

Minnesota Revenue System

2002

Performance

January 2003

MINNESOTA • REVENUE

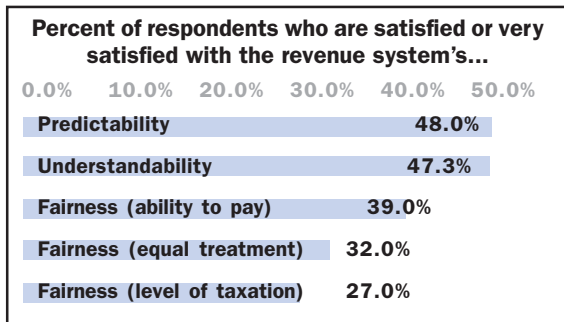
Our mission is to make the revenue system work well for Minnesotans. We know we're succeeding when

1 The revenue system works well, in policy and operation.

How do we know when the revenue system is working well? We track its efficiency, fairness and cost; we also ask citizens to weigh in with their opinions.

Revenue system policy measures

How satisfied are citizens? In 2001, taxpayers were surveyed on their perceptions of and satisfaction with the state's revenue system. The results, below, establish a baseline for charting future progress.



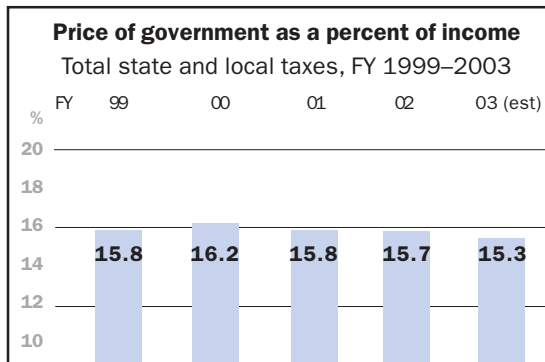
How does Minnesota compare? The Minnesota Taxpayers Association compiles information on state rankings of the major taxes. This information compares the general level of taxation among states, and provides an important benchmark for evaluating changes in tax and spending policy.

Minnesota's tax rank per \$1,000 of income

	Income	Sales	Property	Overall
2000*	5	33	27	8
1999	3	32	24	5
1998	5	31	16	6
1997	3	29	20	5
1996	3	26	19	5
1995	5	28	15	5

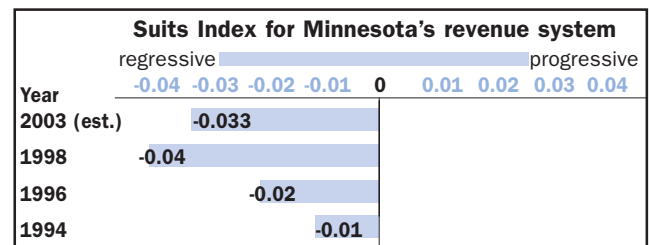
*2000 rankings are preliminary.

How much does government cost? The price of government measures total state and local revenues from all major sources as a percent of state personal income. In FY 2002, total state, local and school district revenues neared \$27 billion, and total state personal income was \$165 billion. In FY 2002, 15.7 cents of every dollar of personal income went to pay for state and local taxes.



How fair is the revenue system? A proportional tax is borne evenly by individuals at all income brackets. If a tax is borne more heavily by individuals in high income tax brackets, it is progressive. It is regressive if it falls primarily on individuals in lower income brackets.

The Suits Index, below, rates tax systems on their "proportionality": it gives a proportional tax system a value equal to zero. A progressive system is given a number greater than zero, and a regressive system, a number less than zero. Overall, Minnesota's state and local revenue system has become more regressive in recent years, although last year's tax reform measures will help reverse this trend.

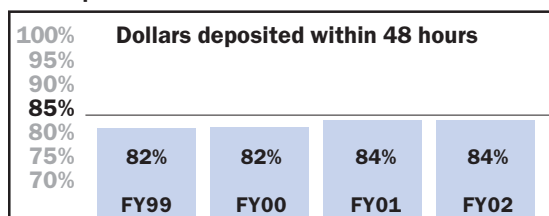


Revenue system operation measures

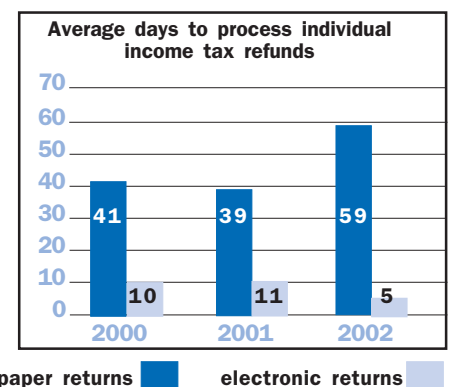
How efficient are revenue system operations?

One measure is the length of time it takes to deposit tax payments. (The sooner money is deposited, the more interest the state earns.)

Our goal: 85 percent deposited within 48 hours of receipt.



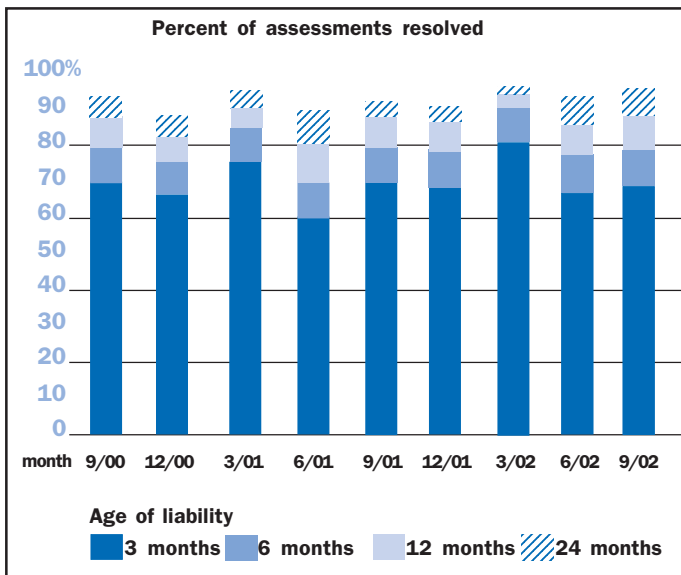
Where's my refund? We track how long it takes to process individual income tax refunds. Besides measuring the efficiency of our processing system, refund turnaround times indicate customer satisfaction. For returns filed by April 15, 2002, refunds from electronically filed returns took 5 days; for paper returns, it was 59 days. The department's new processing system, launched in 2002, continues to improve, and we expect that the time needed to process paper returns will be significantly lower in the 2003 filing season.



2 Everyone pays the right amount—no more, no less.

Compliance activities, including auditing and collections, help ensure that everyone pays the right amount—no more, no less.

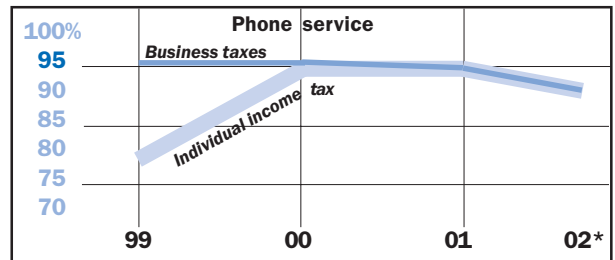
How long does it take us to collect delinquent taxes—and how much is collected? The department is responsible for ensuring that all liabilities are collected. Each quarter, we check on the status of assessments made two years earlier. The graph below shows what percent of liabilities have been resolved within three months of assessment; within six months of assessment; within one year of assessment; and within two years of assessment. **Our goal is to resolve 95 percent of liabilities within two years of assessment.**



3 Filing, paying, refunds and information are timely, accurate, convenient.

By providing good service and information, we help make filing and paying as painless as possible.

How hard is it to reach us? With 1.5 million phone calls per year, **our goal is to answer 95 percent** the first time. The response rate for individual income tax rose from 78 percent in 1999 to 96 percent in 2001, but then dipped to 91 percent for the first 11 months of 2002. For business tax calls, the rate dropped from 95 percent in 2001 to 92 percent for 2002 (through November). These lower response rates are due to reduced staffing caused by budget constraints.

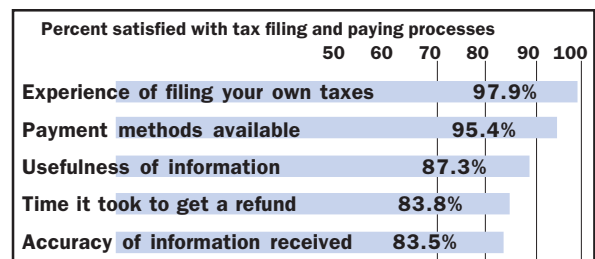


Business tax calls include business registration, withholding, and sales and use tax.

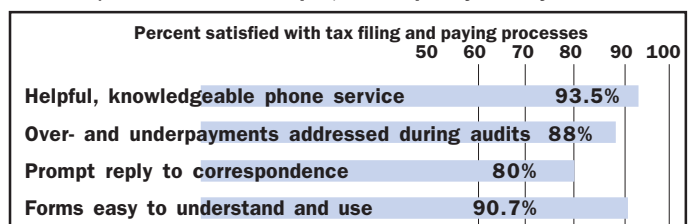
*Through November 02

How satisfied are taxpayers? Business and individual taxpayers are surveyed on their satisfaction with the filing and paying processes. **Our goal for 2003 is to increase the “satisfied” or “very satisfied” responses in each category.**

2001 Taxpayer satisfaction survey—Individuals

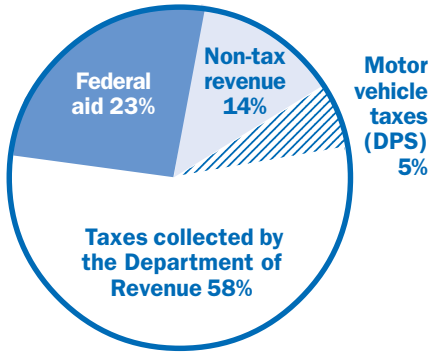


2001/2002 Customer input, audit quality surveys—Businesses

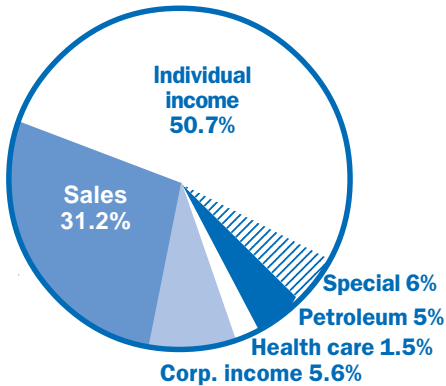


The Minnesota Department of Revenue *at a glance*

Minnesota's revenue from all sources: \$21 billion.

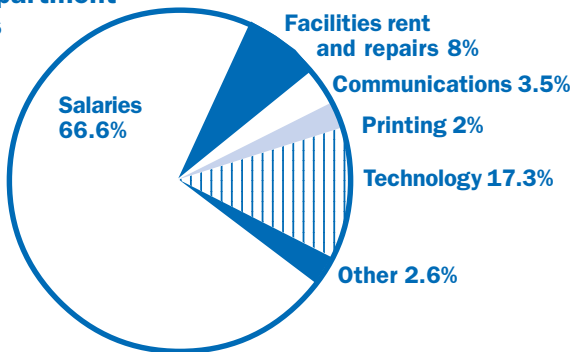


Of that amount, the Department of Revenue collects \$12.7 billion.



The department administers 28 taxes. Cost to collect \$100 of taxes: 77¢

How the Department of Revenue's budget is allocated:



In 2002, we received:

1.5 million individual income tax and business tax phone calls

2.2 million visits to Revenue's website

4 million pieces of mail

How to contact us:

General information
651-296-3781

TDD/TTY: call 711 for Minnesota Relay

www.taxes.state.mn.us

