

<http://www.revenue.state.mn.us>

### AT A GLANCE

- In 2015, the Department of Revenue:
- Employed 1,350 people across the state
- Processed 2.9 million individual income tax returns
- Collected \$21.3 billion in state taxes annually to fund state and local programs
- Collected \$10.4 billion in individual income taxes
- Collected \$5.4 billion in sales taxes
- Collected \$8.4 billion in statewide property taxes
- Helped 160,000 businesses collect sales tax
- Assisted 3,420 local governments with tax administration
- Answered 765,000 phone calls and helped another 425,000 customers by email or in-person
- Served 2.8 million visitors (20 million page views) through our website

### PURPOSE

The Minnesota Department of Revenue's mission is "working together to fund Minnesota's future." Our vision is that everyone reports, pays and receives the right amount: no more, no less.

We work with individuals, businesses, local governments, federal and state agencies, tax professionals, and others to administer 31 state taxes. We collect over \$21 billion in state taxes annually to fund state and local programs.

We also collect debt owed to state agencies and local governments. We oversee the uniform application of property tax laws by local governments, administer state property tax refund and relief programs, and make state aid payments to counties, cities, towns, and special taxing districts through 31 state programs.

### Funding Minnesota

The revenue we collect is allocated through the budget process to fund a wide range of state and local programs – education, health care, roads and bridges, transit, parks and trails, prisons, public safety, job training, economic development, and local government services, among others.

The department's budget is organized into two major programs: Tax System Management and Debt Collection Management.

Tax System Management includes:

- administration of state taxes
- appeals, legal services and tax research
- property tax administration and state aids
- tax payment and return processing
- operational support
- technology development, implementation and support

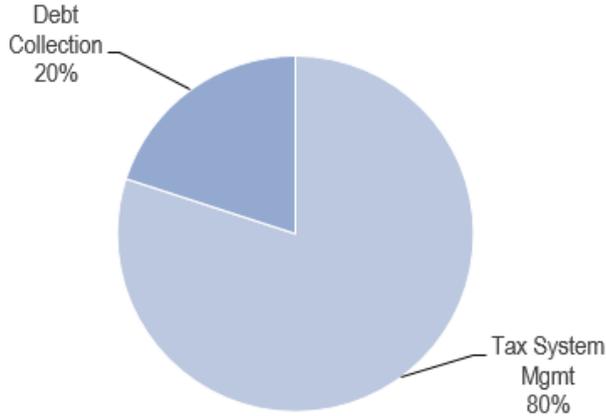
Debt Collection Management includes collecting delinquent tax debts and debts owed to other state agencies.

These programs directly contribute to and support the statewide outcome of efficient and accountable government services. In addition, the revenue we collect supports other statewide outcomes, including:

- A thriving economy that encourages business growth and employment opportunities
- Minnesotans have the education and skills needed to achieve their goals
- All Minnesotans have optimal health
- Strong and stable families and communities
- People in Minnesota are safe
- A clean, healthy environment with sustainable uses of natural resources
- Sustainable options to safely move people, goods, services and information

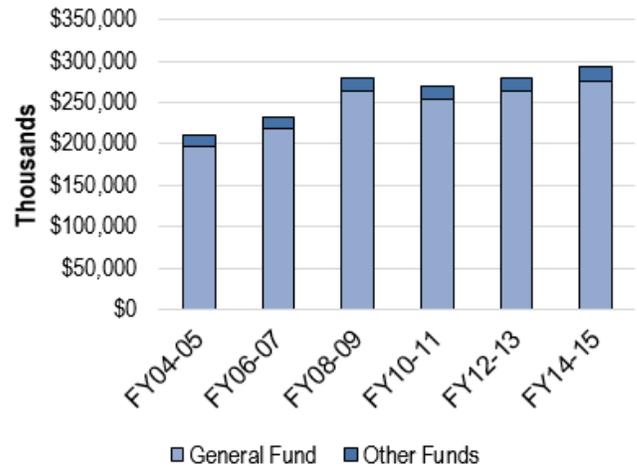
## BUDGET

### Spending by Program FY 15 Actual



Source: SWIFT

### Historical Spending



Source: Consolidated Fund Statement

## STRATEGIES

To achieve our mission we have identified the following Department of Revenue strategies:

1. Provide customers with information, education, and services.
2. Create operational efficiencies and leverage technology to secure customer information, and to meet customer and employee needs.
3. Enforce the tax laws by identifying and addressing patterns of non-compliance.
4. Listen to our customers, identify and develop improvements to the revenue system.
5. Foster a productive, innovative, and healthy work environment that provides opportunities for growth and development.

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M.S. 270C.03 establishes the Department of Revenue's legal authority. ([www.revisor.mn.gov/statutes/?id=270C.03](http://www.revisor.mn.gov/statutes/?id=270C.03)).

**Program: Tax System Management**[www.revenue.state.mn.us](http://www.revenue.state.mn.us)**AT A GLANCE**

In 2015, the Minnesota Department of Revenue:

- Processed 2.9 million individual income tax returns
- Collected \$21.3 billion in state tax and fee revenue
- Interacted with 680,000 corporations, S corporations, partnerships, and other businesses
- Issued 830,000 property tax refunds
- Helped 160,000 businesses collect sales tax
- Held 48 community outreach events, connecting with over 12,000 customers, many representing minority or low-income communities
- Provided over 150 free classes for business taxpayers and tax preparers
- Attended 7 events for military service members and families to promote their eligibility for tax benefits

**PURPOSE & CONTEXT**

The Department of Revenue (DOR) Tax System Management program provides the technology and human resources needed to administer tax laws.

The program provides tax information and education, filing and paying services, property tax and state aid administration, and tax enforcement.

These Tax System Management activities help ensure that individuals, businesses, and policymakers have:

- Information and services they need to accurately, voluntarily, and conveniently fulfill their tax filing and paying obligations
- Confidence that everyone reports, pays and receives the right amount: no more or no less
- Accurate, impartial, and complete information to make informed decisions

**SERVICES PROVIDED**

DOR's Tax Management System is responsible for collecting over \$20 billion each year to fund essential services to Minnesotans including: local government and school district aid; services for children, families and seniors; early childhood, K-12, and higher education; health and human services; transportation; public safety; environmental, energy, and agricultural programs; and other important services.

Minnesota's tax system is fueled by the vast majority of people who voluntarily file and pay on time, and who rely on DOR for education and outreach; a robust and reliable filing system; and confidence in the system. When taxpayers do not meet their obligations under the law, DOR works to bring them into compliance through collection and enforcement efforts.

The department provides a variety of services in the Tax System Management program including: administration of state taxes; tax payment and return processing; appeals, legal services, and tax research; property tax administration and state aids; operational support; and technology development, implementation, and support. Each service is outlined below.

**Administration of State Taxes**

These services provide our customers with information and service; they also include enforcement efforts such as fraud prevention, audits and investigations.

State taxes include the income tax; sales and use tax; corporate franchise tax; estate tax; motor fuels excise tax; alcoholic beverage taxes; cigarette tax; tobacco products tax; controlled substances tax; mortgage registry tax; deed transfer tax; bingo, raffle and paddlewheel tax; combined receipts tax; sports bookmaking tax; insurance premium taxes; MinnesotaCare taxes; mining occupation tax; mining net proceeds tax; state property tax; air flight property tax; rural electric co-ops; and the solid waste management tax.

DOR serves a wide range of customers including, but not limited to, Minnesota individual and business taxpayers, tax professionals and preparers, local tax administrators, legislators and staff, non-profit groups, governor and staff, and members of the news media.

Key tax administration activities include:

- Providing customers with the information and services they need to voluntarily comply with tax laws
- Keeping pace with changing technology and laws
- Responding to customer inquiries, in the format desired by the taxpayer (walk-in, call-in, and click-in)
- Protecting customer data
- Effectively using state resources to appropriately identify and audit noncompliant taxpayers (individual and business)

### **Tax Payment and Return Processing**

These services involve reviewing and processing paper and electronic tax returns, refunds, and payments submitted to DOR. This activity serves individual and business taxpayers, and other state agencies.

Key payment and return processing emphases include:

- Keeping pace with changing technology and fraud schemes
- Providing safe, secure, and convenient ways for filing and paying
- Accurately reviewing and processing returns, payments, and refunds
- Checking returns to prevent fraudulent returns and refunds
- Processing payments and deposits in a timely manner

### **Appeals, Legal Services and Tax Research**

These activities include:

- Providing tax policy advice to audit and collection divisions
- Analyzing proposed tax legislation and providing revenue estimates of proposed law changes
- Working with customers to review and resolve tax appeals
- Providing government officials with the research information they need to make decisions on tax law and policy
- Providing timely and accurate support and advice on tax-related legislation
- Providing legal direction and assistance to ensure the agency complies with state and federal laws and rules
- Representing the agency in court and administrative hearings

Appeals, Legal Services, and Research serve customers including, but not limited to, individual and business taxpayers, tax administrators, governor and staff, legislators and staff, state agencies, local governments, and nonprofit organizations.

### **Property Tax Administration and State Aids**

These services include the oversight and administration of Minnesota's property tax system. Although counties are responsible for the direct administration of property taxes, DOR oversees and supports the property tax system by:

- Providing education, guidance, and assistance to county assessors, auditors, and treasurers
- Overseeing local property tax administration to promote compliance and uniformity
- Administering a range of local aid payments
- Collecting, analyzing, and providing data to stakeholders
- Supporting the Minnesota State Board of Assessors

Property Tax Administration and State Aids serve customers including, but not limited to, taxpayers, local administrators, and state policymakers. These activities promote equity and uniformity throughout the state's complex property tax system.

### **Operational Support**

These services provide the overall strategic and day-to-day operational functions needed to support the agency. Activities include department leadership, human resource management, facilities management, strategic organizational planning and project management, financial management and budgeting, performance reporting, taxpayer rights advocacy, external communications, internal employee communications, and training.

Operational Support serves all department employees, individual and business taxpayers, tax administrators, the governor and staff, legislators and staff, state agencies, and local governments.

## Technology Development, Implementation and Support

DOR leverages strategic investments in technology to meet the agency's mission, vision, and strategies. In particular, investments in the Integrated Tax System and security are key priorities.

Information technology (IT) functions are provided under a service agreement with MN.IT Services. MN.IT@Revenue provides DOR with hardware, software, and information technology professionals to implement, run, and maintain the hardware and software needed to administer the tax code.

This activity serves all DOR employees and external customers of the agency by providing technology solutions that facilitate tax administration, provide for security of taxpayer data, and support continuous business improvements in taxpayer services.

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>
Result	A. Percentage of customers that file and pay on time	92.9%	92.7%
Result	B. Percentage of customers that file their tax returns electronically	81.0%	82.0%
Quantity	C. Website visits (monthly average)	469,000	486,000
Quantity	D. Outreach and educational activities	292	(est.) 275
Quantity	E. Incoming customer phone calls	713,000	765,000
Quantity	F. Revenue analyses prepared by Tax Research and Property Tax Research	951	979
Result	G. Employee turnover rate	4.7%	5.6%
Quality	H. Percentage of customers who resolved their appeal with the department without appealing to tax court	96.0%	97.6%
Result	I. Tax types that customers can file electronically	42.0%	53.0%
Quantity	J. Total returns processed (all tax types)	5.9 million	5.8 million

### Notes

- A. *Percentage of customers that file and pay on time*: (Previous is CY14; Current is CY15).
- B. *Percentage of customers that file their tax returns electronically*: (Previous is CY14; Current is CY15).
- C. *Website visits*: Number of visits per month to DOR website (Previous is CY14, Current is CY15).
- D. *Outreach and educational activities*: Number of outreach and educational activities, including educational classes, conference calls, television shows, and outreach events (Previous is CY15, Current is estimated CY16).
- E. *Incoming customer phone calls*: Number of phone calls received by DOR employees (Previous is CY14, Current is CY15).
- F. *Revenue analyses prepared by the Research Division and Property Tax Divisions*: The number of revenue analyses prepared by both Research and Property Tax in connection with tax legislation. This includes revenue analyses prepared without connecting legislation (Previous is FY13-14, current is FY15-16).
- G. *Employee turnover rate*: Percentage of DOR employees that leave each year (Previous is FY15, Current is FY16).
- H. *Percentage of customers who resolved their appeal with DOR without appealing to tax court*: (Previous is FY14, Current is FY15).
- I. *Tax types that customers can file electronically*: Percentage of state tax types that customers can completely file their returns electronically (Previous is FY13-14, Current is FY15-16).
- J. *Total returns processed*: The total number of returns processed, across all tax types (Previous is CY14, Current is CY15).

## Program: Debt Collection Management

[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

### AT A GLANCE

- AT A GLANCE
- The Minnesota Department of Revenue:
- Provides an efficient and effective centralized program for collecting debt owed to public agencies
- Collects debts owed to other government agencies in Minnesota – \$46.1 million last year (FY16)
- Collects court debt owed to Minnesota's 87 counties – \$11.6 million last year (FY16)
- Resolved 214,035 tax debt cases last year (FY16)
- Sets up payment plans for those who cannot pay their debt all at once (96,000 payment plans in 2015)
- Handles over 50,000 emails and letters each year from customers who owe debt (FY16)
- Answers over 260,000 incoming phone calls each year from customers who owe debt (FY16)

### PURPOSE & CONTEXT

The Department of Revenue (DOR) Debt Collection Management program collects tax debts and other debts owed to public agencies in the state. DOR facilitates all aspects of debt collection making it more efficient for government as a whole by centralizing the work instead of duplicating it in each agency.

This centralized approach also makes it easier for a debtor who may owe debt to multiple agencies by providing a one-stop resolution center to settle their state government debts. We help people who owe understand their obligations and work to set up payment plans when appropriate.

DOR started collecting non-tax debts for other state agencies in 1995, when legislation centralized debt collection services. In 2008, new legislation allowed local governments to refer their debts to DOR. We now collect 171 types of fees, fines, taxes, and payments for a range of public agencies, including:

- **36 State Agencies:** Including the departments of Agriculture, Corrections, Commerce, Employment and Economic Development, Health, Human Services, Labor and Industry, Military Affairs, Natural Resources, Public Safety, Revenue, Transportation, Veterans Affairs, and the Pollution Control Agency
- **10 Judicial Districts:** District Courts in each of the state's 87 counties, which are divided among 10 judicial districts for administrative purposes
- **6 Independent State Government Entities:** Attorney General's Office, Secretary of State's Office, Minnesota Indian Affairs Council, Minnesota Office of Higher Education, Minnesota State Lottery, and Minnesota State colleges and universities
- **4 State Boards:** State Campaign Finance Disclosure Board, Minnesota Client Security Board, Iron Range Resource Rehabilitation Board, and State Veterans Home Board
- **2 Public Employee Retirement Agencies:** Minnesota State Retirement System and Public Employees Retirement Association
- **Local Governments:** County human or social services agencies, local or county hospitals and ambulance services

### SERVICES PROVIDED

#### Collection Process

When a debt is not paid to Minnesota, a state agency, or a local jurisdiction, that debt is referred to DOR. The collection process begins with DOR sending the customer a notice with details on the debt, their rights, and how they can resolve the debt. Many customers work with us at this point to resolve their debt by making a full payment or by setting up a payment plan. If the customer fails to respond to the written notice, DOR takes actions to collect the debt.

The department ensures that everyone reports, pays, and receives the right amount by:

- Printing letters, processing payments and returns, registering customers in the system, making financial adjustments, and handling and distributing incoming correspondence
- Reconciling accounts and issuing payments to banks, the general fund, and other agencies
- Issuing legal opinions, providing representation on legal matters, resolving internal and tax court appeals and administrative hearings
- Programming the technical systems needed to track and process debts
- Protecting customer data
- Communicating and reaching out to the public through direct and digital communication and in the news media

### Helping Customers

A large part of DOR’s role is helping customers understand their obligation and working to get – and keep – them in compliance. To do that, DOR provides education and outreach to customers through training and education events, informational literature, videos, website, marketing, and more. We work with customers who cannot pay their debt all at once to set up payment plans; we set up 96,000 payment plans in 2015.

DOR interacts with customers in a variety of ways. In fiscal year 2016, our collection staff handled:

- 262,120 telephone calls
- 2,092 walk-in customers
- 11,716 customer emails
- 4,439 emails from other agencies
- 41,466 letters from customers

### Revenue Recapture

DOR also administers the Revenue Recapture program, which allows other government agencies, municipal hospitals, and ambulances to file a claim with DOR for an amount owed to them. Once a claim is filed, DOR will remit (“offset”) the amount due to the agency from the debtor’s individual income tax refund. Last year, agencies using Revenue Recapture reclaimed \$79.8 million for these client agencies.

## RESULTS

<b><i>Performance Measure</i></b>	<b><i>Previous</i></b>	<b><i>Current</i></b>	<b><i>Trend</i></b>
A. Accounts Receivable Tax Debt Revenue Collected	\$271.4 million	\$271.2 million	Stable
B. Accounts Receivable Other Agency Debt Revenue Collected	\$49 million	\$46 million	Decreasing

### Notes

- Accounts Receivable Tax Debt Collected:* The amount of dollars collected and applied to the total delinquent tax debt owed. (Previous is FY15; Current is FY16)
- Accounts Receivable Other Agency Debt Revenue Collected:* The amount of dollars collected and applied to the total delinquent other agency debt owed. This includes the fee amount that is transferred to the general fund. (Previous is FY15; Current is FY16)