

DEPARTMENT OF REVENUE ANNUAL REPORT 2008

Agency Contact	Edmund J. Schmidt, Director (307) 777-5287 122 W. 25 th Street, 2 West Cheyenne, WY 82002-0110 Ed.Schmidt@wy.gov WebSite: http://revenue.state.wy.us
Year Reorganized	1991
Statutory References	W.S. 9-2-2007
Authorized Personnel	129 full-time employees; 1 part-time employee
Clients Served	General Public, Legislature, Taxpayers/Vendors, Cities, Towns, and Counties

WYOMING QUALITY OF LIFE

Wyoming state government is a responsible steward of state assets and effectively responds to the needs of residents and guests.

CONTRIBUTION TO WYOMING'S QUALITY OF LIFE

The Department of Revenue applies the tax laws of the state fairly and equitably to all taxpayers by valuing property, collecting taxes, and distributing those values and taxes timely to all the governmental units of Wyoming. In addition the Department's Liquor Division distributes wine and spirits to retailers in the state and enforces the liquor control laws of the state.

By diligently performing these statutory duties, The Department of Revenue contributes to the quality of life in Wyoming by collecting the taxes properly due the state, thus ensuring that state and local governmental services are funded for the benefit of the people of Wyoming.

BASIC FACTS

The agency has 129 fulltime and 1 part-time employees and a total operating budget for the biennium ending June 30, 2008, of \$13,511,079 of which \$10,624,898. are general funds.

The primary functions of the Department are:

1. Collection of mineral severance and excise (sales, use, estate and cigarette) taxes.
2. Distribution of the taxes collected.
3. Determination of fair market value of minerals and public utility property in the state for property tax purposes and the certification of that value to the various counties and tax districts in the state.
4. Maintenance of computer assisted mass appraisal (CAMA) systems to aid county assessors with their duty to fairly value real and personal property for tax purposes.
5. Education of taxpayers, assessment personnel and liquor retailers and servers.
6. Distribution of liquor to retailers in the state and enforcement of liquor control laws in the state.

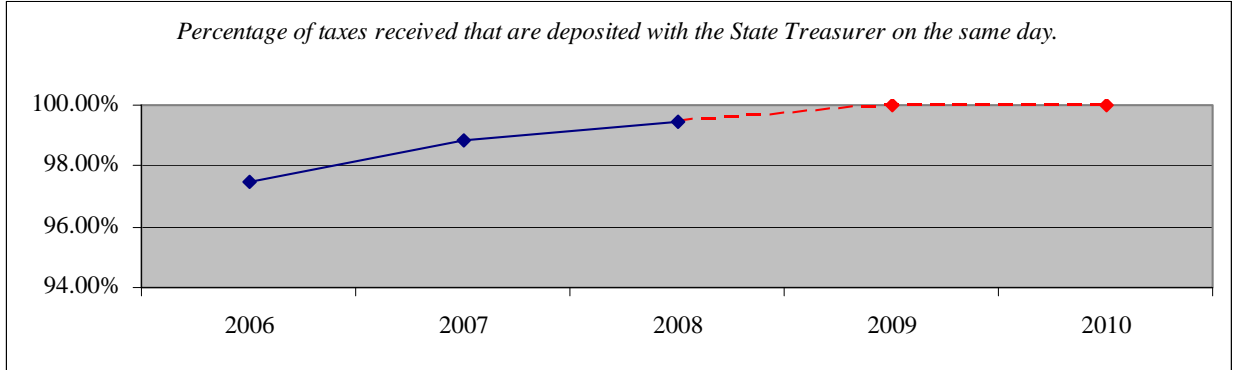
PERFORMANCE MEASURES

The performance measures the Department considers most relevant to its work are as follows:

Administrative Services Division

Percentage of taxes received that are deposited with the State Treasurer on the same day.

The goal for FY2008 was 100%



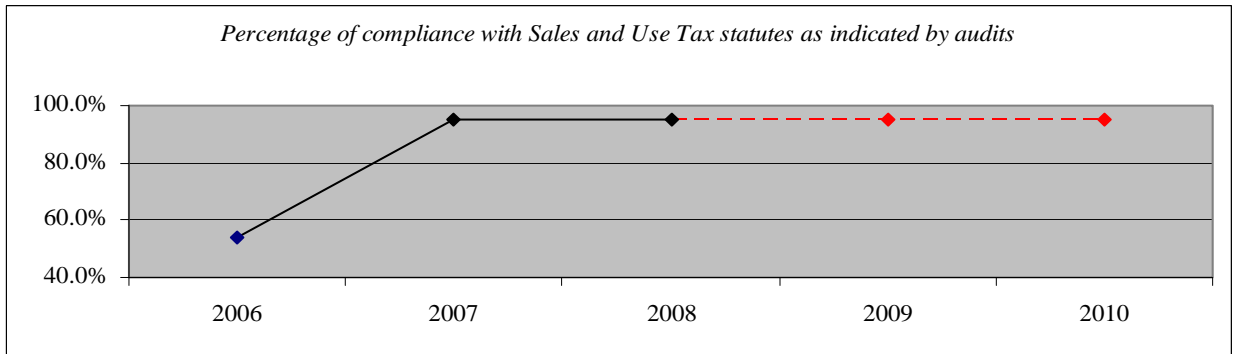
Since the production of the department's new scanner the Administrative Services Division had 11 months of operation at 100% of deposits on the same day. The Division had only 1 month in which 93.43% of the deposits were same day. This was due to a significant increase in quarterly returns that were received for processing on the last day of the month.

The Administrative Services Division believes that they can continue to achieve a 100% goal with the exception of situations beyond the division's control. The department deposited a total of \$2.1 billion dollars in Fiscal Year 2008 with only 1 day of revenue being processed as carryover for the next business day's deposit. This was an increase of approximately \$230 million dollars processed over the previous fiscal year. *The goal for FY2009 is 100% and FY2010 is 100%.*

Excise Tax Division

Percentage of compliance with Sales and Use Tax statutes as indicated by audits.

The goal for FY2008 was 95%.



Per Department of Audit statistics, audit assessments related to sales and use tax indicate a compliance rate over the past six years ranging from 55% in FY04 to 96% in FY08. The Excise Tax Division has a goal of 95.25% compliance with sales and use tax statutes as indicated by audits. Fiscal Year 2008 is the first time this threshold had been met. The Division attributes the dramatic improvement on compliance to the Division's increased training seminars statewide.

In FY08, 2008 excise tax audits were performed, with \$4.6M in unpaid taxes identified. Audited businesses ranged from oil and gas service companies to contractors, to log home kit sellers to

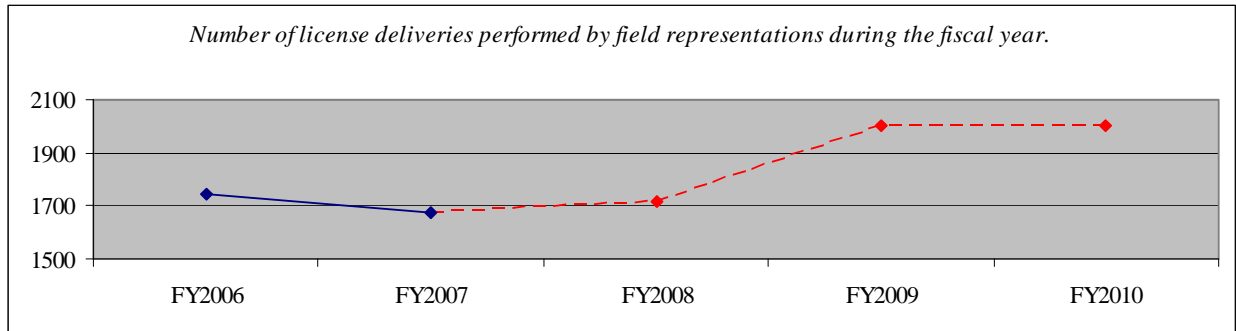
restaurants. With an average compliance rate of 95.73%, this audited group correctly collected \$107.5M in excise taxes.

The majority of the problems the Excise Tax Division currently sees in audits are a lack of knowledge of when to self-accrue use tax, how to properly document sales transactions, and when to use or accept exemption certificates. Vendors in service industries are especially unaware of how the statutes apply to their businesses. Division personnel have started a program of meeting with all new licensees to discuss their specific business activities and show them how to properly collect and remit Wyoming's excise taxes. The Division will continue its general educational efforts to keep the vendor and taxpayer population aware of their tax liabilities. *The goal for FY2009 is 95.15% and FY2010 is 95.25%.*

Contributing Factors to the percentage of compliance with Sales and Use Tax statutes as indicated by audits are:

Number of license deliveries performed by field representatives during the fiscal year.

The goal for FY2008 was 1800.

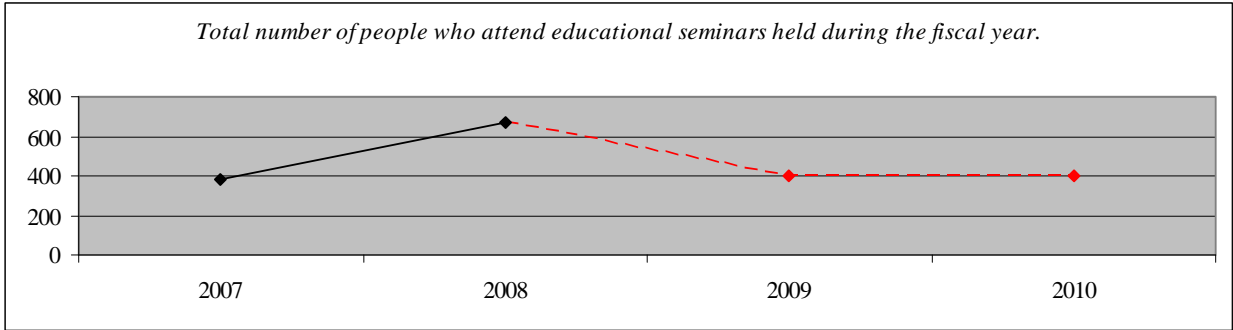


The Excise Tax Division has ten field representatives located throughout the state. One duty of these field representatives is to meet with newly licensed vendors. During the meeting, the field representative explains what the new vendor's responsibilities are, how to collect, report and remit sales, use, economic development, resort district and lodging taxes, and how to properly use or accept a tax exemption certificate. We believe that these one-on-one meetings to educate new vendor's increases compliance because the vendors receive accurate information before they start collecting excise taxes. Vendors also feel comfortable contacting the field representative later when questions arise. 1714 licenses were delivered by field reps in FY08 as well as 1243 license mailed.

The goal of the Excise Tax Division is to have personal license deliveries increase to 1,900 licenses hand delivered for FY 2009. The division believes that by increasing the number of personal contacts that we have with vendors during license delivery will increase compliance with Wyoming's sales and use tax laws. *The goal for FY2009 is 1900 and FY2010 is 2000.*

Total number of people who attend educational seminars held during the fiscal year.

The goal for FY2009 is 400 attendees and FY2010 is 400 attendees.



The Education & Taxability Section holds several free seminars throughout the state each year. Standard seminars include Oil & Gas, Mining, Lodging, Manufacturing, Agriculture and Religious & Charitable Organizations. The Section also conducts seminars by request. The Section tailors the subject matter to address questions from a specific group.

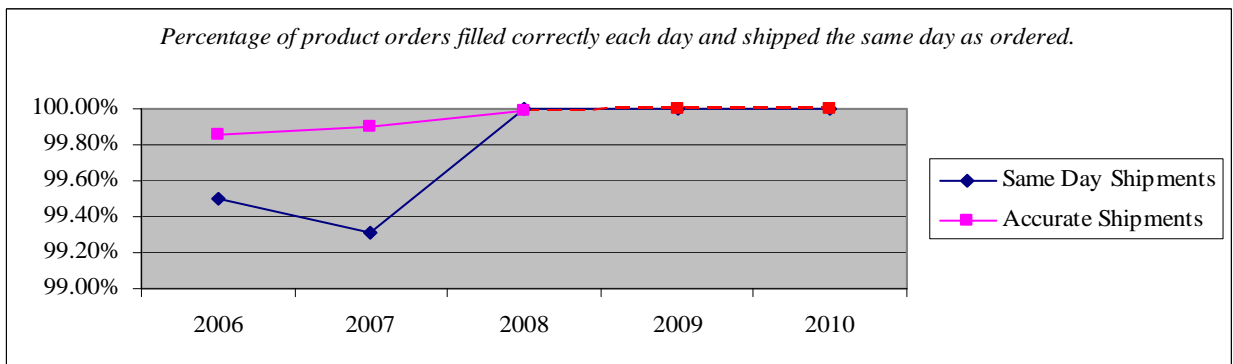
Holding seminars throughout the year means nothing unless people are interested and able to attend. Attendance figures are used to adjust the frequency of seminars. In FY08, the Taxability & Education Section added another staff member and held 34 seminars which 673 people attended. Continued interest in Oil & Gas Seminars has prompted the Division to offer these seminars in new areas of the state such as Rawlins and Sheridan. In FY08, six oil and gas seminars were offered, with 196 attendees.

These seminars allow vendors to double check their accounting practices, to build off of questions asked by their peers, and to explore why one situation is taxed differently than another. The Division believes that continuously updating and presenting topics of interest will increase compliance with Wyoming's sales and use tax laws. *The goal for FY2009 is 400 attendees and FY2010 is 400 attendees.*

Liquor Distribution Division

Percentage of product orders filled correctly each day and shipped the same day as ordered.

The goal for FY2008 was 100% for Same Day Shipments and 99.995% for Accurate Shipments..



The Wyoming Liquor Division's (WLD) record for accuracy in orders shipped daily reached an all time high of 99.995 percent, while the "same day" shipping performance indicator reached a perfect 100 percent in FY 08. During the year previous, FY 07, the number of orders shipped correctly stood at 99.32 percent.

The WLD attained this accomplishment by implementing an overall plan to seek out leading technologies in both material handling equipment and information systems to develop operational strategies which make the most of the abundant resources available – both human and industrial.

Recent Division improvements and techniques employed by the WLD include, but are not limited too:

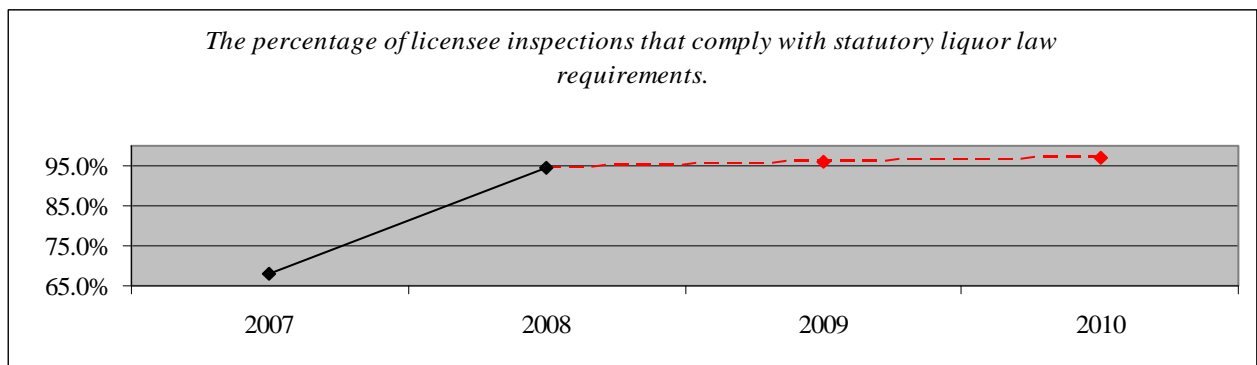
- **ELIQUOR 2.0** -- This system allows retailers to place orders online and eliminates the possibility of input errors by the Liquor Division. It also allows the retailer the option to place orders 24-hours a day;
- **High Tech Scanning Guns** - 13 guns were purchased to increase picking speed and efficiency;
- **Crystal Reports** – The creation of crystal reports tailored specifically to meet the informational needs of the WLD provides the ability to monitor and analyze progress in a myriad of performance standards.

The Division remains vigilant in its endeavor to continually increase the percentage of orders shipped correctly by exploring new methods and technology. Plans for a new split case racking system, with a Pick-To-Voice (PTV) system, are currently in process to increase picking speed and efficiency. The Division is also investigating technology which allows faxed orders to be input directly into its data base. This method will virtually eliminate the possibility of input errors by placing orders automatically.

During FY 08 the WLD experienced a 5.33 percent increase in case sales. However, even with the additional 40,803 cases shipped (compared to FY 07) the division not only kept up the pace but increased efficiency, speed and accuracy in all critical processes. The WLD is looking forward to the future and the realization of its goal to fill 100 percent of orders correctly, and 100 percent of orders shipped same day as received. *The goal for FY2009 is 100% for Same Day Shipments and 99.997% for Accurate Shipments and FY2010 is 100% for Same Day Shipments and 99.998% for Accurate Shipments.*

The percentage of licensee inspections that comply with statutory liquor law requirements.

The goal for FY2008 was 78%.



FY08	<u>Inspections Conducted</u>	<u>Violations Noted</u>	<u>Compliance Percentage</u>
	2216	118	94.7%

The Liquor Division Compliance Agents increased the number of inspection over FY07 by 14% while seeing a decrease in the number of violations by 42%. The Liquor division will continue to increase the number of on-site unannounced licensee inspections over this next fiscal year. By increasing in person contact with licensees and a physical presence in the field we hope to improve the compliance rate. This is no easy task with the energy boom in the state of Wyoming causing an increase in the employee turnover rate within the hospitality industry.

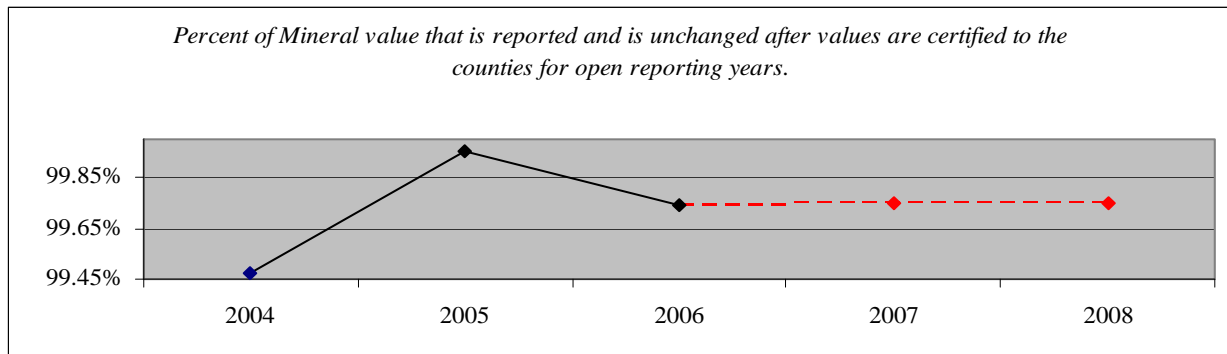
The Liquor Division staff is constantly updating and increasing the amount of information on its new website <http://eliquor.wyoming.gov> such as Title 12 and the Rules and Regulations of the Division. Improved compliance rate numbers can also be attributed to the alcohol education efforts of the Division to include Alcohol Server Training, The Wyoming Liquor Awareness DVD and the many activities of community coalitions, local law enforcement, The Wyoming's First Lady's Initiative and other state agencies efforts. The Liquor staff will also be using technology to improve inspection numbers and compliance rate percentages.

The Division will implement new Dell Tablets that will have access through a VPN to access information in real time. This will allow Division Agents to improve their current workflow procedures and it will also allow more than one Agent in the field at a time. Division Agents will also be able to print violations letters immediately thus training licensees and their staffs how to be in compliance with Title 12 at the time of a violation. *The goal for 2009 is 94.9% and FY2010 is 95%.*

Mineral Tax Divison

Percent of Mineral value that is reported and is unchanged after values are certified to the counties for open reporting years.

The goal for FY2006 was 99.75%.



The boom in the development of coal bed methane, the Pinedale anticline, and Jonah infield drilling has resulted in untimely filing and reporting of new wells. Additionally, this new drilling activity has attracted new companies to Wyoming that are unfamiliar with the reporting requirements in general.

Untimely reporting, that is reporting that is done after certification prevents the counties from including that value in their budgeting process. Late filing also generates substantial penalty candidates that must be addressed by the Department. Timely filing is a benefit to all parties involved.

Once again the Minerals Division employed the new procedures first implemented in 2005-2006 during this past year in order to encourage producers to file all their production on time. The first method was to post on our website every unreported property in the State during the period

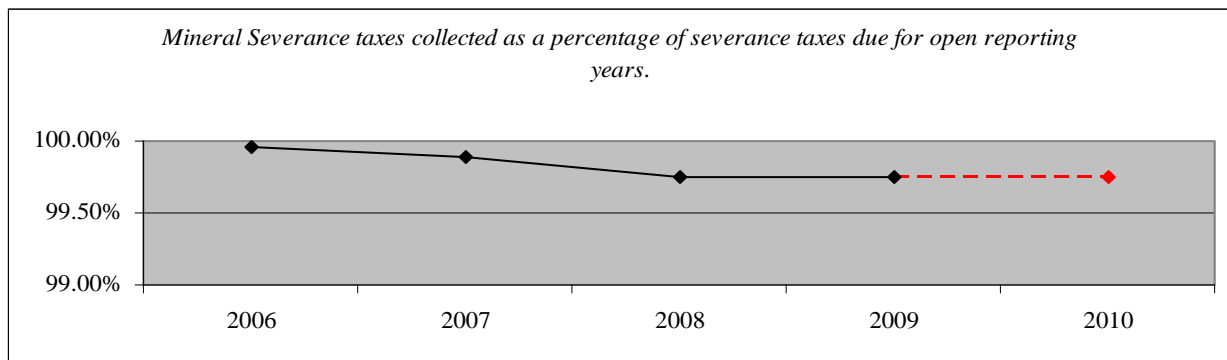
between when the returns were due and when the certifications were issued. This gave every taxpayer a virtual real-time look at the gross products reporting status.

The Minerals Division ran a pre-certification comparison between severance and gross products reported value to identify those groups that had not reported the gross products but had reported severance tax. This additional step helped lower the amount of unreported value to a new low of .26% for the 2006 production period.

Next certification season the Minerals Division will run a WOGCC Form 2 comparison before certification in addition to the other reports we have been performing. This should identify producing wells not registered in our system. We will contact the operator of the well for a return. If they do not report we will perform a best-information available assessment for the unreported production. *The goal for FY2007 is 99.75% and for FY2008 is 99.75%.*

Mineral Severance taxes collected as a percentage of severance taxes due for open reporting years.

The goal for FY2006 was 99.75%..



The Minerals Division made extensive use of the system reports that were created two years ago. These reports identified the taxpayers with the largest outstanding balances and poor reporting history. By focusing on these taxpayers we raised our total 2000-2007 collection percentage to 99.92%.

The 2005 production year realized a decrease in the collection percentage due to newly issued reconciliation assessments issued by the Department. These liabilities were not on the books at the time last year's strategic plan was generated. As these assessments are pursued with the companies the collection percentage for 2005 will increase in next year's report.

The Minerals Division created several new reports two years ago to help identify not only the current outstanding balances of tax and interest but also those taxpayers that have historically had difficulty in paying the proper amounts. The reports indicated one particular taxpayer comprised the bulk of the unpaid liabilities. This taxpayer has an outstanding balance of over \$3,000,000 out of the total outstanding balance of just over \$4,000,000.

The Minerals Division has been helping certain taxpayers with reporting and paying difficulties through direct communications. We have been preparing spreadsheets reconciling rejected items and past posted liabilities to keep these taxpayers accounts clean.

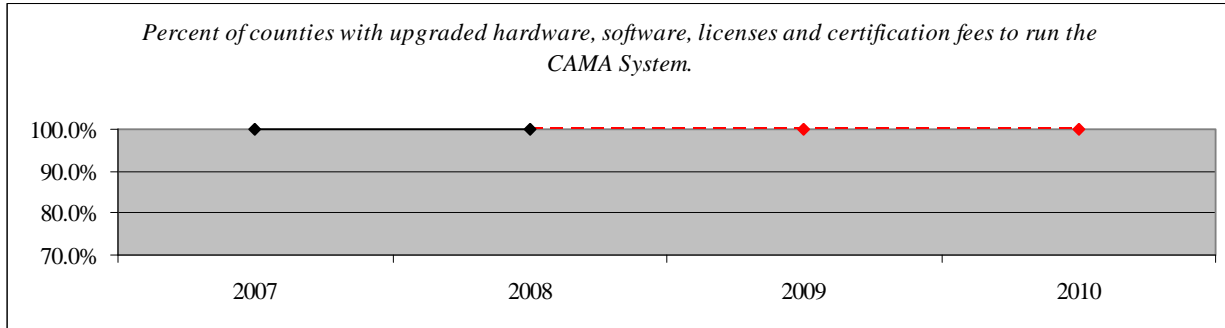
We currently have a pending appeal with the taxpayer with the greatest outstanding balance concerning a late filing penalty assessment. We have communicated to this taxpayer a willingness to mitigate the penalty assessment for a full reconciliation of their outstanding severance tax balance.

The Minerals Division will continue to make use of the reports to determine which old liabilities require liens and which are uncollectible. The uncollectible liabilities will be written off. Both procedures will increase the collection percentage. *The goal for FY2007 is 99.75% and for FY2008 is 99.75%.*

Property Tax Division

Percent of counties with upgraded hardware, software, licenses and certification fees to run the CAMA System.

The goal for FY2008 was 100%.



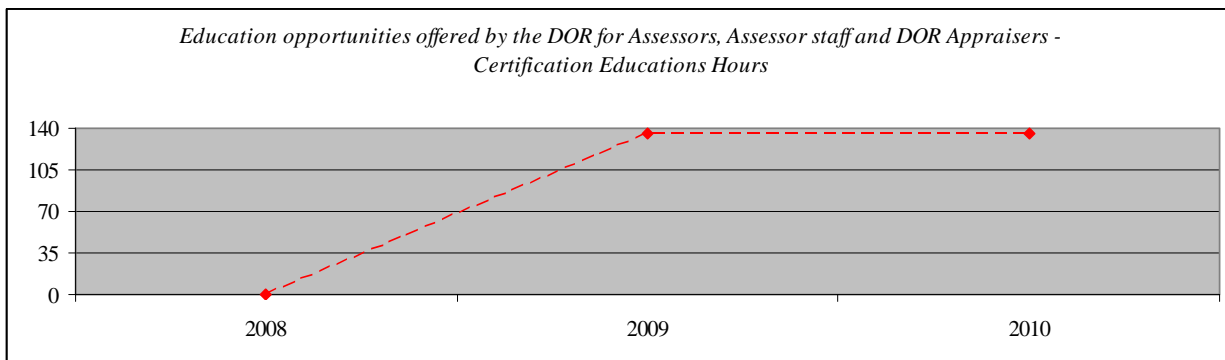
In accordance with the Department’s current strategic plan, the Property Tax Division is charged with the support of the Wyoming CAMA system. To this end, the Department has maintained 100% license coverage for the use of the CAMA system and all of its associated subsystems.

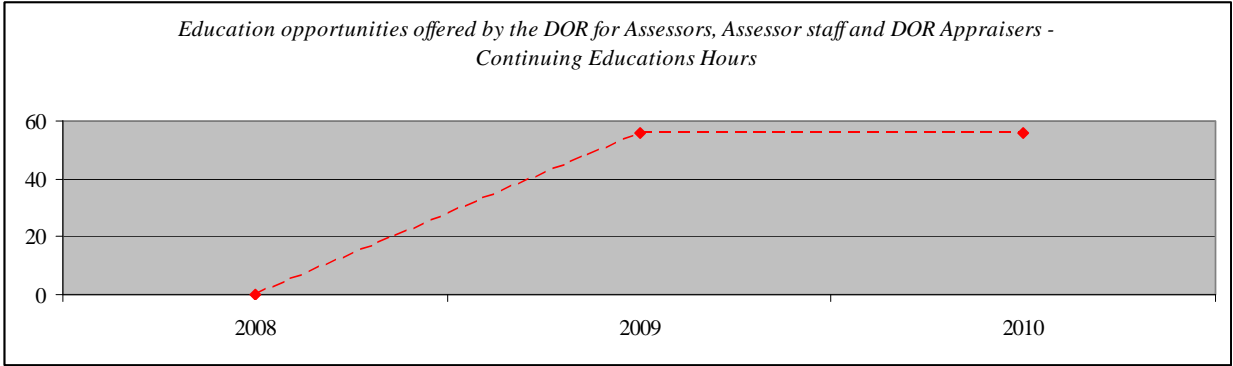
Also, the Department has secured funding to purchase a 100% replacement of the CAMA-related hardware now in the county assessors’ offices by the end of the 2009-2010 biennium. Planning for the hardware replacement is now underway, with an estimated county delivery date starting in the summer of 2009.

The Property Tax Division has set forth the goal in the Strategic Plan to purchase 100% replacement for the CAMA-related hardware now in the county assessors’ offices by the end of the 2009-2010 biennium. To do so, an appropriation for an amount adequate to purchase the replacement hardware must be secured. This helps to ensure uniformity of assessment statewide. *The goal for FY2009 is 100% and for FY2010 is 100%.*

Education opportunities offered by the Department of Revenue for Assessors, Assessors staff and Department of Revenue Appraisers.

The goal for FY2008 was nil as the previous measure was immeasurable.

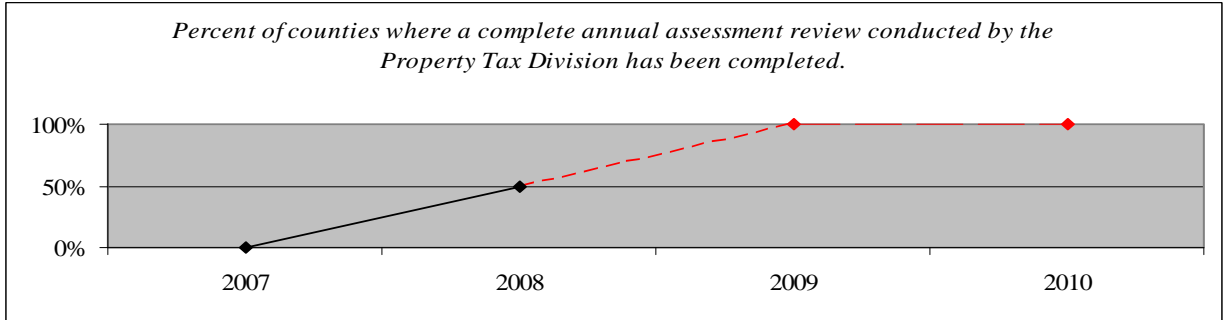




The Department of Revenue requires the county assessors, their employees and the employees of the Department engaged in property valuation be certified. These people must take 135 hours of certified core courses and pass examinations to earn permanent certification. They must then take at least 28 hours of approved coursework every two years to maintain their certification. Since this education requirement is imposed by the Department, it has the duty to provide the education opportunities to meet the requirements. The Department has a goal of annually providing sufficient education opportunities to allow appraisers to meet the certification and continuing education requirements in the 2009-2010 biennium. It is the goal of the Property Tax Division to provide at least 135 hours of core education and 56 hours of continuing education classes for Wyoming Property Tax Appraiser Certification at 100% each fiscal year in the 2009-2010 biennium. *The goal of the Division is 135 hours Certification Education 56 hours of Continuing Education for both FY2009 and FY2010 and FY2010.*

Percent of counties where a complete annual assessment review conducted by the Property Tax Division has been completed.

The goal for FY2008 was 50%.



W.S. 39-11-102(c)(xvi) states that “The department or its designee shall officially visit each county of the state annually and inquire into the method of assessment and taxation and ascertain whether the assessors faithfully discharge their duties, particularly as to their compliance with the laws requiring the assessment of all property not exempt from taxation;” This relatively broad mandate has historically been narrowly construed by the Department and visitations have been limited in scope, partly by the lack of available Department personnel and resources to conduct a more thorough review. The data conversion process necessary for the implementation of the replacement CAMA system also made the conduct of more extensive review problematic for several years. With that implementation now complete, the Department has identified a strong need to conduct a more extensive field review of the assessor’s practices and to provide assistance if problems are identified. *The goal for FY2009 is 100% and FY2010 is 100%.*

It is the goal of the Property Tax Division to develop and conduct, with its own personnel and/or third parties, a credible audit of the assessment practices of each county assessor, from which a detailed report will be prepared and presented to the Assessor and to Director of the Department. It is the Division's goal to have developed and conducted this review in 100% of the Wyoming counties each year, by the end of the 2009-2010 biennium.