

In FY23, the Taxation and Revenue Department (TRD) fell short of its target for collectible audit assessments since the beginning of the fiscal year and met its annual target for tax collections, with nearly all categories of collections being substantially higher than those submitted in the third quarter of FY22. TRD anticipates issuing over \$600 million in tax rebates through FY24, and \$15 million in non-filer relief payments.

Tax Administration

Of the \$1 billion in outstanding tax collections for the state, the program collected \$145.7 million in FY23, nearly 16 percent of the outstanding balance. According to data on outstanding amounts, an estimated \$26.5 million would be uncollectable after FY24 due to the 10-year statute of limitations for tax collections. By FY27, the state could be at risk of forfeiting close to \$100 million of uncollected taxes because of the statute of limitations, unless the debt is secured in a lien. TRD states debt is collectible after 10 years and expired debt can be reactivated and debt within one to four years is easiest to collect, with the largest debt category being sole proprietors. Due to 2016 legislation, TRD cannot collect balances in protest until after 90 days, a fluid three-month amount that is hard to pin down, essentially making the forgone FY24 amount closer to \$37.9 million depending on how much was protested. This is in addition to the uncollected total. The top collection revenue sources have been gross receipts tax, at \$82.8 million, and personal income tax, at nearly \$35 million.

The issuance of over \$1 billion in rebates at the end of FY22 and beginning of FY23 increased the volume of calls into the tax call center up to six times the normal call volume. In response to the increased call volumes, the department had over 100 unique users assisting with phones, including auditors through September and collection agents into December. The resource shifting impacted the division's ability to assess and collect in FY22, FY23 and into FY24. The division is implementing a new data analytics solution in FY24 to improve collection treatment streams.

Budget: \$25,333.2 **FTE:** 340.66

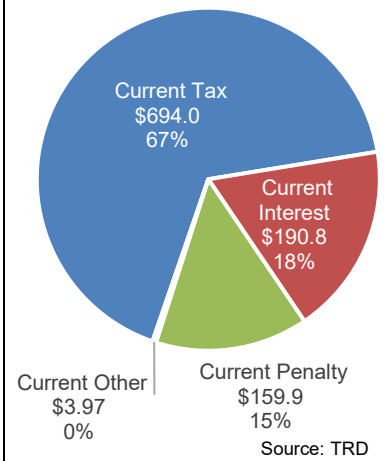
	FY21 Actual	FY22 Actual	FY23 Target	FY23 Actual	Rating
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year*	17.6%	15.5%	20%	15.8%	Y
Collections as a percent of collectible audit assessments generated in the current fiscal year	30.3%	40.5%	60%	55.4%	R
Program Rating	R	R			R

*Target is cumulative.

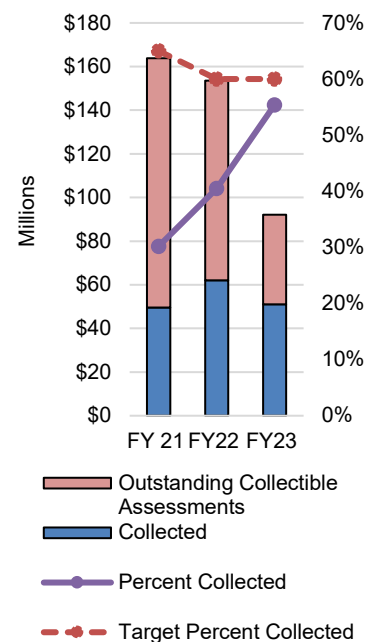
ACTION PLAN

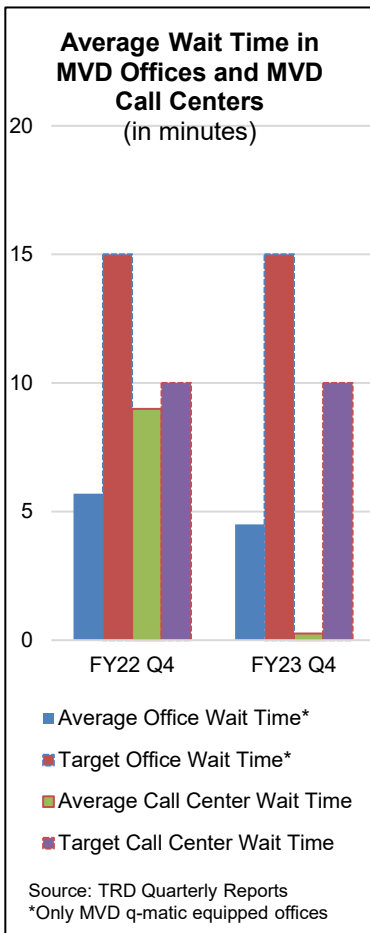
Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

Outstanding Tax Amounts by Category
\$1.048 Billion Total
(in millions)



Collections as a Percent of Collectible Audit Assessments





Compliance Enforcement

The Tax Fraud and Investigation Division (TFID) reported 4 cases referred for prosecution and 37 open investigations. The period of investigation for fraud, embezzlement, or tax evasion cases ranges from six to eight months. Depending on subpoena returns, docket priority, and the discretion of the district attorney, the process could be longer and court jurisdictions must set dates for open cases. Without confirmed court dates, the division anticipates it will continue to lose criminal charges on specific, pending cases due to the statute of limitations. Court scheduling continues to be delayed and no pending cases have been prosecuted. TFID is preparing three cases for submission to the 1st Judicial District Attorney’s Office.

Budget: \$1,870.3 **FTE:** 21

	FY21 Actual	FY22 Actual	FY23 Target	FY23 Actual	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year	67%	50%	85%	10%	R
Successful tax fraud prosecutions as a percent of total cases prosecuted* Measure	N/A	100%	100%	100%	G
Program Rating	Y	R			Y

Motor Vehicle

In FY23 the Motor Vehicle Division (MVD) met all performance targets. MVD has a system called “PASCO” or “NM Insurance Interactive Database”, which monitors active insurance for all vehicles in New Mexico and reports vehicles without insurance. TRD works with fleet policy holders to submit insurance. While 31 of 32 field offices have same day availability and wait times for offices and calls have improved considerably since FY21, performance data is not inclusive of service quality or wait times in contracted, private partner offices. MVD manages 204 partner office contracts and performs audits on documentation and training for onboarded staff, but does not maintain control over queues that are unassociated with MVD’s internal “q-matic” software.

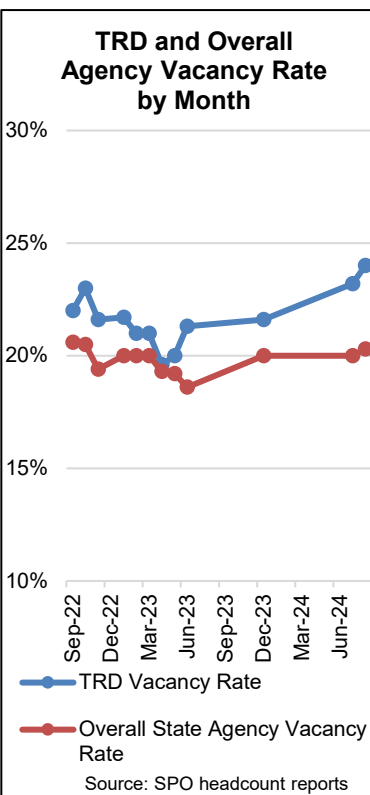
Budget: \$47,865.2 **FTE:** 332

	FY21 Actual	FY22 Actual	FY23 Target	FY23 Actual	Rating
Registered vehicles with liability insurance	91.4%	91.1%	92%	91%	G
Average wait time in “q-matic” equipped offices, in minutes	8:00	6:48	5:00	4:48	G
Average call center wait time to reach an agent, in minutes	15:11	8:38	10:00	6:18	G
Program Rating	Y	R			G

*Measure is classified as explanatory and does not have a target.

Program Support

Inadequate staffing within the division affected the share of internal audit recommendations implemented. Four internal auditor positions remain vacant combined with the loss of the four full-time budget staff in FY23 and a recently appointed Chief Internal Auditor, leading to a greater risk of issues cited during



external audits. The division reports 2 percent of tax protest cases were scheduled for hearing at the Administrative Hearings Office. The division met its performance target for the number of tax protest cases resolved, bringing in nearly \$190.4 million in FY23.

Budget: \$10,636.9 **FTE:** 102

	FY21 Actual	FY22 Actual	FY23 Target	FY23 Actual	Rating
Tax protest cases resolved	1,590	1,690	1,525	1,892	G
Internal audit recommendations implemented	100%	97%	90%	25%	R
Program Rating	R	R			R

Property Tax

In FY23 the Property Tax Program (PTD) distributed \$13.9 million to counties in delinquent property taxes, exceeding the annual target, but recovered 21 percent of total delinquent property taxes. The total delinquent property tax values increased from approximately \$57.5 million to \$65.5 million for New Mexico’s 33 counties. The statewide outstanding amount in property taxes is \$15.7 million. Delinquent property taxes encompass the total of all base property taxes collected and returned to the counties and includes all collection activities including sale of properties. Although the actual delinquent property tax sales are a small portion of our overall collections. PTD receives most taxes from courtesy letters and retagging properties.

Budget: \$6,141.2 **FTE:** 40

	FY21 Actual	FY22 Actual	FY23 Target	FY23 Actual	Rating
Delinquent property tax collected and distributed to counties, in millions	\$8.2	\$12.0	\$10.0	\$13.9	G
Percent of total delinquent property taxes recovered	18.7%	23.0%	15.0%	21.0%	Y
Program Rating	G	G			Y