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## Minnesota Department of Revenue

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**AT A GLANCE**

In 2017, the Department of Revenue:

- Employed 1,375 people across the state
- Processed 3 million individual income tax returns
- Collected \$23.9 billion in state taxes annually to fund state and local programs
- Collected \$10.9 billion in individual income taxes
- Collected \$5.8 billion in sales taxes
- Collected \$859 million in statewide property taxes
- Assisted 315,000 businesses collect sales tax
- Assisted 3,429 local governments with tax administration
- Responded to over 717,000 phone calls and helped another 168,000 customers by email or in-person
- Served 3 million visitors (20 million page views) through our website

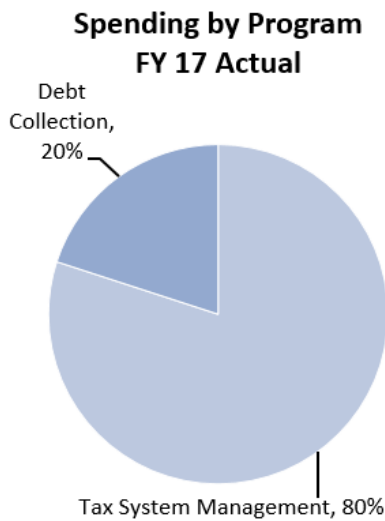
**PURPOSE**

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.

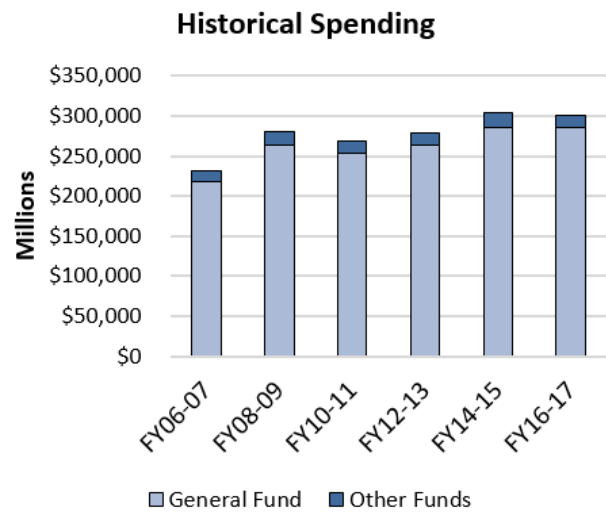
We work with individuals, businesses, local governments, federal and state agencies, tax professionals, and others to administer 31 state and local taxes. We collect over \$23 billion in state taxes annually to fund state and local programs.

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.

**BUDGET**



Source: Budget Planning & Analysis System (BPAS)



Source: Budget Planning & Analysis System (BPAS)

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 the following activities:

- Tax Payment and Return Processing
- Administration of State Taxes
- Appeals, Legal Services, and Tax Research
- Agency-wide Operations Support and Oversight

Debt Collection Management collects delinquent tax debts and debts owed to other state agencies. Key activities include:

- Helping customers understand and resolve their state tax and other government agency debts
- Using the collection process when customers do not voluntarily work to resolve their debts

Together, 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

## 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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**Legal Citation:** 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))

# Revenue

# Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b><u>Expenditures by Fund</u></b>								
1000 - General	132,606	152,123	143,283	166,917	157,328	157,328	165,710	167,390
2000 - Restrict Misc Special Revenue	3,675	3,406	4,915	9,952	7,329	7,329	7,690	7,967
2360 - Health Care Access	1,597	1,901	1,749	1,754	1,760	1,760	1,760	1,760
2710 - Highway Users Tax Distribution	2,040	2,296	2,184	2,190	2,195	2,195	2,195	2,195
2800 - Environmental	289	317	303	304	305	305	305	305
<b>Total</b>	<b>140,207</b>	<b>160,044</b>	<b>152,434</b>	<b>181,117</b>	<b>168,917</b>	<b>168,917</b>	<b>177,660</b>	<b>179,617</b>
Biennial Change				33,300		4,283		23,726
Biennial % Change				11		1		7
Governor's Change from Base								19,443
Governor's % Change from Base								6
<b><u>Expenditures by Program</u></b>								
Tax System Management	111,748	128,531	122,202	147,973	138,932	138,932	146,975	148,232
Debt Collection Management	28,459	31,512	30,232	33,144	29,985	29,985	30,685	31,385
<b>Total</b>	<b>140,207</b>	<b>160,044</b>	<b>152,434</b>	<b>181,117</b>	<b>168,917</b>	<b>168,917</b>	<b>177,660</b>	<b>179,617</b>
<b><u>Expenditures by Category</u></b>								
Compensation	104,142	111,120	114,625	124,205	121,197	121,197	129,861	131,897
Operating Expenses	35,499	46,626	37,209	56,340	47,148	47,148	47,227	47,148
Grants, Aids and Subsidies	399	401	400	400	400	400	400	400
Capital Outlay-Real Property	34	1,248	(11)					
Other Financial Transaction	133	648	210	172	172	172	172	172
<b>Total</b>	<b>140,207</b>	<b>160,044</b>	<b>152,434</b>	<b>181,117</b>	<b>168,917</b>	<b>168,917</b>	<b>177,660</b>	<b>179,617</b>
Total Agency Expenditures	140,207	160,044	152,434	181,117	168,917	168,917	177,660	179,617
Internal Billing Expenditures		115						
<b>Expenditures Less Internal Billing</b>	<b>140,207</b>	<b>159,928</b>	<b>152,434</b>	<b>181,117</b>	<b>168,917</b>	<b>168,917</b>	<b>177,660</b>	<b>179,617</b>
<b><u>Full-Time Equivalent</u></b>								
	<b>1,323.28</b>	<b>1,383.94</b>	<b>1,392.01</b>	<b>1,509.98</b>	<b>1,421.40</b>	<b>1,371.77</b>	<b>1,518.66</b>	<b>1,492.10</b>

# Revenue

# Agency Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b>1000 - General</b>								
Balance Forward In		8,933		9,150				
Direct Appropriation	140,228	143,235	151,919	156,073	156,434	156,434	164,816	166,496
Open Appropriation	922	518	624	2,260	1,000	1,000	1,000	1,000
Transfers In			9,692	12,285				
Transfers Out	47	563	9,804	12,391	106	106	106	106
Cancellations		0		460				
Balance Forward Out	8,497		9,149					
<b>Expenditures</b>	<b>132,606</b>	<b>152,123</b>	<b>143,283</b>	<b>166,917</b>	<b>157,328</b>	<b>157,328</b>	<b>165,710</b>	<b>167,390</b>
Biennial Change in Expenditures				25,471		4,456		22,900
Biennial % Change in Expenditures				9		1		7
Governor's Change from Base								18,444
Governor's % Change from Base								6
Full-Time Equivalents	1,250.78	1,311.48	1,315.01	1,399.48	1,315.40	1,269.49	1,409.53	1,382.73

## 2000 - Restrict Misc Special Revenue

Balance Forward In	3,249	4,491	6,165	7,767	5,143	5,142	5,143	5,142
Receipts	4,917	5,080	6,518	7,328	7,328	7,328	7,689	7,966
Transfers In			6,165					
Transfers Out			6,165					
Balance Forward Out	4,491	6,165	7,768	5,143	5,142	5,141	5,142	5,141
<b>Expenditures</b>	<b>3,675</b>	<b>3,406</b>	<b>4,915</b>	<b>9,952</b>	<b>7,329</b>	<b>7,329</b>	<b>7,690</b>	<b>7,967</b>
Biennial Change in Expenditures				7,785		(209)		790
Biennial % Change in Expenditures				110		(1)		5
Governor's Change from Base								999
Governor's % Change from Base								7
Full-Time Equivalents	30.41	29.55	39.00	72.75	69.57	67.12	72.70	74.21

## 2360 - Health Care Access

Balance Forward In		152						
Direct Appropriation	1,749	1,749	1,749	1,754	1,760	1,760	1,760	1,760
Transfers In			290	290				
Transfers Out			290	290				
Cancellations		0						

# Revenue

# Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Balance Forward Out	152							
<b>Expenditures</b>	<b>1,597</b>	<b>1,901</b>	<b>1,749</b>	<b>1,754</b>	<b>1,760</b>	<b>1,760</b>	<b>1,760</b>	<b>1,760</b>
Biennial Change in Expenditures				5		17		17
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	17.45	18.93	16.20	16.00	15.44	14.90	15.44	14.90

## 2710 - Highway Users Tax Distribution

Balance Forward In		144	0					
Direct Appropriation	2,183	2,183	2,184	2,190	2,195	2,195	2,195	2,195
Transfers In			343	343				
Transfers Out			343	343				
Cancellations		31						
Balance Forward Out	143							
<b>Expenditures</b>	<b>2,040</b>	<b>2,296</b>	<b>2,184</b>	<b>2,190</b>	<b>2,195</b>	<b>2,195</b>	<b>2,195</b>	<b>2,195</b>
Biennial Change in Expenditures				38		16		16
Biennial % Change in Expenditures				1		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	21.28	19.88	18.58	18.50	17.85	17.23	17.85	17.23

## 2800 - Environmental

Balance Forward In		14						
Direct Appropriation	303	303	303	304	305	305	305	305
Cancellations		0						
Balance Forward Out	14							
<b>Expenditures</b>	<b>289</b>	<b>317</b>	<b>303</b>	<b>304</b>	<b>305</b>	<b>305</b>	<b>305</b>	<b>305</b>
Biennial Change in Expenditures				1		3		3
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.36	4.10	3.22	3.25	3.14	3.03	3.14	3.03

# Revenue

# Agency Change Summary

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
<b>Direct</b>				
<b>Fund: 1000 - General</b>				
FY2019 Appropriations	156,073	156,073	156,073	312,146
<b>Base Adjustments</b>				
All Other One-Time Appropriations		(12)	(12)	(24)
Pension Allocation		373	373	746
Approved Transfer Between Appropriation		0	0	0
<b>Forecast Base</b>	<b>156,073</b>	<b>156,434</b>	<b>156,434</b>	<b>312,868</b>
<b>Change Items</b>				
Operating Adjustment		4,165	7,209	11,374
Minnesota's Response to the 2017 Federal Tax Changes		4,217	2,853	7,070
<b>Total Governor's Recommendations</b>	<b>156,073</b>	<b>164,816</b>	<b>166,496</b>	<b>331,312</b>
<b>Fund: 2360 - Health Care Access</b>				
FY2019 Appropriations	1,754	1,754	1,754	3,508
<b>Base Adjustments</b>				
Pension Allocation		6	6	12
Approved Transfer Between Appropriation		0	0	0
<b>Forecast Base</b>	<b>1,754</b>	<b>1,760</b>	<b>1,760</b>	<b>3,520</b>
<b>Total Governor's Recommendations</b>	<b>1,754</b>	<b>1,760</b>	<b>1,760</b>	<b>3,520</b>
<b>Fund: 2710 - Highway Users Tax Distribution</b>				
FY2019 Appropriations	2,190	2,190	2,190	4,380
<b>Base Adjustments</b>				
Pension Allocation		5	5	10
Approved Transfer Between Appropriation		0	0	0
<b>Forecast Base</b>	<b>2,190</b>	<b>2,195</b>	<b>2,195</b>	<b>4,390</b>
<b>Total Governor's Recommendations</b>	<b>2,190</b>	<b>2,195</b>	<b>2,195</b>	<b>4,390</b>
<b>Fund: 2800 - Environmental</b>				
FY2019 Appropriations	304	304	304	608
<b>Base Adjustments</b>				
Pension Allocation		1	1	2
<b>Forecast Base</b>	<b>304</b>	<b>305</b>	<b>305</b>	<b>610</b>
<b>Total Governor's Recommendations</b>	<b>304</b>	<b>305</b>	<b>305</b>	<b>610</b>
<b>Open</b>				
<b>Fund: 1000 - General</b>				
FY2019 Appropriations	2,260	2,260	2,260	4,520
<b>Base Adjustments</b>				

# Revenue

# Agency Change Summary

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Forecast Open Appropriation Adjustment		(1,260)	(1,260)	(2,520)
<b>Forecast Base</b>	<b>2,260</b>	<b>1,000</b>	<b>1,000</b>	<b>2,000</b>
<b>Total Governor's Recommendations</b>	<b>2,260</b>	<b>1,000</b>	<b>1,000</b>	<b>2,000</b>
 <b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
Planned Spending	9,952	7,329	7,329	14,658
Forecast Base	9,952	7,329	7,329	14,658
Change Items				
Transit Sales Tax Increase		361	638	999
<b>Total Governor's Recommendations</b>	<b>9,952</b>	<b>7,690</b>	<b>7,967</b>	<b>15,657</b>
 <b>Revenue Change Summary</b>				
<b>Dedicated</b>				
<b>Fund: 2000 - Restrict Misc Special Revenue</b>				
Forecast Revenues	7,328	7,328	7,328	14,656
Change Items				
Transit Sales Tax Increase		361	638	999
<b>Total Governor's Recommendations</b>	<b>7,328</b>	<b>7,689</b>	<b>7,966</b>	<b>15,655</b>
 <b>Non-Dedicated</b>				
<b>Fund: 1000 - General</b>				
Forecast Revenues	8	8	8	16
<b>Total Governor's Recommendations</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>16</b>



# Minnesota Department of Revenue

## FY 2020-21 Biennial Budget Change Item

### Change Item Title: Operating Adjustment

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	4,165	7,209	7,209	7,209
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
<b>Maintain FTEs</b>	<b>47.23</b>	<b>81.54</b>	<b>81.54</b>	<b>81.54</b>

### Recommendation:

The Governor recommends additional funding of \$11.374 million in the FY 2020-2021 biennium to maintain the current level of service delivery at the Minnesota Department of Revenue.

### Rationale/Background:

Those who file and pay Minnesota taxes need to be able to trust the system that receives their personal information, that other taxpayers are paying their fair share, and that they will receive the right refund amount in a reasonable amount of time. Increased operational costs limit the department’s ability to provide the level of service our customers need and expect, and increased demands on the department have created the need for additional funding.

#### Increased operational and information technology costs

Each year, the cost of doing business rises—employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Absorbing this increase in compensation costs within existing agency base appropriations results in reduced staffing and/or reduced non-compensation spending. Based on existing staffing and previously negotiated contracts, compensation costs are expected to increase 4.0% over the next biennium. These increases cannot be avoided.

Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. For example, technology costs to administer Minnesota’s tax system have increased over the last four years and will continue to increase. In the FY 2020-21 Biennium, the Department of Revenue will transition from a local to an enterprise service delivery model for workstation management (laptop/desktop computer support and refresh) and service/help desk support. Regular replacement of workstations will be included as part of the service rate, in order to ensure the security and supportability of state agency computers. The department will also transition to the enterprise service/help desk, which provides 24/7 support to agency staff.

In addition, for the FY 2020-21 biennium, the Department of Revenue’s portion of MNIT administrative overhead expenses is projected to increase. MNIT overhead expenses include HR, finance, procurement, enterprise project management, and security activities. These expenses are allocated to agencies based on their total IT spend and total number of dedicated MNIT staff as of fiscal year 2017.

These cost drivers put pressure on agency operating budgets that, without operating increases, would remain flat from year to year.

**Proposal:**

The Governor recommends increasing agency operating budgets to maintain the delivery of current services. For the Department of Revenue, this funding will cover known employee compensation growth and allow the department to maintain its existing level of information technology services.

Without this funding, the department and MNIT services within it must reduce 82 FTE over the biennium through attrition. This attrition will negatively impact both Minnesota taxpayers -- our customers -- and, potentially, the general fund. Taxpayers will wait longer for refunds and will have a harder time reaching someone in the department by phone or email to have their questions answered. In addition, the department will perform fewer educational classes and audits, both of which can translate to a negative effect on the revenue stream.

**Equity and Inclusion:**

This recommendation supports a fair, transparent, and equitable revenue system in Minnesota. The department serves a broad base of customers and has a responsibility to deliver services to all. The funding recommended in this proposal will allow the department to continue focusing resources, outreach and education for low-income Minnesotans, people new to Minnesota, the elderly and others who are underserved. This proposal also fosters consistent communication and equal treatment under Minnesota tax laws, and focuses resources and information that the department's entire broad, diverse customer base can understand and use to file returns, pay what they owe, or receive the right refund.

**Results:**

This proposal is intended to allow agencies to continue to provide current levels of service and information to the public. It will allow the Department of Revenue to maintain its ability to meet our mission of funding Minnesota's future. The vision of, "everyone reports, pays, and receives the right amount: no more, no less" will be realized with the appropriate funds to serve our broad customer base and meet growing needs.

**Statutory Change(s):** None.

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

In 2017, the Minnesota Department of Revenue:

- Interacted with 595,000 corporations, S corporations, partnerships, and other businesses
- Issued 867,000 property tax refunds
- Awarded 30 Volunteer Income Tax Assistance (VITA) grants to organizations that provide tax assistance to minority and low-income communities.
- Provided over 160 free classes for business taxpayers and tax preparers
- Attended five events for military service members and families to promote their eligibility for tax benefits

**PURPOSE & CONTEXT**

The Department of Revenue's 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 file and pay their taxes
- 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**

The Tax Management System is responsible for collecting over \$23 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 the department 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, we work to bring them into compliance through collection and enforcement efforts.

We provide a variety of services in the Tax System Management program. Specific activities are listed below and are described in more detail in their Budget Activity Narratives.

- Payment and Return Processing
- Administration of State Taxes
- Appeals, Legal Services, and Tax Research
- Agency-wide Operations Support and Oversight

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Number of incoming customer requests (includes email, phone, letter, web and walk ins)	480,760	518,326	Previous is FY16, Current is FY17
Quality	Percentage of customers that file and pay on time.	95.3%	95.5%	Previous is CY16, Current is CY17
Quality	Percentage of customers that file their returns electronically	84.7%	85.1%	Previous is CY16, Current is CY17.

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**Legal Citation:** 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))

# Tax System Management

# Program Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b><u>Expenditures by Fund</u></b>								
1000 - General	104,845	121,197	113,865	135,072	128,243	128,243	135,925	136,905
2000 - Restrict Misc Special Revenue	2,977	2,820	4,101	8,653	6,429	6,429	6,790	7,067
2360 - Health Care Access	1,597	1,901	1,749	1,754	1,760	1,760	1,760	1,760
2710 - Highway Users Tax Distribution	2,040	2,296	2,184	2,190	2,195	2,195	2,195	2,195
2800 - Environmental	289	317	303	304	305	305	305	305
<b>Total</b>	<b>111,748</b>	<b>128,531</b>	<b>122,202</b>	<b>147,973</b>	<b>138,932</b>	<b>138,932</b>	<b>146,975</b>	<b>148,232</b>
Biennial Change				29,895		7,689		25,032
Biennial % Change				12		3		9
Governor's Change from Base								17,343
Governor's % Change from Base								6

## **Expenditures by Activity**

Payment and Return Processing			33,181	45,372	40,432	40,432	42,032	42,432
Administration of State Taxes			64,706	73,374	70,853	70,853	72,579	74,300
Appeals, Legal Services and Tax Research			8,685	9,957	10,034	10,034	10,234	10,434
Agency-wide Operations and Oversight			15,630	19,270	17,613	17,613	22,130	21,066
Efficient Tax Service	111,748	128,531						
<b>Total</b>	<b>111,748</b>	<b>128,531</b>	<b>122,202</b>	<b>147,973</b>	<b>138,932</b>	<b>138,932</b>	<b>146,975</b>	<b>148,232</b>

## **Expenditures by Category**

Compensation	79,890	86,117	88,638	98,124	95,116	95,116	103,080	104,416
Operating Expenses	31,335	40,135	32,989	49,277	43,244	43,244	43,323	43,244
Grants, Aids and Subsidies	399	401	400	400	400	400	400	400
Capital Outlay-Real Property	3	1,248	(11)					
Other Financial Transaction	122	630	186	172	172	172	172	172
<b>Total</b>	<b>111,748</b>	<b>128,531</b>	<b>122,202</b>	<b>147,973</b>	<b>138,932</b>	<b>138,932</b>	<b>146,975</b>	<b>148,232</b>

## **Full-Time Equivalent**

	994.95	1,051.65	1,061.09	1,164.68	1,088.52	1,050.83	1,177.46	1,154.96
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# Tax System Management

# Program Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b>1000 - General</b>								
Balance Forward In		7,141		8,390				
Direct Appropriation	111,612	114,619	123,344	127,457	128,328	128,328	136,010	136,990
Transfers In			8,692	12,055				
Transfers Out	47	563	9,781	12,370	85	85	85	85
Cancellations		0		460				
Balance Forward Out	6,720		8,389					
<b>Expenditures</b>	<b>104,845</b>	<b>121,197</b>	<b>113,865</b>	<b>135,072</b>	<b>128,243</b>	<b>128,243</b>	<b>135,925</b>	<b>136,905</b>
Biennial Change in Expenditures				22,896		7,549		23,893
Biennial % Change in Expenditures				10		3		10
Governor's Change from Base								16,344
Governor's % Change from Base								6
Full-Time Equivalents	931.46	987.57	991.52	1,062.93	990.96	956.70	1,076.77	1,053.74

## 2000 - Restrict Misc Special Revenue

Balance Forward In	2,568	3,528	4,750	6,468	4,243	4,242	4,243	4,242
Receipts	3,937	4,043	5,657	6,428	6,428	6,428	6,789	7,066
Transfers In			4,912					
Transfers Out			4,750					
Balance Forward Out	3,528	4,750	6,469	4,243	4,242	4,241	4,242	4,241
<b>Expenditures</b>	<b>2,977</b>	<b>2,820</b>	<b>4,101</b>	<b>8,653</b>	<b>6,429</b>	<b>6,429</b>	<b>6,790</b>	<b>7,067</b>
Biennial Change in Expenditures				6,956		104		1,103
Biennial % Change in Expenditures				120		1		9
Governor's Change from Base								999
Governor's % Change from Base								8
Full-Time Equivalents	21.40	21.17	31.57	64.00	61.13	58.97	64.26	66.06

## 2360 - Health Care Access

Balance Forward In		152						
Direct Appropriation	1,749	1,749	1,749	1,754	1,760	1,760	1,760	1,760
Transfers In			290	290				
Transfers Out			290	290				
Cancellations		0						
Balance Forward Out	152							

# Tax System Management

# Program Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
<b>Expenditures</b>	<b>1,597</b>	<b>1,901</b>	<b>1,749</b>	<b>1,754</b>	<b>1,760</b>	<b>1,760</b>	<b>1,760</b>	<b>1,760</b>
Biennial Change in Expenditures				5		17		17
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	17.45	18.93	16.20	16.00	15.44	14.90	15.44	14.90

## 2710 - Highway Users Tax Distribution

Balance Forward In		144	0					
Direct Appropriation	2,183	2,183	2,184	2,190	2,195	2,195	2,195	2,195
Transfers In			343	343				
Transfers Out			343	343				
Cancellations		31						
Balance Forward Out	143							
<b>Expenditures</b>	<b>2,040</b>	<b>2,296</b>	<b>2,184</b>	<b>2,190</b>	<b>2,195</b>	<b>2,195</b>	<b>2,195</b>	<b>2,195</b>
Biennial Change in Expenditures				38		16		16
Biennial % Change in Expenditures				1		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	21.28	19.88	18.58	18.50	17.85	17.23	17.85	17.23

## 2800 - Environmental

Balance Forward In		14						
Direct Appropriation	303	303	303	304	305	305	305	305
Cancellations		0						
Balance Forward Out	14							
<b>Expenditures</b>	<b>289</b>	<b>317</b>	<b>303</b>	<b>304</b>	<b>305</b>	<b>305</b>	<b>305</b>	<b>305</b>
Biennial Change in Expenditures				1		3		3
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	3.36	4.10	3.22	3.25	3.14	3.03	3.14	3.03

**Program: Tax System Management****Activity: Payment and Return Processing**[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

### AT A GLANCE

In 2017, Payment and Return Processing:

- Processed 2.9 million individual income tax returns
- Sent over 1.9 million individual income tax refunds to Minnesotans
- Processed \$24.7 billion dollars in tax payments
- Opened and sorted 2.5 million pieces of mail
- Served businesses with 61,704 calls to Business Registration
- Sent over 3 million pieces of mail to Minnesotans to help them meet their tax obligations
- Audited 20 business tax type returns during the processing cycle

### PURPOSE & CONTEXT

Payment and Return Processing serves individual and business taxpayers and other state agencies. These services include reviewing and processing paper and electronic returns, refunds, and payments submitted to the Department of Revenue. This activity also includes technology development, implementation and support for agency-wide technology needs.

### SERVICES PROVIDED

Key Payment and Return Processing activities 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
- Providing technology solutions that facilitate and support tax administration, security of taxpayer data, and continuous business improvements in taxpayer services

We leverage strategic investments in technology to meet the department's mission, vision, and strategies. Investments in the Integrated Tax System and security are key priorities.

The Tax Operations Division within the Payment and Return Processing activity serves all department employees and external customers by providing technology solutions that facilitate tax administration, provide for security of taxpayer data, and support continuous improvements in our taxpayer services.

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

MN.IT serves all Department of Revenue 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>	<i>Dates</i>
Quantity	Total returns processed (all tax types)	5.78 million	5.85 million	Previous is CY16, Current is CY17.
Quantity	Quality control reviews of processing and payments work by employees	595	2,446	Previous is CY16, Current is CY17.
Quality	C-Corporation, Partnership, Fiduciary, and S Corporation electronic returns posted within 30 days	96%	100%	Previous is CY16, Current is CY17.
Quality	Printing/Folding/Inserting services completed within 1 day of receipt	100%	99%	Previous is CY16, Current is CY17.
Quality	Down time of the Integrated Tax Management System services to external customers (e-Services)	<1%	<1%	Previous is CY16, Current is CY17.

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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)

# Payment and Return Processing

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b><u>Expenditures by Fund</u></b>								
1000 - General			32,650	44,843	39,902	39,902	41,502	41,902
2360 - Health Care Access			236	234	235	235	235	235
2710 - Highway Users Tax Distribution			295	295	295	295	295	295
<b>Total</b>			<b>33,181</b>	<b>45,372</b>	<b>40,432</b>	<b>40,432</b>	<b>42,032</b>	<b>42,432</b>
Biennial Change				78,553		2,311		5,911
Biennial % Change						3		8
Governor's Change from Base								3,600
Governor's % Change from Base								4
<b><u>Expenditures by Category</u></b>								
Compensation			12,899	14,845	14,221	14,221	15,821	16,221
Operating Expenses			20,196	30,374	26,058	26,058	26,058	26,058
Capital Outlay-Real Property			2					
Other Financial Transaction			84	153	153	153	153	153
<b>Total</b>			<b>33,181</b>	<b>45,372</b>	<b>40,432</b>	<b>40,432</b>	<b>42,032</b>	<b>42,432</b>
Total Agency Expenditures			33,181	45,372	40,432	40,432	42,032	42,432
<b>Expenditures Less Internal Billing</b>			<b>33,181</b>	<b>45,372</b>	<b>40,432</b>	<b>40,432</b>	<b>42,032</b>	<b>42,432</b>
<b><u>Full-Time Equivalent</u></b>								
			185.54	211.00	191.06	184.38	207.81	205.63

# Payment and Return Processing

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b>1000 - General</b>								
Balance Forward In				4,826				
Direct Appropriation			35,961	36,092	39,902	39,902	41,502	41,902
Transfers In			2,715	3,925				
Transfers Out			1,200					
Balance Forward Out			4,826					
<b>Expenditures</b>			<b>32,650</b>	<b>44,843</b>	<b>39,902</b>	<b>39,902</b>	<b>41,502</b>	<b>41,902</b>
Biennial Change in Expenditures				77,493		2,311		5,911
Biennial % Change in Expenditures						3		8
Governor's Change from Base								3,600
Governor's % Change from Base								5
Full-Time Equivalents			185.54	211.00	191.06	184.38	207.81	205.63

## 2360 - Health Care Access

Direct Appropriation			103	103	235	235	235	235
Transfers In			184	182				
Transfers Out			51	51				
<b>Expenditures</b>			<b>236</b>	<b>234</b>	<b>235</b>	<b>235</b>	<b>235</b>	<b>235</b>
Biennial Change in Expenditures				470		0		0
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0

## 2710 - Highway Users Tax Distribution

Direct Appropriation			563	564	295	295	295	295
Transfers In			75	74				
Transfers Out			343	343				
<b>Expenditures</b>			<b>295</b>	<b>295</b>	<b>295</b>	<b>295</b>	<b>295</b>	<b>295</b>
Biennial Change in Expenditures				590		0		0
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0

**Program: Tax System Management****Activity: Administration of State Taxes**[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

### AT A GLANCE

In 2017, within the Department of Revenue Tax Administration divisions:

- Income Tax and Withholding provided program and compliance oversight for the collection of \$10.931 billion in individual income taxes
- Corporate Tax provided program and compliance oversight for the collection of \$1.205 billion in various corporate taxes
- Special Taxes provided program and compliance oversight in the administration of more than 47 unique taxes and fees
- Criminal Investigations completed the investigation of 49 tax noncompliance cases
- Sales and Use Tax handled 58,000 phone calls, 13,000 emails, 3,100 web messages and 250 walk in taxpayer requests
- Income Tax and Withholding handled 232,2000 phone calls, 39,000 emails and 30,450 web messages and 2,860 walk in taxpayer requests
- Special Taxes completed 3,445 outreach trainings, stamp sales transactions, and county visits
- Sales and Use Tax conducted 98 external classes for customers and 125 internal classes for employees

### PURPOSE & CONTEXT

State Tax Administration provides information and services to our customers so they can understand and fulfill their tax obligations. It also includes enforcement efforts such as fraud prevention, audits, and investigations.

The Department of Revenue administers 31 state taxes including: individual income tax; sales and use tax; corporate franchise tax and other business income taxes; estate tax; motor fuels excise tax; alcoholic beverage taxes; cigarette tax and tobacco products tax; controlled substances tax; property tax, mortgage registry tax, and deed transfer tax; lawful gambling taxes; insurance premium taxes; MinnesotaCare taxes; mining taxes; state property tax; air flight property tax; rural electric co-ops tax; and solid waste management tax.

State Tax Administration serves Minnesota individual and business taxpayers, tax professionals and preparers, local tax administrators, legislators and staff, nonprofit groups, governor and staff, and members of the news media – among others.

We also oversee local property tax administration and state aids, serving taxpayers, local administrators, and state policymakers. These activities promote equity and uniformity throughout the state's complex property tax system.

### SERVICES PROVIDED

Key tax administration activities include:

- Providing customers the information, training 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 identify and audit noncompliant taxpayers (individual and business)

- 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

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Tax Administration incoming customer interactions (phone, mail, web, email, and walk ins)	408,500	461,700	Previous is FY16, Current is FY17
Quantity	Number of eCRVs processed (Electronic Certificate of Real Estate Value)	144,435	146,141	Previous is CY16, Current is CY17
Quantity	Number of investigations completed	64	49	Previous is CY2015, current is CY2017
Results	Number of criminal cases charged out by prosecutors	29	22	Previous is CY2015, current is CY2017
Quality	Tax types that can file electronically	53%	80%	Previous is FY16, Current is FY17

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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)

# Administration of State Taxes

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b><u>Expenditures by Fund</u></b>								
1000 - General			57,162	61,394	60,862	60,862	62,227	63,671
2000 - Restrict Misc Special Revenue			3,838	8,261	6,261	6,261	6,622	6,899
2360 - Health Care Access			1,513	1,520	1,525	1,525	1,525	1,525
2710 - Highway Users Tax Distribution			1,889	1,895	1,900	1,900	1,900	1,900
2800 - Environmental			303	304	305	305	305	305
<b>Total</b>			<b>64,706</b>	<b>73,374</b>	<b>70,853</b>	<b>70,853</b>	<b>72,579</b>	<b>74,300</b>
Biennial Change				138,080		3,626		8,799
Biennial % Change						3		6
Governor's Change from Base								5,173
Governor's % Change from Base								4
<b><u>Expenditures by Category</u></b>								
Compensation			59,500	63,571	62,936	62,936	64,583	66,383
Operating Expenses			4,784	9,384	7,498	7,498	7,577	7,498
Grants, Aids and Subsidies			400	400	400	400	400	400
Capital Outlay-Real Property			(13)					
Other Financial Transaction			34	19	19	19	19	19
<b>Total</b>			<b>64,706</b>	<b>73,374</b>	<b>70,853</b>	<b>70,853</b>	<b>72,579</b>	<b>74,300</b>
Total Agency Expenditures			64,706	73,374	70,853	70,853	72,579	74,300
<b>Expenditures Less Internal Billing</b>			<b>64,706</b>	<b>73,374</b>	<b>70,853</b>	<b>70,853</b>	<b>72,579</b>	<b>74,300</b>
<b><u>Full-Time Equivalent</u></b>			<b>701.24</b>	<b>760.30</b>	<b>730.07</b>	<b>704.93</b>	<b>749.42</b>	<b>744.54</b>

# Administration of State Taxes

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b>1000 - General</b>								
Balance Forward In				1,856				
Direct Appropriation			61,506	61,626	60,862	60,862	62,227	63,671
Transfers In			277	575				
Transfers Out			2,765	2,503				
Cancellations				160				
Balance Forward Out			1,856					
<b>Expenditures</b>			<b>57,162</b>	<b>61,394</b>	<b>60,862</b>	<b>60,862</b>	<b>62,227</b>	<b>63,671</b>
Biennial Change in Expenditures				118,556		3,168		7,342
Biennial % Change in Expenditures						3		6
Governor's Change from Base								4,174
Governor's % Change from Base								3
Full-Time Equivalents			634.52	660.55	633.80	612.04	650.02	644.56

## 2000 - Restrict Misc Special Revenue

Balance Forward In				6,144	4,143	4,142	4,143	4,142
Receipts			5,465	6,260	6,260	6,260	6,621	6,898
Transfers In			4,518					
Balance Forward Out			6,145	4,143	4,142	4,141	4,142	4,141
<b>Expenditures</b>			<b>3,838</b>	<b>8,261</b>	<b>6,261</b>	<b>6,261</b>	<b>6,622</b>	<b>6,899</b>
Biennial Change in Expenditures				12,099		423		1,422
Biennial % Change in Expenditures						3		12
Governor's Change from Base								999
Governor's % Change from Base								8
Full-Time Equivalents			28.72	62.00	59.84	57.73	62.97	64.82

## 2360 - Health Care Access

Direct Appropriation			1,407	1,412	1,525	1,525	1,525	1,525
Transfers In			106	108				
<b>Expenditures</b>			<b>1,513</b>	<b>1,520</b>	<b>1,525</b>	<b>1,525</b>	<b>1,525</b>	<b>1,525</b>
Biennial Change in Expenditures				3,033		17		17
Biennial % Change in Expenditures						1		1
Governor's Change from Base								0
Governor's % Change from Base								0

# Administration of State Taxes

# Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Full-Time Equivalents			16.20	16.00	15.44	14.90	15.44	14.90

## 2710 - Highway Users Tax Distribution

Balance Forward In		0						
Direct Appropriation			1,621	1,626	1,900	1,900	1,900	1,900
Transfers In			268	269				
<b>Expenditures</b>			<b>1,889</b>	<b>1,895</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>	<b>1,900</b>
Biennial Change in Expenditures				3,784		16		16
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			18.58	18.50	17.85	17.23	17.85	17.23

## 2800 - Environmental

Direct Appropriation			303	304	305	305	305	305
<b>Expenditures</b>			<b>303</b>	<b>304</b>	<b>305</b>	<b>305</b>	<b>305</b>	<b>305</b>
Biennial Change in Expenditures				607		3		3
Biennial % Change in Expenditures						0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			3.22	3.25	3.14	3.03	3.14	3.03



**Program: Tax System Management**

**Activity: Appeals, Legal Services, and Tax Research**

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

### AT A GLANCE

In 2017, Appeals, Legal Services and Tax Research:

- Closed 1,316 administrative appeals, of which 3.2% were appealed to court
- Worked on 117 cases filed in small claims and Tax Court
- Published five Revenue Notices
- Completed on-time revenue estimates for 98.8% of the bills heard in tax committees
- Responded to 45 Data Practices requests

### PURPOSE & CONTEXT

The Appeals, Legal Services and Tax Research Divisions provide tax policy development and tax administration support through legal and policy guidance to Department of Revenue employees and customers and by providing information and analysis about Minnesota's tax system.

Appeals, Legal Services, and Tax Research serves individual and business taxpayers, tax administrators, the governor and staff, legislators and staff, state agencies, local governments, and nonprofit organizations.

### SERVICES PROVIDED

#### Appeals and Legal Services Division

This division comprises the following units: Appeals; Legal Services; and Litigation, Disclosure and Records Management. See below for details.

#### Appeals

This unit provides an informal forum for the reconsideration of tax audits, refund denials, and penalties issued as tax orders by the department. Taxpayers who disagree with these orders may file an administrative appeal with the Department of Revenue or appeal to Minnesota Tax Court or District Court, depending on the type of order.

Other key activities include:

- Providing feedback about appeal resolutions to the department's audit and collection divisions
- Working with the Attorney General's Office staff on cases that are litigated in court
- Handling small claims cases that are filed in Tax Court

#### Legal Services

This unit works closely with the Commissioner of Revenue, the Governor's Office, and the Legislature to develop state policy and clarify tax issues to ensure that the revenue system is fair, efficient, reliable, competitive, and understandable.

Legal Services attorneys serve as legal counsel to the Department of Revenue by providing legal and policy advice to department staff about tax matters and actively participating on division policy teams. Our attorneys:

- Draft tax-related legislation and testify before legislative committees about the legal aspects of each bill
- Draft and amend Minnesota Rules that interpret tax laws so they can be applied to everyday use
- Create Revenue Notices that advise taxpayers about the department's position regarding tax laws

The department’s Rules and Revenue Notices are published in the State Register and posted on our website.

Legal Services also provides training to department employees about tax law changes and other tax-related subjects. These activities support tax policy development and tax administration.

Litigation, Disclosure and Records Management

This unit manages the compliance activities associated with state and federal requirements related to tax returns and return information. Key activities include:

- Providing guidance on the retention of all department records
- Directing responses to data practices requests for department information
- Managing the department’s small claims Tax Court cases and significant litigation by acting as liaison between the department and the Attorney General’s Office.

**Tax Research Division**

The Tax Research Division provides customers with information and analysis about Minnesota’s tax system. Our researchers provide accurate, complete, and timely information to state policymakers, government officials, the media, and the public so recipients can make well-informed decisions. Key activities include:

- Providing policy guidance
- Estimating the impacts of proposed legislation
- Forecasting future state revenues
- Preparing studies and reports mandated by the Legislature

Tax Research creates and maintains databases of tax data and complex models for analyzing the tax system. Our key products include the Tax Incidence Study, Tax Expenditure Budget, Tax Handbook, and annual tax statistics for the department’s website.

**RESULTS**

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quality	Percentage of customers who resolved their appeal with the department without appealing to Tax Court	95.9%	96.8%	Previous is FY16, current is FY17
Quantity	Revenue Notices published	5	12	Previous is FY17, current is FY18
Quantity	Revenue Analyses prepared	716	710	Previous is FY15-16, current is FY2017-18
Quantity	Data Practices requests	22	45	Previous is FY16, Current is FY17

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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)

# Appeals, Legal Services and Tax Research

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b><u>Expenditures by Fund</u></b>								
1000 - General			8,685	9,957	10,034	10,034	10,234	10,434
<b>Total</b>			<b>8,685</b>	<b>9,957</b>	<b>10,034</b>	<b>10,034</b>	<b>10,234</b>	<b>10,434</b>
Biennial Change				18,642		1,426		2,026
Biennial % Change						8		11
Governor's Change from Base								600
Governor's % Change from Base								3
<b><u>Expenditures by Category</u></b>								
Compensation			6,902	7,598	7,761	7,761	7,961	8,161
Operating Expenses			1,782	2,359	2,273	2,273	2,273	2,273
Other Financial Transaction			1					
<b>Total</b>			<b>8,685</b>	<b>9,957</b>	<b>10,034</b>	<b>10,034</b>	<b>10,234</b>	<b>10,434</b>
Total Agency Expenditures			8,685	9,957	10,034	10,034	10,234	10,434
<b>Expenditures Less Internal Billing</b>			<b>8,685</b>	<b>9,957</b>	<b>10,034</b>	<b>10,034</b>	<b>10,234</b>	<b>10,434</b>
<b><u>Full-Time Equivalent</u></b>			<b>66.57</b>	<b>74.88</b>	<b>72.74</b>	<b>70.19</b>	<b>75.12</b>	<b>74.82</b>

# Appeals, Legal Services and Tax Research

# Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b>1000 - General</b>								
Balance Forward In				566				
Direct Appropriation			7,551	7,293	10,034	10,034	10,234	10,434
Transfers In			1,700	2,398				
Cancellations				300				
Balance Forward Out			566					
<b>Expenditures</b>			<b>8,685</b>	<b>9,957</b>	<b>10,034</b>	<b>10,034</b>	<b>10,234</b>	<b>10,434</b>
Biennial Change in Expenditures				18,642		1,426		2,026
Biennial % Change in Expenditures						8		11
Governor's Change from Base								600
Governor's % Change from Base								3
Full-Time Equivalents			66.57	74.88	72.74	70.19	75.12	74.82

## 2360 - Health Care Access

Direct Appropriation			113	113	0	0	0	0
Transfers Out			113	113				

**Program: Tax System Management****Activity: Agency-wide Operations and Oversight**[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

### AT A GLANCE

In 2017, Operations and Oversight divisions:

- Partnered with agency leaders to fill 410 positions
- Launched an agency-wide, four-year diversity and inclusion strategic plan to increase employee engagement across the organization and recruit, hire and train a diverse workforce
- Managed 11 locations throughout the state and ensured physical security standards are maintained
- Delivered 72 development courses to 2,842 learners in FY 2018
- Facilitated an agency-wide budget workgroup process to manage and administer agency budget of approximately \$160 million
- Published 47 press releases and responded to over 160 press inquiries
- Created and maintained over 80 individual and business tax forms
- Facilitated 30 agency-wide projects and provided data and other support on 128 division- or unit-level projects
- Identified through a survey that 79.5% of department employees believe the agency's culture supports continuous improvement to our work and services

### PURPOSE & CONTEXT

Operations and Oversight provides the overall strategic and day-to-day functions required to administer programs across the Department of Revenue. Activities include agency leadership, strategic planning and oversight, workforce recruitment, development, training and retention, internal and external communication with employees and customers, financial and program oversight and accountability, and agency planning, program and financial evaluation and development.

We serve all department employees, individual and business taxpayers, tax administrators, the governor and staff, legislators and staff, state agencies, local governments, and nonprofit organizations.

Operations and Oversight helps the Department of Revenue accomplish its goals through the following strategies:

- Promote the mission and values of the department through executive leadership, policy development, strategic planning, and internal and external communications.
- Provide statutorily required services and guidance in the areas of finance, human resources administration, and employee development.
- Use best and current practices to manage information technology, planning and performance, and diversity and inclusion activities.
- Hire and maintain a high-quality and diverse workforce.
- Safeguard the state's assets and comply with federal and state regulations and agency policies through compliance with established procedures and internal controls.

## SERVICES PROVIDED

Operations and Oversight provides a wide range of services including budget management, financial transactions, financial reporting and analysis, procurement and inventory management, internal audit, asset and property management, recruitment and selection, job classification, salary and benefit administration, labor contract administration, employee training and internal and external communications.

We work closely with MN.IT Revenue and other stakeholders to ensure continuous operation and accessibility to technology systems. Our planning and performance unit conducts research and evaluation projects, prepares legislative and other reports, and manages continuous improvement activities. We also develop and update business continuity and risk management plans.

## RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Website visits (yearly)	2.8 million	3.0 million	Previous is CY16, Current is CY17
Quantity	Social media followers (Facebook and Twitter)	46,100	57,500	Previous is CY16, Current is CY17
Quantity	Email subscription lists and number of subscribers	156 lists with 293,000 subscribers	217 lists with 328,200 subscribers	Previous is CY16, Current is CY17
Quantity	Agency-wide business improvement projects	36	30	Previous is CY16, Current is CY17
Quantity	Fiscal note requests received	52	93	Previous is FY16, Current is FY17
Quality	Number of adverse Department of Revenue Comprehensive Annual Financial Report (CAFR) audit findings	0	0	Previous is FY16, Current is FY17
Results	Employee turnover rate	5.6%	4.7%	Previous is FY16, Current is FY17

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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))

# Agency-wide Operations and Oversight

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b><u>Expenditures by Fund</u></b>								
1000 - General			15,368	18,878	17,445	17,445	21,962	20,898
2000 - Restrict Misc Special Revenue			262	392	168	168	168	168
<b>Total</b>			<b>15,630</b>	<b>19,270</b>	<b>17,613</b>	<b>17,613</b>	<b>22,130</b>	<b>21,066</b>
Biennial Change				34,900		326		8,296
Biennial % Change						1		24
Governor's Change from Base								7,970
Governor's % Change from Base								23
<b><u>Expenditures by Category</u></b>								
Compensation			9,337	12,110	10,198	10,198	14,715	13,651
Operating Expenses			6,227	7,160	7,415	7,415	7,415	7,415
Other Financial Transaction			66					
<b>Total</b>			<b>15,630</b>	<b>19,270</b>	<b>17,613</b>	<b>17,613</b>	<b>22,130</b>	<b>21,066</b>
<b><u>Total Agency Expenditures</u></b>								
Total Agency Expenditures			15,630	19,270	17,613	17,613	22,130	21,066
<b>Expenditures Less Internal Billing</b>			<b>15,630</b>	<b>19,270</b>	<b>17,613</b>	<b>17,613</b>	<b>22,130</b>	<b>21,066</b>
<b><u>Full-Time Equivalent</u></b>								
			107.74	118.50	94.65	91.33	145.11	129.97

## Agency-wide Operations and Oversight

## Activity Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b>1000 - General</b>								
Balance Forward In				1,142				
Direct Appropriation			12,599	12,664	17,530	17,530	22,047	20,983
Transfers In			4,000	5,157				
Transfers Out			89	85	85	85	85	85
Balance Forward Out			1,142					
<b>Expenditures</b>			<b>15,368</b>	<b>18,878</b>	<b>17,445</b>	<b>17,445</b>	<b>21,962</b>	<b>20,898</b>
Biennial Change in Expenditures				34,246		644		8,614
Biennial % Change in Expenditures						2		25
Governor's Change from Base								7,970
Governor's % Change from Base								23
Full-Time Equivalents			104.89	116.50	93.36	90.09	143.82	128.73

### 2000 - Restrict Misc Special Revenue

Balance Forward In				324	100	100	100	100
Receipts			192	168	168	168	168	168
Transfers In			394					
Balance Forward Out			324	100	100	100	100	100
<b>Expenditures</b>			<b>262</b>	<b>392</b>	<b>168</b>	<b>168</b>	<b>168</b>	<b>168</b>
Biennial Change in Expenditures				654		(318)		(318)
Biennial % Change in Expenditures						(49)		(49)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents			2.85	2.00	1.29	1.24	1.29	1.24

### 2360 - Health Care Access

Direct Appropriation			126	126	0	0	0	0
Transfers Out			126	126				



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

In 2017, the Minnesota Department of Revenue:

- Collected over \$323 million owed to Minnesota governments
- Resolved 217,000 tax debt cases
- Answered over 325,500 incoming phone calls each year from customers who owe debt
- Assisted more than 2,200 walk-in customers

**PURPOSE & CONTEXT**

The Department of Revenue's Debt Collection Management program collects past-due tax debts and debts owed to other state agencies in Minnesota. We facilitate 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.

The Department of Revenue 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 us. We now collect 171 types of fees, fines, taxes, and payments for a range of public agencies.

**SERVICES PROVIDED****Helping Customers**

A large part of the department's role is helping customers understand their obligation and working to get – and keep – them in compliance. To do that, we provide education and outreach to customers through:

- Training events
- Outreach events
- Videos
- Website content
- Phone calls
- Emails
- Letters
- In-person customer contact

**Collection Process**

When a debt is not paid to Minnesota, a state agency, or a local jurisdiction, that debt is referred to the Department of Revenue. The collection process begins the same way for all debtors. We send 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, we take actions to collect the debt. Each case is different and these collection actions may vary based on many factors. Depending on the circumstances, we may:

- Levy wages or financial accounts
- File liens against property
- Offset (take) tax or other refunds
- Hold owners or corporate officers personally liable for business debts
- Revoke professional or business licenses
- Seize business or personal property

We ensure 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

### RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Tax Debt Revenue Collected	\$271 million	\$275 million	Previous is FY16, Current is FY17
Quantity	Other Agency Debt Revenue Collected	\$46 million	\$48 million	Previous is FY16, Current is FY17

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Legal Citation: M.S. 16D.08 establishes the Department of Revenue’s Collection Duties and Powers.  
[www.revisor.mn.gov/statutes/?id=16D.08](http://www.revisor.mn.gov/statutes/?id=16D.08)

## Debt Collection Management

## Program Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<b><u>Expenditures by Fund</u></b>								
1000 - General	27,761	30,926	29,418	31,845	29,085	29,085	29,785	30,485
2000 - Restrict Misc Special Revenue	698	586	814	1,299	900	900	900	900
<b>Total</b>	<b>28,459</b>	<b>31,512</b>	<b>30,232</b>	<b>33,144</b>	<b>29,985</b>	<b>29,985</b>	<b>30,685</b>	<b>31,385</b>
Biennial Change				3,405		(3,406)		(1,306)
Biennial % Change				6		(5)		(2)
Governor's Change from Base								2,100
Governor's % Change from Base								4
<b><u>Expenditures by Activity</u></b>								
Debt Collection	28,459	31,512	30,232	33,144	29,985	29,985	30,685	31,385
<b>Total</b>	<b>28,459</b>	<b>31,512</b>	<b>30,232</b>	<b>33,144</b>	<b>29,985</b>	<b>29,985</b>	<b>30,685</b>	<b>31,385</b>
<b><u>Expenditures by Category</u></b>								
Compensation	24,252	25,003	25,987	26,081	26,081	26,081	26,781	27,481
Operating Expenses	4,164	6,491	4,220	7,063	3,904	3,904	3,904	3,904
Capital Outlay-Real Property	31							
Other Financial Transaction	11	18	24					
<b>Total</b>	<b>28,459</b>	<b>31,512</b>	<b>30,232</b>	<b>33,144</b>	<b>29,985</b>	<b>29,985</b>	<b>30,685</b>	<b>31,385</b>
<b><u>Full-Time Equivalent</u></b>								
	<b>328.33</b>	<b>332.29</b>	<b>330.92</b>	<b>345.30</b>	<b>332.88</b>	<b>320.94</b>	<b>341.20</b>	<b>337.14</b>

# Debt Collection Management

# Program Financing by Fund

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base		Governor's Recommendation	
					FY20	FY21	FY20	FY21
<b>1000 - General</b>								
Balance Forward In		1,792		760				
Direct Appropriation	28,616	28,616	28,575	28,616	28,106	28,106	28,806	29,506
Open Appropriation	922	518	624	2,260	1,000	1,000	1,000	1,000
Transfers In			1,000	230				
Transfers Out			22	21	21	21	21	21
Cancellations		0						
Balance Forward Out	1,777		760					
<b>Expenditures</b>	<b>27,761</b>	<b>30,926</b>	<b>29,418</b>	<b>31,845</b>	<b>29,085</b>	<b>29,085</b>	<b>29,785</b>	<b>30,485</b>
Biennial Change in Expenditures				2,576		(3,093)		(993)
Biennial % Change in Expenditures				4		(5)		(2)
Governor's Change from Base								2,100
Governor's % Change from Base								4
Full-Time Equivalents	319.32	323.91	323.49	336.55	324.44	312.79	332.76	328.99

## 2000 - Restrict Misc Special Revenue

Balance Forward In	681	964	1,415	1,299	900	900	900	900
Receipts	980	1,038	860	900	900	900	900	900
Transfers In			1,253					
Transfers Out			1,415					
Balance Forward Out	964	1,415	1,299	900	900	900	900	900
<b>Expenditures</b>	<b>698</b>	<b>586</b>	<b>814</b>	<b>1,299</b>	<b>900</b>	<b>900</b>	<b>900</b>	<b>900</b>
Biennial Change in Expenditures				829		(313)		(313)
Biennial % Change in Expenditures				65		(15)		(15)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	9.01	8.38	7.43	8.75	8.44	8.15	8.44	8.15

# Efficient Tax Service

# Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<b><u>Expenditures by Fund</u></b>								
1000 - General	104,845	121,197						
2000 - Restrict Misc Special Revenue	2,977	2,820						
2360 - Health Care Access	1,597	1,901						
2710 - Highway Users Tax Distribution	2,040	2,296						
2800 - Environmental	289	317						
<b>Total</b>	<b>111,748</b>	<b>128,531</b>						
Biennial Change				(240,280)		0		0
Biennial % Change				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
<b><u>Expenditures by Category</u></b>								
Compensation	79,890	86,117						
Operating Expenses	31,335	40,135						
Grants, Aids and Subsidies	399	401						
Capital Outlay-Real Property	3	1,248						
Other Financial Transaction	122	630						
<b>Total</b>	<b>111,748</b>	<b>128,531</b>						
<b><u>Full-Time Equivalents</u></b>								
	994.95	1,051.65						

**Efficient Tax Service**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<b>1000 - General</b>								
Balance Forward In		7,141						
Direct Appropriation	111,612	114,619	5,727	9,782	0	0	0	0
Transfers Out	47	563	5,727	9,782				
Cancellations		0						
Balance Forward Out	6,720							
<b>Expenditures</b>	<b>104,845</b>	<b>121,197</b>						
Biennial Change in Expenditures				(226,042)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	931.46	987.57						

**2000 - Restrict Misc Special Revenue**

Balance Forward In	2,568	3,528	4,750					
Receipts	3,937	4,043						
Transfers Out			4,750					
Balance Forward Out	3,528	4,750						
<b>Expenditures</b>	<b>2,977</b>	<b>2,820</b>						
Biennial Change in Expenditures				(5,797)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	21.40	21.17						

**2360 - Health Care Access**

Balance Forward In		152						
Direct Appropriation	1,749	1,749						
Cancellations		0						
Balance Forward Out	152							
<b>Expenditures</b>	<b>1,597</b>	<b>1,901</b>						
Biennial Change in Expenditures				(3,498)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0

**Efficient Tax Service**

**Activity Financing by Fund**

*(Dollars in Thousands)*

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY16	FY17	FY18	FY19	FY20	FY21	FY20	FY21
Governor's % Change from Base								
Full-Time Equivalents	17.45	18.93						

**2710 - Highway Users Tax Distribution**

Balance Forward In		144						
Direct Appropriation	2,183	2,183						
Cancellations		31						
Balance Forward Out	143							
<b>Expenditures</b>	<b>2,040</b>	<b>2,296</b>						
Biennial Change in Expenditures				(4,336)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	21.28	19.88						

**2800 - Environmental**

Balance Forward In		14						
Direct Appropriation	303	303						
Cancellations		0						
Balance Forward Out	14							
<b>Expenditures</b>	<b>289</b>	<b>317</b>						
Biennial Change in Expenditures				(606)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	3.36	4.10						