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Minnesota Department of Revenue

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<https://www.revenue.state.mn.us/>

AT A GLANCE

In 2021, the Department of Revenue:

- Employed 1,408 people across the state
- Processed 6.3 million tax returns
- Collected \$30 billion in state taxes annually to fund state and local programs
- Partnered with 374,000 businesses to administer sales tax
- Assisted more than 3,400 local governments with tax administration
- Responded to over 480,000 phone calls and helped another 115,000 customers by email or in-person
- Served 6.9 million visitors through our website

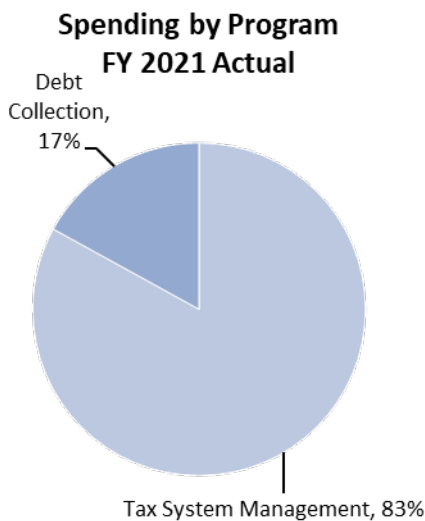
PURPOSE

The Minnesota Department of Revenue’s mission is “working together to fund the future for all of Minnesota.” Our vision is that everyone reports, pays, and receives the right amount: no more, no less.

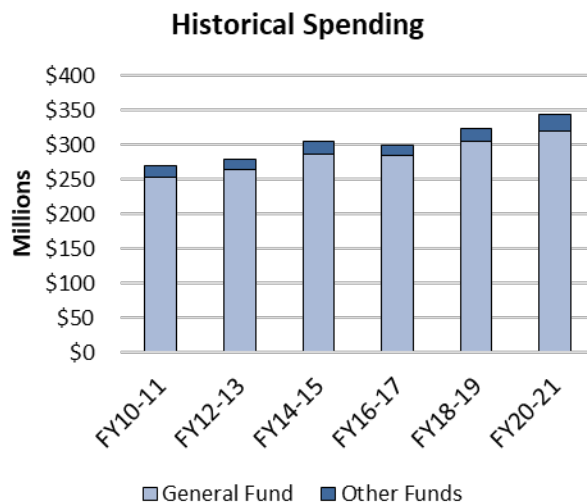
We work with individuals, businesses, local governments, federal and state agencies, tax professionals, and others to administer over 40 state and local taxes. We collect approximately \$30 billion in state taxes annually to fund state and local programs.

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: Consolidated Fund Statement



Source: Budget Planning & Analysis System (BPAS)
Source: Consolidated Fund Statement

The revenue we collect is allocated through the budget process to fund a wide range of state and local programs, including 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 these 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

STRATEGIES

Minnesota's future relies on pursuing excellence in prioritizing: healthy Minnesotans and COVID-19 protection, economic recovery and working Minnesotans, children and families, equity and inclusion, fiscal accountability, measurable results, and the environment. The Department of Revenue does this by providing services to a diverse set of customers, including individuals, businesses, and local governments. We strive to meet our customers' needs through efficient and effective tax administration, providing quality customer service to Minnesota taxpayers, and a commitment to continuous improvement.

To achieve these priorities, we have identified the following Department of Revenue strategies:

- Provide customers with the information, education, and services they need to efficiently navigate Minnesota's tax opportunities and obligations.
- Engage in meaningful interaction with our customers to provide superior service, especially to those who will be most impacted by our work.
- Commit to an inclusive culture for all employees by welcoming individual differences and similarities, respecting others, treating people equitably, and forming meaningful connections.
- Ensure a productive, innovative, healthy, and safe work environment where all employees can thrive, whether in a traditional office location or virtually.
- Confirm that employees have the tools and resources necessary to process returns, payments, and refunds accurately and efficiently. Protect customer data and the security of our technology systems.
- Promote operational efficiencies and leverage technology to protect customer information and to serve customer and employee needs.
- Identify and address non-compliance through education and enforcement to ensure fair, efficient, and equitable support of the state's goals.

[Minnesota Statute 270C.03](#) establishes the Department of Revenue's legal authority.

Revenue

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	161,051	157,833	158,835	192,214	175,376	174,360	214,854	207,938
2000 - Restrict Misc Special Revenue	7,836	7,579	8,183	8,276	8,275	8,268	8,729	8,972
2360 - Health Care Access	1,760	1,757	1,756	1,764	1,760	1,760	1,760	1,760
2710 - Highway Users Tax Distribution	2,194	2,196	2,103	2,287	2,195	2,195	2,195	2,195
2800 - Environmental	305	305	296	314	305	305	305	305
Total	173,146	169,670	171,173	204,855	187,911	186,888	227,843	221,170
Biennial Change				33,212		(1,229)		72,985
Biennial % Change				10		(0)		19
Governor's Change from Base								74,214
Governor's % Change from Base								20

Expenditures by Program

Tax System Management	143,083	140,119	141,826	170,420	155,721	154,698	193,192	184,443
Debt Collection Management	30,063	29,551	29,346	34,435	32,190	32,190	34,651	36,727
Total	173,146	169,670	171,173	204,855	187,911	186,888	227,843	221,170

Expenditures by Category

Compensation	129,962	129,869	127,117	156,294	144,315	142,931	162,284	170,931
Operating Expenses	42,524	38,914	39,924	47,782	42,821	43,182	64,784	49,464
Grants, Aids and Subsidies	597	667	698	752	750	750	750	750
Capital Outlay-Real Property	(60)	(41)	272					
Other Financial Transaction	123	260	3,163	27	25	25	25	25
Total	173,146	169,670	171,173	204,855	187,911	186,888	227,843	221,170

Full-Time Equivalent

	1,478.75	1,400.88	1,315.12	1,411.76	1,383.75	1,337.20	1,496.45	1,476.50
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Revenue

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		3,115		15,268				
Direct Appropriation	163,409	166,606	173,462	176,221	174,651	173,635	214,129	207,213
Open Appropriation	405	473	804	1,000	1,000	1,000	1,000	1,000
Transfers In	4,147	13,621	5,000					
Transfers Out	4,203	17,016	5,162	275	275	275	275	275
Cancellations	3	8,966						
Balance Forward Out	2,704		15,269					
Expenditures	161,051	157,833	158,835	192,214	175,376	174,360	214,854	207,938
Biennial Change in Expenditures				32,165		(1,313)		71,743
Biennial % Change in Expenditures				10		(0)		20
Governor's Change from Base								73,056
Governor's % Change from Base								21
Full-Time Equivalents	1,376.93	1,297.78	1,214.75	1,311.81	1,279.15	1,234.88	1,391.85	1,374.18

2000 - Restrict Misc Special Revenue

Balance Forward In	8,717	7,868	6,928	4,699	5,277	4,626	5,277	4,626
Receipts	6,987	6,638	5,954	8,854	7,624	7,599	8,078	8,303
Balance Forward Out	7,868	6,928	4,699	5,277	4,626	3,957	4,626	3,957
Expenditures	7,836	7,579	8,183	8,276	8,275	8,268	8,729	8,972
Biennial Change in Expenditures				1,044		84		1,242
Biennial % Change in Expenditures				7		1		8
Governor's Change from Base								1,158
Governor's % Change from Base								7
Full-Time Equivalents	69.44	73.04	71.57	66.83	70.60	69.32	70.60	69.32

2360 - Health Care Access

Balance Forward In		0		4				
Direct Appropriation	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760
Cancellations		3						
Balance Forward Out	0		4					
Expenditures	1,760	1,757	1,756	1,764	1,760	1,760	1,760	1,760
Biennial Change in Expenditures				3		0		0
Biennial % Change in Expenditures				0		(0)		(0)

Revenue

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	15.13	13.19	12.78	13.36	14.00	14.00	14.00	14.00

2710 - Highway Users Tax Distribution

Balance Forward In		1		92				
Direct Appropriation	2,195	2,195	2,195	2,195	2,195	2,195	2,195	2,195
Cancellations		0						
Balance Forward Out	1		92					
Expenditures	2,194	2,196	2,103	2,287	2,195	2,195	2,195	2,195
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	15.05	14.49	13.70	17.41	18.00	17.00	18.00	17.00

2800 - Environmental

Balance Forward In		0		9				
Direct Appropriation	305	305	305	305	305	305	305	305
Cancellations		0						
Balance Forward Out	0		9					
Expenditures	305	305	296	314	305	305	305	305
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				(0)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.20	2.38	2.32	2.35	2.00	2.00	2.00	2.00

Revenue

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	173,632	173,632	173,632	347,264
Base Adjustments				
Approved Transfer Between Appropriation	0	0	0	0
Biennial Appropriations		1,019	3	1,022
Forecast Base	173,632	174,651	173,635	348,286
Change Items				
Maintain Current Service Levels		15,680	25,908	41,588
Administering the 2023 Tax Bill	2,589	20,085	4,548	24,633
Legalizing Adult-Use Cannabis		3,673	3,118	6,791
Easy Enrollment		40	4	44
Total Governor's Recommendations	176,221	214,129	207,213	421,342
Fund: 2360 - Health Care Access				
FY2023 Appropriations	1,760	1,760	1,760	3,520
Forecast Base	1,760	1,760	1,760	3,520
Total Governor's Recommendations	1,760	1,760	1,760	3,520
Fund: 2710 - Highway Users Tax Distribution				
FY2023 Appropriations	2,195	2,195	2,195	4,390
Forecast Base	2,195	2,195	2,195	4,390
Total Governor's Recommendations	2,195	2,195	2,195	4,390
Fund: 2800 - Environmental				
FY2023 Appropriations	305	305	305	610
Forecast Base	305	305	305	610
Total Governor's Recommendations	305	305	305	610
Open				
Fund: 1000 - General				
FY2023 Appropriations	1,000	1,000	1,000	2,000
Forecast Base	1,000	1,000	1,000	2,000
Total Governor's Recommendations	1,000	1,000	1,000	2,000
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	8,276	8,275	8,268	16,543
Forecast Base	8,276	8,275	8,268	16,543

Revenue

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Change Items				
Regional Transit Sales Tax		454	704	1,158
Total Governor's Recommendations	8,276	8,729	8,972	17,701
 Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	8,854	7,624	7,599	15,223
Change Items				
Regional Transit Sales Tax		454	704	1,158
Total Governor's Recommendations	8,854	8,078	8,303	16,381

Minnesota Department of Revenue

FY 2024-25 Biennial Budget Change Item

Change Item Title: Maintain Current Service Levels

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	15,680	25,908	25,908	25,908
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	15,680	25,908	25,908	25,908
FTEs	59	92	92	92

Recommendation:

The Governor recommends additional funding of \$15,680,000 in FY 2024 and \$25,908,000 in each subsequent year from the general fund to maintain the current level of service delivery at the Department of Revenue.

Revenue administers the tax code for the state and is responsible for maintaining a fair, equitable, and transparent revenue system. In 2021, the department collected over \$33 billion in tax payments, processed more than 3 million individual income tax returns, issued over \$3.5 billion in tax refunds, and helped more than 500,000 business collect sales tax. Each of these metrics continues to grow each year as the population of Minnesota grows and the economy becomes more diversified.

We serve a broad base of customers, from start-ups in garages to Fortune 100 companies, from property tax administrators to first-time income tax filers. Each of our customers have specific needs, and the department strives to meet all of them. Without adequate funding, we cannot meet the complex needs of our customers. This proposal will ensure that Revenue continues to deliver the high level of services our customers expect. The Governor recommends additional funding for increased operational costs associated with the delivery of agency services.

Rationale/Background:

Those who file and pay Minnesota taxes need 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 have limited 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 costs

Each year, the cost of doing business rises — including growing costs to address the tight labor market, employer-paid health care contributions, and other salary and compensation-related costs. Other operating costs, like fuel, utilities, information technology (IT), and legal services, also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year without enacted increases.

- *Maintaining critical staffing levels*

The increased costs of doing business put pressure on the agency budget. Without increased funding, the department and MNIT services within it must reduce FTEs over the biennium through attrition. This attrition will negatively impact both Minnesota taxpayers -- our customers -- and, potentially, the general fund.

- *Keeping our systems secure*
Data privacy and security is a top priority at Revenue. As vulnerabilities and attacks become more frequent and sophisticated, Revenue must do all it can to ensure the security of taxpayer data. Over the past four years, technology costs to administer Minnesota’s tax system have increased and will continue to increase. The increased cost for software contracts and supports continues to be a growing expense.
- *Increased operational costs*
In FY 2022, the department sent over 3 million pieces of mail to Minnesotans to help them meet their tax obligations. As mailing and printing costs continue to increase, our statutory obligation to mail hard copies to our customers creates significant budget pressure for the department. Revenue serves customers all over the country, not just within Minnesota. While technology has allowed us to work with some of our customers remotely, the need to travel – especially for large, complicated audit work – remains. Increasing administrative fees are other areas where we are seeing significant budget pressure for the department.

Department efficiencies

The Department of Revenue has already implemented efficiencies to cover increased operational costs. These efficiencies will continue into FY 2024 and FY 2025, however, they are not enough to account for the increased operational costs the agency experiences on an annual basis. Efficiencies include:

- *Establishing a hybrid workforce model*
In FY 2022 and FY 2023, the department began transitioning some of its metro leased spaces and some of our current regional office locations to a virtual, home-based workspace model so the department can maintain a presence throughout the state, expand our ability to recruit employees located anywhere in Minnesota, and reduce costs associated with renting physical office locations. The savings incurred from this transition helped the department cover other increased IT and security costs.
- *Advancing Technology and Data Security*
The department has moved away from working with physical records when we are able. Training and other communication continually reinforce department policy when it comes to handling taxpayer information. Employees are responsible for ensuring the security of data is in alignment with the Minnesota Government Data Practices Act, as well as other applicable laws and agency privacy policies.
- *Optimizing Employee Production*
The department is uniquely equipped to track employee work productivity through the state’s integrated tax management system. While not every employee uses this system, the majority do. This system tracks everything a user does in a workday. With this tool in place, we can effectively monitor the activity of the agency to ensure Minnesota taxpayer data is secure and our employees are working efficiently.

Proposal:

The Governor recommends increasing agency operating budgets to support maintaining the delivery of current services. For the Department of Revenue, more than 74% of the department’s budget is for employee costs and this funding will cover expected and anticipated employee compensation growth. This funding will also cover known cost increases for IT services which help maintain strong security on our IT systems to help protect the sensitive customer data managed by the department.

Results:

This proposal is intended to allow the Department of Revenue to continue to provide current levels of service and information to the public.

Minnesota Department of Revenue

FY 2024-25 Biennial Budget Change Item

Change Item Title: Administering the 2023 Tax Bill

Fiscal Impact (\$000s)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
General Fund					
Expenditures	2,589	20,085	4,548	335	192
Revenues		0	0	0	0
Other Funds					
Expenditures		0	0	0	0
Revenues		0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,589	20,085	4,548	335	192
FTEs	13.9	28.6	23.4	2.8	1.7

Request:

The Governor recommends providing the Department of Revenue with funding to administer the 2023 Tax Bill. The Department of Revenue would incur \$2.589 million in costs in FY 23, \$20.085 million in FY 24 and \$4.548 million in FY 25 to implement these changes.

Rationale/Background:

The cost of implementing new tax provisions strongly depends on the nature of the tax law changes. The Department of Revenue can leverage our existing systems and processes to implement some changes with little additional effort while others – particularly complex law changes and new tax types, for example – require additional resources.

The Department of Revenue’s goal is to ensure that all taxpayers with obligations or benefits under Minnesota’s tax code have the information and resources they need to follow the law. With growing numbers of taxpayers and additional tax laws, the department will not be able to meet taxpayer demands without additional resources.

Proposal:

Costs that the Department of Revenue would incur to implement the Governor’s tax bill include: providing clear forms, instructions, and other written guidance; outreach to the affected industry or customer set; systems changes and maintenance to our integrated tax system; working with external vendors on changes, particularly for individual income taxes; maintaining IT systems that can process and retain accurate information; reviewing and auditing returns; and handling appeals.

Responding to Federal Changes

Beginning in 2019, the federal government enacted multiple bills that made changes across the tax system that impact individuals, families, and businesses. HF 31, enacted early this session, adopted the permanent federal changes for individuals and mainly conformed to the temporary changes for individuals and businesses and changes targeting COVID-19 relief. The costs in FY 23, FY 24 and FY 25 include costs for reviewing and auditing amended returns that will be filed due to these changes to our individual and business taxes. Taxpayers with a modification to prior year returns due to conformity with retroactive federal law changes will make those adjustments by filing a paper amended return. Reviewing amended returns is a significant effort and will take additional resources if we are to get them processed in a reasonable time frame.

One-Time Advanced Refundable Tax Credit

The one-time advanced refundable tax credit would provide relief to Minnesotans for the impact of inflation on prices of items such as groceries, utilities, healthcare, childcare, and other daily costs of living. About 2,582,100 households would receive a payment, either directly paid in advance or claimed on their 2023 tax return. The majority of costs in FY 23, FY 24 and FY 25 are for the implementation of the advanced payment of the credit. The amount would be spent working with a third party vendor to develop a portal to allow potential recipients to update their ACH or demographic information if they qualify for an advanced payment. The portal would also be translated into Somali, Hmong, and Spanish. Costs would also include a temporary customer support service line and email address to help answer questions and costs for processing the payments, both ACH and checks.

Minnesota Department of Revenue

FY 2024-25 Biennial Budget Change Item

Change Item Title: Legalizing Adult-Use Cannabis

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Cannabis Management Office Expenditures	\$15,430	\$14,841	\$13,980	\$13,711
DEED Expenditures	\$10,400	\$6,700	\$0	\$0
Health Expenditures	\$8,115	\$8,115	\$8,115	\$8,115
Public Safety Expenditures	\$4,175	\$2,662	\$2,662	\$2,662
Revenue Expenditures	\$3,673	\$3,118	\$3,138	\$3,153
Human Services Expenditures	\$2,260	\$6,476	\$6,476	\$6,476
Cannabis Expungement Board Expenditures	\$921	\$844	\$844	\$844
Pollution Control Expenditures	\$607	\$496	\$70	\$70
Supreme Court Expenditures	\$545	\$545	\$0	\$0
Higher Education Expenditures	\$500	\$500	\$500	\$500
Agriculture Expenditures	\$411	\$411	\$338	\$338
Natural Resources Expenditures	\$338	\$0	\$0	\$0
Education Expenditures	\$180	\$120	\$120	\$120
Labor and Industry Expenditures	\$132	\$132	\$132	\$132
Commerce Expenditures	\$75	\$283	\$569	\$799
Corrections Expenditures	(\$177)	(\$345)	(\$407)	(\$458)
Tax Aids, Credits, and Refunds Revenues	\$5,800	\$31,000	\$79,300	\$130,800
Cannabis Management Office Revenues	\$1,996	\$3,330	\$4,000	\$6,000
State Government Special Revenue Fund				
Health Expenditures	(\$3,424)	(\$3,424)	(\$3,424)	(\$3,424)
Health Revenues	(\$7,411)	(\$10,879)	(\$12,973)	(\$19,223)
Trunk Highway Fund				
Public Safety Expenditures	\$5,608	\$1,668	\$1,668	\$1,668
Outdoor Heritage Fund				
Tax Aids, Credits, and Refunds Revenues	(\$3)	\$96	\$330	\$594
Arts and Cultural Heritage Fund				
Tax Aids, Credits, and Refunds Revenues	(\$2)	\$57	\$198	\$356
Clean Water Fund				
Tax Aids, Credits, and Refunds Revenues	(\$3)	\$96	\$330	\$594
Parks and Trails Fund				
Tax Aids, Credits, and Refunds Revenues	(\$1)	\$41	\$142	\$257
Net Fiscal Impact = (Expenditures – Revenues)	\$49,393	\$19,401	(\$36,546)	(\$84,672)
FTEs	92	98	104	104

Recommendation:

The Governor recommends funding for the safe and responsible legalization of cannabis for adults in Minnesota. A new Cannabis Management Office will be responsible for the implementation of the regulatory framework for adult-use cannabis, along with the medical cannabis program, and a program to regulate hemp and hemp-derived products. This recommendation also includes funding for grants to assist individuals entering the legal cannabis market, provides for expungement of non-violent offenses involving cannabis, and implements taxes on adult-use cannabis.

Rationale/Background:

Prohibiting the use of cannabis in Minnesota has not worked. Despite the current prohibition, marijuana is widely consumed across Minnesota. The most recent Minnesota Survey on Adult Substance Use conducted in 2014-2015 found that nearly half (44%) of Minnesota adults reported using marijuana at some point during their lives. The maturation of the market for hemp-derived cannabinoid products following the 2018 Farm Bill culminating in the 2022 legislation authorizing hemp-derived THC edible cannabinoids have created urgency for comprehensive regulation and reform at the state level.

Regulating cannabis for use by adults will replace the abundant illicit market with a tightly regulated system with controls similar to those currently accepted for the sale of alcohol. This proposal will allow for the monitoring and regulation of its cultivation, processing, transportation and sale, activities currently occurring to the profit of drug cartels and criminals and without consumer protection guardrails.

Importantly, this proposal will begin to address racial inequities our current system has created. Despite survey data suggesting that Black and white Minnesotans use cannabis at similar rates, in 2021 Black Minnesotans were over four times more likely than their white counterparts to be arrested for marijuana according to data from the Bureau of Criminal Apprehension.

Marijuana prohibition additionally leaves potential tax revenue uncollected and furthers an opportunity for economic growth in the underground market. This proposal will bolster amounts available the General Fund for policymakers to prioritize while grant programs administered by DEED and the Office of Cannabis Management will further ensure Minnesotan entrepreneurs have the best opportunity to become the new adult-use market.

Finally, this approach is now well-tested across the country. Nineteen states and the District of Columbia have passed laws to legalize and regulate cannabis for adults. In Colorado, the first state to adopt this approach, legal sales began in January 2014 so there is now nearly a decade of implementation experience in other states to help craft this proposal for Minnesota.

Proposal:

This proposal creates a new agency, the Cannabis Management Office, which would be responsible for the implementation of a new regulatory framework for adult-use cannabis. The Office of Medical Cannabis will also move from the Department of Health to join this new agency. The office will be headed by a director appointed by the Governor and receive advice from a Cannabis Advisory Council with representatives from experts, local governments, the cannabis industry and relevant state agencies. The core duties of the office will include:

- to develop, maintain, and enforce an organized system of regulation for the lawful cannabis industry
- to establish programming, services, and notification to protect, maintain, and improve the health of citizens.
- to prevent unauthorized access to cannabis by individuals under 21 years of age.
- to establish and regularly update standards for product testing, packaging, and labeling.
- to promote economic growth with an emphasis on growth in areas that experienced a disproportionate, negative impact from cannabis prohibition.
- to issue and renew licenses.
- to impose and collect civil and administrative penalties.
- to authorize research and studies on cannabis, cannabis products, and the cannabis industry.

Adult-use cannabis will be subject to a new 15% gross receipts tax and state sales tax with retail sales beginning January 1, 2025. A new 15% gross receipts tax would also be imposed on the retail sale of edible cannabinoid products with retail sales beginning October 1, 2023.

The proposal authorizes three grant programs to support the establishment of cannabis businesses in Minnesota. Cannabis grower grants administered by the Office of Cannabis Management will provide farmers with assistance navigating the new industry and regulations along with subsidized loans for expanding into legal cannabis. Administered by the Department of Employment and Economic Development industry navigation grants and industry training grants will assist individuals in setting up a legal cannabis business through technical assistance and navigation services while providing grants to organizations and individuals for training on cannabis jobs.

The proposal provides for automatic sealing of dismissals, exonerations, convictions, or stayed sentences of petty misdemeanor and misdemeanor marijuana offenses by the Bureau of Criminal Apprehension, which will provide notice of the expungement to local law enforcement agencies as well as the Judicial Branch for compliance purposes. It also provides for the establishment of a Cannabis Expungement Board to review other cannabis convictions to consider eligibility for expungement or resentencing.

The proposal authorizes the Governor to enter into compacts with Minnesota Tribal governments on issues related to medical cannabis and adult-use cannabis.

The proposal finally provides significant resources to address substance use disorders. The proposal includes initial funding for grants directed by the advice of a Substance Use Disorder Advisory Council convened by the Department of Human Services. Five percent of the revenue from the cannabis gross receipts tax would flow into this fund to support these grants into the future.

Appropriations necessary for its implementation include:

- \$30,271,000 in FY2024/2025 and \$27,691,000 in FY2026/2027 to establish and begin operations of a new Cannabis Management Office responsible for the implementation of the new regulatory framework.
- \$822,000 in FY2024/2025 and \$ 676,000 in FY2026/2027 to the Department of Agriculture for food safety and pesticide enforcement lab testing and rulemaking related to changes in cannabis laws.
- \$1,765,000 in FY2024/2025 and \$1,688,000 in FY2026/2027 for a newly created Cannabis Expungement Board for staffing and other expenses related to reviewing criminal convictions and issuing decisions related to expungement and resentencing.
- \$358,000 in FY2024/2025 and \$1,368,000 in FY2026/2027 for the Department of Commerce for staffing and other expenses to complete scale, and packaging inspections.
- A reduction of \$522,000 in FY2024/2025 and \$865,000 in FY2026/2027 to the Department of Corrections' base budget to account for an expected reduction in marijuana-related incarcerations.
- \$300,000 in FY2024/2025 and \$240,000 in FY2026/2027 for the Department of Education to support schools and districts in accessing resources on cannabis use and substance use.
- \$17,100,000 in FY2024/2025 for the Department of Employment and Economic Development for cannabis industry navigator and startup grants.
- \$16,230,000 in FY2024/2025 and \$16,230,000 in FY2026/2027 for the Department of Health for education of women who are pregnant, breastfeeding, or who may become pregnant; data collection and reports; and youth education.
- \$8,736,000 in FY2024/2025 and \$12,952,000 in FY2026/2027 for the Department of Human Services to implement the substance use disorder treatment and prevention grant program and process background studies relevant to the work of the Cannabis Expungement Board.
- \$264,000 in FY2024/2025 and \$264,000 in FY2026/2027 for the Department of Labor and Industry to identify occupational competency standards and provide technical assistance for developing dual-training programs.
- \$338,000 in FY2024/2025 for the Department of Natural Resources for training of DNR Conservation Officers relating to the new cannabis regulatory system and requirements, recognition of impairment, and for the enforcement of the purposed environmental standards adopted by the Cannabis Management Office.

- \$1,000,000 in FY2024/2025 and \$1,000,000 in FY2026/2027 for the Office of Higher Education for Dual Training Competency Grants to employers in the legal cannabis industry.
- \$1,103,000 in FY2024/2025 and \$140,000 in FY2026/2027 for the Pollution Control Agency for rulemaking to establish of water, energy, odor, and solid waste environmental standards for cannabis businesses and provide technical assistance for small businesses.
- \$6,837,000 in FY2024/2025 and \$5,324,000 in FY2026/2027 for the Department of Public Safety Bureau of Criminal Apprehension for identifying and sealing records, forensic science services, and investigations.
- \$7,276,000 in FY2024/2025 and \$3,336,000 in FY2026/2027 for the Department of Public Safety Minnesota State Patrol from the Trunk Highway Fund for additional Drug Recognition Expert (DRE) troopers, crash reconstruction specialist troopers, and replacement drug detection canines.
- \$6,791,000 in FY2024/2025 and \$6,291,000 in FY2026/2027 for the Department of Revenue to collect and administer the tax requirements.

Impact on Children and Families:

The current widespread underground market for marijuana provides no controls against the sale and access to children. This proposal provides age restrictions to prevent the sale of cannabis to those under 21. Additionally, the biannual Healthy Kids Colorado Survey found no increase in the use of marijuana from 2011 to 2015 in the period where legal sales initiated in the state, a finding that has been consistent in Washington, Oregon, Alaska, California, Massachusetts, Maine, and Nevada. The proposal additionally provides funding for MDH to conduct a long-term, coordinated education program to raise public awareness about and address adverse health effects associated with the use of cannabis or cannabis products by persons under age 21.

Equity and Inclusion:

This proposal seeks to begin to address the inequities the current system of marijuana prohibition has created, beginning with the expungement of nonviolent marijuana offenses. A Division of Social Equity at the Office of Cannabis Management will work to further promote the consideration of equity and inclusion in the development and implementation of cannabis regulatory systems. The proposal additionally requires the prioritization of social equity applicants in cannabis license selection along with the cannabis grower and industry training and navigation grant programs.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Minnesota tribal governments, in particular the Red Lake Nation and the White Earth Nation, have raised significant concerns about the current interactions between their medical cannabis programs and current restrictions in statute. This proposal will provide broad authority for the Governor or designated representatives to negotiate compacts with an American Indian tribe regulating cannabis and cannabis products including medical cannabis.

Results:

The proposal requires Department of Health to engage in research and data collection activities to measure the prevalence of cannabis use and the use of cannabis products in the state by persons under age 21 and persons age 21 or older.

Statutory Change(s):

13.411, by adding a subdivision; 13.871, by adding a subdivision; 152.02, subdivisions 2, 4; 152.022, subdivisions 1, 2; 152.023, subdivisions 1, 2; 152.024, subdivision 1; 152.025, subdivisions 1, 2; 181.938, subdivision 2; 181.950, subdivisions 2, 4, 5, 8, 13, by adding a subdivision; 181.951, by adding subdivisions; 181.952, by adding a subdivision; 181.953; 181.954; 181.955; 181.957, subdivision 1; 244.05, subdivision 2; 256.01, subdivision 18c; 256D.024, subdivision 1; 256J.26, subdivision 1; 273.13, subdivision 24; 275.025, subdivision 2; 290.0132, subdivision 29; 290.0134, subdivision 19; 297A.67, subdivisions 2, 7; 297A.99, by adding a subdivision; 297D.01, subdivision 2; 297D.04; 297D.06; 297D.07; 297D.08; 297D.085; 297D.09, subdivision 1a; 297D.10; 297D.11; 609.135, subdivision 1; 609.531, subdivision 1; 609.5311, subdivision 1; 609.5314, subdivision 1; 609.5316, subdivision 2; 609.5317, subdivision 1; 609A.01; 609A.03, subdivisions 5, 9; 624.712, by adding subdivisions; 624.713, subdivision 1; 624.714, subdivision 6; 624.7142, subdivision 1; 624.7151; proposing coding for new law in Minnesota Statutes, chapters 3; 17; 28A; 34A; 116J; 116L; 120B; 144; 152; 289A; 295; 604; 609A; 624; proposing coding for new law as Minnesota Statutes, chapter 342; repealing Minnesota Statutes 2020, sections 152.027, subdivisions 3, 4; 152.21; 152.22, subdivisions 1, 2, 3, 4, 5, 5a, 5b, 6, 7, 8, 9, 10, 11, 12, 13, 14; 152.23; 152.24; 152.25, subdivisions 1, 1a, 1b, 1c, 2, 3, 4; 152.26; 152.261; 152.27, subdivisions 1, 2, 3, 4, 5, 6, 7; 152.28, subdivisions 1, 2, 3; 152.29, subdivisions 1, 2, 3, 3a, 4; 152.30; 152.31; 152.32, subdivisions 1, 2, 3; 152.33, 1.38 subdivisions 1, 1a, 2, 3, 4, 5, 6; 152.34; 152.35; 152.36, subdivisions 1, 1a, 2, 3, 4, 5; 152.37; 297D.01, subdivision 1; Minnesota Rules, parts 4770.0100; 4770.0200; 4770.0300; 4770.0400; 4770.0500; 4770.0600; 4770.0800; 4770.0900; 4770.1000; 4770.1100; 4770.1200; 4770.1300; 4770.1400; 4770.1460; 4770.1500; 4770.1600; 4770.1700; 4770.1800; 4770.1900; 4770.2000; 4770.2100; 4770.2200; 4770.2300; 4770.2400; 4770.2700; 4770.2800; 4770.4000; 4770.4002; 4770.4003; 4770.4004; 4770.4005; 4770.4007; 4770.4008; 4770.4009; 4770.4010; 4770.4012; 4770.4013; 4770.4014; 4770.4015; 4770.4016; 4770.4017; 4770.4018; 4770.4030.

Minnesota Department of Revenue

FY 2024-25 Biennial Budget Change Item

Change Item Title: Easy Enrollment

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures – MNSure	70	70	70	70
Expenditures – DOR	40	4	4	4
Expenditures – Human Services	343	394	394	394
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	453	468	468	468
FTEs	2.2	2.2	2.2	2.2

Recommendation:

The Governor recommends establishing an “Easy Enrollment” program to reduce the number of uninsured Minnesotans and increase access to affordable health insurance coverage. Uninsured individuals and families will have the option to check a box on their annual income taxes filed with the Minnesota Department of Revenue (the Department) and be connected to the state’s health insurance exchange (MNSure) for access to no- or low-cost health insurance. This proposal requires an investment in the FY2024-2025 biennium of \$876 thousand from the general fund and \$936 thousand from the general fund in the FY2026-2027 biennium. Costs for the Department of Revenue and the Department of Human Services are included in this proposal.

Rationale/Background:

Minnesota has long been a leader in health care policies and programs that expand access to health insurance coverage and Minnesota consistently ranks among the top states for low rates of uninsurance. According to the Minnesota Department of Health (MDH), the uninsurance rate in Minnesota in 2021 was four percent, the lowest rate the survey has recorded¹. However, four percent means about 230,000 Minnesotans continue to lack the security and peace-of-mind of affordable health insurance coverage, and uninsurance rates remain stubbornly high for communities of color and indigenous communities. This is unacceptable.

According to the last two consecutive Health Access Surveys from the MDH, as many as 75% or more of uninsured Minnesotans may be eligible, based on their income, for programs that would make their health insurance more affordable. This includes Medical Assistance, MinnesotaCare, or federal premium tax credits and cost-sharing reductions available on private insurance plans sold through MNSure.

Determining exactly why some Minnesotans remain uninsured has historically been a complex question. That many uninsured Minnesotans are likely eligible for affordable coverage that already exists suggests awareness of options and simply not knowing where to start could be key barriers.

¹ [Chartbook Section 6: Uninsurance and the Safety Net \(state.mn.us\)](https://state.mn.us/chartbook-section-6-uninsurance-and-the-safety-net)

While MNSure manages ongoing strategic statewide awareness campaigns designed to reach Minnesotans in need of affordable health insurance, and our statewide network of certified navigators and brokers undertake their own outreach efforts in their communities, these outreach methods are oftentimes more generalized public awareness communications to reach a broad audience of people. A more targeted approach would amplify these efforts and allow MNSure to directly reach people who have self-identified as in need of information about health insurance options.

An Easy Enrollment program is a simple and cost-effective way for the state to increase health insurance rates. The program is designed to help those who are uninsured easily and voluntarily request help accessing affordable health insurance coverage. The program leverages an existing touch point between the person and the state enterprise: the annual income tax filing process. The tax filer authorizes the Department of Revenue to share relevant information from their income tax forms with MNSure in order to assess their projected eligibility for financial assistance and coverage options. MNSure would conduct targeted outreach to each participating household that includes their potential eligibility and information on how to enroll.

A voluntary, opt-in Easy Enrollment program would meet uninsured Minnesotans where they are at, by making it simple and easy to request information about their potential eligibility for financial assistance to lower the cost of their health insurance, giving them concrete details about their coverage options and specific information about how to apply and enroll. The program also reduces the level of effort and resources it would otherwise take to identify and reach them.

Proposal:

The proposal establishes an Easy Enrollment program at MNSure and the Minnesota Department of Revenue. Any Minnesotan who files state income taxes would see a simple box to check on their income tax form indicating they or a member of their tax household are currently without health insurance and they authorize the Department to share their information with MNSure to determine their potential eligibility for insurance coverage and for MNSure to contact them with the results.

The Department would share the appropriate information – like adjusted gross income, tax household size, and taxpayer address-with MNSure in a secure format and MNSure would complete a preliminary eligibility determination for the household. MNSure would then send a letter to the household indicating what they might be eligible for and providing information on application and enrollment assistance, including connecting with a navigator or broker near them for free enrollment assistance.

After completing the application, households that qualify for private coverage through MNSure would qualify for a special enrollment period that permits the household to enroll if outside the open enrollment period. Minnesotans who qualify for public program coverage are already able to enroll at any time during the year once they are determined eligible.

Analyzing Easy Enroll program data available from Maryland, which has a similar state population and total number of estimated uninsured, MNSure assumes Minnesota’s experience will be similar to Maryland.[1] MNSure estimates 60,000 households will check the box on their tax forms and approximately 5,000 people could ultimately gain coverage each year. MNSure could see an estimated 1,500 new enrollments each year and the Minnesota Department of Human Services could see an increase of over 3,500 enrollments in Medical Assistance and MinnesotaCare each year.

The program would be fully implemented by the beginning of calendar year 2025 for tax year 2024 filings.

MNSure estimates \$ 25 thousand in staffing costs each year for receiving data and processing preliminary eligibility determinations and increased calls to MNSure’s contact center about the program; as well as \$45 thousand for sending notices to participating households each year.

The Department of Revenue estimates \$40 thousand in the first year for IT costs for development of a secure database or virtual room and costs for form and instruction changes, including \$4,000 ongoing for maintenance and updates.

The Department of Human Services (DHS) estimates \$505 thousand in the first fiscal year for two health care access staff, and a federal reimbursement of \$162 thousand. In each subsequent fiscal year, DHS estimates \$579 thousand for two health care access staff, and a federal reimbursement of \$185 thousand.

Impact on Children and Families:

This proposal will increase access to affordable health insurance coverage to more children and families, increasing their ability to seek medical care when it is needed and reducing the risk of medical debt that comes from being uninsured.

Equity and Inclusion:

Minnesotans of color have disproportionately higher rates of uninsurance. This proposal is designed to provide direct outreach to the uninsured population to connect them with affordable coverage options, which will reduce the number of Minnesotans who are uninsured, including Minnesotans of color and Indigenous Minnesotans.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Results:

MNSure will be able to assess the desired impact of the program by tracking the exact number of households that use the special enrollment period to enroll into coverage and the uninsured rate after the program goes into effect.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Boxes checked	-	-	60,000	2025
Quantity	New enrollments (QHP, MA, MCRE)	-	-	5,000	2025
Results	Uninsured Rate	4.0%	2021	3.8%	2026

Statutory Change(s):

Minnesota Statutes chapters 62V and 270B

Minnesota Department of Revenue

FY 2024-25 Biennial Budget Change Item

Change Item Title: Regional Transit Sales Tax

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Special Revenue Fund (DOR)				
Expenditures	454	704	728	752
Revenues	454	704	728	752
Other Funds (Met Council)				
Expenditures	60,046	93,196	96,272	99,448
Revenues	60,046	93,196	96,272	99,448
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0

Recommendation:

The Governor recommends enactment of a 1/8th cent sales tax in the seven-county metropolitan area, beginning in October of 2023, to expand investment in the regional transit system. The funds will be used with other federal, state and local resources to assist in addressing the operating and capital needs of the Metropolitan Council’s transit programs.

The Minnesota Department of Revenue will administer this tax for the Metropolitan Council, including working with retailers in the jurisdiction, updating tax collection systems, and compliance. The department will recover administrative costs from the revenue raised by the tax in its local sales tax administration account in the state special revenue fund.

Proposal:

The Metropolitan Council’s Transportation Division has long operated in a structural deficit with a significant fiscal cliff delayed through one-time state appropriations and one-time federal COVID relief funding. Most recently, federal COVID relief funds have allowed the Council to project sufficient funding for SFY 2024-2025 biennium services, pushing out the significant funding cliff to the SFY 2026-2027 biennium.

This proposal will provide on-going funding that will reduce the transit operating structural deficit estimated at \$260M for the SFY 2026-2027 biennium, and this includes current base general funds appropriations assistance with funding the state operating subsidies for the METRO lines. The METRO Lines include Arterial Bus Rapid Transit Lines (ABRT), Highway Bus Rapid Transit Lines (BRT), and light rail transit (LRT) and commuter rail lines. Current bus METRO lines include the A, C, and D ABRT Lines and Red and Orange BRT Lines. By and large, these lines that provide fast, frequent, all-day service with transit advantages have proven to be the highest performing ridership routes both prior to and after the beginning of the pandemic.

Current base general fund appropriations provide \$32.654M per year for rail operations. This current level of state general fund appropriations has not been increased since SFY 2018, and both the light rail and commuter rail systems are experiencing unusually high increases to service and maintenance costs due to the significant increases in general inflation, parts, fuel, and other expenses.

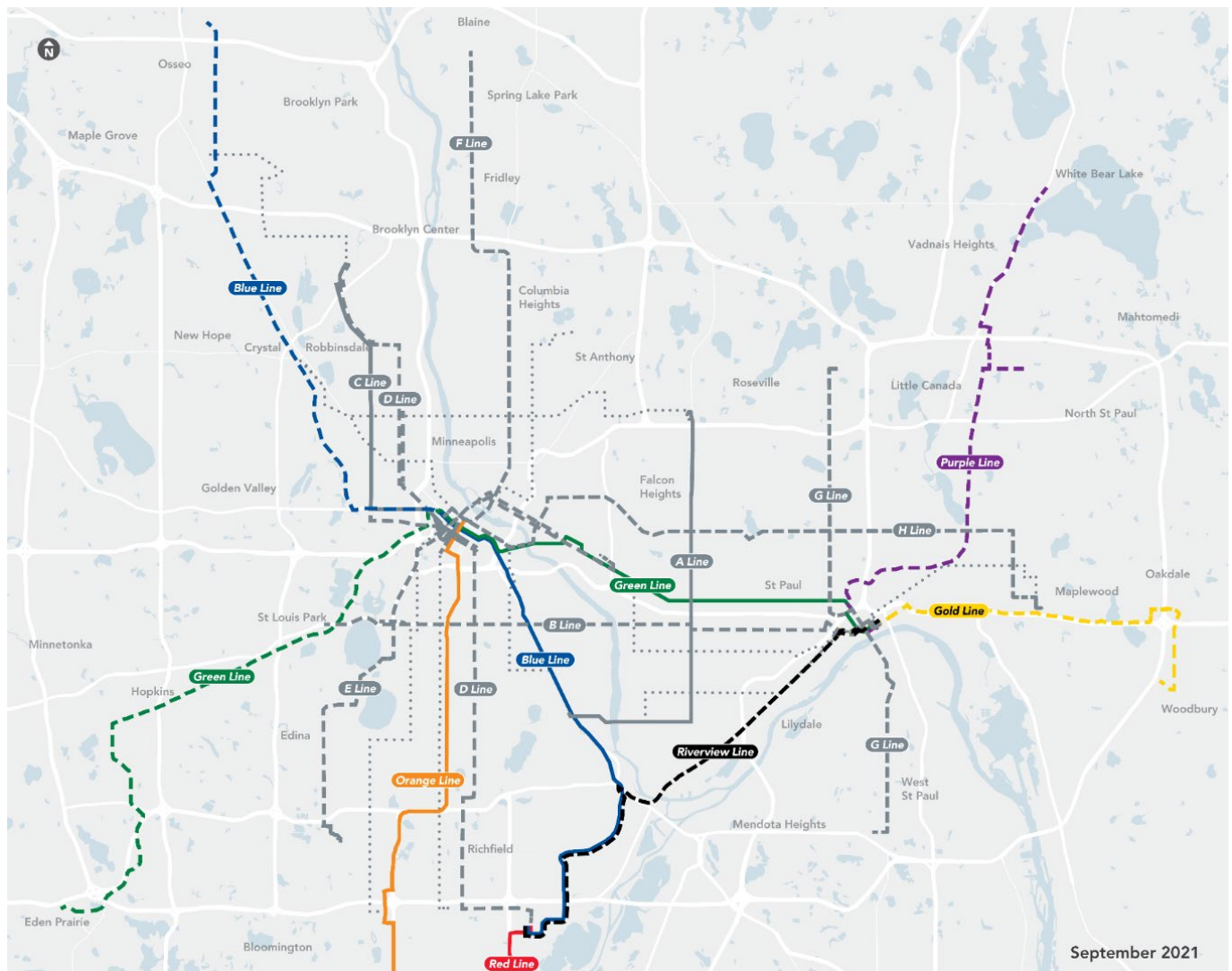
Subsidies for the operations of current rail lines are covered in part by state appropriations and funding from the counties through a Master Operations Funding Agreement. In addition, one-time federal COVID relief funds have

been added to address the remaining rail funding gap. As noted, one-time federal funding is forecast to run out at the end of the SFY2024-2025 biennium.

Current transit development plans call for the significant expansion of the METRO Line system. B Line ABRT and Gold Line BRT are fully funded capital projects expected to start service in SFY 2025. E Line ABRT is fully funded capital project that with projected service start in SFY 2026. F Line ABRT is a partially funded capital project projected to begin service in SFY 2027. Green Line Extension also has a projected service start date in SFY 2027.

Other planned METRO Lines with service start dates outside the current four-year state planning horizon (SFY 2024-2027) are in various stages of construction and planning, including G, H, and J ABRT Lines, Purple BRT Line, and Blue Line extension.

The following is a map showing the planned build out of the METRO Line system, including both current and planned lines.



Impact on Children and Families:

As the population of the Twin Cities metropolitan region grows, prospers, and becomes more diverse, the demand for transit will also grow. In July 2021, the Metropolitan Council released regional forecasts for population and employment through 2050. By 2050 the region is expected to grow by over 800,000 people and add over 600,000 new jobs. That population will be, on average, older and include more people of color. The region has experienced significant growth since 2010, with an increase of more than 325,000 people. This growth and change are expected to increase the demand and need for transit.

Ongoing investments in highway infrastructure have allowed the region to keep congestion relatively stable in recent years. The reduction in vehicle travel due to the COVID-19 pandemic also contributed to that stability. However, congestion and vehicle travel are once again growing and the ability to expand the regional roadway system is limited for financial, environmental, and livability reasons.

Transit provides a sustainable, efficient, and effective option to provide mobility for those who can't or choose not to drive, address increasing roadway congestion, improve air quality, and reduce green-house gas emissions. Transit connects people to jobs, school, food, services, recreation, shopping and more. Transit also plays a critical role in economic prosperity and livability. Businesses cite transit as one of the most important assets when looking to attract and retain employees. More and more, people are prioritizing access to transit as one of the factors they consider when choosing where to live and work. During the COVID-19 pandemic the proportion using transit for all trip purposes increased while the proportion of transit riders for work trips decreased, emphasizing the importance of transit for travel beyond the peak-direction commute.

Equity and Inclusion:

Providing transit contributes to regional equity with the regional bus and rail service that is configured in our region. Transportation connects all residents to opportunity and creates viable housing, transportation and recreation options for all races, ethnicities, incomes, and abilities.

Tribal Consultation:

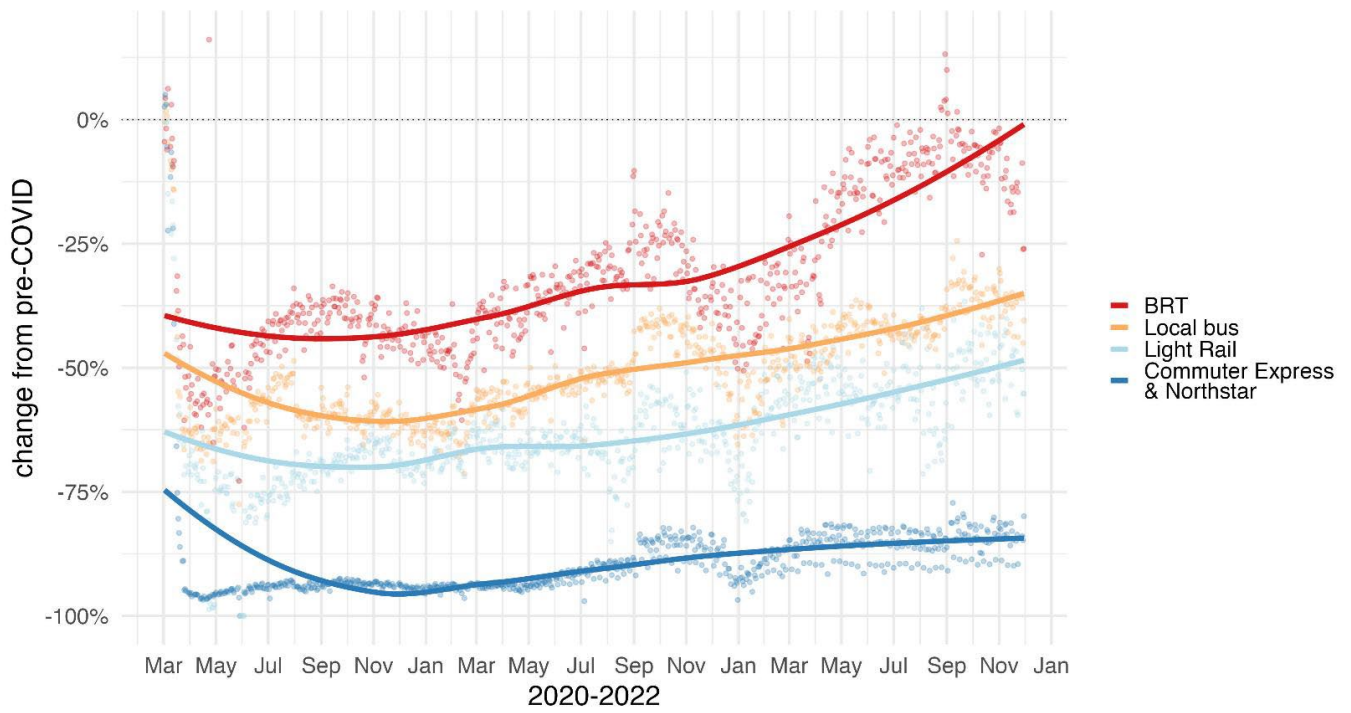
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- Yes
- No

Results:

The following charts show that transit ridership is rebounding from ridership loss during the pandemic. Overall, ridership has nearly doubled since hitting a low point early in the pandemic and continues to grow at a steady pace. Metro Transit bus operations ridership was also positively impacted by ridership results on the region's highest performing corridors including METRO A, C, and D ABRT lines and METRO Orange Line BRT. METRO

Orange Line BRT began service in December 2021 and METRO D Line ABRT began service in December 2022.



Statutory Change(s): Not applicable.

Program: Tax System Management

<https://www.revenue.state.mn.us/>

AT A GLANCE

In 2021, the Minnesota Department of Revenue:

- Issued 3.5 million tax refunds
- Awarded 35 Volunteer Income Tax Assistance (VITA) grants to organizations that provide tax assistance to minority and low-income communities.
- Provided over 190 free classes for business taxpayers and tax preparers
- Attended six events for military service members and families to promote their eligibility for tax benefits

PURPOSE AND CONTEXT

The Department of Revenue's Tax System Management program provides the technology and professional 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, receive their refund, and claim credits they are eligible to receive
- 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 approximately \$30 billion each year to fund essential services to Minnesotans including: local government and school district aid; services for children, families, and seniors; early childhood, E-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 majority 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, education, and enforcement efforts.

We provide a variety of services in the Tax System Management program. Specific activities are listed here 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	Incoming customer requests (includes email, phone, letter, web and walk ins)	753,881	596,713	Previous is FY19, Current is FY21
Quality	Customers who file their returns electronically	88%	90.1%	Previous is CY19, Current is CY21.

[Minnesota Statute 270C.03](#) establishes the Department of Revenue's legal authority.

Tax System Management

Program Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	131,888	129,092	130,403	158,579	143,986	142,970	181,003	172,011
2000 - Restrict Misc Special Revenue	6,936	6,769	7,268	7,476	7,475	7,468	7,929	8,172
2360 - Health Care Access	1,760	1,757	1,756	1,764	1,760	1,760	1,760	1,760
2710 - Highway Users Tax Distribution	2,194	2,196	2,103	2,287	2,195	2,195	2,195	2,195
2800 - Environmental	305	305	296	314	305	305	305	305
Total	143,083	140,119	141,826	170,420	155,721	154,698	193,192	184,443
Biennial Change				29,045		(1,827)		65,389
Biennial % Change				10		(1)		21
Governor's Change from Base								67,216
Governor's % Change from Base								22

Expenditures by Activity

Payment and Return Processing	39,277	37,250	37,488	45,318	38,097	38,097	64,641	49,763
Administration of State Taxes	72,727	71,947	73,004	81,859	77,976	77,971	86,512	91,733
Appeals, Legal Services and Tax Research	9,460	10,269	9,859	12,381	11,005	11,006	11,965	12,684
Agency-wide Operations and Oversight	21,619	20,653	21,476	30,862	28,643	27,624	30,074	30,263
Total	143,083	140,119	141,826	170,420	155,721	154,698	193,192	184,443

Expenditures by Category

Compensation	102,914	103,961	102,315	126,567	116,269	114,886	131,777	138,349
Operating Expenses	39,509	35,373	36,006	43,078	38,681	39,041	60,644	45,323
Grants, Aids and Subsidies	597	667	698	752	750	750	750	750
Capital Outlay-Real Property	(50)	(41)	276					
Other Financial Transaction	113	159	2,531	23	21	21	21	21
Total	143,083	140,119	141,826	170,420	155,721	154,698	193,192	184,443

Full-Time Equivalent

	1,148.73	1,100.95	1,040.80	1,143.48	1,114.49	1,074.62	1,215.19	1,194.92
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Tax System Management

Program Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		3,089		13,023				
Direct Appropriation	134,623	137,290	143,589	145,831	144,261	143,245	181,278	172,286
Transfers In	4,147	13,621	5,000					
Transfers Out	4,192	16,033	5,162	275	275	275	275	275
Cancellations	3	8,875						
Balance Forward Out	2,687		13,024					
Expenditures	131,888	129,092	130,403	158,579	143,986	142,970	181,003	172,011
Biennial Change in Expenditures				28,001		(2,026)		64,032
Biennial % Change in Expenditures				11		(1)		22
Governor's Change from Base								66,058
Governor's % Change from Base								23
Full-Time Equivalents	1,054.97	1,007.00	949.55	1,050.75	1,017.57	979.79	1,118.27	1,100.09

2000 - Restrict Misc Special Revenue

Balance Forward In	7,379	6,712	6,110	4,069	4,647	3,996	4,647	3,996
Receipts	6,268	6,167	5,227	8,054	6,824	6,799	7,278	7,503
Balance Forward Out	6,712	6,110	4,069	4,647	3,996	3,327	3,996	3,327
Expenditures	6,936	6,769	7,268	7,476	7,475	7,468	7,929	8,172
Biennial Change in Expenditures				1,040		199		1,357
Biennial % Change in Expenditures				8		1		9
Governor's Change from Base								1,158
Governor's % Change from Base								8
Full-Time Equivalents	61.38	63.89	62.45	59.61	62.92	61.83	62.92	61.83

2360 - Health Care Access

Balance Forward In		0		4				
Direct Appropriation	1,760	1,760	1,760	1,760	1,760	1,760	1,760	1,760
Cancellations		3						
Balance Forward Out	0		4					
Expenditures	1,760	1,757	1,756	1,764	1,760	1,760	1,760	1,760
Biennial Change in Expenditures				3		0		0
Biennial % Change in Expenditures				0		(0)		(0)
Governor's Change from Base								0

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Governor's % Change from Base								0
Full-Time Equivalents	15.13	13.19	12.78	13.36	14.00	14.00	14.00	14.00

2710 - Highway Users Tax Distribution

Balance Forward In		1		92				
Direct Appropriation	2,195	2,195	2,195	2,195	2,195	2,195	2,195	2,195
Cancellations		0						
Balance Forward Out		1		92				
Expenditures	2,194	2,196	2,103	2,287	2,195	2,195	2,195	2,195
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				0		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	15.05	14.49	13.70	17.41	18.00	17.00	18.00	17.00

2800 - Environmental

Balance Forward In		0		9				
Direct Appropriation	305	305	305	305	305	305	305	305
Cancellations		0						
Balance Forward Out		0		9				
Expenditures	305	305	296	314	305	305	305	305
Biennial Change in Expenditures				0		0		0
Biennial % Change in Expenditures				(0)		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.20	2.38	2.32	2.35	2.00	2.00	2.00	2.00

Program: Tax System Management**Activity: Payment and Return Processing**<https://www.revenue.state.mn.us/>

AT A GLANCE

In 2021, Payment and Return Processing:

- Processed 3.1 million individual income tax returns
- Sent over 1.9 million individual income tax refunds to Minnesotans
- Processed \$30 billion dollars in tax payments
- Opened and sorted 2.6 million pieces of mail
- Served businesses with 64,611 calls to Business Registration
- Sent over 3.4 million pieces of mail to Minnesotans to help them meet their tax obligations
- Audited 31 business tax type returns during the processing cycle

PURPOSE AND 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 use 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 payment and return processing activities performed by the Tax Operations Division serve all department employees and external customers by providing technology solutions to assist 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 (MNIT). MNIT provides the department with hardware, software, and IT professionals to implement, run, and maintain the hardware and software needed to administer the tax code.

MNIT serves all Department of Revenue employees and external customers of the agency by providing technology solutions that assist 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)	6.36 million	6.6 million	Previous is CY19, Current is CY21.
Quantity	Quality control reviews of processing and payments work by employees	1,643	1,815	Previous is CY19, Current is CY21.
Quality	C-Corporation, Partnership, Fiduciary, and S Corporation electronic returns posted within 30 days	97%	94%	Previous is CY19, Current is CY21.
Quality	Printing, folding, and inserting services completed within 1 day of receipt	100%	100%	Previous is CY19, Current is CY21.
Quality	Down time of the Integrated Tax Management System services to external customers (e-Services)	<1%	<1%	Previous is CY19, Current is CY21.

Minnesota Statute 270C.03 (<http://www.revisor.mn.gov/statutes/?id=270C.03>) establishes the Department of Revenue's legal authority.

Payment and Return Processing

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	38,638	36,611	37,488	45,318	38,097	38,097	64,641	49,763
2360 - Health Care Access	264	264						
2710 - Highway Users Tax Distribution	329	329						
2800 - Environmental	46	46						
Total	39,277	37,250	37,488	45,318	38,097	38,097	64,641	49,763
Biennial Change				6,279		(6,612)		31,598
Biennial % Change				8		(8)		38
Governor's Change from Base								38,210
Governor's % Change from Base								50
<u>Expenditures by Category</u>								
Compensation	14,611	15,232	15,275	20,573	16,757	16,399	21,689	22,149
Operating Expenses	24,594	22,017	22,054	24,745	21,340	21,698	42,952	27,614
Capital Outlay-Real Property	27		158					
Other Financial Transaction	46	1	1					
Total	39,277	37,250	37,488	45,318	38,097	38,097	64,641	49,763
<u>Full-Time Equivalents</u>	198.90	195.33	190.35	187.00	161.00	154.00	203.00	193.00

Payment and Return Processing

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		1,210		3,012				
Direct Appropriation	40,909	41,664	40,500	42,306	38,097	38,097	64,641	49,763
Transfers In		300						
Transfers Out	1,200	6,551						
Cancellations		12						
Balance Forward Out	1,071		3,012					
Expenditures	38,638	36,611	37,488	45,318	38,097	38,097	64,641	49,763
Biennial Change in Expenditures				7,557		(6,612)		31,598
Biennial % Change in Expenditures				10		(8)		38
Governor's Change from Base								38,210
Governor's % Change from Base								50
Full-Time Equivalents	198.90	195.33	190.35	187.00	161.00	154.00	203.00	193.00

2360 - Health Care Access

Direct Appropriation	264	264						
Expenditures	264	264						
Biennial Change in Expenditures				(528)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

2710 - Highway Users Tax Distribution

Direct Appropriation	329	329						
Expenditures	329	329						
Biennial Change in Expenditures				(658)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

2800 - Environmental

Direct Appropriation	46	46						
Expenditures	46	46						
Biennial Change in Expenditures				(92)		0		0

Payment and Return Processing

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

Program: Tax System Management

Activity: Administration of State Taxes

<https://www.revenue.state.mn.us/>

AT A GLANCE

In 2021, within the Department of Revenue tax administration divisions:

- Provided program and compliance oversight for the collection of \$30 billion in state taxes
- Special Taxes provided program and compliance oversight in the administration of more than 40 unique taxes and fees
- Criminal Investigations completed the investigation of 34 tax noncompliance cases leading to 48 criminal cases charged by prosecutors
- Sales and Use Tax handled 49,000 phone calls, 13,430 emails and 4,900 web messages
- Sales and Use Tax handled 184 Voluntary Disclosure Agreements recovering \$8.4 million
- Income Tax and Withholding handled 207,985 phone calls, 40,429 emails and 3,962 web messages from taxpayer requests
- Special Taxes completed 1,610 outreach trainings, stamp sales transactions, and county visits
- Sales and Use Tax conducted 23 virtual classes for customers

PURPOSE AND CONTEXT

State tax administration provides information and services to our customers so they can understand their tax obligations, and the tax credits and benefits they are entitled to under law. It also includes enforcement efforts such as fraud prevention, audits, and investigations.

The Department of Revenue administers more than 40 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 information, training, and services to understand how to receive refunds, tax credits, and benefits they qualify for, and to voluntarily comply with tax laws
- Keeping pace with changing technology and laws
- Responding to customer inquiries in the manner the taxpayer prefers: walk-in, call-in, and click-in
- Protecting customer data
- Effectively using state resources to identify and audit noncompliant individual and business taxpayers

- 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-in)	753,881	596,713	Previous is FY19, Current is FY21
Quantity	eCRVs processed (Electronic Certificate of Real Estate Value)	145,298	159,419	Previous is CY20, Current is CY21
Quantity	Investigations completed	41	34	Previous is CY19, current is CY21
Results	Criminal cases charged out by prosecutors	34	48	Previous is CY19, current is CY21
Quality	Tax types that can be filed electronically	86%	86%	Previous is CY19, Current is CY21

Minnesota Statute 270C.03 (<http://www.revisor.mn.gov/statutes/?id=270C.03>) establishes the Department of Revenue's legal authority.

Administration of State Taxes

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	62,327	61,561	61,582	70,029	66,252	66,254	74,334	79,312
2000 - Restrict Misc Special Revenue	6,780	6,767	7,267	7,465	7,464	7,457	7,918	8,161
2360 - Health Care Access	1,496	1,493	1,756	1,764	1,760	1,760	1,760	1,760
2710 - Highway Users Tax Distribution	1,865	1,867	2,103	2,287	2,195	2,195	2,195	2,195
2800 - Environmental	259	259	296	314	305	305	305	305
Total	72,727	71,947	73,004	81,859	77,976	77,971	86,512	91,733
Biennial Change				10,189		1,084		23,382
Biennial % Change				7		1		15
Governor's Change from Base								22,298
Governor's % Change from Base								14

Expenditures by Category

Compensation	67,217	68,127	67,973	76,687	73,425	73,420	81,610	86,816
Operating Expenses	4,929	3,039	4,333	4,415	3,796	3,796	4,147	4,162
Grants, Aids and Subsidies	597	667	698	752	750	750	750	750
Capital Outlay-Real Property	(52)	(41)	(2)					
Other Financial Transaction	35	154	2	5	5	5	5	5
Total	72,727	71,947	73,004	81,859	77,976	77,971	86,512	91,733

Full-Time Equivalents

	740.64	709.50	682.68	690.86	703.16	686.06	749.86	749.36
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Administration of State Taxes

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		408		4,167				
Direct Appropriation	62,417	63,807	69,800	66,012	66,402	66,404	74,484	79,462
Transfers In	1,550	10,899						
Transfers Out	1,297	4,991	4,050	150	150	150	150	150
Cancellations	3	8,562						
Balance Forward Out	340		4,168					
Expenditures	62,327	61,561	61,582	70,029	66,252	66,254	74,334	79,312
Biennial Change in Expenditures				7,723		895		22,035
Biennial % Change in Expenditures				6		1		17
Governor's Change from Base								21,140
Governor's % Change from Base								16
Full-Time Equivalents	646.88	615.55	591.43	598.13	606.24	591.23	652.94	654.53

2000 - Restrict Misc Special Revenue

Balance Forward In	6,924	6,250	5,518	3,036	3,516	2,767	3,516	2,767
Receipts	6,106	6,036	4,784	7,945	6,715	6,690	7,169	7,394
Balance Forward Out	6,250	5,518	3,036	3,516	2,767	2,000	2,767	2,000
Expenditures	6,780	6,767	7,267	7,465	7,464	7,457	7,918	8,161
Biennial Change in Expenditures				1,185		189		1,347
Biennial % Change in Expenditures				9		1		9
Governor's Change from Base								1,158
Governor's % Change from Base								8
Full-Time Equivalents	61.38	63.89	62.45	59.61	62.92	61.83	62.92	61.83

2360 - Health Care Access

Balance Forward In		0		4				
Direct Appropriation	1,496	1,496	1,760	1,760	1,760	1,760	1,760	1,760
Cancellations		3						
Balance Forward Out	0		4					
Expenditures	1,496	1,493	1,756	1,764	1,760	1,760	1,760	1,760
Biennial Change in Expenditures				531		0		0
Biennial % Change in Expenditures				18		(0)		(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	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Governor's % Change from Base								0
Full-Time Equivalents	15.13	13.19	12.78	13.36	14.00	14.00	14.00	14.00

2710 - Highway Users Tax Distribution

Balance Forward In		1		92				
Direct Appropriation	1,866	1,866	2,195	2,195	2,195	2,195	2,195	2,195
Cancellations		0						
Balance Forward Out		1		92				
Expenditures	1,865	1,867	2,103	2,287	2,195	2,195	2,195	2,195
Biennial Change in Expenditures				658		0		0
Biennial % Change in Expenditures				18		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	15.05	14.49	13.70	17.41	18.00	17.00	18.00	17.00

2800 - Environmental

Balance Forward In		0		9				
Direct Appropriation	259	259	305	305	305	305	305	305
Cancellations		0						
Balance Forward Out		0		9				
Expenditures	259	259	296	314	305	305	305	305
Biennial Change in Expenditures				92		0		0
Biennial % Change in Expenditures				18		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.20	2.38	2.32	2.35	2.00	2.00	2.00	2.00

Program: Tax System Management

Activity: Appeals, Legal Services, and Tax Research

<https://www.revenue.state.mn.us/>

AT A GLANCE

In 2021, Appeals, Legal Services, and Tax Research:

- Closed 1,170 administrative appeals, 2.2% of which were appealed to court
- Worked on 75 cases filed in small claims and Tax Court
- Completed on-time revenue estimates for 99.3% of the bills heard in tax committees
- Responded to 49 Data Practices requests

PURPOSE AND CONTEXT

The Appeals, Legal Services, Disclosure, 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.

These divisions serve individual and business taxpayers, tax administrators, the governor and staff, legislators and staff, state agencies, local governments, and nonprofit organizations.

SERVICES PROVIDED

Appeals, Legal Services, and Disclosure Division

This division comprises these units: Appeals, Legal Services, and Litigation, Disclosure, and Records Management. Details of these units follow:

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 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
- Draft legislation regarding disclosure issues
- Liaise between the department and the Internal Revenue Service on Federal Tax Information (FTI) and Social Security Administration (SSA) compliance

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	Customers who resolved their appeal with the department without appealing to Tax Court	97.9%	97.8%	Previous is FY19, current is FY21
Quantity	Revenue Notices published	8	4	Previous is FY19, current is FY21
Quantity	Revenue Analyses prepared	607	661	Previous is FY2019-20, current is FY2021-22
Quantity	Data Practices requests	59	49	Previous is FY19, Current is FY21

Minnesota Statute 270C.03 (<http://www.revisor.mn.gov/statutes/?id=270C.03>) establishes the Department of Revenue’s legal authority.

Appeals, Legal Services and Tax Research

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	9,460	10,269	9,859	12,381	11,005	11,006	11,965	12,684
Total	9,460	10,269	9,859	12,381	11,005	11,006	11,965	12,684
Biennial Change				2,510		(229)		2,409
Biennial % Change				13		(1)		11
Governor's Change from Base								2,638
Governor's % Change from Base								12

Expenditures by Category

Compensation	8,146	8,537	8,478	10,031	9,242	9,245	10,202	10,923
Operating Expenses	1,308	1,732	1,380	2,350	1,763	1,761	1,763	1,761
Other Financial Transaction	6							
Total	9,460	10,269	9,859	12,381	11,005	11,006	11,965	12,684

Full-Time Equivalents

	79.07	78.84	76.39	90.53	88.73	86.56	93.73	93.56
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Appeals, Legal Services and Tax Research

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
1000 - General								
Balance Forward In		322		1,141				
Direct Appropriation	10,132	10,319	12,000	11,240	11,005	11,006	11,965	12,684
Transfers In		420						
Transfers Out	350	768	1,000					
Cancellations		24						
Balance Forward Out	322		1,141					
Expenditures	9,460	10,269	9,859	12,381	11,005	11,006	11,965	12,684
Biennial Change in Expenditures				2,510		(229)		2,409
Biennial % Change in Expenditures				13		(1)		11
Governor's Change from Base								2,638
Governor's % Change from Base								12
Full-Time Equivalents	79.07	78.84	76.39	90.53	88.73	86.56	93.73	93.56

Program: Tax System Management

Activity: Agency-wide Operations and Oversight

<https://www.revenue.state.mn.us/>

AT A GLANCE

In 2021, Operations and Oversight divisions:

- Notified and sent payment to 3,899 restaurants, bars, gyms, and bowling centers, totaling over \$66 million, as part of the COVID Business Relief Payment program
- Prioritized retroactively adjusting more than 543,000 tax returns to refund more than \$303 million in income tax collected on Unemployment Insurance and Paycheck Protection Program forgiven loan income
- Accelerated planning for hybrid work environments, including reduction to leased square footage
- Continued to work with nearly 10,000 individuals and businesses negatively impacted by COVID-19 to abate additional tax charges and interest for late filing or payment - more than \$14 million in penalties were cancelled by Revenue
- Completed an update of the state's integrated tax management system to be more secure, accessible, and user-friendly for individuals and businesses
- Issued over 36,000 penalty and interest waivers for Minnesota taxpayers affected by IRS declared disasters
- Increased overall investment to provide reasonable accommodations for our disabled employees
- Evaluated and began implementing cost savings in operational areas across the agency through centralization of common administrative services and supplies
- Increased website traffic by 123%
- Increased email list subscriptions by 20%

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, agency planning, and 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 these 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, guidance, and accountability 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 develop 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, tax system planning, project management, program development, and internal and external communications.

We work closely with MNIT 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)	3.1 million	6.9 million	Previous is CY19, Current is CY21
Quantity	Social media followers (Facebook and Twitter)	6,495	6,716	Previous is CY19, Current is CY21
Quantity	Subscribers to email subscription lists	445,570	536,034	Previous is CY19, Current is CY21
Quantity	Press Releases Published	49	57	Previous is CY19, Current is CY21
Quantity	Press inquiries responded to	170	110	Previous is CY19, Current is CY21
Quantity	Individual and business tax forms created and maintained	85	85	Previous is CY19, Current is CY21
Quantity	Agency-wide business improvement projects	14	21	Previous is CY19, Current is CY21
Quantity	Fiscal note requests received	55	52	Previous is FY19,

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
				Current is FY21
Quality	Adverse Department of Revenue Annual Comprehensive Financial Report (ACFR) audit findings	0	0	Previous is FY19, Current is FY21
Results	Employee turnover rate	6.7%	6.3%	Previous is FY20, Current is FY21

Minnesota Statute 270C.03 (<http://www.revisor.mn.gov/statutes/?id=270C.03>) establishes the Department of Revenue's legal authority.

Agency-wide Operations and Oversight

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	21,463	20,652	21,474	30,851	28,632	27,613	30,063	30,252
2000 - Restrict Misc Special Revenue	156	2	2	11	11	11	11	11
Total	21,619	20,653	21,476	30,862	28,643	27,624	30,074	30,263
Biennial Change				10,066		3,929		7,999
Biennial % Change				24		8		15
Governor's Change from Base								4,070
Governor's % Change from Base								7
<u>Expenditures by Category</u>								
Compensation	12,941	12,065	10,589	19,276	16,845	15,822	18,276	18,461
Operating Expenses	8,677	8,585	8,238	11,568	11,782	11,786	11,782	11,786
Capital Outlay-Real Property	(24)		120					
Other Financial Transaction	25	3	2,528	18	16	16	16	16
Total	21,619	20,653	21,476	30,862	28,643	27,624	30,074	30,263
<u>Full-Time Equivalents</u>	130.12	117.28	91.38	175.09	161.60	148.00	168.60	159.00

Agency-wide Operations and Oversight

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		1,150		4,703				
Direct Appropriation	21,165	21,500	21,289	26,273	28,757	27,738	30,188	30,377
Transfers In	2,597	2,002	5,000					
Transfers Out	1,345	3,723	112	125	125	125	125	125
Cancellations		277						
Balance Forward Out	954		4,703					
Expenditures	21,463	20,652	21,474	30,851	28,632	27,613	30,063	30,252
Biennial Change in Expenditures				10,211		3,920		7,990
Biennial % Change in Expenditures				24		7		15
Governor's Change from Base								4,070
Governor's % Change from Base								7
Full-Time Equivalents	130.12	117.28	91.38	175.09	161.60	148.00	168.60	159.00

2000 - Restrict Misc Special Revenue

Balance Forward In	455	462	591	1,033	1,131	1,229	1,131	1,229
Receipts	163	131	443	109	109	109	109	109
Balance Forward Out	462	591	1,033	1,131	1,229	1,327	1,229	1,327
Expenditures	156	2	2	11	11	11	11	11
Biennial Change in Expenditures				(145)		9		9
Biennial % Change in Expenditures				(92)		74		74
Governor's Change from Base								0
Governor's % Change from Base								0

Program: Debt Collection Management<https://www.revenue.state.mn.us/>**AT A GLANCE**

In 2021, the Minnesota Department of Revenue:

- Collected over \$347 million owed to Minnesota governments
- Resolved 198,000 tax debts and 99,000 other agency debts
- Answered over 159,000 incoming phone calls from customers
- Provided pandemic relief for debtors through a stoppage of certain collection actions and waivers of penalties and interest
- Responded to more than 4,700 web messages and 19,000 emails from customers
- Responded to more than 11,000 letters from customers

PURPOSE AND 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 perform all aspects of debt collection, making our government more efficient by centralizing the work, instead of duplicating it in each agency.

This centralized approach also makes it easier for a debtor, who may owe multiple agencies, by providing a one-stop resolution center to settle their state government debts. We help people who owe understand their obligations and 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 our 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:

- Sending letters, processing payments and returns, registering customers in our 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	\$306 million	\$314 million	Previous is FY20, Current is FY21
Quantity	Other Agency Debt Revenue Collected	\$43 million	\$33 million	Previous is FY20, Current is FY21

[Minnesota Statute 16D.08](#) establishes the Department of Revenue’s Collection Duties and Powers.

Debt Collection Management

Program Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	29,163	28,741	28,432	33,635	31,390	31,390	33,851	35,927
2000 - Restrict Misc Special Revenue	900	810	915	800	800	800	800	800
Total	30,063	29,551	29,346	34,435	32,190	32,190	34,651	36,727
Biennial Change				4,168		599		7,597
Biennial % Change				7		1		12
Governor's Change from Base								6,998
Governor's % Change from Base								11
<u>Expenditures by Activity</u>								
Debt Collection	30,063	29,551	29,346	34,435	32,190	32,190	34,651	36,727
Total	30,063	29,551	29,346	34,435	32,190	32,190	34,651	36,727
<u>Expenditures by Category</u>								
Compensation	27,047	25,908	24,801	29,727	28,046	28,045	30,507	32,582
Operating Expenses	3,015	3,542	3,918	4,704	4,140	4,141	4,140	4,141
Capital Outlay-Real Property	(10)	0	(5)					
Other Financial Transaction	11	101	632	4	4	4	4	4
Total	30,063	29,551	29,346	34,435	32,190	32,190	34,651	36,727
<u>Full-Time Equivalent</u>								
	330.02	299.93	274.32	268.28	269.26	262.58	281.26	281.58

Debt Collection Management

Program Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		26		2,245				
Direct Appropriation	28,786	29,316	29,873	30,390	30,390	30,390	32,851	34,927
Open Appropriation	405	473	804	1,000	1,000	1,000	1,000	1,000
Transfers Out	11	983						
Cancellations		92						
Balance Forward Out	17		2,245					
Expenditures	29,163	28,741	28,432	33,635	31,390	31,390	33,851	35,927
Biennial Change in Expenditures				4,163		713		7,711
Biennial % Change in Expenditures				7		1		12
Governor's Change from Base								6,998
Governor's % Change from Base								11
Full-Time Equivalents	321.96	290.78	265.20	261.06	261.58	255.09	273.58	274.09

2000 - Restrict Misc Special Revenue

Balance Forward In	1,338	1,156	818	630	630	630	630	630
Receipts	719	472	727	800	800	800	800	800
Balance Forward Out	1,156	818	630	630	630	630	630	630
Expenditures	900	810	915	800	800	800	800	800
Biennial Change in Expenditures				4		(115)		(115)
Biennial % Change in Expenditures				0		(7)		(7)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	8.06	9.15	9.12	7.22	7.68	7.49	7.68	7.49