




# MINNESOTA · REVENUE



**We Serve:**

3.5 million	individual income taxpayers
500,000	property tax refund claimants
260,000	business that collect sales tax
165,000	employers that withhold income tax
58,000	corporations, 82,000 S corporations and 43,000 partnerships
50,000	fiduciary and 1,800 estate taxpayers
8,200	hospitals and health care providers
8,000	professional tax preparers
7,200	hazardous waste generators and 900 solid waste management services
3,300	local units of government

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**We collect delinquent tax and non-tax debts  
on behalf of:**

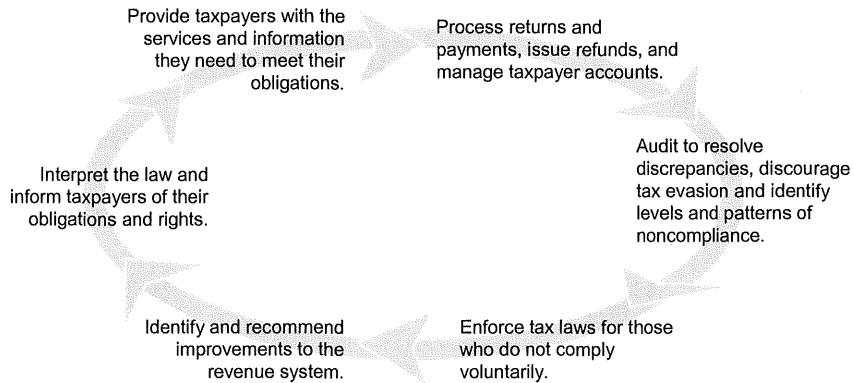
- 29 state agencies
- 4 district courts
- 4 state boards
- 2 public employee retirement associations
- 7 independent state government entities



**This year, we have**

- provided forms, instructions to more than 4 million taxpayers;
- processed over 5 million filing and payment transactions;
- answered over 500,000 phone calls;
- conducted over 94,000 audits and assessed \$270 million; and
- responded to over 37,000 e-mail inquiries.

## To ensure that the revenue system works well for Minnesota, we



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## Biennial Budget Without Initiatives

	2002-03	2004-05	2006-07
Direct Compliance	\$ 93.2 million	\$ 93.2 million	\$ 93.2 million
Compliance Support	\$100.9 million	\$ 81.3 million	\$ 74.8 million
<b>Total</b>	<b>\$194.1 million</b>	<b>\$174.5 million</b>	<b>\$168.0 million</b>

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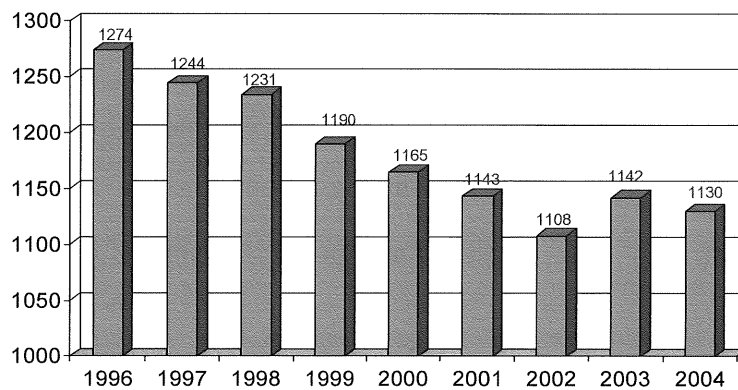
## Total Biennial Budget with Initiatives

	2002-03		2004-05		2006-07	
Direct Compliance	\$103.3 million	50.4%	\$118.1 million	59.2%	\$135.6 million	64.4%
Compliance Support	\$100.9 million	49.6%	\$ 81.3 million	40.8%	\$ 74.8 million	35.6%
<b>Total</b>	<b>\$204.2 million</b>	<b>100.0%</b>	<b>\$199.4 million</b>	<b>100.0%</b>	<b>\$210.4 million</b>	<b>100.0%</b>
Revenue from new initiatives	\$ 97.3 million (actual)		\$ 59.8 million (target)		\$ 67.9 million (target)	

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## Number of Employee (FTEs), 1996-2004



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## Key Issues

- **Improve Tax Compliance**
  - \$1.3 billion tax gap
    - \$604 million income tax gap
    - \$693 million sales tax gap by 2007
  - Tax enforcement initiatives:
    - 2003-04 generated \$90.7 million, or \$30.7 million more than expected.
    - 2004-05 – raised \$63.9 million by November 2004, or \$4 million more than original goal with 7 months remaining in the biennium.
- **Modernizing the Tax System**
  - Streamlined Sales Tax Project
  - Self-service tools for business and individuals

## Key Issues, cont.

- **Growth in Delinquencies**
  - Delinquent tax collections up 52% since 1998
  - However, delinquent taxes up 59% during the same period
- **Modernizing Computer Systems**
  - Replace outdated systems that are costly to maintain
  - Protecting taxpayer information
    - risk assessment process in place
  - Supporting compliance
    - data warehouse
    - non-filer detection

## 2006-07 Biennial Budget Stepped-up Enforcement Activities

### New Funding:

**FY 2006**                      **\$ 5.8 million**

**FY 2007**                      **\$ 7.5 million**

**Total**                              **\$13.3 million**

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**Projected Revenue:**              **\$67.9 million**

### The department's budget reductions will:

- avoid reductions in activities that have a direct impact on state revenue collections;
- cut investments in technology development and infrastructure; and
- reduce rents for office facilities located in our main building.

**Department of Revenue  
Collection Division  
Other Agency Debt Information**

**State Agencies:**

1. DEED
2. Department of Human Services
3. Department of Public Safety
4. Department of Public Service
5. Department of Labor and Industry
6. Department of Administration
7. Department of Natural Resources
8. Commerce Utilities
9. MN Pollution Control Agency
10. University of Minnesota
11. Department of Health
12. Department of Agriculture
13. Department of Commerce
14. Minnesota State Lottery
15. Department of Environment Health
16. Department of Corrections
17. Department of Transportation
18. Department of Finance
19. Department of Military Affairs
20. Department of Health/policy
21. Department of Veteran Affairs
22. Department of Revenue
23. Department of Human Rights

**District Courts:**

1. Hennepin County District Courts
2. Ramsey County District Courts
3. St. Louis County District Courts
4. Stearns County District Courts

**State Boards:**

1. Minnesota Client Security Board
2. Board of Architecture, Engineering Land Surveying, Landscape Architecture, Geo-science and Interior Design
3. Veterans Home Board
4. State Campaign Finance Disclosure Board
5. Iron Range Resources and Rehabilitation Board

**Pension Associations:**

1. Minnesota State Retirement System
2. Public Employee Retirement Account

In the near future we will be collecting for TRA – Teachers Retirement Association.

**7 Independent State Government Entities:**

1. Attorney General's Office
2. Secretary of State
3. Minnesota Indian Affairs Council
4. Higher Education Service Organization (HESO)
5. Minnesota State Lottery
6. Minnesota State colleges and university systems (MNSCU)
7. Minnesota Office of Environmental Assistance