

Louisiana Department of Revenue
2005-2006 *Annual Report*

Our Contribution

to

A Better Quality of Life



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WHO BENEFITS FROM TAXES, LICENSES & FEES? (general fund revenues)

- **Our children:** Public schools receive 40%
- **Our families:** Health & human services receive 20%
- **Our neighborhoods:** Public safety programs receive 6%
- **Our colleges:** Institutions of higher education receive 16%
- **Our roads:** State and local road funds are supported by motor fuel tax dollars

INTRODUCTION

LA R.S. 36:454(A)(7): Make and publish an annual report to the governor and the legislature concerning the operations of the Department and submit with each report such recommendations as he deems necessary for the more effective internal structure and administration of the Department and make other reports and recommendations on his own initiative or upon request of the governor, the legislature, or any committee or member thereof.

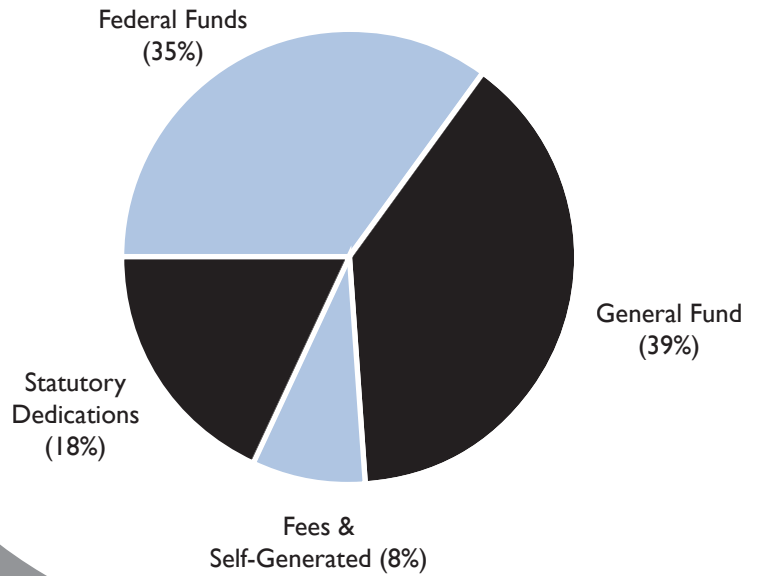
*Kathleen
Babineaux
Blanco*

Governor



STATE GOVERNMENT REVENUE SOURCES

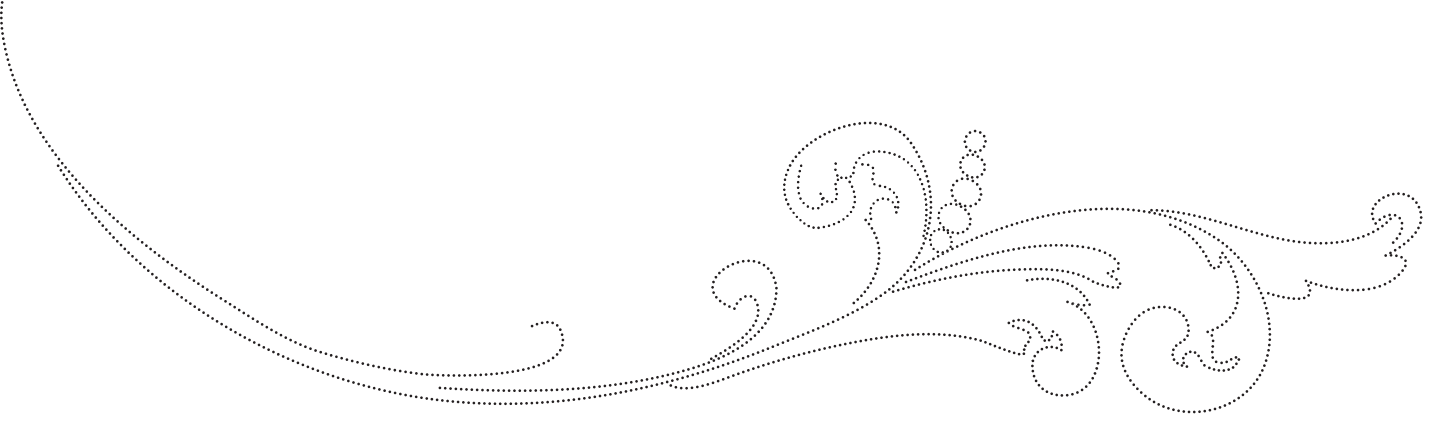
introduction



FY 2005-06 Budget

- Federal Funds 6,423.8
- Statutory Dedications 3,214.6
- Fees & Self-Generated 1,366.1
- General Fund 7,104.1

Agency	Revenue (In Millions)	Percent
Revenue	\$ 6,421.6	74.39%
DNR	443.2	5.13%
Treasury	497.7	5.77%
Insurance	274.5	3.18%
Public Safety	994.8	11.52%
TOTAL TAXES, LICENSES, & FEES	\$ 8,631.8	100.00%
Less Dedications	\$ -1,527.7	-
GENERAL FUND	\$ 7,104.1	-



MISSION, VALUES, & VISION

statements

“Our *Mission* is to administer applicable laws and collect revenues to fund state services.”

Our *Values* are...

- UNITY - one team working together to accomplish common goals
- COMMUNICATION - an environment that encourages an ongoing creative exchange of ideas between employees and management
- RESPONSIVENESS - a focus on identifying and satisfying internal and external customer needs
- PROFESSIONALISM - a reputation with internal and external customers of fairness, courtesy, and reliability
- INTEGRITY - an ethical standard of honesty and consistency
- TRUST - a mutual respect and a shared confidence between managers and all fellow employees

“Our *Vision* is to be recognized as a leader in customer service through a unified effort of dedicated employees and continuous improvement.”

ORGANIZATIONAL CHART

To achieve its mission and realize its vision, the Department of Revenue (LDR) is comprised of three programs: Tax Collection, Alcohol and Tobacco Control, and Charitable Gaming. However, the agency is organized into eight major offices:

TAX COMMISSION

- TAX FREE SHOPPING COMMISSION
- OFFICE of the SECRETARY
 - UNIFORM ELECTRONIC LOCAL RETURN & REMITTANCE COMMITTEE
- OFFICE of MANAGEMENT & FINANCE *enterprise services*
- OFFICE of LEGAL AFFAIRS *regulatory services*
- OFFICE of TAX ADMINISTRATION GROUP 1 *processing services*
- OFFICE of TAX ADMINISTRATION GROUP 2 *taxpayer guidance & enforcement*
- OFFICE of TAX ADMINISTRATION GROUP 3 *compliance services*
- OFFICE of ALCOHOL & TOBACCO CONTROL
- OFFICE of CHARITABLE GAMING

In accordance with LA Revised Statute 36:454(A)(7), LDR does not anticipate a major reorganization of its functions, although refinements of the Tax Collection Program's existing structure occur periodically in light of resource constraints and to leverage business process improvement opportunities arising from the integrated tax system project and other initiatives.

OFFICE of the SECRETARY

- UNIFORM ELECTRONIC LOCAL RETURN & REMITTANCE COMMITTEE
- CONFIDENTIAL ASSISTANT • PRESS SECRETARY
 - PUBLIC AFFAIRS
- DEPUTY SECRETARY
 - ORGANIZATIONAL DEVELOPMENT
 - CONTACT CENTER

*Cynthia
Bridges*
Secretary





MESSAGE from the SECRETARY

*To the Honorable Kathleen Babineaux Blanco, Governor of Louisiana
and Members of the Louisiana Legislature*

“ The fiscal year began as one of opportunity as Governor Blanco continued to pursue economic development initiatives, education and healthcare reform to enhance the quality of life for all. That is until the two sisters, Hurricanes Katrina and Rita, devastated Louisiana’s coastline, destroying thousands of residential and commercial properties, and displacing many of our citizens and businesses. The agency assumed a dual mission, one of supporting the recovery and rebuilding effort along with its statutory charge of administering the applicable tax laws of the state of Louisiana. I am pleased to say that our agency embraced the new roles. We are proud of the men and women of our Office of Alcohol and Tobacco Control Program who served as first responders during both events. The rest of our staff assisted in the sheltering, unemployment compensation, local tax collection, disaster recovery offices, and other functions as needed. We are thankful for the dedication, hard work and resilience of staff, and the ability to reopen the New Orleans and Lake Charles regional offices within months of both events.

Recognizing that the impacted areas contributed about one-third of the tax receipts collected, the immediate outlook for state tax revenues was somewhat bleak. However, the influx of recovery workers, significant replacement of tangible personal property, and general good economic growth of businesses around the state resulted in better than expected tax collections.

I am grateful to staff for meeting the challenges presented to us as an agency, including responding to two special sessions and the State’s first sales tax holiday. In the pages to follow, members of my executive team review the statutory activities of their respective offices, which collectively contribute to an improving quality of life in Louisiana. ” ”

Cynthia J. Bridges



COMPLIANCE CONTINUUM

office of the secretary

Louisiana’s tax system is based on the concept of voluntary compliance – the expectation that taxpayers will voluntarily pay the right amount of tax timely. LDR engages in a wide range of activities that directly or indirectly promote voluntary compliance, stretching from activities that occur before the taxpayer begins to fill out his or her return to enforcement of the tax laws through criminal prosecution. Similarly, taxpayers’ interactions with LDR cover a broad range of parallel activities, from reviewing instructions and filling out forms through potential litigation and criminal defense. The accompanying illustration places the range of both LDR and taxpayer activities on a Compliance Continuum that depicts these relationships:

LDR	Draft & negotiate tax legislation	Publish forms, instructions, & guidance	Assist & educate taxpayers	Capture return data & process payments	Resolve exceptions	Issue bills & resolve protest	Collect	Audit	Litigate	Criminal enforcement
		Review instructions	Ask questions	File returns & make payments	Answer questions arising from exceptions	Review bills & file protests	Collection defense	Undergo audit	Litigation defense	Criminal enforcement defense
Taxpayer	More Taxpayers – Less cost					Fewer Taxpayers – Higher Cost				

The Compliance Continuum illustrates two important points. First, the cost of tax administration and compliance – for both LDR and taxpayers – generally increases as one moves from left to right. Criminal enforcement against a minority of taxpayers is critical but an inherently inefficient means of collecting taxes. Second, activities on the left side of the continuum directly impact a much larger number of taxpayers acting voluntarily, and hence are more efficient.

RETURN ON INVESTMENT PER DOLLAR SPENT (by program)

office of the secretary

LDR seeks to move taxpayers “up” the Compliance Continuum to achieve greater voluntary compliance. This conceptual framework helps us determine our priorities and activities in accomplishing this task.

{TAX COLLECTION PROGRAM – TOTAL}



{VOLUNTARY COMPLIANCE PROGRAMS}



{ENFORCEMENT PROGRAMS}

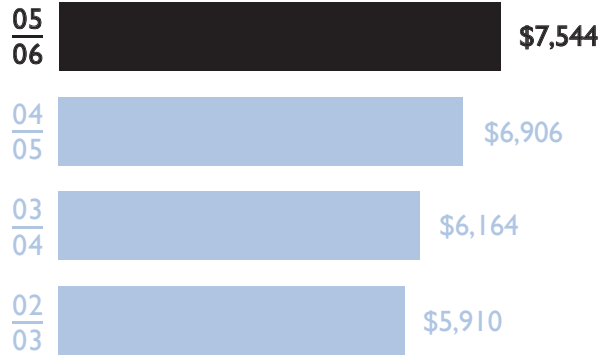


{COMPLIANCE PROGRAMS}



NET STATE TAX RECEIPTS (four-year comparison in millions)

office of the secretary



OFFICE of TAX ADMINISTRATION: GROUP I

processing services

REVENUE PROCESSING CENTER •

POST PROCESSING SERVICES •

SUPPORT SERVICES •



*Courtney
Shepler*
Assistant Secretary



Q: List at least five accomplishments, advances, or areas of growth for your group in 2005-06.

A: In FY 2005-06, the Revenue Processing Center (RPC) took on a number of activities to assist other state and local government agencies following Hurricane Katrina. They assisted the Louisiana Department of Labor by keying tens of thousands of unemployment claims. They also established a separate post office box to accept payments for local governments whose mail processing facilities were destroyed or severely impaired by the storm(s). They made sure these local governments received these checks on a regular basis, which was essential to the local governments being able to continue paying their law enforcement officers, first responders, and other critical employees. During this year, RPC also implemented new functionality that enhances their ability to get the data from tax returns keyed in quickly. The Post Processing Services Division took on the responsibility of processing the claims for Natural Disaster Sales Tax Refunds. This was a program that exploded in growth following Hurricanes Katrina and Rita, and overall we received nearly 150,000 claims under this program. Additionally, this Division began a summer internship program with Accounting students from Louisiana universities. The internship program was a great benefit to the Department, and was an incredible learning opportunity for these future graduates. It is our hope that internship programs such as this will encourage more graduates to remain in Louisiana after graduation, and possibly seek full-time employment with the State.

Q: What are three areas of focus for your group in 2006-07?

A: In FY 2006-07, we are focused on the following:

Developing a plan to redesign the processing system that is in place for all paper returns and checks, as well as correspondence from taxpayers. This processing system was implemented in the early 90's, and while improvements have been made over the years, it is time to revisit the system from the ground up.

Workforce planning: It is expected that a significant percentage of the Agency's employees will be retiring in the next few years. To plan for this exodus now, we are working diligently to develop comprehensive training programs for new employees, and at the same time trying to develop existing employees so that they are better able to take on the roles left behind by retiring employees.

Data analysis: With our new integrated tax system in place, we are very focused on taking full advantage of the system's capabilities. Our primary goals are to allow the system to handle as much analysis as possible, so that returns require less manual review by employees. This will result in faster refund issuance and greater compliance.

Q: We often speak of how LDR contributes to a better quality of life for the people of Louisiana. In your opinion, what role(s) does your group play in helping the Department to make such a contribution.

A: The activities of the Revenue Processing Center and the Post Processing Services Division are the main activities that result in taxpayers receiving their tax refunds. We strive to do this timely and accurately, in an attempt to ensure taxpayers are refunded any overpayment to the State as quickly as possible. This enables individuals to use these funds to better their quality of life. Businesses also receive refunds in some circumstances, enabling them to use the funds for growing their business, compensating their employees, or other things that contribute to economic development and quality of life.

Additionally, the Revenue Processing Center is responsible for handling the processing of all checks received by the Department. The funds from these checks (approximately \$2 Billion per year) are used to pay for State services that all citizens benefit from.

TOTAL INCOMING MAIL ENVELOPES

processing services

Processing

Through the years we have seen continuous improvement in the area of processing. Like phone calls in the Contact Center, the Revenue Processing Center faces the challenge of handling customer correspondence when it arrives. The accompanying data represents the number of pieces of mail opened this year as well as the average time required to process it.



NUMBER of DAYS to PROCESS TAX RETURNS (submitted by mail)

processing services



*All processing times were impacted by Hurricanes Katrina and Rita.

AVG.# of DAYS to ISSUE PAPER INDIVIDUAL INCOMETAX REFUNDS (fy 05-06)

processing services



Often, the mail that is received is in the form of a filed return. Everyone who files certainly wants a rapid response. The chart illustrates that our processing generated 37.5% of refunds within 14 days of receipt, most of which were filed electronically.



ELECTRONIC INCOME TAX RETURNS

processing services

Of course, filing electronically remains the fastest, most accurate, and most convenient way to file! That being said, it should come as no surprise that the number of taxpayers taking advantage of electronic filing options continues to grow steadily.



AVG.# of DAYS to ISSUE ELECTRONIC INDIVIDUAL INCOMETAX REFUNDS (fy 05-06)

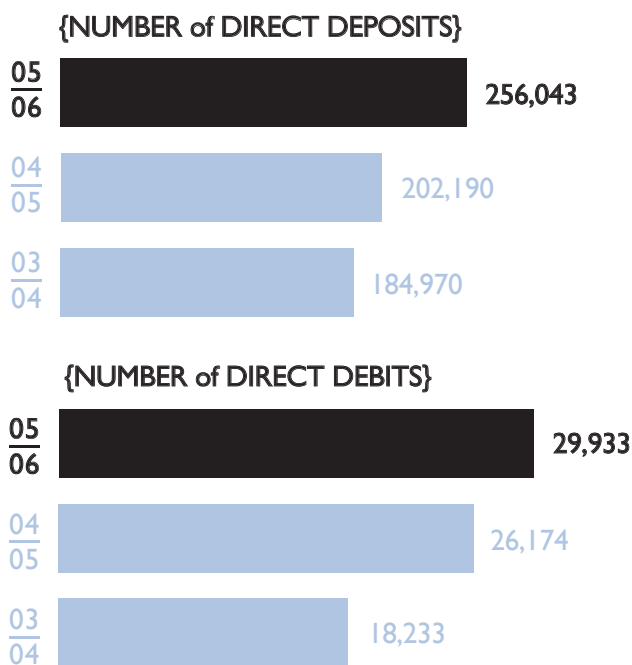
processing services



This number has grown with good reason; filing electronically is simply a faster process and provides 24/7 access. The accompanying chart illustrates that 64.6% of the refunds were issued within 14 days of filing.

ELECTRONIC INCOMETAX REFUNDS & PAYMENTS

processing services

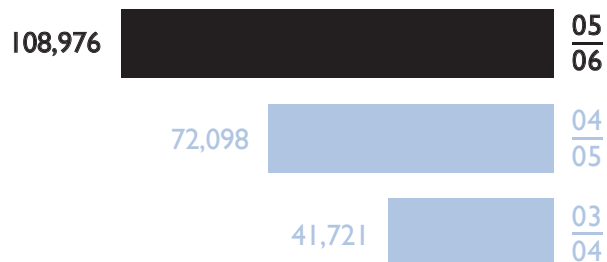


Customers are also taking advantage of our other electronic applications. For those who are due a refund, we will deposit funds directly into their accounts. Those with a liability may authorize us to debit those funds electronically.

NUMBER of SALES TAX RETURNS FILED via LDR WEBSITE

processing services

The hurricanes presented a number of challenges for our business customers including delays in mail service. Fortunately, many of those businesses were able to file monthly and quarterly returns through the LDR website.



NUMBER of WITHHOLDING TAX RETURNS FILED via LDR WEBSITE

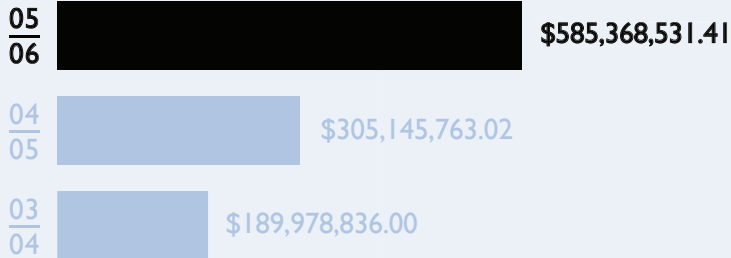
processing services



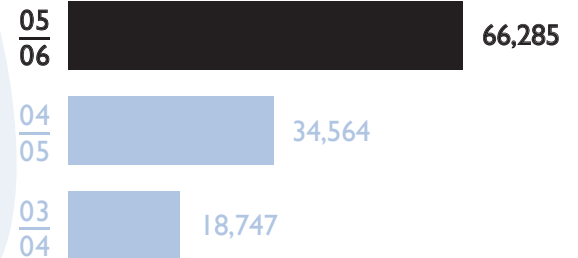
SALES TAX PAYMENTS SUBMITTED via LDR WEBSITE

processing services

{AMOUNT of PAYMENTS}



{NUMBER of PAYMENTS}



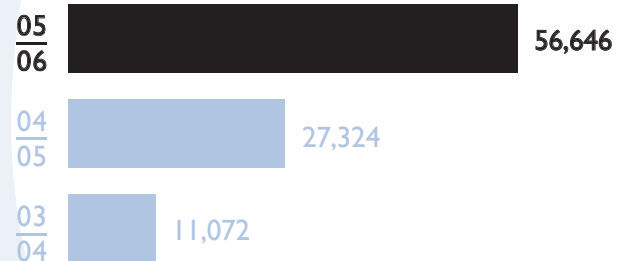
WITHHOLDING TAX PAYMENTS SUBMITTED via LDR WEBSITE

processing services

{AMOUNT of PAYMENTS}

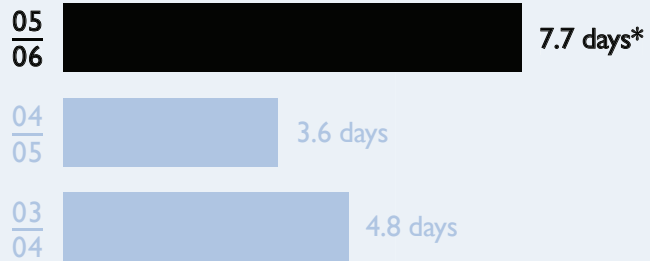


{NUMBER of PAYMENTS}



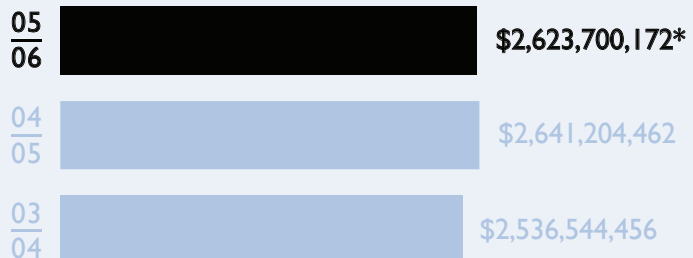
AVERAGE DEPOSIT TIME of PAPER CHECKS

processing services



TOTAL REVENUE DEPOSITED from PAPER CHECKS

processing services



An important aspect of the work done by Revenue Processing Center is making bank deposits. The revenue deposited from paper checks decreased due to an increase in electronic applications as the previous pages indicate.

*All processing times were impacted by Hurricanes Katrina and Rita.

ELECTRONIC FUNDS TRANSFER (EFT)

processing services

Tax	Number of Filers	Number of EFT Filers	Percentage of EFT Filers to Filers
Alcoholic Beverage Tax	41	31	75.61%
Beer Tax	538	83	15.43%
Gasoline Tax	11,282	3,503	31.05%
Hazardous Waste Tax	288	15	5.21%
Inspection and Supervision Fee	411	16	3.89%
Sales Tax	788,062	107,634	13.66%
Special Fuels Tax	4045	345	8.53%
Tobacco Tax	3219	0	0
Transportation & Comm. Utilities Tax	400	20	5.00%
Automobile Rental Tax	2704	312	11.54%
Withholding	614,088	56646	9.22%
Severance Tax	14,447	158	1.09%
Corporate Income and Franchise Tax	128,895	1207	0.94%

Act 172 of the 1992 Regular Session of the Louisiana Legislature (Revised Statute 47:1519) authorizes the Louisiana Department of Revenue to require electronic payments from taxpayers whose individual payments exceed \$20,000. Act 112 of the 2003 Regular Legislative Session amended R.S. 47:1519 to reduce the \$20,000 average payment amount. Starting with any taxable filing period that begins January 1, 2004 through December 31, 2005, the average payment threshold is reduced to \$15,000. For filing periods that begin January 1, 2006 through December 31, 2007, the average payment threshold is reduced again to \$10,000. And finally, for filing periods that begin on or after January 1, 2008, the average payment threshold is reduced to \$5,000.

The Electronic Funds Transfer (EFT) payment is a requirement under any of the following circumstances:

- The tax due in connection with the filing of any return, report or other document exceeds the mandatory EFT threshold amount for the taxable period.
- A taxpayer files tax returns more frequently than monthly, and during the preceding 12-month period, the average total payment exceeds the mandatory EFT threshold amount.
- A company files withholding tax returns and payments on behalf of other taxpayers during the preceding 12-month period, the average total payments for all tax returns filed exceed the mandatory EFT threshold amount(s) for the taxable period.

Tax (in Millions)	EFT Deposits	Manual Deposits	Total Deposits	Ratio of EFT Deposits to Total Deposits
Sales Tax	\$2,058.00	\$ 752.00	\$ 2,810.00	73.24%
Withholding	1,593.00	501.90	2,094.90	76.07%
Corporate Income & Franchise Tax	128.00	20.00	148.00	86.49%
Gasoline Tax	469.40	11.10	480.50	97.69%
Severance Tax	662.60	60.80	723.40	91.60%
Totals	\$4,911.00	\$1,345.80	\$6,256.80	78.49%

OFFICE of TAX ADMINISTRATION: GROUP 2

taxpayer guidance and enforcement

COLLECTIONS •

TAXPAYER SERVICES •

8 REGIONAL OFFICES •



*Gwen
Scott*

Assistant Secretary



Q: List at least five accomplishments, advances, or areas of growth for your group in 2005-06.

A: The Standalone Tablet PC Collection Program interfaces with the Department's new integrated tax system (DELTA) and allows our staff to operate as independent agents through the use of advanced mobile technology. Increasing productivity, effectiveness, and reducing operational costs are just some of the benefits of our Standalone Collections Tablet PC application.

Approximately \$790,000 was collected during FYE June 2006. To date, we have collected over \$1.5 million using the Tablet PC as a tool to enhance our field collection program.

- **Sales Tax Compliance Surveys:** Field visits to ensure convenience stores were charging the correct amount of sales tax on certain food items; approximately 900 contacts
- **Acceptance of Credit Card Payments:** Beginning November 2005, taxpayers were given the opportunity to pay their tax liabilities via credit card. For taxpayers who prefer to take advantage of our current technology, paying by credit card is a quick, convenient, and secure method of making certain their payments are received and posted correctly and timely. For FYE June 2006, \$ 2,256,261 was collected through credit card payments.
- **Disaster Recovery Assistance:** Assisted with the state's recovery efforts from Hurricanes Katrina and Rita by partnering with community agencies and the IRS to provide tax information, prepare various tax forms, and issue tax clearances
- **Contractor Registration Compliance Surveys:** Field visits and telephone contacts to ensure contractors were properly registered with LDR for filing returns and payment of tax due

Q: What are three areas of focus for your group in 2006-07?

- A:**
- Increase field presence to ensure compliance and collect delinquent tax liabilities via the Tablet PC with wireless connectivity; enhancements to Standalone Tablet PC application
 - Continue to identify inefficient steps in our processes and develop solutions to improve work processes
 - Begin budget process for approval of a Predictive Dialer System to initiate contact with taxpayers for broadcast messages, early intervention with new registered accounts, early contact in the billing process, etc.
 - Utilize existing and explore new technology to automate collection activities and increase self help options for taxpayers

Q: We often speak of how LDR contributes to a better quality of life for the people of Louisiana. In your opinion, what role(s) does your group play in helping the Department to make such a contribution.

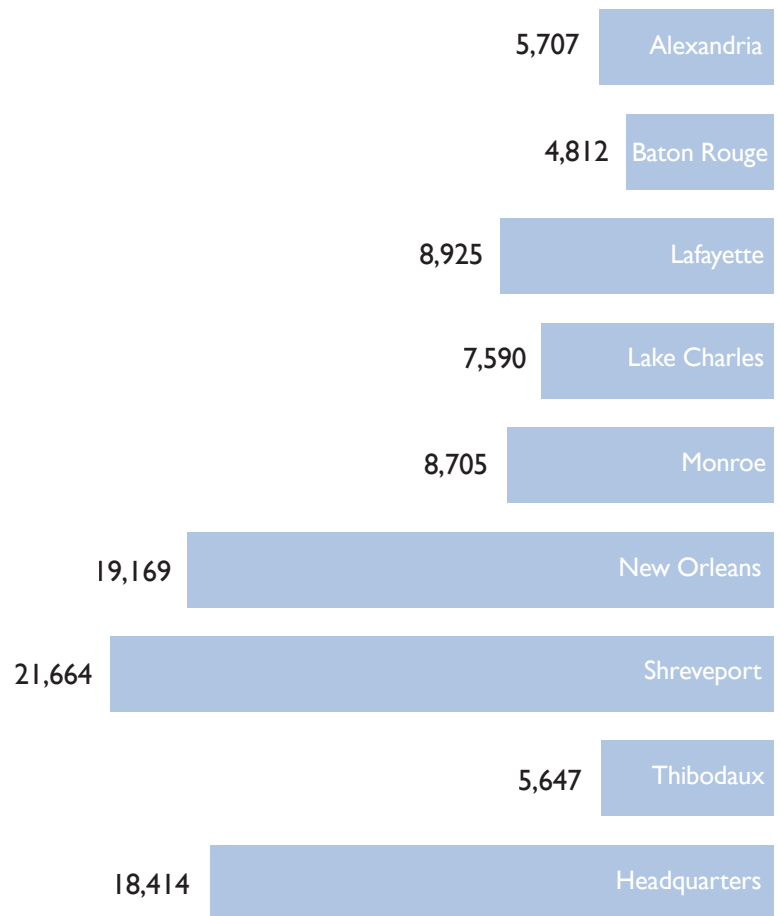
- A:**
- Collect taxes that are used to fund public school systems, maintain roads, provide healthcare, etc.
 - Provide free return preparation and filing services
 - Continuously work on developing strategies to provide good customer service and making the experience of doing business with the Department a pleasant one
 - Provide prompt responses and helpful filing information and requirements to taxpayers and practitioners
 - Continuously work w/stakeholders to ensure funds collected are properly distributed to local agencies or entities

NUMBER of WALK-IN CUSTOMERS

taxpayer guidance

Voluntary compliance is the goal of any taxing authority. We would like for all of our customers to meet their filing and payment responsibilities in a timely manner. 95% of tax receipts are collected via voluntary compliance programs. Our staff recognizes that this success rate will continue to grow only if we are willing to educate our customers and give them the tools to be in compliance.

For us, customer service is important. We have devoted resources to assisting taxpayers who prefer to resolve issues face to face.



TAXPAYER ASSISTANCE CALLS

taxpayer guidance



Many of our customers call us. Faced with a high volume of inquiries, it was critical to improve our system for managing calls. As a result, we launched our Contact Center in early 2005. Hiring managers experienced in call center operations and committing to a rigorous training regimen for staff were priorities as we established this critical business unit.

Immediately after Hurricane Katrina, this group operated as a call center to receive donations of materials, goods, services, and funding to support the victims of the storms.



DELINQUENT TAXES COLLECTED

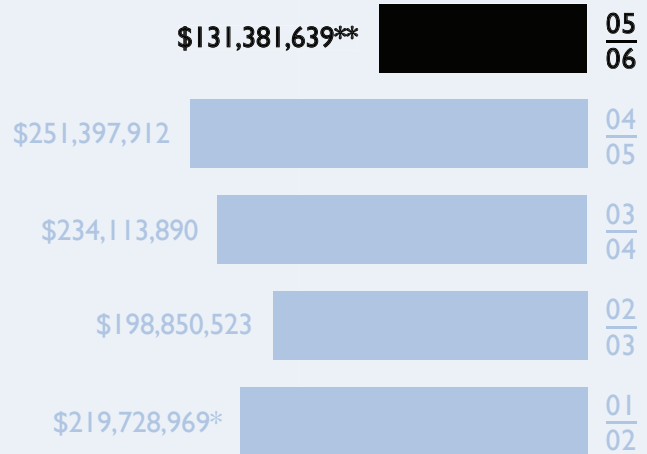
enforcement

Delinquent taxes are any taxes not filed and paid by the statutory due date.

Although 95% of tax receipts are remitted voluntarily, there are those who choose to avoid their tax obligations. The Department makes every effort to work with those who are having legitimate difficulties in making payments, but we are always prepared to aggressively pursue those who refuse to work with us.

Our delinquent collections have continued to improve. Each year we see significant progress in our effort to eradicate the outstanding liabilities owed by individuals and businesses.

The graphic below shows the result of our efforts.



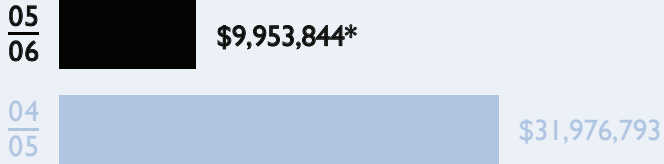
Delinquent Tax Collection	FY 2001-02*	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06**
Collection Division	\$ 149,699,755	\$ 132,168,450	\$ 166,975,571	\$ 194,176,523	\$ 96,986,557
Contracted Collection Agencies	348,957	534,846	1,659,567	918,597	610,961
Regional Offices					
Alexandria	4,023,888	2,618,461	2,765,793	2,325,205	2,735,773
Baton Rouge	10,856,008	7,162,394	5,063,153	4,931,823	6,816,640
Lafayette	6,484,573	4,403,315	3,927,867	2,558,444	2,641,819
Lake Charles	3,950,440	2,817,096	3,470,365	5,259,672	2,736,891
Monroe	5,465,560	3,124,946	2,950,567	2,811,291	4,708,995
New Orleans	26,964,107	27,578,671	32,691,157	28,921,674	4,897,622
Shreveport	5,490,132	4,513,795	4,500,097	4,256,629	4,936,500
Thibodaux	6,445,549	13,928,549	10,109,753	5,238,054	4,309,881
SUBTOTAL FOR REGIONS	\$ 69,680,257	\$ 66,147,227	\$ 65,478,752	\$ 56,302,792	\$ 33,784,121
TOTAL	\$ 219,728,969	\$ 198,850,523	\$ 234,113,890	\$ 251,397,912	\$ 131,381,639

* Increase due to Tax Amnesty Program.

** Enforcement activities were suspended in the hurricane impacted areas.

FEDERAL OFFSET PROGRAM NET COLLECTIONS

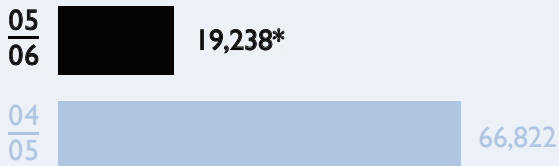
enforcement



* Suspended enforcement activities in hurricane-impacted areas affected the number of placements.

NUMBER of OFFSETS

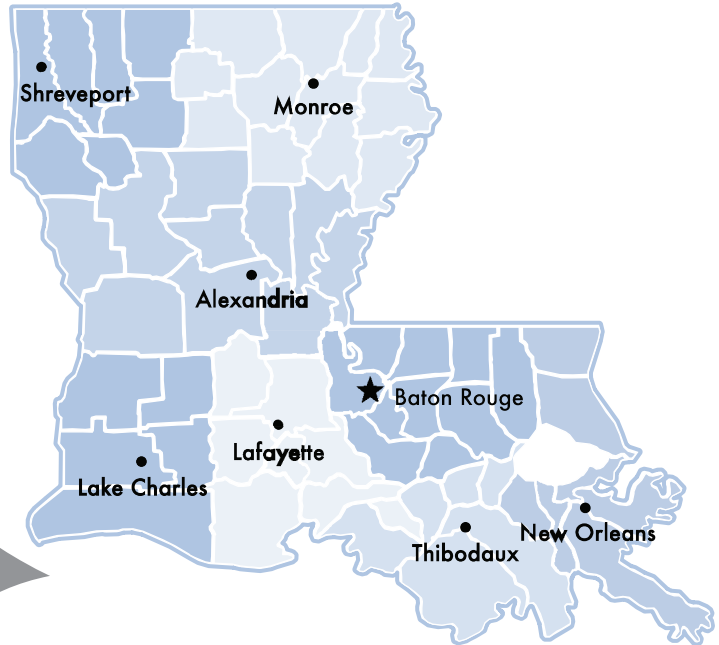
enforcement



* Suspended enforcement activities in hurricane-impacted areas affected the number of placements.

REGIONAL OFFICES

taxpayer guidance



While we are all Louisianans, the beauty of our state is that each region has its own flavor, charm, and set of challenges. It is important to us that our customers have places in or near their area to seek assistance. We are pleased to have regional offices in Alexandria, Baton Rouge, Lafayette, Lake Charles, Monroe, New Orleans, Shreveport, and Thibodaux. While these offices serve an audit and collection function, the heart of what they do is assist taxpayers at the local level. Their contributions are tremendous.

Region	Contact Information
Alexandria	900 Murray St. Room B-100 Alexandria, LA 71301 (318) 487-5333
Baton Rouge	8549 United Plaza , Suite 200 Baton Rouge, LA 70809 (225) 922-2300
Lafayette	825 Kaliste Saloom Rd. Brandywine III, Suite 150 Lafayette, LA 70508 (337) 262-5455
Lake Charles	One Lakeshore Drive, Suite 1550 Lake Charles, LA 70629 (337) 491-2504
Monroe	122 St. John St., Room 105 Monroe, LA 71201 (318) 362-3151
New Orleans	1555 Poydras St., Suite 900 New Orleans, LA 70112 (504) 568-5233
Shreveport	1525 Fairfield Ave. Shreveport, LA 71101 (318) 676-7505
Thibodaux	1418 Tiger Dr. Thibodaux, LA 70301 (985) 447-0976

OFFERS in COMPROMISE (fy 05-06)

enforcement

Name	Type of Tax	Total Tax, Interest, Penalties & Fees	Amount Abated/Compromised	Amount Paid in Compromise
Andrews Sheetmetal, Inc.	Sales/Withholding & CIFT	\$ 52,035.25	\$ 19,099.50	\$ 32,935.75
Clements, John M.	Ind. Income	103,193.67	68,428.67	34,765.00
Glenn Davis Texaco Service	Sales/Withholding	3,643.09	2,310.09	1,333.00
Granger Enterprises, Inc. DBA Tejas Café and Bar	Sales & Corporation	25,283.68	9,904.42	15,379.26
Guitreau Builders, Inc	CIFT & Withholding	13,840.66	4,274.15	9,566.51
Guloco Finance Company	CIFT	869,067.36	344,539.36	524,528.00
McCloskey, Dixie	Ind. Income	1,730.16	932.16	798.00
Mercury Finance Co of Louisiana	CIFT	250,988.59	151,757.59	99,234.00
Morel, Donald & Jean DBA Spillway Speedway, Inc	Sales	23,759.82	13,372.77	10,387.05
Queen, Corda	Ind. Income	3,578.56	2,801.56	777.00
Rees Jr., Grover	Ind. Income	9,404.07	2,138.07	7,266.00
Stoneberg, Sandra S.	Ind. Income	16,711.59	6,429.59	10,282.00
Torregano, Alton A. & Kathy	Ind. Income	70,987.75	46,016.51	24,971.21
Whitehurst, Juliette Adele Weaver	Ind. Income	9,505.27	5,198.27	4,307.00
Williams, Ralph E.	Ind. Income	6,191.55	3,608.86	2,582.69
Young's Family, Inc	Corporation, Sales & Withholding	26,640.17	13,512.17	13,128.00

Louisiana Revised Statute 47:1578, as amended by Act 1383 of the 1997 Regular Session of the Louisiana Legislature, authorizes the Secretary of Revenue, under certain conditions, to compromise a judgment for taxes and cancel or release a lien, privilege, mortgage, or other encumbrance.

Under this authority, the Secretary can accept less than full payment as a final settlement for a state tax liability. The statutory conditions for such a settlement are "serious doubt" as to collectibility of the tax due or the taxpayer's liability for the tax, and a higher collection cost than the outstanding liability. The judgment for taxes compromised must be \$500,000 or less, excluding interest and penalty.

STATE GARNISHMENT PROGRAM

enforcement

Revised Statute 47:299 authorizes state and local government entities to file an offset claim for monies owed to them by individuals. Under this statute, the Department of Revenue is given the authority to collect the offset claim by garnishing the individual's state individual income tax refund.

The Department also garnishes Louisiana tax refunds on behalf of other state agencies in the settlement of debts. See chart below for the results of this activity.

State Refund Garnishment Program	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06
Civil & Criminal Court	\$ 127,603.30	\$ 142,686.07	\$ 169,915.78	\$ 120,448.58	\$ 180,552.00
Corrections/Public Safety Garnishment	63,173.82	67,804.77	106,636.90	117,168.75	8,740.00
Correction/Probation-Parole	61,440.67	105,841.87	348,021.27	393,011.61	21,440.00
DHH Health Services Garnishments	3,206.37	2,574.00	4,360.86	2,588.73	2,303.00
DOJ Student/Teacher Garnishments	73,543.89	48,203.28	88,969.02	49,621.11	65,032.00
DOL Unemployment Insurance Garnishments	609,864.49	596,601.07	841,876.60	740,456.29	691,068.00
DDS Child Support Garnishments	1,232,450.80	1,090,706.28	1,423,424.59	1,481,077.61	1,814,469.00
DSS Recovery Section Garnishments	5,344.98	4,290.80	4,969.93	5,291.29	6,386.00
LA Student Financial Assistance Commission	255,670.95	207,951.00	238,348.99	269,777.26	324,444.00
Dept of Wildlife & Fisheries	0.00	1,772.00	21,821.53	24,110.02	50,335.00
Dept of Agriculture & Forestry	0.00	352.00	406.00	858.00	842.00
Garnishments - Parish & Municipalities	0.00	0.00	1,434.60	112.00	0.00
Public Defender's Office - EBR Parish	0.00	0.00	0.00	0.00	17,549.00
TOTALS	\$ 2,432,299.27	\$ 2,268,783.14	\$ 3,250,186.07	\$ 3,204,521.25	\$ 3,183,160.00



INCOME TAX

OFFICE of TAX ADMINISTRATION: GROUP 3

compliance services

FIELD AUDIT •

OFFICE AUDIT •

SPECIAL INVESTIGATIONS •



*Kurt
Van Brocklin*
Assistant Secretary



Q: List at least five accomplishments, advances, or areas of growth for your group in 2005-06.

- A:
- Advancements in electronic processes
 - Web-based voluntary disclosure program
 - Advancements in tax avoidance detection
 - The field audit division has exceeded one-hundred million dollars in audit related collections for the past five fiscal years.

Q: What are three areas of focus for your group in 2006-07?

- A:
- Continue to pursue advancements in electronic processes
 - Continue to utilize available resources to promote voluntary compliance and narrow the tax gap
 - Continue to enhance the discovery unit within our office audit division

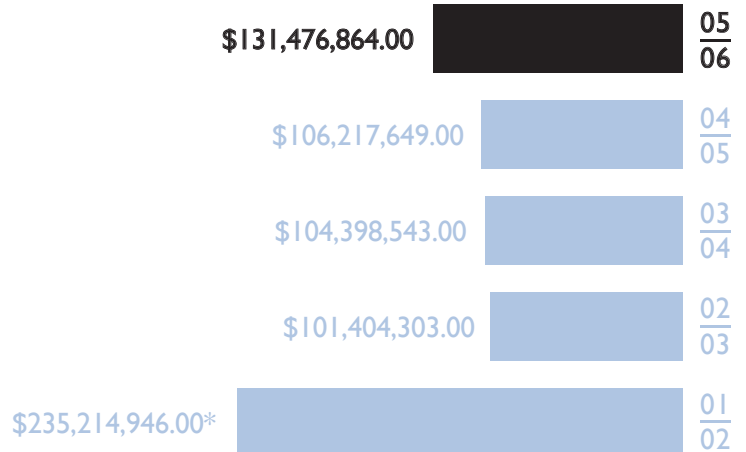
Q: We often speak of how LDR contributes to a better quality of life for the people of Louisiana. In your opinion, what role(s) does your group play in helping the Department to make such a contribution.

- A: The office audit division helps process refunds and rebates in a timely manner. The field audit and office audit divisions, through their compliance efforts, attempt to make sure that all taxpayers are paying their fair share to fund state provided services.

FIELD AUDIT

(cash collection summary for fy 05-06)

compliance services



Another aspect of our effort has been our Field Audit Program. As the economy has grown more complex, individuals and businesses are engaging in transactions consistent with that complexity. LDR has played an important role in economic development and we are excited about the activity in the economy in 2005. However, we do need to spend time with some of our customers, making certain that they have not remitted too little or even too much tax. To that end, our auditors continue to educate taxpayers.

Fiscal Year	Amount Collected	% Change
2005-06	\$ 131,476,864.00	23.78%
2004-05	106,217,649.00	1.74%
2003-04	104,398,543.00	2.95%
2002-03	101,404,303.00	-56.89%
2001-02	235,214,946.00*	223.51%

* \$126,904,967.00 of this figure was the result of the 2001 Tax Amnesty Program.

FIELD AUDIT

(audit collections by tax) fy 05-06

compliance services

Tax	Collections
Corporate Franchise Tax	\$ 35,273,858.00
Corporate Income Tax	46,759,859.00
Sales Tax	45,428,983.00
Severance Tax	509,467.00
Withholding Tax	560,283.00
Other	2,944,414.00
TOTAL	\$ 131,476,864.00

FIELD AUDIT

(in state & out-of-state activity) fy 05-06

compliance services

IN-STATE AUDIT ACTIVITY

Region	Collections
Alexandria	\$ 620,837.00
Baton Rouge	3,678,226.00
Lafayette	6,338,861.00
Lake Charles	1,372,468.00
Monroe	1,435,781.00
New Orleans	11,173,137.00
Shreveport	2,329,630.00
Thibodaux	2,608,977.00
Other	2,575,249.00
TOTAL	\$ 32,133,166.00

OUT-OF-STATE AUDIT ACTIVITY

Region	Collections
Dallas	\$ 10,453,711.00
Houston	21,415,855.00
Other	67,474,132.00
TOTAL	\$ 99,343,698.00

OFFICE AUDIT

compliance services

	Audits Completed	Collections	Refund Reductions
FY 03/04	4,530	\$ 9,281,848	\$ 4,757,476
FY 04/05	17,255	7,141,183	8,016,052
FY 05/06	22,115	9,954,386	12,274,959

	Tax Incentives Processed	Amount of Refunds Issued	Amount of Credits Claimed
FY 03/04	98	\$ 19,809,075	\$ 3,445,568
FY 04/05	446	48,490,764	7,395,848
FY 05/06	211	28,476,625	11,657,109

DISCOVERY (fy 05-06)

compliance services

Discovery is the process of uncovering, confirming, and collecting unpaid and underpaid tax liabilities. The “discovery” unit is responsible for developing and conducting projects designed to identify non-filers and under-reporters of the various taxes administered by the Department. Taxpayers are then notified of their tax discrepancies using letters of inquiry.

Our integrated tax system provides the capability for the Discovery Unit to query information from a variety of sources to identify non-compliant taxpayers. A successful Discovery program promotes taxpayer education, tax registration and licensing, and creates a basis for voluntary tax compliance in the future.

Assessments	Collections
\$9,249,166.36	\$2,347,018.03

VOLUNTARY DISCLOSURES

compliance services

	Number of Agreements	Amount Collected
FY 2003-04	28	\$ 1,219,614
FY 2004-05	50	8,319,226
FY 2005-06	73	5,133,024

The department also offers a **Voluntary Disclosure** program, which allows taxpayers to voluntarily come forward to report unpaid taxes, and pay the tax and interest due without the payment of penalty for a limited lookback period in exchange for future tax compliance.



OFFICE of LEGAL AFFAIRS
regulatory services

LEGAL •

POLICY SERVICES •



*Kimberly
Robinson*
Assistant Secretary



Q: List at least five accomplishments, advances, or areas of growth for your group in 2005-06.

- A:
- Closed 632 cases via litigation, settlement or mediation
 - Recovered/Retained \$85,392,198.38 in tax, interest and principal from taxpayers
 - Maintained low average cost per case resolved on only \$1,751.91 compared to the average value per case of \$454,984.54
 - Successfully carried out the Sales Tax Holiday of December 2005
 - Suggested and drafted several hurricane relief tax provisions including the expansion of the Manufacturing Machinery & Equipment sales tax exemption, the casualty loss adjustment to the federal income tax deduction and freezing the debt in the franchise tax base at pre-hurricane levels

Q: What are three areas of focus for your group in 2006-07?

- A:
- Design, acquire, and implement new case management system for Legal and Policy Divisions
 - Assign outdated sales tax rules for revision

Q: We often speak of how LDR contributes to a better quality of life for the people of Louisiana. In your opinion, what role(s) does your group play in helping the Department to make such a contribution?

A: My group's focus on taxpayer compliance contributes to the quality of life of this state's citizens. We develop and disseminate tax policy which informs and assists taxpayers in their quest to comply with state tax laws. We also work to disseminate knowledge and information in ways and formats that are easy to understand and more taxpayer friendly. We also encourage taxpayer compliance through litigation, which accomplishes two distinct goals. Litigation actually answers questions which have gray areas in the form of tax policy and it shows each citizen that the Department actively ensures every citizen and entity will pay its fair share of taxes.

At the end of it all, the quality of life of each of our citizens is enhanced because my group aids and assists in the collection of those hard to reach dollars that finance various state services.

On another note, my group employs various professionals who are able to hone their craft and build careers in an area they truly love. This allows them to support their families with an income from a position they enjoy. This in turn allows them to build lives and families who are forever connected to this State and invested in the State's goals.

CASES RESOLVED

by the LEGAL DIVISION

regulatory services

Another business unit that has been a critical part of this effort has been the Legal Division. Unfortunately, some taxpayers leave us with no recourse, but to turn to the legal system for a resolution of state tax matters. Our goal is to resolve issues in the most expedient and cost effective manner. Our Legal Division has continued to make progress in resolving cases and making certain that the people of Louisiana receive the tax dollars that are due to them. The chart below reflects the number of cases resolved by this Division.

Types of Cases	Number of Cases Closed	Amount in Dispute	Amount Recovered/ Retained by LDR	% Recovered/ Retained by LDR	Amount Refunded to/ Recovered by Taxpayer*
Bankruptcy	95	\$ 13,627,848.78	\$ 1,588,714.14	11.66%	\$ 0.00
BTA Appeal of an Assessment	94	41,737,772.81	4,815,586.37	11.54%	308,444.27
BTA Appeal of a Refund	104	19,851,154.00	5,633,431.29	28.38%	10,687,759.94
BTA A Claim against the State	3	16,918,497.29	333,648.00	1.97%	1,753.00
Civil Service	0	0.00	0.00	0.00%	0.00
Cease and Desist	24	940,508.84	749,549.40	79.70%	0.00
LDR is the Defendant	7	6,267,368.22	5,235,943.98	83.54%	0.00
Challenge	0	0.00	0.00	0.00%	0.00
Disputed Funds Held in Escrow	55	100,456,304.05	21,912,276.40	21.81%	25,191,970.11
Installment Default	0	0.00	0.00	0.00%	0.00
Officer Liability	147	5,973,927.64	2,961,948.55	49.58%	109,614.40
Miscellaneous	35	3,721,917.27	96,289.29	2.59%	3,105,068.00
New Orleans Exhibition Hall Tax	0	0.00	0.00	0.00%	0.00
LDR is the Plaintiff	68	78,054,927.87	42,064,810.96	53.89%	1,097,911.75
TOTAL	632	\$ 287,550,226.77	\$ 85,392,198.38	29.70%	\$ 40,502,521.47

MEDIATED CASES

regulatory services

Case	Total Amount in Dispute	Total Amount Recovered	Rate of Recovery
1	\$ 12,330.46	\$ 5,800.00	47.04%
2	34,278.91	10,000.00	29.17%
3	28,513.67	10,000.00	35.07%
4	25,466.03	12,500.00	49.08%
5	313,479.07	17,500.00	5.58%
6	93,887.71	67,208.01	71.58%
7	663,782.46	302,634.36	45.59%
8	842,717.10	421,359.00	50.00%
9	2,696,199.40	615,993.19	22.85%
10	4,775,668.77	Unresolved	Unresolved
11	1,070,962.41	Unresolved	Unresolved
12	291,846.17	Unresolved	Unresolved
13	346,646.17	Unresolved	Unresolved
14	0.00	Unresolved	Unresolved
15	53,138.89	Unresolved	Unresolved
16	699,631.89	Unresolved	Unresolved
17	98,093.66	Unresolved	Unresolved
18	214,152.79	Unresolved	Unresolved
19	3,551,535.92	Unresolved	Unresolved
20	230,231.84	Unresolved	Unresolved
21	16,138.79	Unresolved	Unresolved
22	61,278.98	Unresolved	Unresolved
TOTAL **	\$ 16,021,887.43	\$ 1,462,994.56	9.13%
TOTAL *	\$ 4,710,654.81	\$ 1,462,994.56	31.06%

*Amount in dispute of only cases resolved via mediation

**Percentage of amount recovered divided by total amount in dispute

Louisiana Revised Statute 47:1522 authorizes the Department of Revenue to use Alternative Dispute Resolution (ADR) to assist in the collection of taxes, penalties, or interest. The Department may use arbitration or mediation to resolve any issue regarding the collection of taxes. Alternative Dispute Resolution will provide a voluntary, confidential, and cooperative means of resolving tax disputes, which will reduce the costs and risks of litigation for the taxpayer and the Department. Alternative Dispute Resolution will also expedite the tax collection and refund process.

The Louisiana Department of Revenue mediated 22 cases during the FY 2005-2006.

POLICY STATEMENTS & RULES

regulatory services

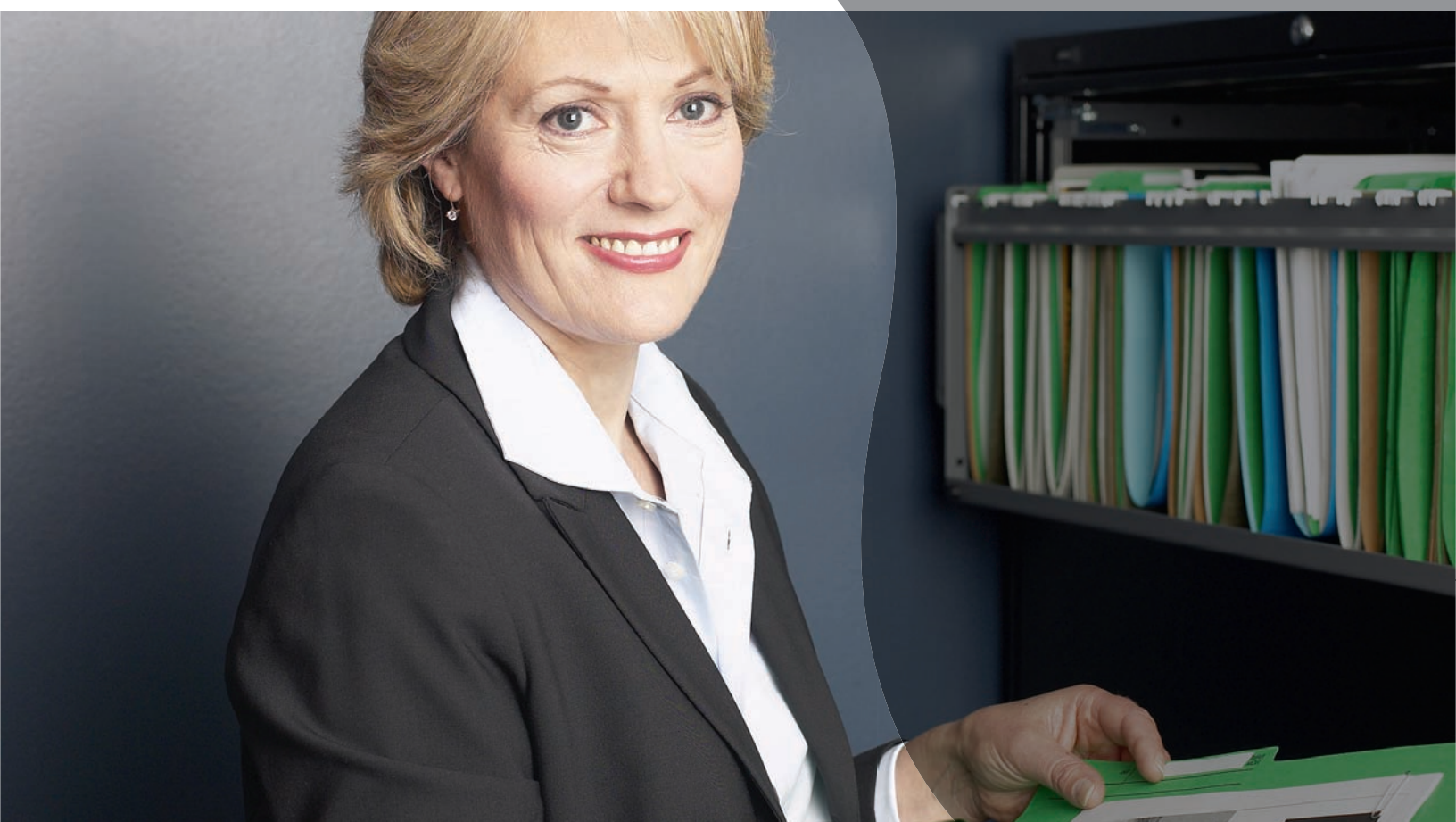
	FY 2003-04	FY 2004-05	FY 2005-06
Policy Statements*	54	100	103
Rules	17	37	19

* Policy statements include Revenue Rulings, Private Letter Rulings, Revenue Information Bulletins, and Statements of Acquiescence

The Policy Services Division has been a tremendous asset to the Department and an important means of clarification of law in the area of taxation. The professionals in this division promulgate rules, which makes it possible for laws passed by the Legislature to be executed.

In addition, this group also issues Private Letter Rulings. Often taxpayers have questions about whether a particular transaction is taxable. We are willing to offer a Private Letter Ruling, which the Department will honor if that taxpayer is ever part of an audit.





OFFICE of MANAGEMENT & FINANCE
enterprise services

CONTROLLERS •

INFORMATION TECHNOLOGY •

HUMAN RESOURCES •

INTERNAL AUDIT •



*Clarence
Lymon*
Undersecretary



Q: List at least five accomplishments, advances, or areas of growth for your group in 2005-06.

- A:
- Expansion of our electronic payment options by accepting credit card payments for taxes due
 - Expand the mobility of our field collection and audit staff by implementing a stand-alone/wireless solution for field work
 - Implementation of a variety of Legislative and LDR-directed initiatives related to Hurricanes Katrina and Rita
 - Development of an IT Governance process to better direct and report the use of IT resources within the agency
 - Implementation of Tax-At-The-Rack mandated by the Louisiana Legislature
 - Automation of the new hire enrollment process
 - Implementation of our Workforce Planning Initiative
 - Implementation of an Emergency Reporting System for agency personnel

Q: What are three areas of focus for your group in 2006-07?

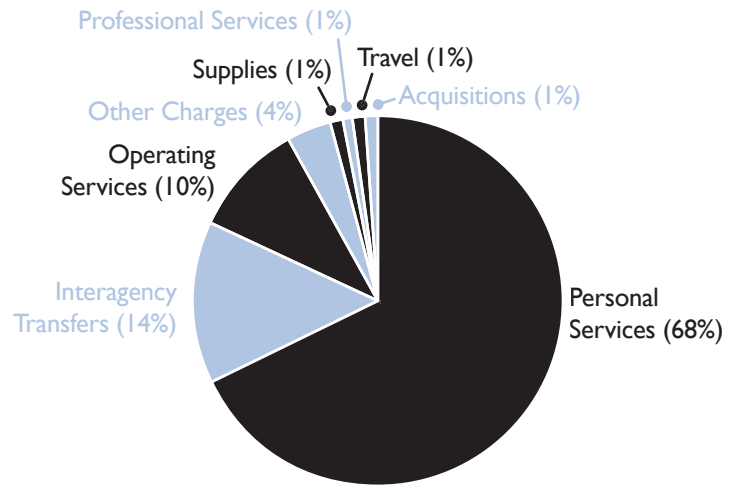
- A:
- Increase protection of the agency's IT assets by enhancing data recoverability and encryption as well as identifying an alternate "disaster" work site
 - Continue our Workforce Planning and Development Efforts
 - Improvements to our website in an effort to provide more efficient access to department information and services
 - Quality Assurance Review for our Internal Audit Division
 - Establishment of a data warehouse to provide immediate access to important data for employees
 - Acquiring a General Ledger System for the Tax Accounting Section of the Controller Division

Q: We often speak of how LDR contributes to a better quality of life for the people of Louisiana. In your opinion, what role(s) does your group play in helping the Department to make such a contribution.

- A: The Office of Management and Finance contributes to a better quality of life for the people of Louisiana by adding value to the business processes that are designed to ensure the highest level of compliance with and comprehension of the tax laws of the state of Louisiana. OM&F's role is to assist in the hiring and retention of highly skilled human assets, accurately account for revenues and property, seek and provide for efficiency through automation, and ensure the adherence to policies and procedures as well as the existence of effective internal controls to prevent fraud and/or misappropriation of state funds.

TAX COLLECTION PROGRAM OPERATING EXPENSES

enterprise services



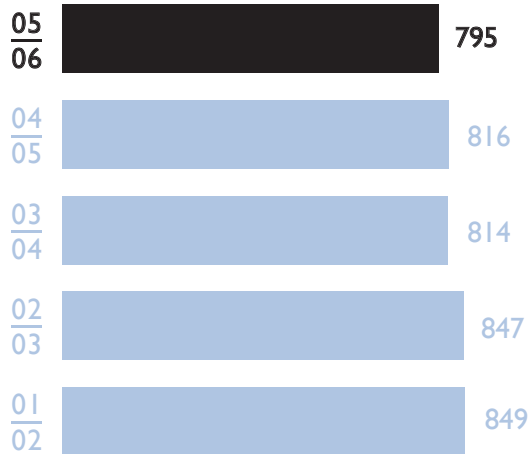
One of the most important goals of the Department is to be increasingly prudent as stewards of the monies we collect. In 2005-06, we achieved a 12.9% decrease in costs incurred to collect revenue.

Category	FY 2005	FY 2006	% Change
Salaries & Related Benefits	\$ 45,152,488	\$ 46,640,982	3.3%
Travel	1,028,363	834,486	-18.9%
Operating Services	10,358,505	7,106,239	-31.4%
Operating Supplies	567,932	365,224	-35.7%
Professional Services	1,394,562	999,286	-28.3%
Interagency Transfers	9,556,117	9,784,262	2.4%
Capital Outlay	2,343,202	444,738	-81.0%
SUBTOTAL	\$ 70,401,169	\$ 66,175,217	-6.0%
Tax Reengineering	5,161,054	2,965,743	-42.5%
TOTAL EXPENDITURES	\$ 75,562,223	\$ 69,140,960	-8.5%
TOTAL NET REVENUES	\$ 6,989,087,528	\$ 7,541,472,289	7.9%
ALLOCATED OPERATING COSTS PER \$100 TAX COLLECTED	\$ 1.01	\$ 0.88	-12.9%

*To more accurately reflect the true operating costs of the Tax Collection Program for the purpose of this calculation, the total expenditures listed above were adjusted to spread the cost of major acquisitions over the depreciable life spans and to exclude non-recurring extraordinary expenses.

TAX COLLECTION PROGRAM EMPLOYEES (TOs*)

enterprise services



*Table of Organization – number of authorized positions



OFFICE of ALCOHOL & TOBACCO CONTROL

CERTIFICATIONS •

ENFORCEMENT •



*Murphy
Painter*

Assistant Secretary



Q: List at least five accomplishments, advances, or areas of growth for your group in 2005-06.

- A:
- Maintained an under 10% noncompliance rate for tobacco sales to underage youths by Louisiana Retailers
 - Maintained an under 10% noncompliance rate for alcohol sales to underage youths by Louisiana Retailers
 - In the first six months of legislation granting all tobacco licensing enforcement authority to ATC by legislature, ATC has exposed over 10 million dollars of illegal sales of tobacco in the state. This will eventually lead to taxes owed Louisiana being paid in the excess of two million dollars.
 - Continue to exceed over 10,000 compliance checks per year, four times as many as any other state
 - Louisiana Responsible Vendor Program Recognized by the National Conference of State Liquor Administrators with an “Innovation of Adjudication” Award

Q: What are three areas of focus for your group in 2006-07?

A: We are continuing to focus on cutting down the time and efforts for qualified persons to obtain an alcohol license as a main priority. Next, we will continue to expand the auditing of out of state tobacco wholesale companies to maintain a level playing field between in and out of state suppliers and lastly, to continue to gather data which will show the importance of alcohol enforcement efforts on underage access.

Q: We often speak of how LDR contributes to a better quality of life for the people of Louisiana. In your opinion, what role(s) does your group play in helping the Department to make such a contribution.

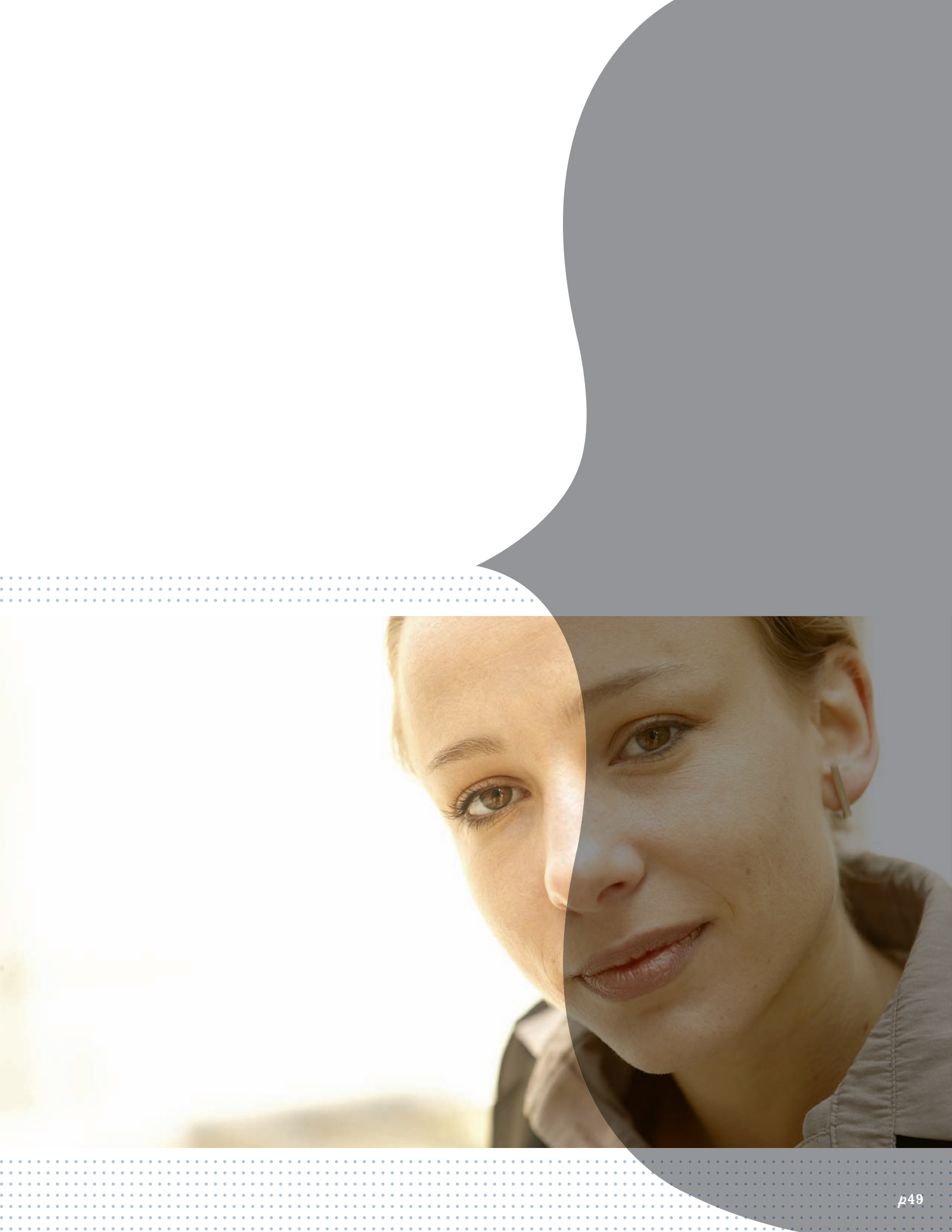
A: We have clearly exposed and continue to expose the benefits of maintaining a high level of enforcement of the alcohol and now tobacco laws, especially the Louisiana Clean Air Act, in making the citizens of Louisiana safer and now even healthier through our legal actions.

OPERATING EXPENSES

alcohol and tobacco control

Category	FY 04-05	FY 05-06	% Change
Salaries and Related Benefits	\$ 3,988,874	\$ 4,054,592	1.6%
Travel	101,374	62,212	-38.6%
Operating Services	608,101	634,274	4.3%
Operating Supplies	51,203	30,443	-40.5%
Professional Services	190,518	111,103	-41.7%
Interagency Transfers	169,846	167,814	-1.2%
Capital Outlay	287,674	46,436	-83.9%
TOTAL EXPENDITURES	\$ 5,397,592	\$ 5,106,874	-5.4%
TOTAL NET REVENUES	\$ 4,963,776	\$ 5,257,854	5.9%





OFFICE of CHARITABLE GAMING

LICENSING •

AUDIT •



*Gary
Matherne*
Deputy Secretary



Q: List at least five accomplishments, advances, or areas of growth for your group in 2005-06.

A: For the members of this group, it was very difficult to provide advances and accomplishments during the 2005-06 year. This was due to the tremendous impact they encountered due to the hurricanes Rita and Katrina.

The Office of Charitable Gaming did not encounter much growth during this fiscal year due to the damages encountered by many of the bingo halls across the state. This caused some of the service needs to be reduced for a period of time as the bingo halls struggled to come back on line. During this period, the employees of the Office worked to provide assistance to each hall as they required new scheduling, supplies and training of new workers at the halls as they returned to some simlance of normalcy. The Office certainly continued to service those who were not impacted across the state by communicating with them on a more frequent basis to assure that attention was not drawn away from their continued and undisturbed service needs. The Office enhanced its web page in an effort to make information, forms, and regulations more readily accessible for all. This produced substantial results as travel across the state was impacted, yet those halls struggling to return to some form of normal operations did not have to venture to Baton Rouge to have needs met as frequently as in the past. This reduced the burden on the customer base of the Office while allowing service to be delivered in the most expeditious manner possible. Another achievement was, of course, the involvement of some of the employees of the Office in direct volunteer response to those in need of assistance and support due to the storms. This was not business support but rather support from a humanitarian perspective. We are proud of all of our employees but especially those who took the initiative to help their fellow Louisianans.

Q: What are three areas of focus for your group in 2006-07?

A: The Office of Charitable Gaming became greatly involved in a new movement in the bingo industry. That movement is the introduction of new products that have enhanced the pre-existing video bingo gaming industry. Though video bingo has been in existence in LA for some time, the new equipment that has entered the market is more sophisticated than previously encountered. It has been altered tremendously in its graphic presentation. Where in the past the machines displayed simple bingo card animations, the new versions not only have the modest bingo card but also resemble the “bells and whistles” including revolving wheels that resemble video poker machines. This has produced a substantial increase in the workload for the Office as new types of “bingo parlors” emerged, which operate under different rules from the historical style “bingo halls.” This has produced greater monitoring and auditing of these “parlors.” This has also required the Office to become more proactive in its relationship building and customer service areas. The struggle between the new “parlors” and the older “halls” requires the Office to perform with greater tact and diplomacy in order to assure that all of the customer base have their needs met. As well, there has been greater pressure placed on the Office to work closely with the local governments as some have accepted these new “parlors” while others have “rejected” them. All in all, the Office has been successful in trying to meet the needs of everyone and assuring that all regulations will continue to be implemented and monitored in a manner that is fair and equitable to all. This has been no small achievement.

Q: We often speak of how LDR contributes to a better quality of life for the people of Louisiana. In your opinion, what role(s) does your group play in helping the Department to make such a contribution.

A: This group of employees contributes to the quality of life by assisting in the delivery of information to the people of our great state. As complex and broad as the tax system is within the state all of these employees work tirelessly to deliver the most accurate and timely information possible. In addition, they deliver their services by assuring that their customers are treated as fairly and equitably as possible. After the devastation of the hurricanes, the citizens suffered great pain and losses. Our employees continually attempt to make the relationship between the Department and our customers as simple and easy as possible. The effort is always to reduce the difficulty and burden of doing business with us even when our customer base is a “captured audience”. The employees in this group attempt to keep that service delivery need at the forefront of their efforts as much as possible.

SUMMARY of CHARITABLE GAMING ACTIVITIES

charitable gaming

Charitable Gaming Activities	FY 04-05	FY 05-06
Average Number of Organizations	480	434
Attendance – All sessions	4,119,682	3,532,344
Number of Sessions Held	27,824	22,674
Number of Pull tabs Sold	104,277,000	118,224,000
Total Gross Wager	194,588,000	195,094,000
Total Prizes	147,427,000	143,063,000
Adjusted Total Wagers	47,161,000	52,031,000
Total Expenses	28,141,000	26,373,000
Total Net Available	19,020,000	25,658,000
Total Contributions	18,496,000	20,920,000
Gross Bingo	111,401,000	95,629,000
Bingo & Door Prizes	87,509,000	71,227,000
Gross Pull Tabs	77,198,000	93,155,000
Pull Tab Prizes	58,675,000	70,589,000
Gross Raffles	3,077,000	3,069,000
Raffle Prizes	1,242,000	1,248,000
Electronic Video Bingo (Gross)	1,651,000	1,878,000
Misc Income (Gross)	1,260,000	1,364,000

OPERATING EXPENSES

charitable gaming

Category	FY 03-04	FY 04-05	% Change	FY 05-06	% Change
Salaries & Related Benefits	\$ 833,155	\$ 890,579	6.9%	\$ 911,001	2.3%
Travel	27,020	33,905	25.5%	13,573	-60.0%
Operating Services	134,859	153,993	14.2%	148,556	-3.5%
Operating Supplies	4,043	5,998	48.3%	5,315	-11.4%
Professional Services	95,457	67,421	-29.4%	63,136	-6.4%
Interagency Transfers	9,977	13,049	30.8%	16,837	29.0%
Capital Outlay	4,292	32,846	665.3%	1,020	-96.9%
TOTAL EXPENDITURES	\$1,108,803	\$1,197,791	8.0%	\$1,159,438	-3.2%
TOTAL NET REVENUE	\$1,136,460	\$1,252,341	10.2%	\$1,378,459	10.1%





APPENDIX *tax collections and trends*

*See the 2005-2006 Tax Collection Report for more detailed tax collection information.

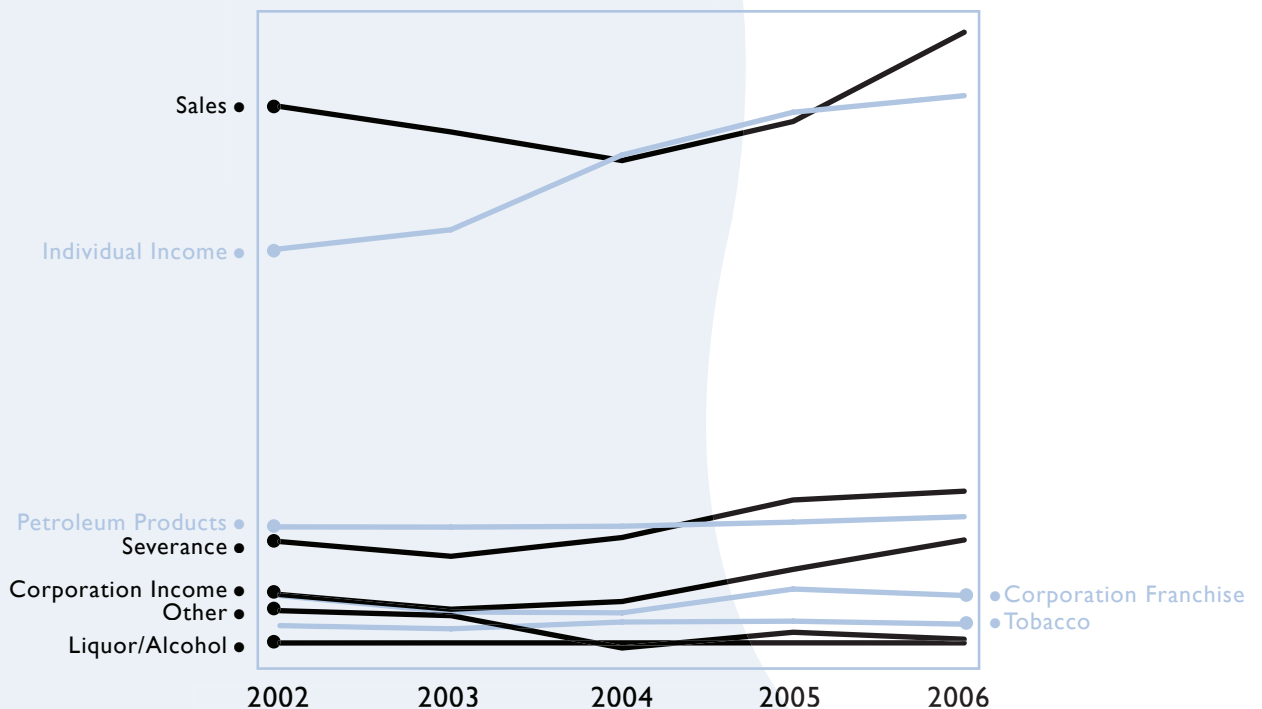
TAX CASH COLLECTIONS

appendix

FIVE-YEAR COMPARISON of MAJOR TAXES

Collections (In Millions)	FY 02	FY 03	FY 04	FY 05	FY 06
Sales	\$2,404	\$2,292	\$2,166	\$2,338	\$2,731
Individual Income	1,779	1,863	2,192	2,380	2,453
Severance	496	431	514	680	719
Corporation Franchise	260	187	183	290	261
Corporation Income	264	99	233	375	505
Petroleum Products	560	559	563	582	607
Liquor/Alcohol	51	53	53	54	53
Tobacco	128	113	145	149	135
Other	195	173	29	99	68

FIVE-YEAR COMPARISON of MAJOR TAXES

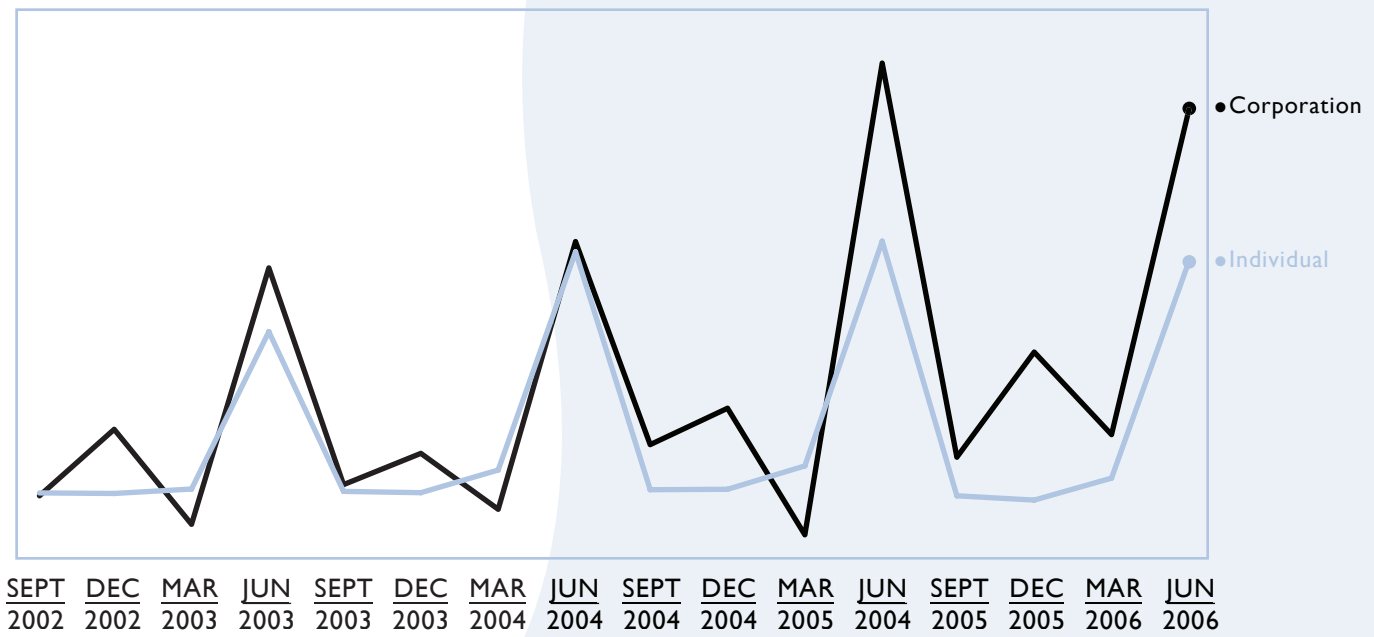


MAJOR STATE TAX RECEIPTS TRENDS (corporation & individual)

appendix

Tax Type	Sept 02	Dec 02	Mar 03	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04
Corporation	\$26,867,702	\$96,387,262	-\$2,965,447	\$265,283,583	\$38,539,251	\$71,239,628	\$12,747,802	\$292,867,926
Individual	\$29,863,509	\$29,274,658	\$33,919,109	\$198,562,471	\$31,450,253	\$30,081,797	\$53,824,262	\$282,151,713

Tax Type	Sept 04	Dec 04	Mar 05	Jun 05	Sep 05	Dec 05	Mar 06	Jun 06
Corporation	\$80,390,905	\$118,463,677	-\$13,965,912	\$479,633,488	\$67,255,170	\$177,218,044	\$90,906,824	\$430,636,363
Individual	\$33,211,388	\$33,649,945	\$58,098,933	\$293,258,169	\$26,848,378	\$22,335,160	\$45,327,440	\$272,010,324

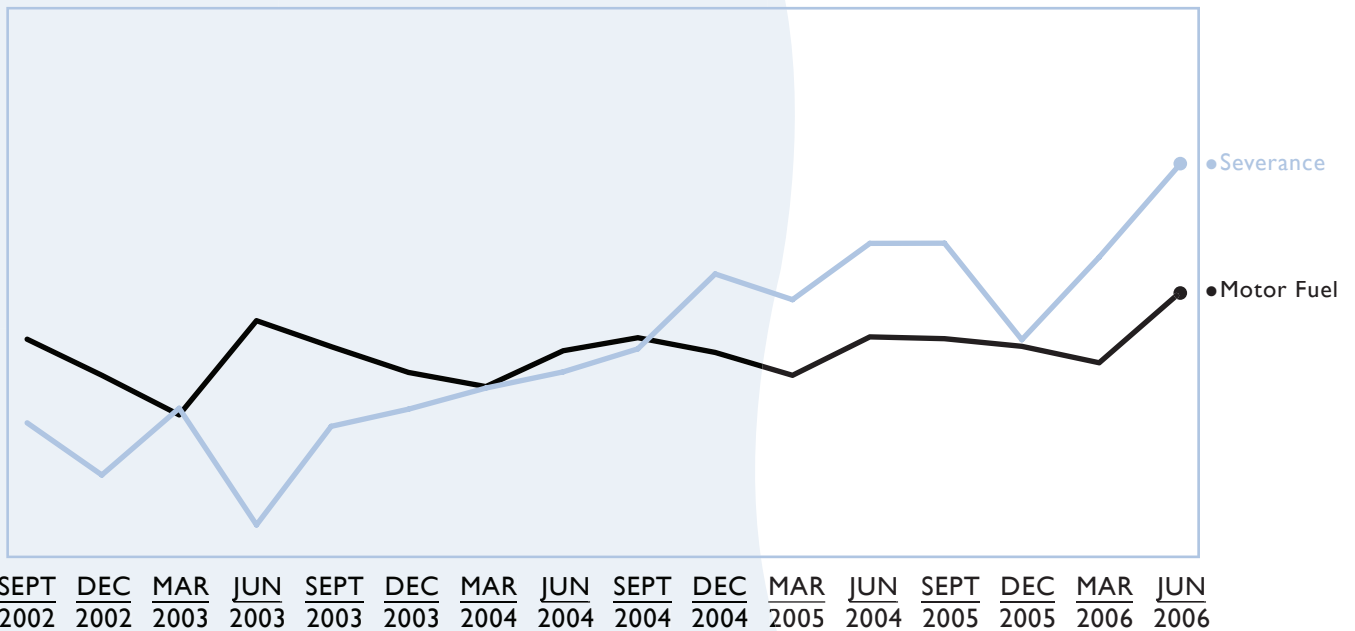


MAJOR STATE TAX RECEIPTS TRENDS (motor fuels & severance)

appendix

Tax Type	Sept 02	Dec 02	Mar 03	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04
Motor Fuel	\$149,418,897	\$136,848,002	\$123,036,621	\$155,895,011	\$146,840,449	\$137,837,955	\$132,903,539	\$145,402,708
Severance	\$120,243,313	\$102,057,622	\$125,330,243	\$84,652,253	\$119,035,958	\$125,024,828	\$132,386,424	\$138,040,296

Tax Type	Sept 04	Dec 04	Mar 05	Jun 05	Sep 05	Dec 05	Mar 06	Jun 06
Motor Fuel	\$149,956,168	\$144,812,205	\$136,834,055	\$150,241,341	\$149,613,979	\$146,947,650	\$141,211,311	\$164,668,207
Severance	\$146,062,000	\$172,197,204	\$163,223,579	\$182,864,477	\$182,923,552	\$149,247,049	\$178,048,034	\$209,040,073

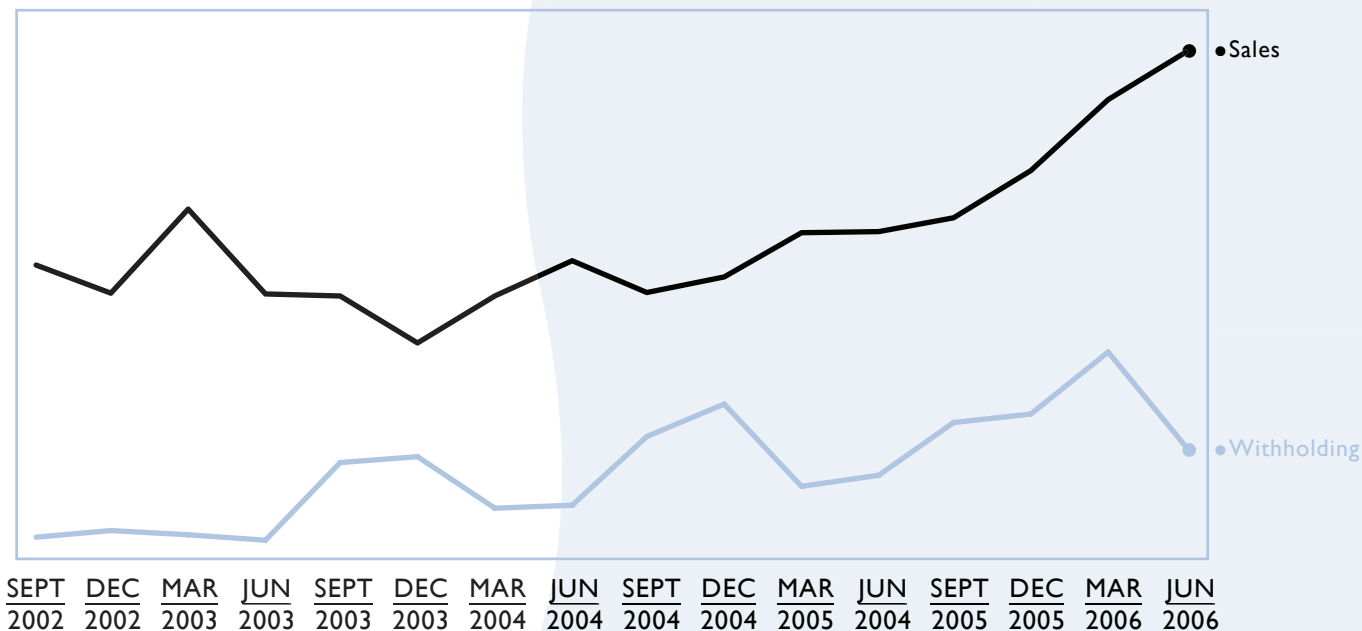


MAJOR STATE TAX RECEIPTS TRENDS (sales & withholding)

appendix

Tax Type	Sept 02	Dec 02	Mar 03	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04
Sales	\$575,389,909	\$550,914,478	\$624,200,855	\$550,210,248	\$548,440,690	\$507,496,646	\$548,480,281	\$579,203,154
Withholding	\$338,116,578	\$343,862,122	\$340,210,261	\$335,452,363	\$403,191,004	\$408,316,774	\$363,396,458	\$365,962,878

Tax Type	Sept 04	Dec 04	Mar 05	Jun 05	Sep 05	Dec 05	Mar 06	Jun 06
Sales	\$551,468,305	\$565,052,470	\$603,624,604	\$604,598,438	\$616,614,367	\$657,790,933	\$719,713,524	\$760,952,359
Withholding	\$425,876,494	\$454,180,028	\$382,443,887	\$392,111,636	\$438,072,310	\$445,479,663	\$499,554,773	\$417,452,033



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