

What's New at the AZ Department of Revenue

This information is from a seminar given at the Arizona Society of CPAS on December 18, 2008 where Gale Garriott, Director and Michael Cavelli, Deputy Director, were in attendance.

- AZ state budget deficit is at \$1.3 Billion dollars, which is the highest percentage wise in the nation as it is over 10% of the total budget.
- DOR currently has about 1,000 employees.
- The DOR as a revenue-producing arm does not expect to have cut backs in its budget to the extent other areas might. In fact, they might be adding personnel in the audit and collections areas. There is and has been a hiring freeze at the DOR, but auditors and collectors are exempt.
- The DOR is trying to maintain service levels despite fewer personnel. This is being done through service ethic training and by hiring management analysts to review processes and procedures. In Q1-Q3 2008 as compared to Q1-Q3 2007, 20% more calls were handled. As of Q4 2008, 86% of all calls are being answered. Average hold time is about 3 minutes. Peak time is around the lunch hour. A year ago there were 6,800 open cases. There are now 900 and by year-end this should be reduced to 500.
- For the 2007 filing season, 60% of individual returns (1.6 Million) were electronically filed. Another 10% used 2D bar coding. Efile growth at the DOR is running at about 15%, which is higher than that for the IRS at 12% growth. Efiling provides improved data quality and speed.
- 80% of revenue generated is from Sales taxes. Top 4 areas are Retail, Prime Contracting, Utilities and Restaurants and Bars. For 2008, revenue from Utilities is up 12%. All other areas are down with the worst from the prime contracting area down 18%.
- Brief history of revenues: \$3 Billion in 1988, \$7 Billion in 1998, \$14.5 Billion in 2007, \$14 Billion expected for 2008, \$13 Billion expected for 2009. There were recessions in 1991 and 2001, but unlike current year, revenues did not contract in those years.
- Online filing (payroll, sales, corporate) and payment of taxes is available at www.aztaxes.gov. There is now credit card functionality available. There will be a convenience fee of 2.34% for each transaction.
- The Legislative session will begin on January 12, 2009 and will focus on balancing the budget. It is not anticipated that a special session will occur any earlier than that.