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Department of Taxation and Finance.
Joint Senate & Assembly Budget Hearing
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Chairman DeFrancisco, Chairman Farrell and distinguished members of the Committees, on behalf of Governor Cuomo and my colleagues at the Department of Taxation and Finance, thank you for the opportunity to discuss the Governor's 2013-14 Executive Budget.

The past two years presented us with tremendous challenges. When Governor Cuomo took office in January 2011, the 2013-14 fiscal year budget gap was forecast to be \$17.4 billion. In just three budgets, Governor Cuomo managed to erase that deficit without increasing taxes. Instead, we're remaking government and targeting our spending towards growth, a plan that has brought local property taxes under control and resulted in the lowest middle-class tax rates in more than 58 years.

The mission of the Tax Department is unique. We are responsible for the enforcement of the Tax Law and an advocate for taxpayers; we must function to promote economic development while ensuring taxpayer equity. This requires a balanced approach. We strive to collect the right amount of tax from taxpayers and eliminate unproductive audits, and we aim to increase our accessibility, and ultimately taxpayer compliance, by simplifying our filing forms and taxpayer guidance.

This year's budget strikes a similar balance, combining revenue generating initiatives targeting delinquent tax liabilities that have been historically difficult to collect, with administrative initiatives to increase efficiency and make the Tax Law easier to understand. The budget also supports tax incentives targeting proven growth areas poised for rapid development and job creation.

To begin, the Executive Budget contains a proposal to protect the credit histories and financial futures of taxpayers with unpaid fixed and final liabilities. Currently, the Department must issue a public tax warrant before undertaking certain collection activities. These warrants can compromise a taxpayer's credit report, which can have lasting implications on a taxpayer's ability to secure housing or employment, and can drive up costs for vital services such as

insurance coverage. The Executive Budget eliminates the need to file a warrant before seeking income executions. Our objective is to collect a tax debt, nothing more. This sensible approach preserves existing due process and taxpayer rights, and strikes the needlessly punitive elements of the current framework.

Second, the budget proposes to suspend the New York State driver's licenses of taxpayers who owe fixed and final past-due liabilities. The proposal authorizes the Department to coordinate with the Department of Motor vehicles to suspend the license of drivers with tax debt in excess of \$10,000. Taxpayers subject to the suspension will be notified at least 45 days in advance that they will have their license suspended if they fail to settle their tax debt. Drivers would be granted restricted licenses in order to get to work and school, and any taxpayers possessing commercial driver's licenses—less than 150 of the estimated 9,000 taxpayers affected by this proposal—would not be subject to the suspension. To avoid suspension (or to have a suspension lifted) the taxpayer would need to pay the debt in full or make acceptable payment arrangements with the Department.

Third, the budget looks to close current loopholes that enable businesses with unpaid tax liabilities and their owners to avoid paying off their taxes. The proposal would modernize provisions relating to the granting of sales tax Certificates of Authority (COA), without which retail businesses cannot legally conduct business. Specifically, it would allow the Department to revoke a sales tax COA for any unpaid tax liability, identical to existing authority for denying a COA.

Provisions in the Executive Budget would also allow the Department to implement an annual liability clearance process to encourage cigarette and tobacco retailers to remain current with their tax liabilities. The proposal makes the grounds for refusal of the annual Certificate of Registration, which is required to sell cigarettes and tobacco, consistent with the grounds for refusing to issue a sales tax Certificate of Authority. As a result, it would allow the Department to refuse to issue a Certificate of Registration, as it does for a sales tax Certificate of Authority, if any outstanding taxes are due from the applicant or the applicant has been convicted of a crime under the Tax Law.

Lastly, the budget implements a re-registration initiative for the Basic STAR property tax exemption, which will eliminate waste, fraud and abuse in the program.

To accomplish these targeted initiatives, the budget recommends an increase of 204 FTEs from the 2012-13 budget. These provisions, would generate \$120 million annually in additional revenue.

Governor Cuomo believes above all that government must be functional for its citizens. The budget supports this principle and the Department endeavors in multiple ways to increase our accessibility and effectiveness.

By augmenting our audit and collection activities, we are able to better target audits to those who owe tax, and strengthen taxpayer compliance, which in the end helps taxpayers avoid unnecessary procedural, financial and legal challenges. We have expanded and enhanced our business analytics capabilities to help us better identify fraud and increase associated revenue collections. This is a key component to ensuring taxpayer equity.

We have also made it a priority to leverage technology to provide more services to taxpayers and improve the efficiency of our operations. In September we launched our new sales tax web filing platform, which uses state-of-the-art web technology to provide a one-stop, seamless online experience for sales tax filers. More than 200,000 New York businesses use the new system to perform most of their sales tax filing and reporting tasks online. The customer-focused, fully electronic system was developed based on requests and input from thousands of business users. The enhancements help businesses comply with the law and remit the appropriate sales tax. Among the user-requested enhancements, businesses can now securely schedule payments in advance and store bank information for future returns. Since the launch of the new system, e-filing has jumped to 83 percent in the most recently completed quarterly filing. Our combined efforts to encourage more e-filing have enabled New York's taxpayers to avoid more than \$70 million in processing costs last year alone.

We have simplified taxpayer guidance and implemented a clear language initiative that puts tax documents into understandable terms. In addition, we have embraced Governor Cuomo's Language Access Policy, as articulated in Executive Order 26, translating vital documents into six different languages and providing on-demand interpretation services to ensure that persons with limited English proficiency (LEP) have meaningful access to agency services, programs, and activities.

We also play an integral role in the redesign and rightsizing of government. Once fully implemented, the Department will house the consolidated call center operations of eight agencies, and will assume the print operations of several agencies. These initiatives improve customer satisfaction and drive taxpayer savings.

Finally, the Department processes the job creating tax credits used by our sister agencies to attract business to, and promote development within, New York State. Incentives targeting the film and television, building construction and alternative energy industries will combine to enhance the appeal of New York State as a place of creative energy and innovation. The Department ensures the accurate and smooth distribution of these benefits, developing clear guidance and advisory opinions to simplify the process for taxpayers.

The Governor's Budget is our blueprint for reform. It forges new pathways to improve services and government efficiency. On behalf of the Department, we look forward to developing new and innovative ways to enhance our mission while achieving cost savings that meaningfully contribute to forming a more efficient government for New Yorkers. I look forward to working with you to pass yet another on-time budget, and I welcome any questions you might have.