

Table of Contents
Tax Court

<i>Agency Profile</i>	1
Agency Expenditure Overview	3
Agency Financing by Fund	4
Agency Change Summary	5
<u>Change Item(s)</u>	6
<i>E-filing and Remote Online Access Helpline Employee</i>	6

mn.gov/tax-court

AT A GLANCE

- Nine full-time staff: three judges, three administrative staff, and three judicial law clerks.
- Approximately 3,200 cases were filed annually between 2014 and 2018. Ninety-eight percent were appeals from property tax assessments; the remainder were appeals from orders of the Commissioner of Revenue.
- A property tax appeal is filed with the district court administrator in the county in which the property is located and then transferred to the tax court; an appeal from an order of the Commissioner of Revenue is filed directly with the Tax Court.
- Generates approximately \$900,000 per year in filing fees deposited into the General Fund.
- FY 2017 base budget of \$1,248,000, along with \$609,000 in one-time money for the acquisition and implementation of a new case-management system.
- Judges travel throughout Minnesota to hear cases where taxpayers reside.
- The Court files written findings of fact, conclusions of law, and an explanatory memorandum in each case within three months of submission.

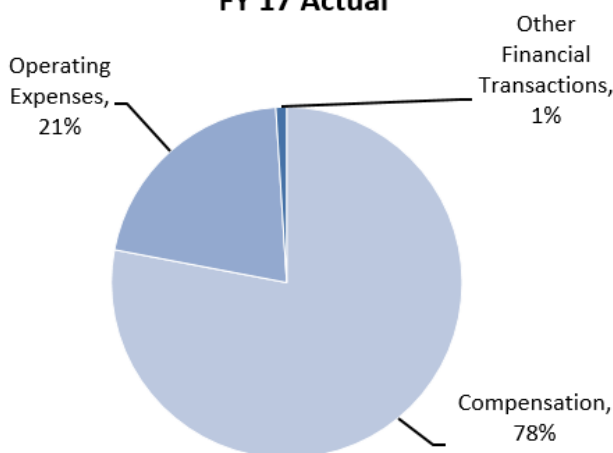
PURPOSE

The Minnesota Tax Court is a specialized trial court in the executive branch with statewide jurisdiction. By statute, it is “the sole, exclusive, and final authority for the hearing and determination of all questions of law and fact arising under the tax laws of the state” (Minnesota Statutes section 271.01, subdivision 5).

The Tax Court resolves disputes between property owners and counties concerning the correct value and classification of real property and adjudicates taxpayer appeals from orders of the Minnesota Commissioner of Revenue. By ensuring that property is correctly classified and valued and that taxpayers are correctly taxed, the court helps provide efficient and accountable government services. The Court’s three judges strive to ensure that the Court is managed according to best practices by working closely with the Department of Administration’s Small Agency Resource Team (SmART) and with MN.IT.

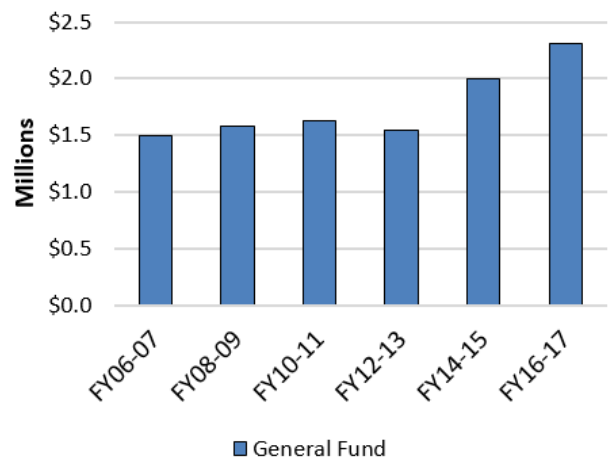
BUDGET

**Spending by Category
FY 17 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

The Minnesota Tax Court generates approximately \$900,000 annually in non-dedicated revenue from filing fees, which are deposited into the General Fund. All funding for Tax Court operations, in turn, comes from General Fund appropriations. The Tax Court’s FY 16-17 biennial budget included a base amount of approximately \$2.5 million and a one-time appropriation of approximately \$1.4 million for the acquisition and implementation of a new electronic case-management system.

STRATEGIES

The Tax Court is a specialized trial court. Tax Court actions are governed by the Minnesota Rules of Civil Procedure and of Evidence, and proceed in largely the same manner as civil actions filed in the Minnesota District Courts. Like other trial courts, the Tax Court resolves discovery and trial-management disputes, decides dispositive and non-dispositive motions, and conducts bench trials (jury trials are not available in Tax Court). The Tax Court files written findings of fact, conclusions of law, and an explanatory memorandum in each case heard.

Harness Available Resources: To ensure the Court is managed according to best practices, we work closely with the Department of Administration’s Small Agency Resource Team (SmART) and with MN.IT. SmART assists the Court with human resources and budgeting. The Court’s budget now includes line-items for statutorily mandated services such as judicial travel to conduct hearings, the purchase of transcripts for indigent taxpayers, and translators for court proceedings. MN.IT assists the Court in maintaining its existing infrastructure and in helping to guarantee that the Court’s technology will meet its future needs.

Active Case Management: Filings in the Tax Court increased from approximately 1,200 in calendar year 2000 to almost 6,000 in 2010. Filings for the last five years (2014 through 2018) have averaged approximately 3,200 cases per year. Although the court had a significant backlog for many years, that is no longer so. Since 2013, the Court has filed a scheduling order in each case to ensure that matters that do not settle are ready for trial in approximately 16 months. As a result of this active case management (and a modest decrease in filings), the Court has significantly reduced the number of open and pending cases on its docket. In addition, to facilitate settlements in Commissioner of Revenue and particularly in property tax cases (in which counties would otherwise have to request special funds to pay for an outside mediator), the judges of the Court have all completed training as civil mediators. This enables parties to mediate appropriate cases (at no cost to the parties) in hopes of resolving them short of trial. Finally, the court has implemented streamlined procedures that reduce the time (and cost to the parties) of trying cases that cannot otherwise be resolved.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Aug. 25, 2015</i>	<i>Aug. 15, 2016</i>	<i>Aug. 15, 2017</i>	<i>Aug. 15, 2018</i>
Quantity	Open/Pending Cases	7,740	4,003	N/A	3,080
Quality	Average Age of Open/Pending Cases	N/A	N/A	N/A	20 mos.

1. The number of open and pending cases represents the cases awaiting disposition by the Court. As used here, “Open and Pending Cases” refers to matters that have been entered into the Tax Court’s electronic case-management system, but have not yet been settled or tried.
2. The Court’s new case-management system allows it, for the first time, to track the average age of open and pending cases.

The Minnesota Tax Court is authorized by Minnesota Statutes Chapter 271 (<https://www.revisor.mn.gov/statutes/?id=271>).

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
<u>Expenditures by Fund</u>								
1000 - General	1,049	1,258	1,432	1,926	1,682	1,682	1,807	1,808
Total	1,049	1,258	1,432	1,926	1,682	1,682	1,807	1,808
Biennial Change				1,052		6		257
Biennial % Change				46		0		8
Governor's Change from Base								251
Governor's % Change from Base								7

Expenditures by Program

Tax Court	1,049	1,258	1,432	1,926	1,682	1,682	1,807	1,808
Total	1,049	1,258	1,432	1,926	1,682	1,682	1,807	1,808

Expenditures by Category

Compensation	865	983	965	1,060	1,082	1,094	1,207	1,220
Operating Expenses	181	268	467	866	600	588	600	588
Other Financial Transaction	3	7						
Total	1,049	1,258	1,432	1,926	1,682	1,682	1,807	1,808

Full-Time Equivalent

	8.01	8.68	8.46	9.00	9.00	9.00	10.00	10.00
--	------	------	------	------	------	------	-------	-------

(Dollars in Thousands)

	Actual FY16	Actual FY17	Actual FY18	Estimate FY19	Forecast Base FY20 FY21		Governor's Recommendation FY20 FY21	
1000 - General								
Balance Forward In		847	0	247				
Direct Appropriation	2,068	1,857	1,679	1,679	1,682	1,682	1,807	1,808
Transfers Out	180	1,336						
Cancellations		110						
Balance Forward Out	839		247					
Expenditures	1,049	1,258	1,432	1,926	1,682	1,682	1,807	1,808
Biennial Change in Expenditures				1,052		6		257
Biennial % Change in Expenditures				46		0		8
Governor's Change from Base								251
Governor's % Change from Base								7
Full-Time Equivalents	8.01	8.68	8.46	9.00	9.00	9.00	10.00	10.00

(Dollars in Thousands)

	FY19	FY20	FY21	Biennium 2020-21
Direct				
Fund: 1000 - General				
FY2019 Appropriations	1,679	1,679	1,679	3,358
Base Adjustments				
Pension Allocation		3	3	6
Forecast Base	1,679	1,682	1,682	3,364
Change Items				
E-filing and Remote Online Access Helpline Employee		125	126	251
Total Governor's Recommendations	1,679	1,807	1,808	3,615
 Revenue Change Summary				
Non-Dedicated				
Fund: 1000 - General				
Forecast Revenues	30	30	30	60
Total Governor's Recommendations	30	30	30	60

Tax Court

FY 2020-21 Biennial Budget Change Item

Change Item Title: E-filing and Remote Online Access Helpline Employee

Fiscal Impact (\$000s)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund				
Expenditures	125	126	126	126
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	125	126	126	126
FTEs	1	1	1	1

Recommendation:

The Governor recommends \$125,000 in FY 2020, and \$126,000 annually thereafter, from the general fund for a new staff person to manage the Tax Court's new e-filing system. The Tax Court has received funding since FY 2016 for the IT costs of a new case management system. Effective July 1, 2019, a component of that system will, for the first time, allow parties to file court documents electronically and provide parties and the public remote, online access to documents. The court seeks to create a staff position to oversee these new features and provide dedicated assistance to those using the system. This recommendation represents a 7.5% increase to the Tax Court's base budget, which totals \$3.364 million in FY 2020-21.

Rationale/Background:

In this technological age, taxpayers increasingly expect to file documents electronically, rather than incur the effort and expense of filing paper documents by U.S. Mail. In addition, taxpayers expect to receive documents electronically (rather than paper copies) and to electronically access documents filed in their court cases.

In July 2017, the Tax Court began using C-Track, an electronic case-management system supplied by Thomson Reuters, which has the capacity to accept electronic filings and to make court documents remotely viewable by the public. MN.IT and Thomson Reuters estimate that the Tax Court can implement e-filing and public access during fiscal year 2020.

Courts with e-filing must maintain competently staffed helplines to assist customers in e-filing and accessing documents. Users commonly need help with setting up accounts; creating and updating usernames and passwords; and accessing and navigating the system. Those attempting to file documents electronically also commonly need help with properly naming documents to be filed; selecting the correct descriptors; and using acceptable document types and file sizes. In addition, courts with remote access to court documents also face questions from users and the general public concerning how to view documents, as well as which documents are viewable and why others are not.

Other courts that have implemented e-filing frequently underestimated the amount of time court staff spend assisting users with e-filing. In addition, before electronic documents can be added to C-Track, they must be reviewed to ensure that they are in proper format, will be filed in the correct case, and have had any confidential information (such as social security numbers and financial account identifiers) redacted. Given the workload of the court's existing staff (which will continue even after e-filing is implemented), the court lacks the workflow capacity

to fulfill these needs, nor can the court shift work among existing staff to free-up the equivalent of one full-time position.

Proposal:

The Governor recommends funds of \$125,000 in fiscal year 2020 (\$126,000 in fiscal year 2021) for the addition of one full-time employee to assist taxpayers with e-filing and citizens with public access. The recommendation is for salary and benefits only; the court will absorb additional expenses (e.g., for office space and necessary training). The court will fund other costs associated with implementation of e-filing and public access (such as the creation of training materials) from its base appropriation.

Equity and Inclusion:

The implementation of e-filing will make filing and serving documents easier and less expensive for all taxpayers and other Tax Court customers by eliminating the need to copy paper documents and to mail them to the court and the opposing party. It will especially benefit persons with disabilities, however, who will be able to send documents to, and receive documents from, the court and other parties without leaving their homes, and to receive individualized assistance in e-filing, also without leaving their homes. The addition of electronic access to tax court records will particularly benefit those with disabilities and those who reside outside the Twin Cities metropolitan area.

Results:

Using C-Track analytic tools, the court will be able to track the number of documents that are e-filed annually once e-filing is implemented. In addition, the court will track the number of e-filer inquiries concerning various filing tasks, with the goal of clarifying its e-filing procedures to reduce such inquiries. Finally, the court will track citizens' use of public access.

Statutory Change(s):

None