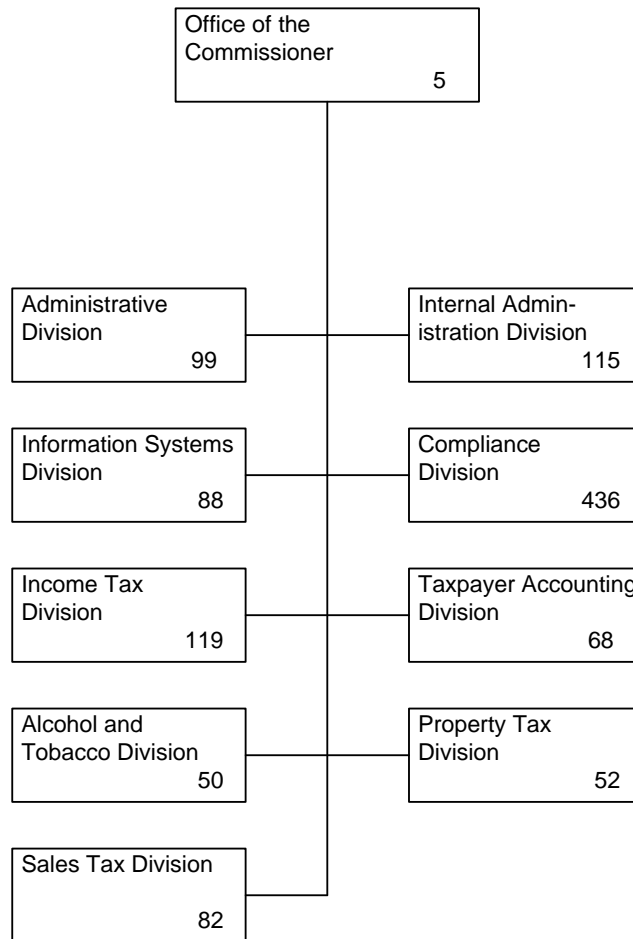


DEPARTMENT OF REVENUE

Total Budgeted Positions -- 1,114



DEPARTMENT OF REVENUE

Financial Summary

Expenditures, Current Budget, and Agency Requests

Budget Classes / Fund Sources	FY 2000* Expenditures	FY 2001* Expenditures	FY 2002 Current Budget	FY 2003 Agency Requests		
				Adjusted Base	Enhancements	Totals
Personal Services	\$68,290,179	\$71,530,174	\$57,853,850	\$56,844,495	\$838,977	\$57,683,472
Regular Operating Expenses	6,191,513	9,391,524	5,411,487	4,603,282		4,603,282
Travel	1,148,925	1,343,002	1,111,361	1,111,361	75,000	1,186,361
Motor Vehicle Purchases	192,610	341,461	118,093	118,093		118,093
Equipment	377,242	616,688	244,032	77,384		77,384
Real Estate Rentals	2,973,621	3,044,305	6,285,690	7,260,543		7,260,543
Per Diem and Fees	4,000,057	4,473,593	259,730	649,730		649,730
Contracts			1,307,613	917,613		917,613
Computer Charges	16,480,534	30,265,154	9,109,404	9,109,404	825,000	9,934,404
Telecommunications	3,287,307	3,779,669	2,266,448	2,266,448	58,600	2,325,048
Postage	4,134,163	3,506,799	2,736,575	2,736,575		2,736,575
Motor Vehicle Tag Purchases	2,932,713	9,790,835				
County Tax Officials - ERS/FICA	3,422,745	4,272,770	4,272,795	4,272,795		4,272,795
Investment for Modernization	9,451,281	15,332,641	4,000,000	4,000,000		4,000,000
Property Tax Program	76,140,516	158,108,242	249,000,000			
Year 2000 Project	29,178,372					
Total Funds	\$228,201,778	\$315,796,857	\$343,977,078	\$93,967,723	\$1,797,577	\$95,765,300
Less Federal & Other Funds:						
Federal Funds	\$233,901	\$558,516				
Other Funds	43,284,219	20,943,054	\$1,533,455	\$1,533,455		\$1,533,455
Indirect DOAS Funding	3,844,980	3,845,000	2,545,000	2,545,000		2,545,000
Total Federal & Other Funds	\$47,363,100	\$25,346,570	\$4,078,455	\$4,078,455		\$4,078,455
State General Funds	\$180,838,678	\$290,350,806	\$339,898,623	\$89,889,268	\$1,797,577	\$91,686,845
Tobacco Funds		99,481				
TOTAL STATE FUNDS	\$180,838,678	\$290,450,287	\$339,898,623	\$89,889,268	\$1,797,577	\$91,686,845
Positions	1,414	1,430	1,114	1,114		1,114
Motor Vehicles	78	86	74	74		74

* Expenditures include the Motor Vehicle Division, which was transferred to the Department of Motor Vehicle Safety effective July 1, 2001 per Act 737 of the 2000 Session of the General Assembly.

DEPARTMENT OF REVENUE
Financial Summary

Current Budget and Governor's Recommendations

Budget Classes / Fund Sources	FY 2002 Current Budget	FY 2003 Governor's Recommendations				Totals
		Annualizers and Adjustments	Budget Reductions	Adjusted Base	Enhancements	
Personal Services	\$57,853,850	(\$1,210,560)	(\$2,403,791)	\$54,239,499	\$3,209,444	\$57,448,943
Regular Operating Expenses	5,411,487	(808,205)	(242,500)	4,360,782		4,360,782
Travel	1,111,361		(175,000)	936,361		936,361
Motor Vehicle Purchases	118,093	(48,388)		69,705		69,705
Equipment	244,032	(166,648)		77,384		77,384
Real Estate Rentals	6,285,690	766,077		7,051,767		7,051,767
Per Diem and Fees	259,730	390,000	(15,000)	634,730		634,730
Contracts	1,307,613	(390,000)	(70,000)	847,613		847,613
Computer Charges	9,109,404		(790,000)	8,319,404	6,930,845	15,250,249
Telecommunications	2,266,448	(170,067)		2,096,381		2,096,381
Postage	2,736,575		(435,000)	2,301,575		2,301,575
Motor Vehicle Tag Purchases						
County Tax Officials - ERS/FICA	4,272,795			4,272,795		4,272,795
Investment for Modernization	4,000,000		(1,200,000)	2,800,000		2,800,000
Property Tax Program Year 2000 Project	249,000,000	(249,000,000)			353,000,000	353,000,000
Total Funds	\$343,977,078	(\$250,637,791)	(\$5,331,291)	\$88,007,996	\$363,140,289	\$451,148,285
Less Federal & Other Funds:						
Federal Funds						
Other Funds	\$1,533,455	\$270,980		\$1,804,435		\$1,804,435
Indirect DOAS Funding	2,545,000			2,545,000		2,545,000
Total Federal & Other Funds	\$4,078,455	\$270,980		\$4,349,435		\$4,349,435
State General Funds	\$339,898,623	(\$250,908,771)	(\$5,331,291)	\$83,658,561	\$362,990,289	\$446,648,850
Tobacco Funds					150,000	150,000
TOTAL STATE FUNDS	\$339,898,623	(\$250,908,771)	(\$5,331,291)	\$83,658,561	\$363,140,289	\$446,798,850
Positions	1,114			1,114		1,114
Motor Vehicles	74			74		74

DEPARTMENT OF REVENUE

Budget Summary

Governor's
Recommendations

ADJUSTMENTS TO CURRENT BUDGET - STATE GENERAL FUNDS

FY 2002 STATE APPROPRIATIONS	\$339,898,623
Annualizers:	
1. Annualize the cost of the FY 2002 salary adjustment.	464,418
Non-recurring Items:	
2. Remove funding for the third year of the Governor's Property Tax Cut Plan.	(249,000,000)
3. Reflect non-recurring relocation expenses.	(649,823)
4. Reduce motor vehicle purchases.	(48,388)
Other Adjustments:	
5. Reduce personal services to reflect the 4.09 percentage point reduction to the employer contribution rate for the Employees' Retirement System.	(1,610,366)
6. Reflect DOAS rate adjustments.	(64,612)
Budget Reductions:	
7. Reduce personal services by holding vacant positions in the Information Systems, Compliance, Income Tax, Taxpayer Accounting, Alcohol and Tobacco, and Property Tax divisions.	(1,411,916)
8. Reduce funding for temporary help and overtime pay.	(1,061,875)
9. Decrease printing and postage expenditures by reducing selected mailings.	(552,500)
10. Reduce funding for regular operating expenses, travel, and per diem and fees.	(315,000)
11. Decrease computer charges by slowing the replacement of computer equipment and reducing information technology contract support and mainframe access for certain accounts and systems.	(790,000)
12. Reduce Investment for Modernization funding.	(1,200,000)
ADJUSTED BASE - STATE GENERAL FUNDS	\$83,658,561

ENHANCEMENT FUNDS - STATE GENERAL FUNDS

ENHANCEMENTS	
1. Cover overtime and temporary employment expenditures associated with peak tax processing periods.	\$2,484,588
2. Provide adequate funding for filled positions in the Information Systems Division.	574,856
3. Fund contract technology support for major departmental tax systems and local area networks.	3,000,000
4. Fund hardware and software maintenance contracts, which are critical to department operations.	1,603,295
5. Bring computer charges funding designated for GTA billings to a sufficient level based on expenditure patterns and current needs.	2,327,550
6. Continue the Governor's Property Tax Cut Plan which will raise the statewide homestead exemption value from the current amount of \$8,000 to \$10,000. This increase will eliminate general county and school property tax liability for the first \$25,000 of fair market value on homesteads.	329,000,000

DEPARTMENT OF REVENUE - Budget Summary

	<u>Governor's Recommendations</u>
7. Expand the Governor's Property Tax Cut Plan to include statewide homestead exemptions for city property taxes.	24,000,000
TOTAL ENHANCEMENTS - STATE GENERAL FUNDS	\$362,990,289
TOTAL STATE GENERAL FUNDS	\$446,648,850
ENHANCEMENT FUNDS - TOBACCO SETTLEMENT FUNDS	
ENHANCEMENT	
1. Increase funds for an enforcement and compliance program which aims to curb underage tobacco use.	\$150,000
TOTAL ENHANCEMENTS - TOBACCO SETTLEMENT FUNDS	\$150,000
TOTAL FY 2003 STATE FUNDS	\$446,798,850

DEPARTMENT OF REVENUE
Functional Budget Summary

Functional Budgets	FY 2002 Appropriations		FY 2003 Recommendations	
	Total	State	Total	State
1. Departmental Administration	\$23,351,248	\$23,351,248	\$23,438,855	\$23,438,855
2. Internal Administration	6,331,468	6,331,468	7,673,114	7,673,114
3. Information Systems	12,060,655	10,805,655	16,455,970	15,200,970
4. Compliance	25,769,802	25,679,802	23,997,529	23,907,529
5. Income Tax	8,093,949	8,093,949	7,559,703	7,559,703
6. Taxpayer Accounting	6,038,547	4,838,547	6,088,559	4,888,559
7. Alcohol and Tobacco	3,011,039	3,011,039	2,923,505	2,923,505
8. Property Tax	253,602,953	252,069,498	357,482,393	355,677,958
9. Sales and Use Tax	5,697,417	5,697,417	5,523,657	5,523,657
10. State Board of Equalization	20,000	20,000	5,000	5,000
TOTAL APPROPRIATIONS	\$343,977,078	\$339,898,623	\$451,148,285	\$446,798,850

RECOMMENDED APPROPRIATION: The Department of Revenue is the budget unit for which the following State Fund Appropriation is recommended for FY 2003: \$446,798,850.

DEPARTMENT OF REVENUE

Roles and Responsibilities

Since 1938, the Department of Revenue (DOR) has been responsible for administering the state's tax laws and collecting and processing state revenue. Additionally, the department is charged with enforcing laws and regulations pertaining to the control of alcoholic beverages and tobacco products, overseeing county property tax systems, and managing unclaimed property. Auditors, accountants, collectors, field representatives, and various specialists and administrative personnel work as authorized agents of the department's commissioner to carry out DOR's responsibilities. In a typical year, these agents maintain and update millions of taxpayer accounts and enforce compliance with numerous laws and regulations.

ORGANIZATION

To accomplish its duties, DOR is comprised of the following nine divisions that report to the commissioner:

- Departmental Administration Division
- Internal Administration Division
- Information Systems Division
- Compliance Division
- Income Tax Division
- Taxpayer Accounting Division
- Alcohol and Tobacco Division
- Property Tax Division
- Sales and Use Tax Division

Each division plays a strategic role in meeting department goals and objectives.

TAX ADMINISTRATION AND COLLECTION

DOR net state revenue collections for FY 2001 totaled just over \$13.95 billion, a 6.5% increase over FY 2000. The major taxes and fees collected by the department include Personal Income Taxes, General Sales and Use Taxes, Corporation Income and License Taxes, Selective Sales Taxes (Motor Fuels, Liquor, etc.), Estate Taxes, and Property Taxes.

In addition to collecting and processing state revenue, each year the department also collects over \$3 billion in taxes designated for local entities. This amount includes a 1% sales tax in Fulton and DeKalb Counties that is used as dedicated revenue for the construction and operation of the Metropolitan Atlanta Rapid Transit Authority (MARTA). Other 1% sales taxes designated for local entities are the local option sales tax, the special purpose local option sales tax, the homestead local option sales tax, and the education local option sales tax.

ALCOHOL AND TOBACCO REGULATION

DOR enforces all laws and regulations concerning the manufacture, possession, transportation, and sale of alcoholic beverages and the possession, transportation, and sale of tobacco products within the state. The department's Alcohol and Tobacco Division is comprised of a criminal investigative unit and an audit and operations unit. Agents assigned to the investigative unit carry out specialized investigations that focus on licensing and the sale of alcoholic beverages and tobacco products to underage persons. When necessary, they coordinate law enforcement actions with other enforcement agencies and lend assistance to outside parties. The audit and operations staff conducts audits of manufacturers, shippers, and distributors of alcoholic beverages and tobacco products. In addition, they promote voluntary compliance with the state's alcoholic beverage and tobacco excise tax laws.

ATTACHED AGENCY

The State Board of Equalization is attached to the Department of Revenue for administrative purposes only. The board appoints hearing officers that evaluate appeals by local governing authorities on issues relating to the Revenue Commissioner's disapproval of county tax digests.

AUTHORITY

Title 48 of the Official Code of Georgia Annotated.

DEPARTMENT OF REVENUE

Strategies and Services

PROCESSING OF TAX RETURNS AND PAYMENTS

It is a long-range goal of the Department of Revenue (DOR) to implement a comprehensive electronic government environment. Current e-government initiatives underway include expanding the types of tax returns that can be filed electronically, offering various telephone filing options across tax types, and accepting credit and debit card payments. More than 1.2 million Georgia taxpayers filed returns electronically during the 2000 tax season – a 39% increase over the number of electronic filers in 1999.

While this development is promising, it is clear that DOR will continue receiving and processing millions of paper returns and check payments throughout the next several tax seasons. With traditional processing as the mainstay, the department has continued to invest in machinery and technology that speeds the handling of documents. By replacing labor-intensive, manual processes with automation technology, DOR has been able to reduce payment and refund processing times, decrease processing costs, improve compliance, and ease the burden placed on taxpayers in reporting tax information.

In the future, increased utilization of electronic filing options will eliminate many of the problematic aspects of traditional processing. Thus far, DOR has had great success in processing electronically filed income tax returns, and compared to other states, participation is high in Georgia. This success has prompted the department to embark on several e-government initiatives in other tax areas while continuing with efforts to streamline traditional processing methods.

SALES TAX ELECTRONIC FILING INITIATIVE

In an effort to reduce processing time, eliminate taxpayer and data entry errors, and improve the timeliness of distributions to local governments, DOR's Sales Tax Division is developing the capability to accept and process electronically filed returns from its customers. Once system enhancements are complete, taxpayers will have the option of filing sales tax returns via secure vendor websites. Vendors will ensure that returns are complete and that mathematical calculations are correct before any information is transmitted to the department. After transmission, data will be uploaded into DOR's cashiering and sales tax systems where it will be edited and applied to the appropriate taxpayer accounts. This new filing option will obviously benefit the department and its customers. The department will save time and resources through reduced screening requirements, while taxpayers will be able to file returns and transmit

payments electronically with the vendor of their choice. Initially, this option will be made available to the 4,000 taxpayers that currently remit their payments electronically. These taxpayers have the most complex returns, and their remittances account for 65% of total monthly sales tax collections. Eventually, the electronic filing option will be available to all sales tax dealers.

WITHHOLDING TAX ELECTRONIC FILING INITIATIVE

While the electronic filing of individual income tax returns has been a great success in Georgia, this convenient option is currently not available to withholding tax filers. Since payroll withholdings from employees comprise such a large share of the individual income taxes received, the department wants to move forward with the ELF-Withholding initiative. Once implemented, customers will be able to file withholding taxes using the DOR web site. Interactive instructions and immediate feedback will make filing easier and more accurate and the department will benefit from immediate updates to the taxpayer database.

ELECTRONIC REGISTRATION

The Electronic Registration initiative is bringing interactive registration and renewal forms to the DOR web site that can be accessed, completed, and filed by taxpayers via the Internet. These web-based forms are focused primarily on automating certain regulation and registration functions such as registration renewals under the International Fuel Tax Agreement, beer and wine retail license renewals, and sales tax certificate orders. In addition to increasing customer satisfaction and maximizing processing efficiency, electronic registration options should reduce printing and postage expenditures and improve the accuracy of records in the centralized taxpayer registration database.

TAXPAYER INFORMATION PROGRAM AND SERVICE

As part of DOR's ongoing customer service improvement effort, the Taxpayer Information Program and Service initiative is focused on a department-wide approach to devising ways for the agency to consistently provide excellent service to the taxpayers of Georgia. The first priority in achieving this objective is to make it easier for customers to reach the appropriate unit within the department that can then provide fast and accurate answers to taxpayer inquiries. The department plans to replace the current extensive listing of multiple units and phone numbers with a single number – 656-TIPS – and establish a centralized call center that is staffed with knowledgeable employees that can handle general taxpayer inquiries.