
Income Tax Booklet	26-51-806	N	N	712,000	Required by law
Liquor Excise Tax Report	3-7-104	N	N	500	Statutory requirement to file monthly report
LPG Renewal Application	26-56-304	N	N	1,200	Required by the Motor Fuel Tax Law
Moving to Arkansas	None	N	N	1,000	Help new residents understand their tax obligations
Native Wine Tax Report	3-5-409	N	N	100	Statutory requirement to file monthly report
Oil & Brine Museum Fund Report	26-58-302	N	N	300	Statutory requirement to file monthly report
Package A	26-51-806	N	N	25,000	Required by law
Property Tax Refund Claim Form	26-51-601	N	N	150,000	Statutory requirement to file a claim for refund annually

A.C.A. 25-1-204

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution
		Governor	General Assembly		
Registration Renewal Notice	27-14-1014	N	N	1,975,000	Required by law to notify owner of expiration
Rice Promotion Assessment Report	2-20-507	N	N	1,600	Statutory requirement to file monthly report
Sales & Use Tax Reporting Form	26-52-105	N	N	131,800	Statutory Requirement to file monthly/quarterly/annual report
Severance Tax Report	26-58-111	N	N	6,000	Statutory requirement to file monthly report
Soft Drink Assessment Report	26-57-901	N	N	2,500	Statutory requirement to file monthly report
Soybean Promotion Assessment Report	2-20-406	N	N	2,500	Statutory requirement to file monthly report
Starting a New Business	None	N	N	1,000	Provide business operators with a source of information concerning state business tax obligations
Sub S Booklet	26-51-806	N	N	25,000	Required by law
Taxpayer Notification Cards	26-51-806	N	N	532,000	Required by law
Timber Processing Tax	26-58-111	N	N	5,000	Statutory requirement to file monthly report
Tobacco Excise Tax Report	26-57-201	N	N	1,000	Statutory requirement to file monthly report
Vehicle Certificate of Title	27-14-713	N	N	1,000,000	Required by law to convey ownership
Vehicle Registration Certificate	27-14-713	N	N	2,500,000	Required by law to be carried in vehicle
Waste Tire Assessment Report	23-3-510	N	N	20,000	Statutory requirement to file monthly report
Wheat Promotion Assessment Report	2-20-606	N	N	2,000	Statutory requirement to file monthly report

ARKANSAS PLANNING BUDGETING & ADMINISTRATIVE SYSTEM
STATE CONTRACTS OVER \$25,000 AWARDED TO MINORITY OWNED BUSINESSES
Fiscal Year 2012
Required by A.C.A. 25-36-104

AGENCY: 0630 DFA - REVENUE SERVICES DIVISION

Minority Business	Total Contract Awarded	Minority Type per A.C.A. 15-4-303 (2)					
		African American	Hispanic American	American Indian	Asian American	Pacific Islander American	Disabled Veteran
Akins Janitorial	\$105,376	X					
Remediation Consultants	\$41,373			X			

TOTAL NUMBER OF MINORITY CONTRACTS AWARDED	<u>2</u>
TOTAL EXPENDITURES FOR CONTRACTS AWARDED	<u>\$12,519,431</u>
% OF MINORITY CONTRACTS AWARDED	<u>0.31 %</u>

Department Appropriation Summary

Historical Data

Agency Request and Executive Recommendation

Appropriation	2011-2012		2012-2013		2012-2013		2013-2014					2014-2015						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
1JN Commercial Drivers License Program	1,735,998	10	1,713,867	9	1,794,960	10	1,716,149	9	1,746,502	10	1,746,502	10	1,716,272	9	1,746,625	10	1,746,625	10
236 Individual Income Tax & Ad Valorem Property T	494,631,657	0	680,000,000	0	680,000,000	0	680,000,000	0	680,000,000	0	680,000,000	0	680,000,000	0	680,000,000	0	680,000,000	0
237 Corporate Income Tax	56,802,800	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0	200,000,000	0
239 Gasoline Tax Refunds	24,169	0	1,500,000	0	1,500,000	0	1,500,000	0	1,500,000	0	1,500,000	0	1,500,000	0	1,500,000	0	1,500,000	0
240 Interstate Motor Fuel Tax Refunds	568,545	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0	20,000,000	0
241 Miscellaneous Tax Refunds	78,187,523	0	260,000,000	0	260,000,000	0	260,000,000	0	260,000,000	0	260,000,000	0	260,000,000	0	260,000,000	0	260,000,000	0
281 Revenue Services Division - Operations	95,509,649	1,476	97,326,086	1,476	99,174,925	1,496	97,372,841	1,476	97,829,408	1,470	97,829,408	1,470	97,425,079	1,476	97,933,146	1,470	97,933,146	1,470
F10 MV Special Plates	0	0	4,000,000	0	0	0	0	0	4,000,000	0	4,000,000	0	0	0	4,000,000	0	4,000,000	0
Total	727,460,341	1,486	1,264,539,953	1,485	1,262,469,885	1,506	1,260,588,990	1,485	1,265,075,910	1,480	1,265,075,910	1,480	1,260,641,351	1,485	1,265,179,771	1,480	1,265,179,771	1,480

Funding Sources		%		%		%		%		%		%		%		%
Fund Balance	4000005	8,002,980	1.1	8,475,241	0.7		9,261,374	0.7	9,261,374	0.7	9,261,374	0.7	10,045,225	0.8	10,014,872	0.8
Special Revenue	4000030	2,208,259	0.3	2,500,000	0.2		2,500,000	0.2	2,500,000	0.2	2,500,000	0.2	2,500,000	0.2	2,500,000	0.2
State Central Services	4000035	95,509,649	13.0	97,326,086	7.6		97,372,841	7.7	97,829,408	7.7	97,829,408	7.7	97,425,079	7.7	97,933,146	7.7
Cash Fund	4000045	0	0.0	4,000,000	0.3		0	0.0	4,000,000	0.3	4,000,000	0.3	0	0.0	4,000,000	0.3
Tax Refunds	4000485	630,214,694	85.6	1,161,500,000	91.2		1,161,500,000	91.4	1,161,500,000	91.1	1,161,500,000	91.1	1,161,500,000	91.4	1,161,500,000	91.0
Total Funds		735,935,582	100.0	1,273,801,327	100.0		1,270,634,215	100.0	1,275,090,782	100.0	1,275,090,782	100.0	1,271,470,304	100.0	1,275,948,018	100.0
Excess Appropriation/(Funding)		(8,475,241)		(9,261,374)			(10,045,225)		(10,014,872)		(10,014,872)		(10,828,953)		(10,768,247)	
Grand Total		727,460,341		1,264,539,953			1,260,588,990		1,265,075,910		1,265,075,910		1,260,641,351		1,265,179,771	

Budget exceeds Authorized Appropriation in F10 MV Special Plates due to a transfer from the Cash Fund Holding Account.

Agency Position Usage Report

FY2010 - 2011						FY2011 - 2012						FY2012 - 2013					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
1,506	1404	81	1485	21	6.77 %	1,506	1411	74	1485	21	6.31 %	1,506	1396	89	1485	21	7.30 %

Analysis of Budget Request

Appropriation: 1JN - Commercial Drivers License Program

Funding Sources: SDL - Commercial Driver License Fund

This appropriation provides for operating expenses of the Arkansas Commercial Driver License Program and for other related purposes as required by the Director of the Department of Finance and Administration (DFA) in carrying out the functions, powers, and duties of the DFA - Revenue Services Division. Fees collected for licenses issued are dedicated as special revenue to support this program.

Base Level Regular Salaries and Personal Services Matching includes Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency is requesting a Change Level increase of \$20,788 in Regular Salaries and \$9,565 in Personal Services Matching each year of the 2013-2015 Biennium to restore one currently authorized position to assist in the collection of special revenue in the Arkansas Commercial Driver License Program.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 1JN - Commercial Drivers License Program

Funding Sources: SDL - Commercial Driver License Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	281,337	261,050	329,454	261,150	281,938	281,938	261,250	282,038	282,038
#Positions		10	9	10	9	10	10	9	10	10
Personal Services Matching	5010003	102,309	100,465	113,154	102,647	112,212	112,212	102,670	112,235	112,235
Operating Expenses	5020002	1,352,352	1,352,352	1,352,352	1,352,352	1,352,352	1,352,352	1,352,352	1,352,352	1,352,352
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
Total		1,735,998	1,713,867	1,794,960	1,716,149	1,746,502	1,746,502	1,716,272	1,746,625	1,746,625
Funding Sources										
Fund Balance	4000005	8,002,980	8,475,241		9,261,374	9,261,374	9,261,374	10,045,225	10,014,872	10,014,872
Special Revenue	4000030	2,208,259	2,500,000		2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Total Funding		10,211,239	10,975,241		11,761,374	11,761,374	11,761,374	12,545,225	12,514,872	12,514,872
Excess Appropriation/(Funding)		(8,475,241)	(9,261,374)		(10,045,225)	(10,014,872)	(10,014,872)	(10,828,953)	(10,768,247)	(10,768,247)
Grand Total		1,735,998	1,713,867		1,716,149	1,746,502	1,746,502	1,716,272	1,746,625	1,746,625

Change Level by Appropriation

Appropriation: 1JN - Commercial Drivers License Program
Funding Sources: SDL - Commercial Driver License Fund

Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	1,716,149	9	1,716,149	100.0	1,716,272	9	1,716,272	100.0
C01	Existing Program	30,353	1	1,746,502	101.8	30,353	1	1,746,625	101.8

Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	1,716,149	9	1,716,149	100.0	1,716,272	9	1,716,272	100.0
C01	Existing Program	30,353	1	1,746,502	101.8	30,353	1	1,746,625	101.8

Justification

C01	Restore one currently authorized position that supports the collection of special revenue for the Commercial Drivers License Program.
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Analysis of Budget Request

Appropriation: 236 - Individual Income Tax & Ad Valorem Property Tax Rebates

Funding Sources: TGI - Individual Income Tax Withholding Fund

The Department of Finance and Administration - Revenue Services Division processes refunds for taxes paid from various sources. Appropriations to the Agency for Refunds/Reimbursements provide the mechanism necessary to refund collections of the various taxes as may be necessary.

This appropriation is used to refund individual taxpayers in such amounts as may be determined by the Chief Fiscal Officer of the State or the courts and for property tax rebates levied on the assessed value of all taxable real property, personal property, and utility property in the State.

The Agency is requesting Base Level of \$680,000,000 each year of the 2013-2015 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 236 - Individual Income Tax & Ad Valorem Property Tax Rebates

Funding Sources: TGI - Individual Income Tax Withholding Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements	5110014	494,631,657	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000
Total		494,631,657	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000
Funding Sources										
Tax Refunds	4000485	494,631,657	680,000,000		680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000
Total Funding		494,631,657	680,000,000		680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		494,631,657	680,000,000		680,000,000	680,000,000	680,000,000	680,000,000	680,000,000	680,000,000

Analysis of Budget Request

Appropriation: 237 - Corporate Income Tax

Funding Sources: TGC - Corporate Income Tax Withholding Fund

The Department of Finance and Administration - Revenue Services Division processes refunds for taxes paid from various sources. Appropriations to the Agency for Refunds/Reimbursements provide the mechanism necessary to refund collections of the various taxes as may be necessary.

This appropriation is used to make income tax refunds to corporate taxpayers in such amounts as may be determined by the Chief Fiscal Officer of the State or the courts.

The Agency is requesting Base Level of \$200,000,000 each year of the 2013-2015 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 237 - Corporate Income Tax

Funding Sources: TGC - Corporate Income Tax Withholding Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements	5110014	56,802,800	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Total		56,802,800	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Funding Sources										
Tax Refunds	4000485	56,802,800	200,000,000		200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Total Funding		56,802,800	200,000,000		200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		56,802,800	200,000,000		200,000,000	200,000,000	200,000,000	200,000,000	200,000,000	200,000,000

Analysis of Budget Request

Appropriation: 239 - Gasoline Tax Refunds

Funding Sources: TBC - Gasoline Tax Refund Fund

The Department of Finance and Administration - Revenue Services Division processes refunds for taxes paid from various sources. Appropriations to the Agency for Refunds/Reimbursements provide the mechanism necessary to refund collections of the various taxes as may be necessary.

This appropriation is used for making motor fuel tax refunds that come from the fuel tax of 21½ cents a gallon on gasoline and 22½ cents a gallon on diesel. A refund results from an overpayment on taxes paid on fuel by a distributor or a supplier.

The Agency is requesting Base Level of \$1,500,000 each year of the 2013-2015 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 239 - Gasoline Tax Refunds

Funding Sources: TBC - Gasoline Tax Refund Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2013-2014			2014-2015		
	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Claims 5110015	24,169	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total	24,169	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Funding Sources									
Tax Refunds 4000485	24,169	1,500,000		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total Funding	24,169	1,500,000		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	24,169	1,500,000		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000

Analysis of Budget Request

Appropriation: 240 - Interstate Motor Fuel Tax Refunds

Funding Sources: TBB - Interstate Motor Fuel Tax Refund Fund

The Department of Finance and Administration - Revenue Services Division processes refunds for taxes paid from various sources. Appropriations to the Agency for Refunds/Reimbursements provide the mechanism necessary to refund collections of the various taxes as may be necessary.

The Interstate Motor Fuel Tax Refund fund consists of the amount, estimated quarterly, which is transferred monthly from gross motor fuel taxes and gross special motor fuel tax collections, to be used to pay refunds to interstate users of motor fuels and special motor fuels as set out in A.C.A. §26-55-714 and §26-56-215. The interstate users of motor fuel tax refunds are generated from an over purchase of tax paid fuel, usually diesel, which is used on the highway by a vehicle over 26,001 pounds, purchased by truckers in the State of Arkansas, but where majority of the miles were traveled in another state.

The Agency is requesting Base Level of \$20,000,000 each year of the 2013-2015 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 240 - Interstate Motor Fuel Tax Refunds

Funding Sources: TBB - Interstate Motor Fuel Tax Refund Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item	Historical Data			2013-2014			2014-2015		
	2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements 5110014	568,545	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total	568,545	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Funding Sources									
Tax Refunds 4000485	568,545	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Total Funding	568,545	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	568,545	20,000,000		20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000

Analysis of Budget Request

Appropriation: 241 - Miscellaneous Tax Refunds

Funding Sources: MTA - Miscellaneous Revolving Fund

The Department of Finance and Administration - Revenue Services Division processes refunds for taxes paid from various sources. Appropriations to the Agency for Refunds/Reimbursements provide the mechanism necessary to refund collections of the various taxes as may be necessary. Some of the sources that fall into the category of miscellaneous tax refunds are:

- Cigarette and Tobacco Excise Taxes
- Alcoholic Beverage Excise Taxes
- Promotion Assessments
- Severance Tax
- Amusement Machine Tax
- Soft Drink Tax
- Real Property Transfer Tax
- Waste Tire Fee
- Vending Device Decal Act of 1997
- Construction Nonresidential Surcharge

The Agency is requesting Base Level of \$260,000,000 each year of the 2013-2015 Biennium.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 241 - Miscellaneous Tax Refunds
Funding Sources: MTA - Miscellaneous Revolving Fund

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Refunds/Reimbursements	5110014	78,187,523	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000
Total		78,187,523	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000

Funding Sources		Historical Data			2013-2014			2014-2015		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Tax Refunds	4000485	78,187,523	260,000,000		260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000
Total Funding		78,187,523	260,000,000		260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		78,187,523	260,000,000		260,000,000	260,000,000	260,000,000	260,000,000	260,000,000	260,000,000

Analysis of Budget Request

Appropriation: 281 - Revenue Services Division - Operations

Funding Sources: HSC - State Central Services

This State Central Services funded appropriation provides for the operation of the Department of Finance and Administration - Revenue Services Division which collects taxes, assures taxpayer compliance with the revenue laws of the State, maintains driver history records and titles and licenses motor vehicles. Sections of the Revenue Services Division include the following offices:

- Assistant Commissioner for Operations and Administration
- Assistant Commissioner for Policy and Legal
- Revenue Legal Counsel
- Income Tax
- Field Audit
- Motor Vehicle
- Excise Tax Administration
- Driver Services
- State Revenue Office Administration

Base Level Regular Salaries and Personal Services Matching includes Career Service payments for eligible employees. Personal Services Matching also includes a \$20 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$410 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

Base Level is \$97,372,841 in FY14 and \$97,425,079 in FY15.

The Agency is requesting a Change Level increase above Base Level of \$456,567 for FY14 and \$508,067 for FY15 as follows:

- Restoration of 9 currently authorized positions and related matching all of which support the collection of general revenue or in the regulation and licensing of drivers and motor vehicles. Shortages of positions throughout the Revenue Division resulting in reduced or slower collection of revenue and the reduction of service in licensing drivers and motor vehicles will result if these positions are not restored; increase of \$318,033 each year.
- Transfer of 5 positions to Agency 0610 - DFA Management Services - Office of Information Systems (OIS). These positions are functional and technical IT positions that are ongoing support for the Arkansas Integrated Revenue System (AIRS); decrease of (\$364,635) each year.

- Reclassification of 8 A059C - Tax Auditor (C119) to A054C - Tax Auditor II (C120). Once reclassified these 8 positions will be able to participate in the Tax Auditor Grid in place for the current 171 Tax Auditor II positions; increase of \$6,526 each year.
- Reduction of 21 currently authorized positions (10 Base Level and 11 Unbudgeted) from 1506 currently authorized positions. The positions no longer need to be utilized due to efficiencies of the agency; decrease of (\$338,357) each year.
- \$225,000 increase each year in Operating Expenses. This will cover the anticipated increases in postage that have become routine from the United States Postal Services.
- Reallocation of \$736,207 each year from Professional Fees to Operating Expenses to properly classify technical services expenses; and reallocation of \$225,000 each year from Refunds / Reimbursements to Operating Expenses. These expenses are directly related to AIRS automatic generation of liens and simplifies the writ filing process.
- The Capital Outlay request is for replacement of 78 aging, high mileage vehicles in accordance with A.C.A. 22-8-201 et seq., Automobile and Pickup Truck Acquisition Law, which establishes guidelines for automobile replacement; increase of \$610,000 FY14 and \$661,500 FY15.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 281 - Revenue Services Division - Operations

Funding Sources: HSC - State Central Services

Historical Data

Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2011-2012 Actual	2012-2013 Budget	2012-2013 Authorized	2013-2014			2014-2015		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	52,384,032	51,204,836	53,537,312	51,309,871	51,024,693	51,024,693	51,352,571	51,067,393	51,067,393
#Positions		1,476	1,476	1,496	1,476	1,470	1,470	1,476	1,470	1,470
Extra Help	5010001	94,077	564,466	564,466	564,466	564,466	564,466	564,466	564,466	564,466
#Extra Help		15	221	221	221	221	221	221	221	221
Personal Services Matching	5010003	17,629,005	18,425,675	17,942,038	18,803,395	18,710,140	18,710,140	18,812,933	18,719,678	18,719,678
Overtime	5010006	488	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Operating Expenses	5020002	23,847,516	25,311,452	25,311,452	25,311,452	26,497,659	26,497,659	25,311,452	26,497,659	26,497,659
Conference & Travel Expenses	5050009	26,872	115,450	115,450	115,450	115,450	115,450	115,450	115,450	115,450
Professional Fees	5060010	885,497	893,207	893,207	893,207	157,000	157,000	893,207	157,000	157,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Refunds/Reimbursements	5110014	19,064	250,000	250,000	250,000	25,000	25,000	250,000	25,000	25,000
Capital Outlay	5120011	623,098	436,000	436,000	0	610,000	610,000	0	661,500	661,500
Total		95,509,649	97,326,086	99,174,925	97,372,841	97,829,408	97,829,408	97,425,079	97,933,146	97,933,146
Funding Sources										
State Central Services	4000035	95,509,649	97,326,086		97,372,841	97,829,408	97,829,408	97,425,079	97,933,146	97,933,146
Total Funding		95,509,649	97,326,086		97,372,841	97,829,408	97,829,408	97,425,079	97,933,146	97,933,146
Excess Appropriation/(Funding)		0	0		0	0	0	0	0	0
Grand Total		95,509,649	97,326,086		97,372,841	97,829,408	97,829,408	97,425,079	97,933,146	97,933,146

FY13 Budget amount in Personal Services Matching exceeds the authorized amount due to matching rate adjustments during the 2011-2013 Biennium.

Change Level by Appropriation

Appropriation: 281 - Revenue Services Division - Operations
Funding Sources: HSC - State Central Services

Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	97,372,841	1,476	97,372,841	100.0	97,425,079	1,476	97,425,079	100.0
C01	Existing Program	1,153,033	9	98,525,874	101.2	1,204,533	9	98,629,612	101.2
C03	Discontinue Program	(338,357)	(10)	98,187,517	100.8	(338,357)	(10)	98,291,255	100.9
C04	Reallocation	0	0	98,187,517	100.8	0	0	98,291,255	100.9
C07	Agency Transfer	(364,635)	(5)	97,822,882	100.5	(364,635)	(5)	97,926,620	100.5
C10	Reclass	6,526	0	97,829,408	100.5	6,526	0	97,933,146	100.5

Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	97,372,841	1,476	97,372,841	100.0	97,425,079	1,476	97,425,079	100.0
C01	Existing Program	1,153,033	9	98,525,874	101.2	1,204,533	9	98,629,612	101.2
C03	Discontinue Program	(338,357)	(10)	98,187,517	100.8	(338,357)	(10)	98,291,255	100.9
C04	Reallocation	0	0	98,187,517	100.8	0	0	98,291,255	100.9
C07	Agency Transfer	(364,635)	(5)	97,822,882	100.5	(364,635)	(5)	97,926,620	100.5
C10	Reclass	6,526	0	97,829,408	100.5	6,526	0	97,933,146	100.5

Justification

C01	Restore 9 currently authorized positions that support the collection of general and special revenue or in the regulation and licensing of drivers and motor vehicles. The Capital Outlay request is for replacement of 78 aging and high mileage vehicles, Operating Expenses reflect anticipated increases in postage that have become routine from the United States Postal Services, additional postage costs related to the Certified Mail requirement for mailing taxpayer notification that their state tax debt is being submitted to the Treasury Offset Program (TOP) for federal refund offset.
C03	Reduction of 10 Base Level positions. The positions no longer need to be utilized due to efficiencies of the agency.
C04	Reallocation of \$736,207 each year from Professional Fees to Operating Expenses to properly classify technical services expenses; and reallocation of \$225,000 each year from Refunds / Reimbursements to Operating Expenses. These expenses are directly related to AIRS automatic generation of liens and simplifies the writ filing process.
C07	Transfer 5 positions to Agency 0610 - DFA Management Services - Office of Information Systems (OIS). These positions are functional and technical IT positions that are ongoing support for the Arkansas Integrated Revenue System (AIRS).
C10	Reclassification of 8 A059C - Tax Auditor (C119) to A054C - Tax Auditor II (C120). Once reclassified these 8 positions will be able to participate in a progression plan that is currently in place for the current 171 Tax Auditor II positions.

Analysis of Budget Request

Appropriation: F10 - MV Special Plates

Funding Sources: NMV - MV Special Plates - Cash in Treasury

The installation of the Cash Management System (CMS) / Arkansas Integrated Revenue System (AIRS) has provided additional opportunities to change business processes to allow better internal controls to safeguard state assets. This appropriation was set up to make the necessary changes in the business processes for disbursing the Motor Vehicle Special License Plates fees to the proper entities.

The Agency is requesting a continuation of a \$4,000,000 Cash in Treasury Appropriation requested and approved in FY13.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: F10 - MV Special Plates

Funding Sources: NMV - MV Special Plates - Cash in Treasury

Historical Data

Agency Request and Executive Recommendation

Commitment Item	2011-2012	2012-2013	2012-2013	2013-2014			2014-2015		
	Actual	Budget	Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
MV Special Plates 5900046	0	4,000,000	0	0	4,000,000	4,000,000	0	4,000,000	4,000,000
Total	0	4,000,000	0	0	4,000,000	4,000,000	0	4,000,000	4,000,000
Funding Sources									
Cash Fund 4000045	0	4,000,000		0	4,000,000	4,000,000	0	4,000,000	4,000,000
Total Funding	0	4,000,000		0	4,000,000	4,000,000	0	4,000,000	4,000,000
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
Grand Total	0	4,000,000		0	4,000,000	4,000,000	0	4,000,000	4,000,000

Budget exceeds Authorized Appropriation due to a transfer from the Cash Fund Holding Account.

Change Level by Appropriation

Appropriation: F10 - MV Special Plates
Funding Sources: NMV - MV Special Plates - Cash in Treasury

Agency Request

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	0	0	0	0.0	0	0	0	0.0
C02	New Program	4,000,000	0	4,000,000	100.0	4,000,000	0	4,000,000	100.0

Executive Recommendation

Change Level		2013-2014	Pos	Cumulative	% of BL	2014-2015	Pos	Cumulative	% of BL
BL	Base Level	0	0	0	0.0	0	0	0	0.0
C02	New Program	4,000,000	0	4,000,000	100.0	4,000,000	0	4,000,000	100.0

Justification

C02	Continuation of Cash in Treasury Appropriation requested and approved in FY13. The installation of the Cash Management System (CMS) / Arkansas Integrated Revenue System (AIRS) has provided additional opportunities to change business processes to allow better internal controls to safeguard state assets.
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