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www.revenue.state.mn.us

AT A GLANCE

- Employ over 1,400 people across the state.
- Process 2.7 million individual income tax returns.
- Collect \$20.5 billion in state taxes annually to fund state and local programs.
- Collect \$9 billion in individual income taxes each year.
- Collect \$5 billion in sales taxes each year.
- Collect \$811 million in statewide property taxes.
- Help 155,000 businesses collect sales tax.
- Assist 3,420 local units of government with tax administration.
- Answer 675,000 phone calls each year.
- Serve 2.2 million visitors through our website (17 million page views) each year.

PURPOSE

The mission of the Minnesota Department of Revenue 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 together with individuals, businesses, local governments, federal and state agencies, tax professionals, and others to administer 31 state taxes. We collect \$20.5 billion in state taxes annually to fund state and local programs.

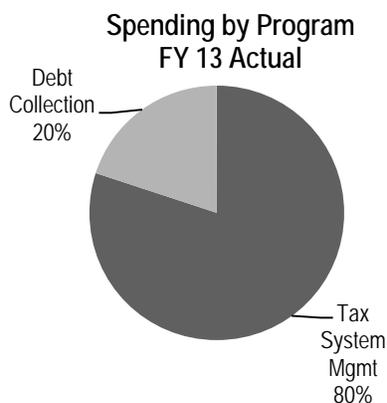
We also collect debt owed to state agencies and local governments. We oversee the uniform application of property tax laws by local governments, administer state property tax refund and relief programs, and make state aid payments to counties, cities, towns, and special taxing districts through 29 state programs.

The revenue we collect is allocated through the budget process to fund education, health care, roads and bridges, transit, parks and trails, prisons, public safety, job training, economic development, local government services, and other programs.

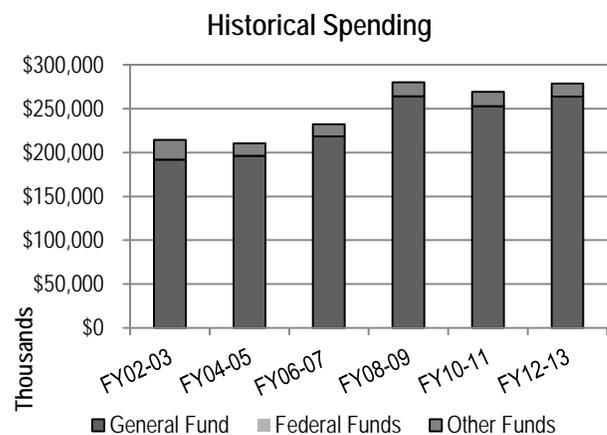
Our budget is organized into two major programs: Tax System Management and Debt Collection Management. Tax System Management includes the administration of state taxes; appeals, legal services and tax research; property tax administration and state aids payment; tax payment and return processing; operational support and technology development and support. The Debt Collection Management program includes tax and other agency debt collections.

Our programs contribute to and support the statewide outcome of **efficient and accountable government services**. In addition, we collect revenue to support the statewide outcomes of: **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; and Sustainable options to safely move people, goods, services and information.**

BUDGET



Source: SWIFT



Source: Consolidated Fund Statement

95% of the Department of Revenue’s budget is comprised of the general fund. The remaining 5% is comprised of funds from services provided to other entities.

STRATEGIES

To achieve our mission we have identified the following strategies.

Minnesota 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.

The Department of Revenue's legal authority comes from Minnesota Statutes §270C.03.

[\(https://www.revisor.mn.gov/statutes/?id=270C.03/\)](https://www.revisor.mn.gov/statutes/?id=270C.03/)

Program: Tax System Managementwww.revenue.state.mn.us**AT A GLANCE**

- Processed 2.7 million individual income tax returns
- Interact with 680,000 corporations, S corporations and partnerships, non-corporation and non-partnership businesses
- Processed 715,000 property tax refunds
- Helped 155,000 businesses collect sales tax
- Held 164 outreach events connecting with over 10,000 customers, many representing minority and low-income communities in 2013
- Attended 18 events for service members and their families in 2013 to promote their eligibility for tax benefits
- Released several new or revised fact sheets and held 22 conference calls with tax professionals, businesses, media, and other stakeholders to review and explain tax law changes made during the 2013 and 2014 legislative sessions

PURPOSE & CONTEXT

The Department of Revenue's (DOR) Tax System Management program provides the technology and human resources necessary to administer tax laws. This includes providing tax information and education services, filing and paying services, property tax and state aid administration, and tax enforcement activities. DOR's Tax System Management program ensures that individuals, businesses, and policy-makers have:

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

SERVICES PROVIDED

The activities that contribute to successful Tax System Management include:

Administration of State Taxes - These services involve providing customer information and service, enforcement efforts such as fraud prevention, audits and investigations. Divisions administering these activities include Corporate Franchise, Criminal Investigations, Individual Income Tax and Withholding, Sales and Use Tax, and Special Taxes. 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 several different 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 media.

Key administration emphasis includes:

- Providing customers with the information 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 and addressing issues immediately and appropriately; and
- Effectively using state resources to appropriately identify and audit a wide range of individual and business taxpayers.

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

Key payment and return processing emphasis includes:

- 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; and

- Processing payments and deposits in a timely manner.

Appeals, Legal Services & Tax Research - These activities support tax policy development and tax administration by:

- 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; and
- 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 & State Aid - These services include the oversight and administration of Minnesota's property tax system. While counties are responsible for the direct administration of property taxes, DOR oversees and supports counties 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; and
- Collecting, analyzing, and providing data to stakeholders.

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

Operational Support - Provides the overall strategic and day-to-day operational functions necessary to support the agency. Activities include departmental leadership, human resource management, facilities management, strategic organizational planning and project management, financial management and budgeting, performance reporting, taxpayer rights advocacy, external communications, taxpayer relations, and internal employee communication 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 & Support - DOR relies heavily on technology to meet the agency's mission, vision, and strategies. Information technology (IT) functions are provided under a service agreement with MN.IT Services. MN.IT@Revenue supports 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 supports continuous business improvements in taxpayer services.

RESULTS

<i>Type of Measure</i>	<i>Performance Measures</i>	<i>Previous</i>	<i>Current</i>
Result	A. Percentage of customers that file and pay on time	91.5%	91.8%
Result	B. Percentage of customers that file their tax returns electronically	79%	80%
Result	C. Employee turnover rate	6.9%	8.3%
Quantity	D. Website visits (monthly average)	167K	183K
Quantity	E. Outreach and educational activities	590	1,058
Quantity	F. Incoming customer phone calls	645,994	674,896
Quantity	G. Revenue analyses prepared by the Research Division and Property Tax Divisions	751	951
Quality	H. Percentage of customers who resolved their appeal with the department without appealing to tax court	96.6%	96.4%
Result	I. Tax types that customers can file electronically	26%	42%
Quantity	J. Number of returns processed	5.2 million	5.2 million

Notes:

- A. *Percentage of customers that file and pay on time:* (Previous is CY12; Current is CY13).
- B. *Percentage of customers that file their tax returns electronically:* (Previous is CY12; Current is CY13).
- C. *Employee turnover rate:* Percentage of DOR employees that leave each year (Previous is FY13, Current is FY14).
- D. *Website visits:* Number of visits per month to DOR website (Previous is CY12, Current is CY13).
- E. *Outreach and educational activities:* Number of outreach and educational activities, including educational classes, conference calls, television shows, outreach events, and email blasts (Previous is CY12, Current is CY13).
- F. *Incoming customer phone calls:* Number of phone calls received and completed by DOR employees (Previous is CY12, Current is CY13).
- G. *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 FY2011-2012, current is FY2013-2014).
- H. *Percentage of customers who resolved their appeal with DOR without appealing to tax court:* (Previous is FY12, Current is FY13).
- I. *Tax types that customers can file electronically:* Percentage of state tax types that customers can completely file their returns electronically (Previous is FY2011-2012, current is FY2013-2014).
- J. *Number of returns processed:* The total number of returns processed, across all tax types (Previous is FY13, Current is FY14).

Program: Debt Collection

www.revenue.state.mn.us

AT A GLANCE

- Collect 68 different state tax debt types
- Collect 171 other agency debt types for 49 government agencies
- Collect court debt for all 87 counties
- Closed 123,743 tax debts last year (FY14)

PURPOSE & CONTEXT

The debt collection program of the Minnesota Department of Revenue (DOR) is responsible for collecting delinquent tax and other state agency debt.

There is no "one size fits all" solution to collecting these debts. The debt type, debtor, and other factors make collecting each debt unique.

The collection process begins the same for all debtors. DOR sends the customer a notification with details on the debt, customer rights, and how they can resolve the debt. If the customer fails to respond to the written letter, the collection actions vary based on many factors. Collection actions include phone calls, levies, liens, refund offsets, personal liability assessments, license revocation, liquor posting, and seizing assets depending on the circumstance. It takes several well-orchestrated functions to successfully administer debt collection. It is more than collectors collecting a debt. A team of people 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 and addressing issues immediately and appropriately; and
- Communicating and reaching out to the public through direct and digital communication and the media.

A large part of DOR's role is helping customers understand their obligation and working to get them into compliance 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.

DOR interacts with customers in a variety of ways. In fiscal year 2014, DOR handled:

- 326,508 inbound telephone calls.
- 2,363 walk-in customers.
- 12,226 customer e-mail inquiries.
- 1,785 e-mail inquiries from other agencies.
- Over 40,000 written customer inquiries.

In addition to active debt collections activities, this area is responsible for administering the Revenue Recapture program. The Revenue Recapture program allows other government agencies, municipal hospitals and ambulances to file a claim on a delinquent debtor. Once the claim is filed, DOR will remit to the agency the necessary amount instead of paying it out in an individual income tax refund. Last year, agencies using Revenue Recapture reclaimed \$81.6 million from offsetting tax refunds

SERVICES PROVIDED

DOR's Debt Collection program handles delinquent tax debts and other agency debts referred to DOR by other public agencies. DOR facilitates all aspects of debt collection making it more efficient for government as a whole by not duplicating work in multiple agencies. This also makes it easier for a debtor who may owe debt to more than one agency to resolve it in one place by providing a one stop resolution center.

This program serves a variety of customers including taxpayers, tax administrators, state legislators, tax professionals, local elected officials, state agencies and local governments.

DOR started collecting non-tax debts on behalf of other agencies in 1995, when legislation provided for a centralized debt collection service. In 2008, new legislation expanded this service to allow local governments to refer their debts to DOR. The Minnesota Department of Revenue Collection Division now collects 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
- Four State Boards: State Campaign Finance Disclosure Board, Minnesota Client Security Board, Iron Range Resource Rehabilitation Board, and State Veterans Home Board
- Two Public Employee Retirement Associations: Minnesota State Retirement System and Public Employees Retirement Association
- Six Independent State Government Entities: Attorney General's Office, Secretary of State's Office, Minnesota Individual Affairs Council, Minnesota Office of Higher Education, Minnesota State Lottery, and Minnesota State Colleges and Universities system
- Ten Judicial Districts: District Courts in each of the state's 87 counties, which are divided among ten judicial districts for administration purposes
- One program through Ramsey County collecting restitution debt

RESULTS

<i>Performance Measures</i>	<i>Previous</i>	<i>Current</i>	<i>Trend</i>
A. Accounts Receivable Tax Debt Revenue Collected	\$234 M	\$257 M	Increasing
B. Accounts Receivable Other Agency Debt Revenue Collected	\$48 M	\$49 M	Stable

Notes:

- A. *Accounts Receivable Tax Debt Collected:* The amount of dollars collected and applied to the total delinquent tax debt owed. (Previous is FY13; Current is FY14)
- B. *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 FY13; Current is FY14)