



MINNESOTA Department of
Revenue

2000 Annual Performance Report

February 2001

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A message from the commissioner

It is with pleasure that I present to you this third annual Performance Report of the Department of Revenue. This report is our opportunity to review our activities of the past year, and to reflect on how well those activities helped further our mission to make the revenue system work well for Minnesotans.

Over the last two years, we have identified several technological and social developments that we must adapt to in order to continue to serve our customers and carry out our mission. These developments, and our responses to them, include:

The rapid shift from paper to “e-commerce” on the part of our business tax payers. The fact that businesses have to file and pay their Minnesota taxes using paper creates a substantial road-block in the way of ease and convenience of filing.

By July 2001, our new Internet and telefile systems will eliminate the need for paper returns for sales and withholding tax payers.

Outmoded, jerry-rigged computer systems. We have been working to replace the 30-year-old individual income tax system. The first phase of this reengineering project was completed in time for processing the 2000 individual income tax returns in 2001.

Because the new system is far more adaptable and robust, it will be much easier to modify so as to keep current with our needs and those of our customers. Further, merging taxpayer information and filing histories from many sources into one readily accessible data base will improve our ability to answer taxpayer questions and resolve discrepancies.

Growth in internet and mail order retail sales. Purchases made from out-of-state and out-of-country businesses with no presence in Minnesota have cut into Minnesota sales tax revenue.

Throughout the year, we have been working with 40 other states to create a single, uniform streamlined system for determining and paying sales tax. Ease of paying will increase compliance, and remove the unfair advantage these businesses had over their Minnesota competitors who must charge sales tax.

Dramatic growth in the number of non-English-speaking Minnesotans. Language and cultural barriers keep these new citizens from complying with the tax system.

In 2000, we hired bilingual employees to provide income tax education services to the Hispanic and Vietnamese communities. We provided tax help and worked to establish self-sustaining volunteer groups to provide consistent, year-to-year help in filling out forms.

The retirement “bulge.” About half of the department’s employees will be eligible for retirement in the upcoming five years, and at least 250 are expected to retire by 2004. Their leaving represents a huge loss in knowledge and experience at a time when the portion of working-age persons in the population is shrinking and competition for workers is growing.

In response, we created and offered new training programs to help prepare employees to assume leadership roles as managers and supervisors. We have also been actively recruiting new employees using Skillsearch—a new State of Minnesota hiring program that allows us to access and search the resumes of all applicants for all state agencies and directly invite them for job interviews.

I am proud of our agency’s performance of the past year, and am confident that we will continue to meet these and other challenges in the years to come.

A handwritten signature in black ink, appearing to read "Matt Smith", with a stylized, cursive script.

Matt Smith
commissioner

2000 Annual Performance Report

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Our mission: to make the revenue system work well for Minnesotans

***Minnesota's state
revenues from all
sources are \$18.5
billion. Of that total,
the Department of
Revenue collects
\$13 billion.***

Our mission is to make the revenue system work well for Minnesotans. The revenue system is made up of 28 state taxes, from which the department collects approximately \$13 billion per year on behalf of the citizens of Minnesota.

The revenue system also includes local property taxes. Our role is to provide oversight and instruction to local governments to ensure that the property tax laws are applied uniformly throughout the state. County governments collect \$5.1 billion annually in property taxes that fund cities, counties and schools.

The Department of Revenue also pays out nearly \$1 billion in state aid through 34 different state programs to local governments.

Our customers

Our customers include the governor, the legislature, and the state and local units of government whose work is supported by the taxes we collect. However, when we say "customer," we think first of the taxpayers.

Income tax system customers

3.5	million individuals
160,000	withholding tax filers
49,000	fiduciary tax filers
1,800	estate tax filers

Business tax system customers

232,000	businesses that collect and remit sales and use tax
45,000	corporations
69,000	small businesses
39,000	partnerships
8,200	hospitals, health-care providers and prescription drug wholesalers
1,700	insurance companies
70	cigarette and 200 tobacco distributors
6	liquor distributors
120	brewers and importers of beer
500	solid waste tax payers
10,000	payers of hazardous waste fees
1,500	lawful gambling organizations
800	petroleum product distributors
8	mining companies

Property tax system customers

87	counties
853	cities
1,806	towns
3,300	local tax districts
585	special taxing districts

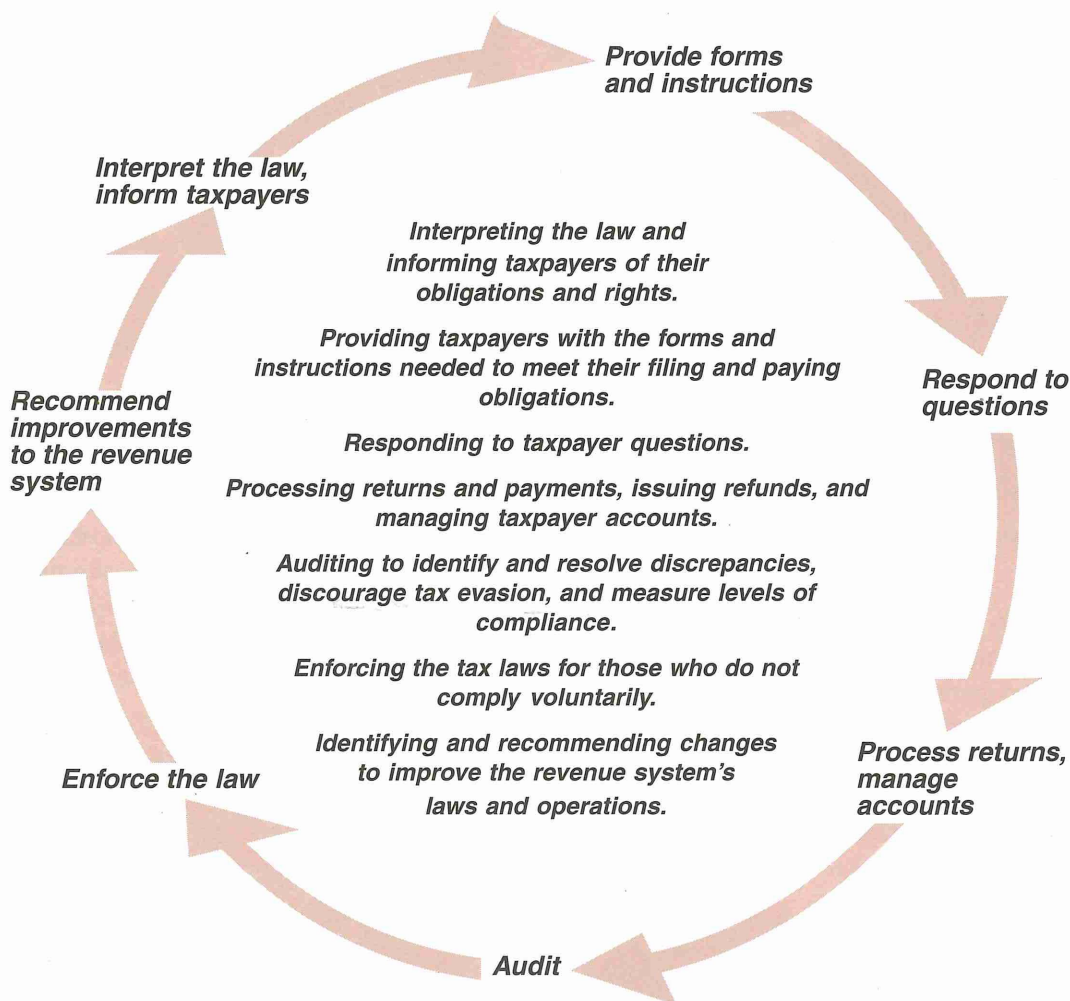
The work of administering Minnesota's tax laws extends far beyond the walls of our St. Paul headquarters. To maintain effective contact with taxpayers, we also work in 22 other locations within Minnesota and nine cities around the country.

The compliance cycle

Minnesota's revenue system depends on Minnesotans knowing their tax obligations and voluntarily complying with them. Our role is to support the revenue system by ensuring that taxpayers have the information and other resources they need.

We work in over 120 different jobs, from tax collectors and tax specialists to management analysts and computer programmers. Approximately 57 percent are women; most—95 percent—are represented by unions. Close to 8 percent are members of one or more ethnic or racial minorities.

To make the revenue system work well for Minnesotans, we:

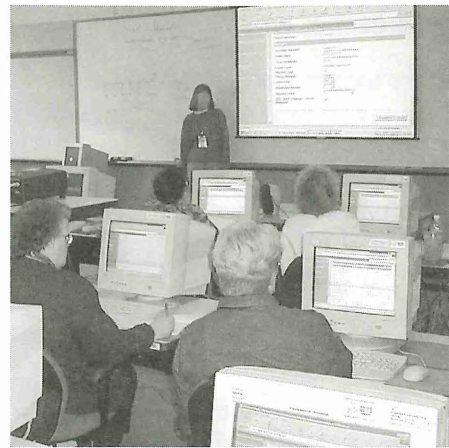


Highlights from 2000

Progress on our top three priorities—tax reform, reengineering, electronic government services

1 Tax reform was the department's top priority in 2000, as it was in 1999. The 18-month effort, which included citizen meetings, interviews with legislative leaders and presentations to business and trade associations, resulted in a series of far-reaching recommendations, which Governor Ventura presented to the legislature and the people of Minnesota in his State of the State address in January, 2001.

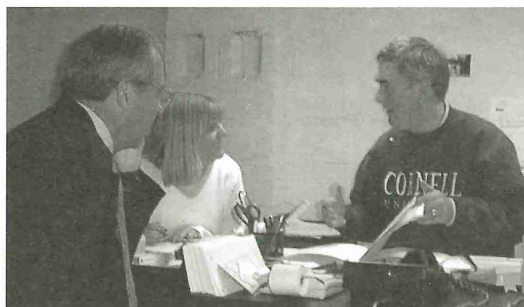
2 The first release of the **Income Tax Reengineering** project neared completion as the File Folder application was introduced. By the end of December, over 600 users had completed training for the new system. The File Folder application replaces the Taxpayer Registration system and will be used for accessing and updating taxpayer information. With this application in production, the main focus of the Reengineering project will shift to the development and release of the new Income Tax Processing System slated for the end of 2001.



By the end of December, 2000, over 600 users had received training in the new system.

3 In January, the **Electronic Government Services** project got under way. Its charge: to move our business tax payers to paperless filing and paying by July, 2001. With only 18 months to complete this major change, the project was on an extremely fast track. By year's end, however, major decisions had been made, affected customers had been alerted to the impending change, and the department was reviewing responses to its request for proposals to build an Internet filing application.

Dick Alman, assistant commissioner, and Juli Peterson, EGS project manager, learned firsthand about electronic filing from the customer's perspective on a visit to business owner Michael Schumann, St. Paul.





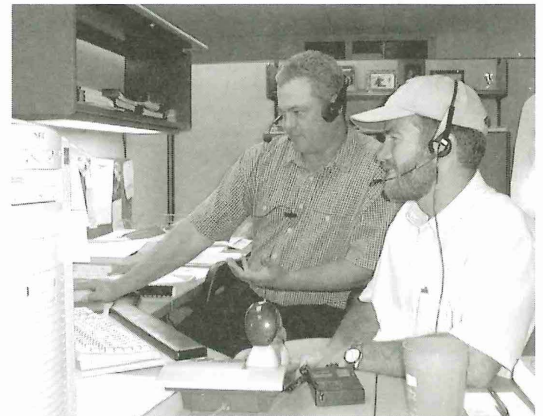
In May, Minnesota honored former Governor Harold Stassen by naming Revenue's headquarters after him. Attending the ceremony were former governors Al Quie, Wendell Anderson, Arne Carlson and the guest of honor, Harold Stassen.

"Having our building named in honor of Governor Stassen, a man whose public service spanned nearly half a century, and who participated in what many see as the defining experiences of the 20th century, will help us to remember that the revenue system we administer is not an end, but a means to that higher purpose."

Matt Smith, commissioner

Sales Tax Rebate 2000. The Minnesota Department of Revenue returned nearly \$631 million in rebates to Minnesota taxpayers. Unlike earlier rebate programs, the 2000 sales tax rebate added social security recipients and dependents to the total population of eligible Minnesota residents. The increased population reduced the reliability of data, and error rebates equaled about 1.7 percent of the population. In comparison, the error rate in the 1999 sales tax rebate was about 1.2 percent. We are taking steps to minimize the possibility of similar errors in future rebates.

Commissioner Matt Smith (in cap) shadowed Stan Marchio, Individual Income Tax, in the phone room as rebate questions poured in.



In March, we began the process of updating the department's **strategic plan**. Steps included a review of the environmental factors that affect our work, direction setting by the executive team, and recommendations from managers and division representatives. The new, pocket-sized plan was issued in July.



Mike Bernard and Mike Koester (facing the camera) were among the 150 employees who helped shape the department's new mission statement and strategic plan.

A new home in Ely. In August, Minnesota Collection Enterprise employees moved into a new state-owned facility. (The previous space had been rented.)



The world around us: major challenges

Our challenges

- the explosive growth of electronic commerce and the Internet
- globalization and the sustained strength of the economy
- the changing character of the state's population and workforce

Electronic commerce

More and more, our customers expect government to offer online information and services. Taxpayer use of our website to download Minnesota tax forms, instructions and fact sheets has grown dramatically:

Year	Publications downloaded
1998	369,000
1999	1,159,000
2000	1,969,000

Minnesotans are also **filing their returns electronically**. In 2000, over 625,000 individual income tax returns were filed electronically, and a growing percentage of those are via the Internet—see charts, below. More professional tax preparers are offering electronic filing. (By 2003, all tax preparers who file more than 100 tax returns with the department will be required by state law to file electronically.)

Growth of paperless individual income tax filing, 1998–2000

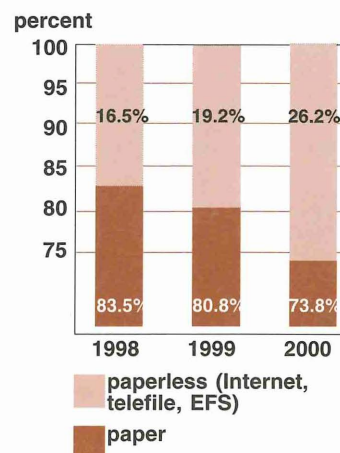
Summary

	EFS	Telefile	Internet	Paper	Total
1998	275,011	117,865	3,767	2,007,893	2,404,536
1999	325,693	124,384	21,830	1,983,447	2,455,354
2000	424,789	133,650	69,100	1,768,766	2,396,305

Of all paperless filing methods, the most dramatic growth has been in Internet filing.

% type	EFS	Telefile	Internet	Total paperless
1998	69.3%	29.7%	0.9%	100%
1999	69.0%	26.4%	4.6%	100%
2000	67.7%	21.3%	11.0%	100%

In 2000, more than a quarter of all filers went paperless, up from 16.5% in 1998 and 19.2% in 1999



The Economy

Globalization and e-commerce. Globalization has dramatically increased both the number and kind of business transactions that cross state and national borders. Business consolidations and mergers have made it more difficult to trace transactions and determine which corporate entity is responsible for paying the tax.

The increased use of computer technology in business-to-business commerce drives up audit costs because electronic records do not have an obvious location or paper trail. The department must be prepared to deal with businesses that may emerge from the expanding technology.

Sustained growth of the state economy. From 1995 to 2000, the number of businesses remitting Minnesota sales and use tax grew from 178,000 to 232,000. In that same period, the number of corporations and partnerships grew from 78,000 to 102,000. More businesses mean increased demand for department services and other activities.

Minnesota's strong economy has resulted in record tax collections. In response, the legislature has cut tax rates and enacted rebate programs. The department administered \$2 billion in sales tax rebates in 1999 and 2000. These programs more than doubled the number of taxpayer telephone calls to the department.

How well does our workforce mirror the population of the citizens we serve? Below is a comparison of the race/ethnicity of Revenue's workforce with that of Minnesota as a whole.

	Revenue workforce	Minnesota
American Indian	0.75%	1.20%
Asian/Pacific Islander	2.72%	2.70%
Black	2.72%	3.10%
Hispanic	1.51%	1.90%*
White	92.30%	92.90%

Revenue information is as of December 2000; state information, provided by MN Planning, is from 1999.

*Totals do not equal 100 because "Hispanic" refers to language, not ethnicity, and includes some who are also counted under "White."

Demographic Changes

Growth in non-English-speaking population. According to the U.S. Bureau of the Census and the State Demographic Center at Minnesota Planning, between 1990 and 1999, Minnesota's minority and immigrant population grew by 84 percent—from 227,303 to 418,521. Projections for the two fastest growing groups, Asians and Hispanics, are for continued rapid growth through 2025. The department is developing specialized outreach programs to meet the needs of non-English-speakers to ensure that they become full participants in Minnesota's revenue system.

Skilled worker shortage. With Minnesota's current unemployment rate at 2.8 percent, competition for skilled workers is intense. Moreover, the department will be facing an additional serious challenge in the next five years, because about 600 employees—about 50 percent—will be eligible for retirement. Replacing their collective experience and knowledge will be extremely difficult; our major challenge will be to ensure a smooth transition to a younger generation of employees at a time when the labor force is shrinking and competition for workers is increasing.

In 2000, we joined forces with 40 other states to simplify and modernize sales and use tax administration. The streamlined sales tax project uses emerging technologies to substantially reduce the burdens of tax collection for both Main Street and remote sellers for all types of commerce in participating states. By year's end, model legislation had been drafted, and was ready for introduction to legislatures in Minnesota and other participating states.

For the 1999 filing season (January–April, 2000), the Individual Income Tax Division's community outreach program added bilingual staff to meet the needs of Minnesota's Hispanic, Vietnamese, and Hmong communities.

2000 Partnerships in performance

No organization exists in a vacuum! To carry out our mission and accomplish our goals, we work with other state agencies and organizations in the public and private sectors. Some of these partnerships are the result of legislative mandate; some are less formal team efforts.

Working Family Credit

In 2000, the department again partnered with the University of Minnesota, the IRS, the Minnesota Departments of Economic Security and Human Services, and the other agencies and nonprofit organizations to form the Working Family Credit Advisory Group. By joining forces, each participating organization is able to focus on what it does best to help ensure that Minnesota's working poor receive the information and help they need to apply for the Working Family Credit and its

companion, the federal Earned Income Credit. Revenue designed and printed posters and flyers in English and in Spanish, and the IRS and other participants used their outreach abilities to ensure that materials reached the target audiences. Thanks in large part to the combined efforts of the Advisory Group, **more than 203,000 Minnesotans received the Working Family Credit—the average combined federal and state credit was over \$1,800.**

Outreach at the mall. Revenue's 2000 taxpayer outreach included participation in February's "Government on Display" event at the Mall of America. Below: Revenue and IRS representatives offered information on electronic filing (left), and taught classes in the basics of sales tax (right).



Award-winning partnership prepares the taxpayers of tomorrow



The Education Tax Group was honored with a Cooperative Public Service Award for their work in expediting tax returns for Minnesota high school and college students. The award was presented April 28 during the 12th annual Partnership Minnesota Conference at the University of Minnesota. From left, are: Patricia Dunlop, co-chair, Partnership Minnesota, John Wise, IRS, Skip Carlson and Theresa Ude, Revenue, Michelle Benson, IRS, Christine Jax, CFL, Tom Wilson, EHS, and Clyde Thurston, co-chair, Partnership Minnesota.

We rely on partnerships with the Internal Revenue Service (IRS), local governments, volunteer taxpayer-assistance organizations, tax practitioners, accountants, software firms and other information and service providers.

Meeting the needs of Minnesota's low-income and non-English-speaking citizens

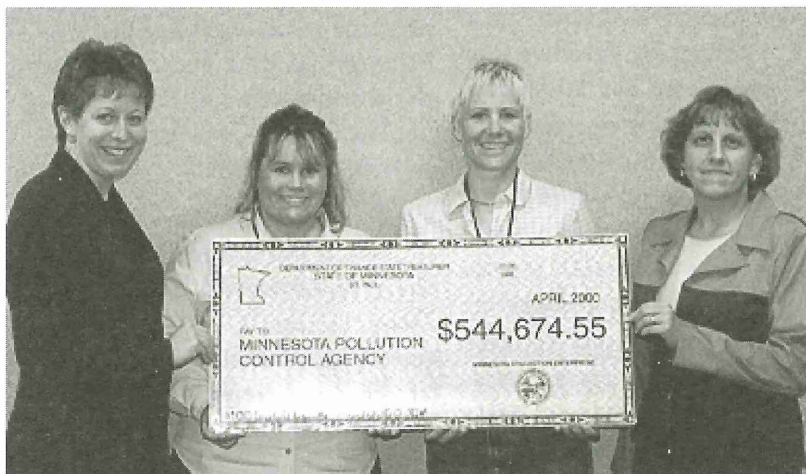
The Individual Income Tax Division's Volunteer Income Tax Assistance (VITA) program partnered with the IRS and AccountAbilityMinnesota, the nonprofit organization supported by Minnesota's accounting profession, to train and support 500 volunteers who provided tax help to low-income and non-English-speaking people. Volunteers helped over 7,000 at 50 Twin Cities metro sites. The program helped return \$7.2 million in refunds to the metro area's economy. We also worked with the IRS and its TCE (Tax Counseling for the Elderly) program to serve the needs of 96,000 senior citizens throughout Minnesota.



*The Individual Income Tax Division's **Community Outreach** program, begun in 2000, is designed to foster positive relationships with Minnesota's immigrant and non-English-speaking communities. To staff the effort, the department hired Spanish- and Vietnamese-speaking representatives on a permanent basis, and created additional temporary positions to provide services to those and other language communities during the filing season. Above: Loann Nguyen, Individual Income Tax, with members of the Somali community in Minneapolis.*

K-12 Education Tax Credits

The department, in cooperation with the Minnesota Department of Children, Families and Learning and the nonprofit organization, Partners for Choice in Education, helped distribute approximately 10,000 flyers about the credit to public and private schools and other organizations. We also worked with Wal-Mart and K-Mart to promote the K-12 education credit.



***MCE partnerships** During calendar year 2000, the Minnesota Collection Enterprise (MCE) collected \$8.2 million on behalf of other governmental agencies. To celebrate these partnership efforts, MCE presented several "BIG" checks to client agencies, including this one for over \$544,000 for the Pollution Control Agency. Pictured above are: Lynn Willenbring, MCE, Vickie Blomgren, PCA, Brenda Winkler, PCA, Marcy White, MCE.*

Business performance: our 2000 results

Our performance measures are linked to our four vision statements, or goals. These goals are the heart of our department's strategic plan; our success in achieving them tells us how well we are performing on a year-by-year basis. This summary section describes the major measures we are using to mark our progress in achieving our vision and carrying out our mission.

Goal 1:

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

What about people who aren't paying at all? The Individual Income Tax Division began a pilot program to identify and collect tax liabilities from individuals and businesses that currently owe taxes but do not file. In 2000, the nonfiler pilot identified 37,000 individuals who had not filed returns in 1996-97. Studies show that, once brought into compliance, former nonfilers remain in the system rather than dropping out again, meaning long-term gains in revenue and improved fairness for the tax system.

Many factors affect a person's ability to "pay the right amount, no more, no less," including the state of the economy and complexity of the tax laws. In a perfect world, taxpayers would be able to figure their taxes accurately at the time they pay them, with no need for either a refund nor a balance due later. However, just as the world we live in is less than perfect, so is the accuracy of tax payments we receive.

One important service we perform on behalf of both taxpayers and the revenue system is account reconciliation. Chart 1, below, gives a sense of how well taxpayers are doing at paying "no more." It shows the gross receipts and refunds by tax type.

The chart also shows refunds as a percent of gross receipts for selected tax types, and allows for some interesting comparisons. Complexity of the law may explain why refunds make up a

relatively high percentage of corporate franchise tax receipts. However, while refunds are even higher for individual income tax, personal choice may be the critical factor, since many people deliberately over-withhold in order to receive a large refund. Highest of all is sales tax, with over 20 percent of gross receipts refunded. However, this number is deceiving, since \$631 million of the \$793.7 million refunded is attributable to the 2000 sales tax rebate, and not to refunds of overpayments by sales tax filers.

At the other end of the spectrum are underpayments—and nonpayments. Exact measurements of paid and underpaid taxes are not available, but reliable estimates do exist. Chart 2, below, gives estimates of unpaid tax for major tax types. The figures are based on research from the Office of Tax Policy Research, School of Business Administration, University of Michigan. The chart also shows how much of the unpaid taxes we have actually been able to assess.

Chart 1. State Receipts Collected, FY 2000
(in thousands)

	Gross Receipts	Refund	Net	Refunds as a % of Gross
Sales & Use Tax	3,894,890	793,660	3,101,230	20.4%*
Individual Income Tax (IIT)	6,449,393	893,021	5,556,372	13.8%
Corporate franchise tax	916,549	116,420	800,129	12.7%

* includes sales tax rebate

Chart 2. Estimates of unpaid tax, FY 2000

	Individual	Corporate	Sales & Use	Excise
Estimated unpaid tax	881,960,000	162,570,000	346,650,000	46,660,000
Unpaid tax assessed	27,990,000	38,470,000	29,270,000	1,690,000

Goal 2:

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

One measure of our customer service is how accessible we are to telephone calls. After over four years of steady improvement in **phone service** (see Chart 3, below), services levels in 1999 fell sharply, due to the enormous number of calls about the sales tax rebate. While rebate calls in 2000 were again heavy, we benefited from the previous year's experiences, and were better prepared to handle service demands.

Our customers also expect prompt service when it comes to getting back their money—their **refunds**. Chart 4 shows the benefits of filing a return electronically—on average, it takes over a month (42 days) to get your refund if you file by paper, while filing electronically will get you your money in 10 days or less. We are working on getting out the word on the benefits of filing electronically.

We have two primary vehicles for measuring customer satisfaction in the business tax areas: the **Audit Quality Survey**, which is sent as a follow-up to audits, and the biennial **Customer Input Survey**. Both indicate a high level of satisfaction with the department's services and procedures. Our challenge is to develop similar tools to measure customer satisfaction for individual income tax payers.

"I was given clear, understandable answers to my audit questions"

93% of Sales and Use tax respondents agreed

91% of Special Taxes respondents agreed

from the 2000 Audit Quality Surveys

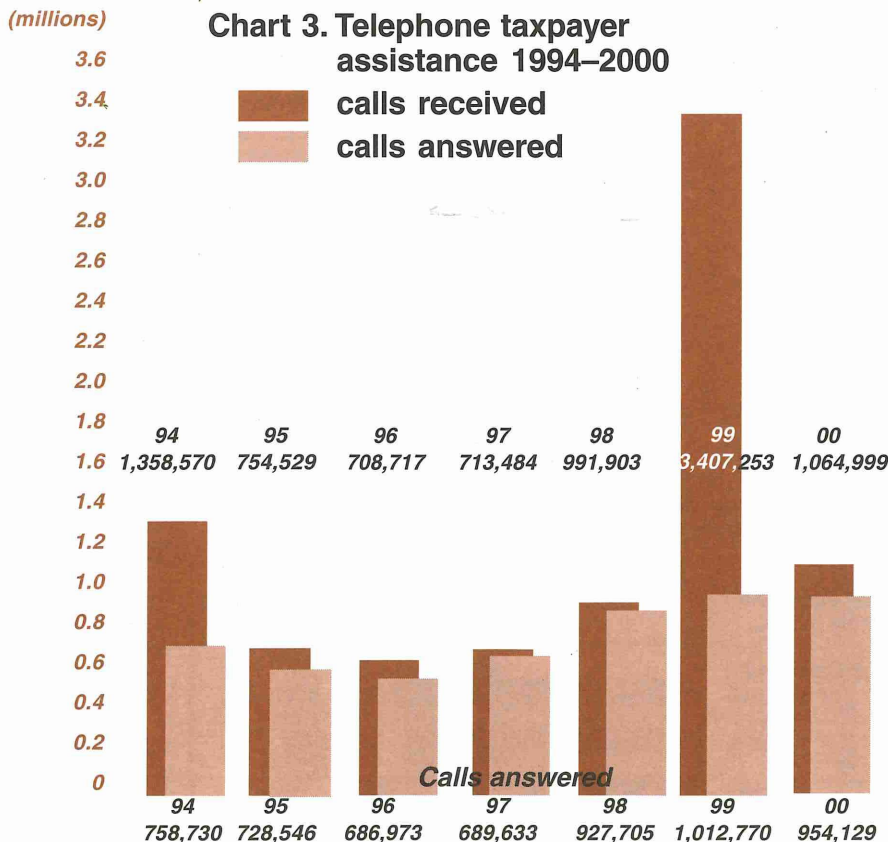
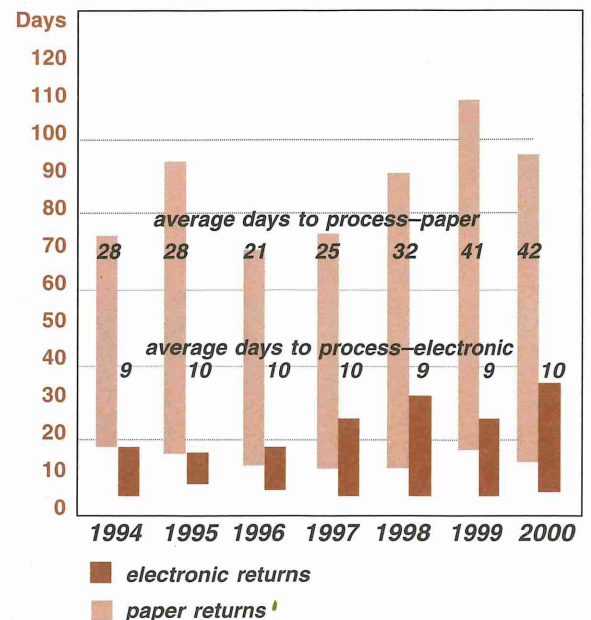


Chart 4. Days to process individual income tax refund returns

range and average number of days



Goal 3:

Citizens can rely on our employees to have the skills, tools and other resources needed to perform their work

Timely performance reviews, personal development plans

Everyone needs clear job expectations, to receive useful and timely performance feedback, and to have a development plan. But one size doesn't necessarily fit all; performance reviews must be tailored to fit the needs of each division. Some have used peer review and 360-degree feedback, while others collect ideas from co-workers and/or supervisors. In the final analysis, we know that professional

growth and development depends on the establishment of an effective partnership between each employee and his or her supervisor.

Training and development opportunities were presented both here at 600 North Robert and elsewhere across the state. In 2000, we invested more than 2 percent of our payroll dollars in training-related expenses.

Equipment and infrastructure

Employees need up-to-date systems and equipment in order to meet our customers' needs. In 2000, we made a number of major technology investments, including:

The **reengineered income tax system**, which will become fully operational in 2002, provides enhanced processing capabilities and capture of new taxpayer information; eventually, it will offer taxpayers access to their records via the Internet. It provides our staff with a user-friendly, browser interface that mimics Internet usage. Major investments in equipment and software were made to support the new system.

The processing equipment that supports the **Sales Tax, Business Registration, MinnesotaCare** and auxiliary operations was replaced in fiscal year 2000. The replacement equipment absorbs the increased workload and supports the needs of employees who interact with taxpayers.

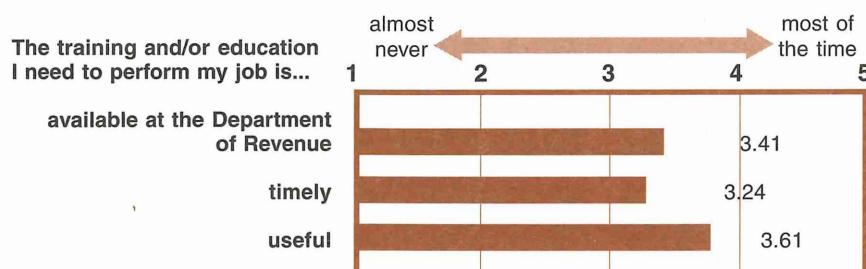
In addition, we purchased two terabytes of **disk storage** to contain data to meet the increasing requirements for availability of history of taxpayer activities. (For comparison, one terabyte can store as much information as would fill about 50,000 trees made into paper and printed.)

In early 2000, Administrative Management Division employees created individual development plans. They attended workshops and received personal coaching to help identify their unique talents. The end product was a written agreement that outlined the "what, when, where and cost" of individual development. Agreements will be reviewed and updated annually.

The Minnesota Collection Enterprise experimented with supervisors and leadworkers switching jobs for 6 to 12 months in an effort to further develop employees and bring varied experiences into the work units.

Training "pulsetaker"

In early 2000, employees were invited to take a short survey on training in the workplace. Of the 414 respondents, 345 had taken advantage of available training and/or educational opportunities. Here's how they rated their experiences:



Goal 4:

The revenue system works well, in policy and operation

Many institutions and individuals participate in Minnesota's revenue system, including the three branches of state government; cities, counties, and other local units of government; citizens, and taxpayers. Most of our efforts go to improving the two primary areas that we can influence: reliability and efficiency.

Our first broad efficiency measure is our **cost to collect \$100 in taxes**. Since 1991, our overall cost has declined almost 25 percent, from \$1.09 to \$.82 for FY00. This is our total collection costs for all different tax types.

This steady decrease of close to 25 percent reflects the strength of our state and national economy. It may also be attributed to the fact that the department's budget has remained relatively flat over this ten-year period, while tax collections have continued to increase. The declining cost to collect state taxes leaves that much more of each dollar to go directly to fund the public services for which it is intended, but it may also mean that the tax system is collecting a higher proportion of its dollars from already-compliant taxpayers as more expensive audit and enforcement activities have had to be curtailed.

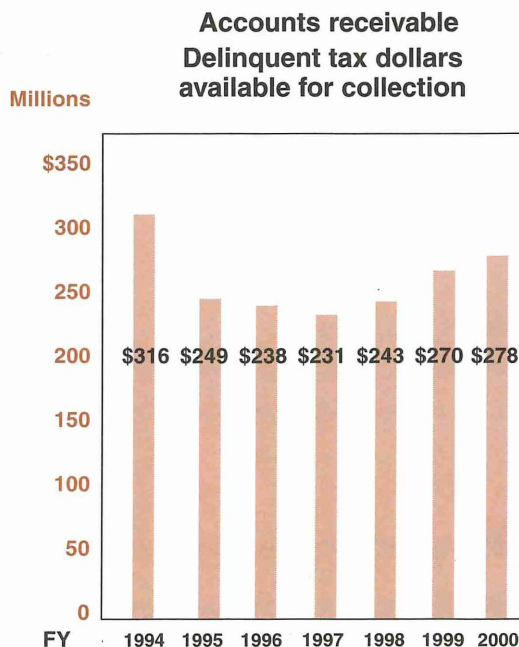
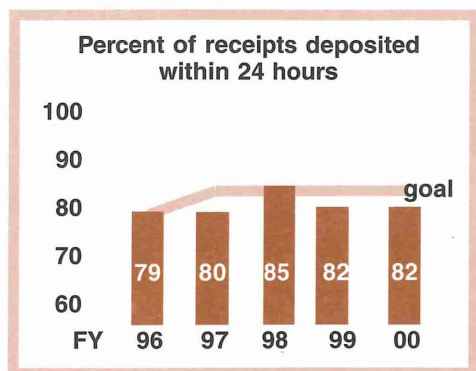
Our second major efficiency performance measure is **time to deposit receipts** (below), or, how quickly we get the state's money into the bank. The sooner funds are deposited, the more interest the state earns on those funds. For four years

straight, we have been able to deposit at least 80 percent of the dollars received by the next business day. Electronic funds transfer from our large businesses continues to help us achieve this performance level.

A third measure of our efficiency is our ability to manage delinquent taxes—our **Accounts Receivable** (below right). This measure is important, since we expect everyone to pay what they owe. Anything less increases the overall tax burden on those who are already paying their fair share.

After a significant drop in FY95, the total dollars available for collection remained relatively steady for three years, then began to grow as the state's economy continued to expand.

During calendar year 2000, the Minnesota Collection Enterprise (MCE) collected \$149.2 million in debt owed the Department of Revenue and \$8.2 million in non-Revenue debt. Despite these record-setting collections, the accounts receivable balance continued to rise as new businesses were started.



Looking ahead: 2001 and beyond

If 2000 was the year for tax *law* reform, 2001 may come to be known as the year of tax *administration* reform. We expect dramatic changes in how we interact with customers and in how we receive, process and manage information and payments.

Income tax reengineering's File Folder application, which replaced the Taxpayer Registration system, went "live" at the end of 2000. The project's main focus will shift to the development and release of the new Income Tax Processing System, slated for the end of 2001.

Electronic government services is on track to shift sales and use and withholding taxes to an all-paperless filing environment as of July 1, 2001. By year's end, the modernizing of our return and payment processing system should be complete.

Legislation to support the **Streamlined sales tax** project will be introduced in

early 2001. We hope to have the new system operational by the beginning of 2002.

The changes will affect all the ways in which we interact with our customers, and will have a major impact on our workflow. We can expect temporary increases in phone calls and errors as we—and they—get used to the new ways of filing and interacting with each other. In the long term, as we move to a paperless environment, we will have less mail coming in and going out; less data entry and scanning; and less need for storage space. We can also look forward to faster, more accurate data.

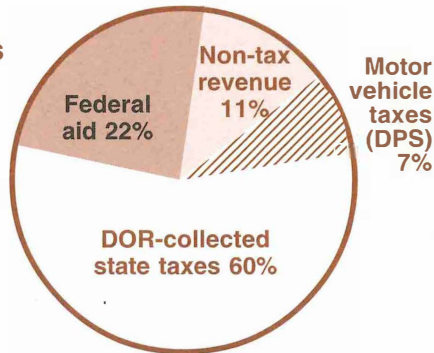
Our responsibility will always be to provide assistance and service to Minnesota taxpayers as they strive to comply with our tax system. This goal will not change, no matter how dramatic the changes in the means we use to accomplish this task.

2001 Minnesota Department of Revenue major initiatives

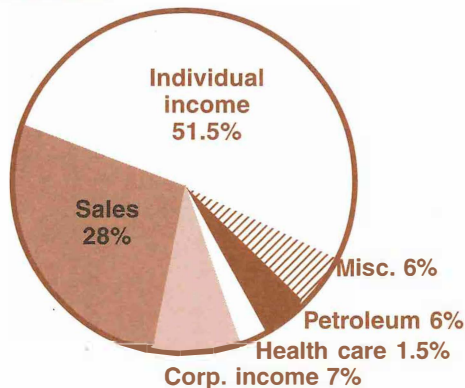
2000	2001 January	April	July	October	2002 January
Income tax					
file folder					
processing system					
scanning and imaging					
Internet transactions					12/03
compliance components					12/03
Streamlined sales tax					
model legislation introduced					
pilot, evaluation, final report					
system operational					
EGS					
Internet and telephone filing and paying implemented					
Electronic return and payment processing system modernized					

The Minnesota Department of Revenue *at a glance*

Minnesota's revenue from all sources is \$18.5 billion.

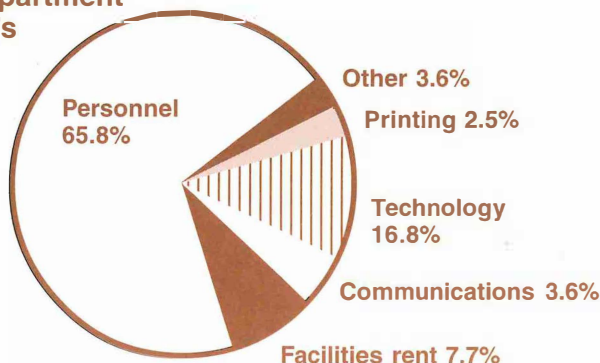


Of that amount, the Department of Revenue collects \$13 billion.



The department administers 28 taxes.
Cost to collect \$100 of taxes: 82¢

How the Department of Revenue's budget is allocated:



In 2000, we received:

1 million individual income tax phone calls,
76,000 sales and use tax phone calls

More than 1 million visits to the Revenue web site

6 million pieces of mail

How to contact us:

General information
(651) 296-3781
1-800 652-9094

TDD/TTY: contact MN Relay
Service at 1-800-627-3529

Web site
www.taxes.state.mn.us

MinnesotaCare tax, 1992

1990

Hazardous waste tax, 1983

1970

Sales tax, 1967

1950

Cigarette tax, 1947

Gift tax, 1937
Liquor tax, 1934
Income tax, 1933

1930

Fuel tax, 1925

1910

Mortgage tax, 1907
Inheritance tax, 1905

1890

Iron ore tax, 1881

Premium tax on insurance companies, 1872

1870

State Board of Equalization, 1860

Statehood, 1858

Property tax, 1849

1850