



**Thomas H. Mattox, Commissioner
Department of Taxation and Finance.
Joint Senate & Assembly Budget Hearing
Hearing Room B – Legislative Office Building
February 6, 2012**

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 2012-13 Executive Budget.

Governor Cuomo has challenged us all to play a role in an historic transformation of New York – to make our State a beacon of fairness and equity, which signals to the world that our doors are open for business and that we're ready to make New York a great place to work and live. I am thrilled that the Tax Department is playing a key role in that effort.

With your help, we have had an incredible thirteen months. We passed an on-time budget that closed a \$10 billion gap with no new taxes. We enacted a property tax cap, and eliminated the MTA Mobility Tax for approximately 700,000 small businesses, sole proprietors, and local governments, resulting in annual

savings of \$250 million. And in December we cut taxes for the middle class to the lowest rate in 58 years; more than 4 million taxpayers will save over \$670 million dollars in income taxes. Together, we have a lot to be proud of.

This fiscal year the Department expects more than \$90 billion of gross tax receipts. We administer more than 40 state and local taxes and process in excess of 25.5 million returns. They are generated by 9.5 million individual and 640,000 commercial taxpayers. It's a tremendous responsibility, and an even greater opportunity to demonstrate firsthand to taxpayers that we are reshaping New York State.

The Governor's motto – Performance, Integrity, Pride – is at the heart of our own transformation, and with that in mind we are re-imagining our business model. Our headcount is down, and we are reducing our downstate office footprint by 50%, which we expect will save taxpayers more than \$4 million in annual operating costs.

The Governor's Budget proposal also seeks to leverage shared services and functional consolidations to improve efficiency. Under the proposal the Department will assume the Higher Education Service Corporation's (HESC) loan collection and default aversion functions. This initiative takes advantage of one of the Department's core competencies, and will enable HESC to focus more on administration of the TAP and scholarship programs.

In addition, in a partnership with the Department of Financial Services (DFS), we took over DFS' call center operations effective January 27th; an effort that will improve service and enhance efficiency.

We are making things easier for the taxpayer in other ways too, by simplifying our guidance and exploring new ways to support compliance through our clear language initiative. And this year individual taxpayers receiving refunds will be able to select a debit card option, in addition to direct deposit, which will especially help unbanked taxpayers across the state avoid costly check cashers.

The use of electronic filing is at record high levels for individuals (79%) and for sales tax returns (nearly 65%), which has resulted in stronger fraud detection and prevention, reduced error rates, less reliance on third party processors, and faster processing times for refunds. Also, during 2011 we passed the million account threshold for web-based taxpayer accounts, allowing us to extend the range of on-line resources and services available to taxpayers while containing costs.

The Department is leveraging technology in many ways, and capitalizing on our nationally recognized leadership in integrating business analytics into our processing workflows. With these tools we more-intelligently select returns for audit, which lets us maximize our resources, and avoid unnecessary audits. This year we are also significantly expanding third party reporting capabilities related to

credit card and other financial transactions, allowing the Department to cross-reference representations made on a tax return.

Last year, with your support, the Governor also approved new tools that assisted our modernization efforts. Chairman Farrell's bill on Statute of Limitations facilitated the extinguishment of aged, uncollectible taxpayer debt and allowed the Department to more accurately reflect liabilities on its balance sheet. Senator DeFrancisco's Offer in Compromise Program bill established an economic hardship provision, which recognized the reality of the prolonged recession on hard working New Yorkers who found themselves in financial difficulty. No longer are insolvency and bankruptcy requirements to qualify for additional consideration under the program. We complemented this with administrative action to make the warrant requirements more flexible as applied to installment payment agreements (IPA); as a result, the number of IPAs has increased.

Last year's enacted budget also granted the Department temporary authority to require segregated accounts for the collection of sales tax when a taxpayer had a history of non-compliance with filing and remittance obligations. Our pilot results demonstrate a significant increase in compliance and on-time remittance; therefore, we have requested permanent authority in the 2012-13 budget.

The Governor's Budget is a solid blueprint for reform that is devoid of gimmicks, one shots, new taxes, and tax increases. At the same time, it forges new

pathways to 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.