

**FINANCE AND ADMINISTRATION--REVENUE SERVICES (630)
2009-11 BIENNIUM - LEGISLATIVE RECOMMENDATION**

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Revenue Division is responsible for administration and enforcement of State taxing laws, vehicle and driver licenses imposed under Arkansas law and Child Support Enforcement imposed under Arkansas and Federal law. Offices within the Division and their responsibilities are the Office of the Assistant Commissioner for Policy and Legal which includes the Hearings and Appeals Section; the Office of Income Tax administers Individual and Corporate Income Taxes AND Income Tax Systems, which processes income tax returns; the Office of Field Audit; Office of Motor Vehicle administers licensing, registration and titling of vehicles; Office of Excise Tax Administration is responsible for Sales Tax, Motor Fuel Tax, Miscellaneous Tax, and Tax Credits; Office of Driver Services which includes, Issuance, Technical Services, Safety Responsibility, Driver Control and Commercial Driver Licenses; Office of Assistant Commissioner for Operations and Administration which consists of the Cashier and General Services sections; Office of Revenue Legal Counsel which represents the Division in litigation involving taxes, fees, licenses and programs administered by the Division; and the Office of State Revenue Office Administration administers the County automobile registration and renewal offices.

TOTAL BIENNIAL BUDGET

The total budget of the Revenue Division is \$857,272,829 the first year and \$858,586,634 the second year of the biennium.

FUNDING SOURCES

The budget is funded with 89% Tax Refunds, 10 %State Central Services Fund, >1% special revenue.

II) CHANGES/APPROPRIATIONS

1. The operations appropriation, funded with State Central Services for \$94,066,284 the first year and \$95,372,101 the second year has an increase of \$3,835,643 for FY10 and \$3,867,782 for FY11 for:

a. restoration of 34 currently authorized positions, which support the regulation and licensing of drivers and motor vehicles.

b. Transfer of 20 currently authorized positions to DFA management Services - office of Information Systems to allow for consolidation of IT positions into one office.

c. 30 new positions to meet population growth demands for service, coverage of extra hours of operation in electronic gaming, increased audits for the natural gas severance tax and to assist in the timely collection of delinquent taxes and bad checks.

d. reduction in extra help to offset a portion of the cost of the additional positions.

e. reallocation of \$430,000 each year from data processing line item to operating expenses to properly classify contractual services.

f. increase in operating expenses due to 1% postage increase, 4% rent increase, rising fuel charges, mileage reimbursements, photographic supplies used in drivers licensing and IDs and printing costs.

2. The Commercial Drivers License appropriation funded with special revenue for \$1,706,545 the first year and 1,714,533 the second year of the biennium, has a restoration of one (1) currently authorized position to assist in the collection of special revenue for the program and the transfer of 1 currently authorized position to Management Services Division - Office of Information Systems to allow for consolidation of information technology positions into one office. (\$29,815 in FY10 and \$30,383 in FY11)

b. Also has a reallocation of \$949,116 from data processing to operating expenses to properly classify expenditures for network services.

3. Corporate Income Tax appropriation has a \$35,000,000 increase each fiscal year **in appropriation only** in anticipation of the increased and larger refund requests from corporations due to a downturn in the economy.

4. Interstate Motor Fuel Tax Refunds appropriation has an increase of \$8,000,000 each year due to an increase in interstate truck traffic.

5. The Miscellaneous Tax Refunds appropriation, funded with miscellaneous funds has an increase of \$10,000,000 each year for refunds/reimbursements.

6. Charitable Bingo and Raffles appropriation, funded from State Central Services, for \$563,069 the first year and \$571,910 the second year **deleted**.

III) ADDITIONAL POSITIONS

Total positions for FY 2007-2009: 1,461

Total positions for FY 2009-2011: 1,506

Increase/ (Decrease): 45

IV) SPECIAL LANGUAGE

1. Dictates distribution of refunds in Tax Administration Program and allows transfer between Refund line items with report to Legislative Council on amounts and reasons for transfer.

2. States extra Help positions are exempt from limitation of hours with report to Legislative Council when temporary or part-time employees are employed by DFA for longer than 7 months.

3. Authorizes the establishment of 50 contingency data entry positions to be utilized as deemed necessary by the Director of DFA after seeking prior review by Legislative Council/Joint Budget; allows transfers from the various programs in the Act to the Tax Administration Program for salaries and matching.

4. Gives Department authority to employ certified law enforcement officers to provide security for Department buildings, grounds, property, employees and customers.