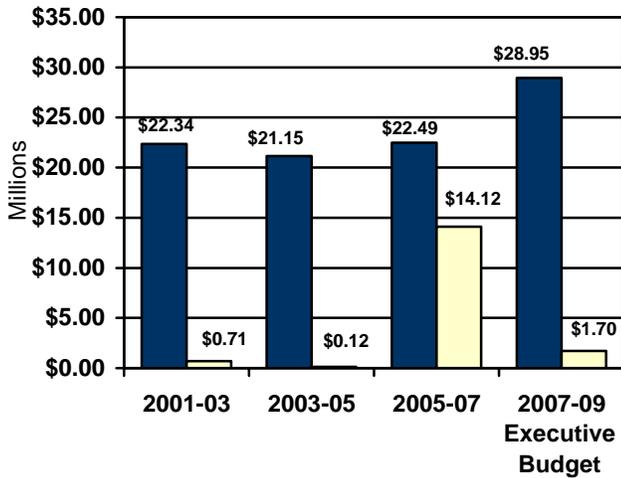


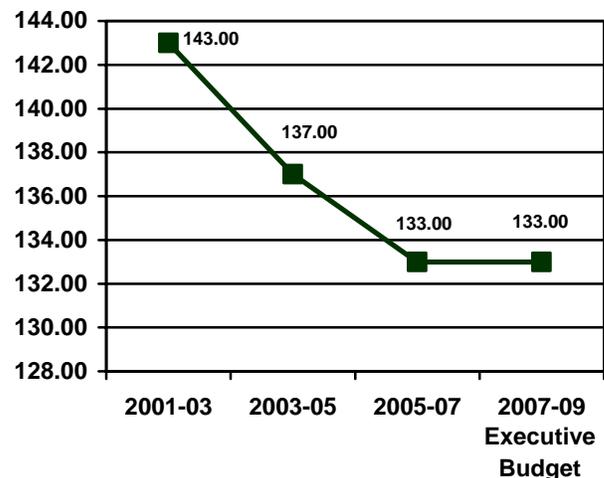
**Department 127 - State Tax Commissioner  
 Senate Bill No. 2006**

	FTE Positions	General Fund	Other Funds	Total
2007-09 Executive Budget	133.00	\$28,948,998	\$1,700,000	\$30,648,998
2005-07 Legislative Appropriations	133.00	22,485,152	14,120,000	36,605,152
Increase (Decrease)	0.00	\$6,463,846	(\$12,420,000)	(\$5,956,154)

**Agency Funding**



**FTE Positions**



■ General Fund □ Other Funds

**First House Action**

The Senate did not change the executive budget recommendation for the Tax Commissioner.

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Removes one-time funding for integrated tax processing system. (The Tax Department entered into an agreement with the Bank of America to finance, over a six-year period, the purchase of the integrated tax processing software from FAST Enterprises.)		(\$14,000,000)	(\$14,000,000)
2. Adds funding for principal (\$4,083,705) and interest (\$1,272,997) costs for the integrated tax processing system. Payments for six years beginning July 2007 ( <b>executive budget identified as one-time funding</b> ).	\$5,356,702		\$5,356,702
3. Adds funding from unexpended funds relating to the \$14 million loan for the integrated tax processing system for onsite and postproduction system support		\$1,150,000	\$1,150,000
4. Changes funding for the annual maintenance agreement for the integrated tax processing system from the general fund to unexpended loan funds	(\$550,000)	\$550,000	\$0
5. Provides funding for information technology equipment over \$5,000 to purchase scanners	\$18,000		\$18,000
6. Provides \$4.5 million from the general fund for the homestead tax credit, the same as the 2005-07 biennium			\$0
7. Decreases funding for information technology contractual services due to elimination of the Federal Highway Administration program that has been providing grant money to states to enhance motor fuels tax projects		(\$120,000)	(\$120,000)
8. Adds funding for anticipated growth in information technology data storage needs and telephone service rates	\$380,485		\$380,485

## Other Sections in Bill

Section 4 of Senate Bill No. 2006 provides for a transfer of \$1,274,056 to the general fund, out of motor vehicle fuel taxes collected, which is the amount received by the Tax Commissioner's office for expenses incurred in the collection of the motor vehicle fuels and special fuels taxes and administration of these taxes.

Section 5 of Senate Bill No. 2006 provides for the Tax Department to carry over unexpended 2005-07 biennium funding for the integrated tax system to the 2007-09 biennium.

Section 6 of Senate Bill No. 2006 provides for the statutory changes as necessary to increase the Tax Commissioner's salary as follows:

Annual salary as authorized by the 2005 Legislative Assembly:

July 1, 2005	\$76,774
July 1, 2006	\$79,845

Proposed annual salary recommendation in the 2007-09 executive budget:

July 1, 2007	\$83,039
July 1, 2008	\$86,360

The executive recommendation provides funding for elected officials' salary increases equal to 4 percent of salaries, effective July 1, 2007, and 4 percent, effective July 1, 2008.

**Homestead tax credit** - The provisions of the homestead tax credit, as amended pursuant to Senate Bill No. 2157 (2005), include the following:

- A homeowner or renter may not have income exceeding \$14,500 per year to be eligible for the program;
- A graduated reduction in the taxable value and resulting taxes of a person's homestead, to a maximum of \$3,038 (4.5 percent of taxable value) based on the applicant's income level;
- The maximum benefits are limited to \$67,500 reduction in the value of the house; and
- For eligible renters making \$14,500 or less per year, the program provides a direct payment of the amount by which 20 percent of the total rent (representing the property tax portion) exceeds 4 percent of the applicant's annual income, not to exceed \$240.

**Integrated tax processing system** - Pursuant to Section 6 of 2005 House Bill No. 1006, the Tax Commissioner may purchase, finance the purchase, or lease equipment, software, and services to establish an integrated tax processing system for use by the Tax Commissioner's office. The principal amount of any financing agreement entered into by the Tax Commissioner may not exceed \$14,000,000. The repayment of any financing agreement entered into by the Tax Commissioner is to begin during the 2007-09 biennium and repayment amounts, including principal and interest, are to be incorporated in the Tax Commissioner's biennial budget requests to the Legislative Assembly.

## Continuing Appropriations

No continuing appropriations for this agency.

## Major Related Legislation

**Engrossed Senate Bill No. 2032** - This bill provides a general fund appropriation of \$100,177,634 to the **Tax Commissioner** for the purpose of providing property tax relief payments to school districts. The bill requires a reduction of school district property tax authority to reflect the property tax relief allocation for each school district.

**Engrossed Senate Bill No. 2324** - This bill changes the eligibility requirements for the homestead property tax credit.

**Senate Bill No. 2380** - This bill provides sales and use tax amendments necessary for compliance with the streamlined sales and use tax agreement.

**Engrossed House Bill No. 1051** - This bill removes the "marriage penalty" and updates the individual income tax brackets to the inflation-indexed level for tax year 2007, changes the eligibility requirements for the homestead property tax credit, and provides funding from the permanent oil tax trust fund for property tax relief payments to counties.