

# Minnesota's Revenue System

## 2001 overview

*A summary of our ongoing efforts to measure progress toward accomplishing the Department of Revenue's mission, and toward meeting the goals of "A Tax System That Makes Sense," one of the components of Governor Ventura's Big Plan.*

MINNESOTA · REVENUE

January 2002

— Minn. Stat. 15.91 Subd. 2 —

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



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

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

### Revenue system policy measures

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

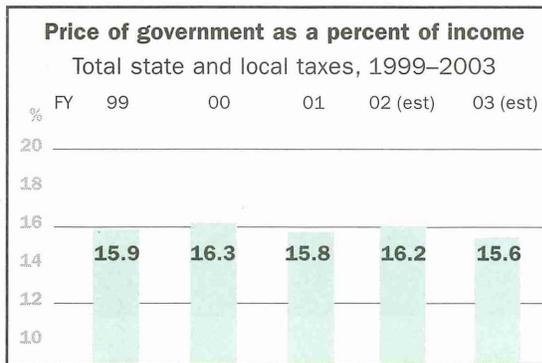
	0.0%	10.0%	20.0%	30.0%	40.0%	50.0%
Predictability						48.0%
Understandability						47.3%
Fairness (ability to pay)						39.0%
Fairness (equal treatment)						32.0%
Fairness (level of taxation)						27.0%

**How does Minnesota compare?** The Minnesota Taxpayers Association compiles information on state rankings of the major taxes. This information compares the general level of taxation among states, and provides an important benchmark for evaluating changes in tax and spending policy. The most current information available from the census is from 1999.

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

\*1999 rankings are preliminary.

**How much does government cost?** The price of government measures total state and local revenues from all major sources as a percent of state personal income. In FY 2000, total state, local and school district revenues neared \$24 billion, and total state personal income was \$147 billion. In FY 2001, 15.8 cents of every dollar of personal income went to pay for state and local taxes.



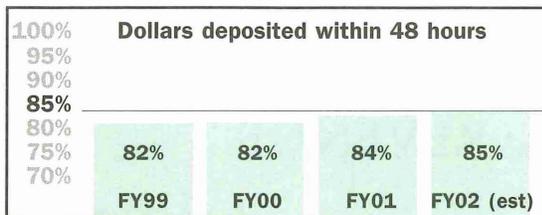
**How fair is the revenue system?** A proportional tax is borne evenly by individuals at all income brackets. If a tax is borne more heavily by individuals in high income tax brackets, it is progressive. It is regressive if it falls primarily on individuals in lower income brackets.

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

Year	regressive	0	progressive
2003 (est.)	-0.04	-0.03	-0.02 -0.01 0 0.01 0.02 0.03 0.04
1998	-0.04		
1996		-0.02	
1994			-0.01

### Revenue system operation measures

**How efficient are revenue system operations?** One measure is the length of time it takes to deposit tax payments. (The sooner money is deposited, the more interest the state earns.) **Our goal: 85% deposited within 48 hours of receipt.**



**Where's my refund?** We track how long it takes to process individual income tax refunds. Besides measuring the efficiency of our processing system, refund turnaround times are used to indicate customer satisfaction. Last year, for returns filed by April 15, refunds from electronically filed returns took 11 days; for paper returns, it was 39 days.

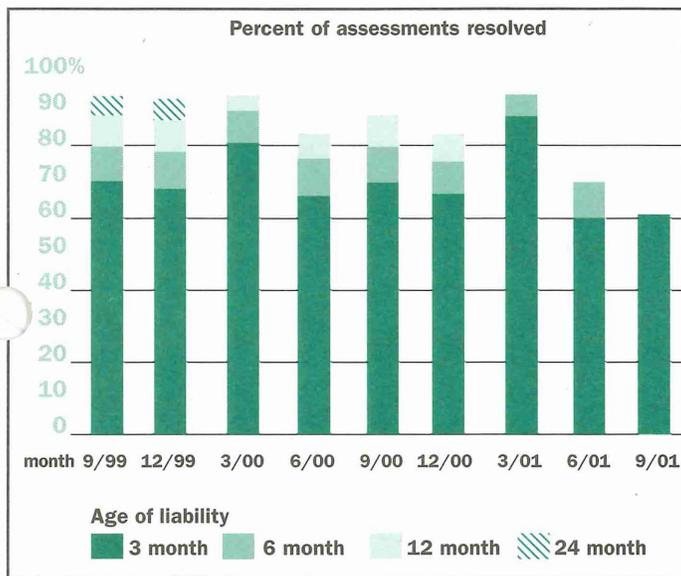
paper returns  
electronic return

# for Minnesotans. We know we're succeeding when

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

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

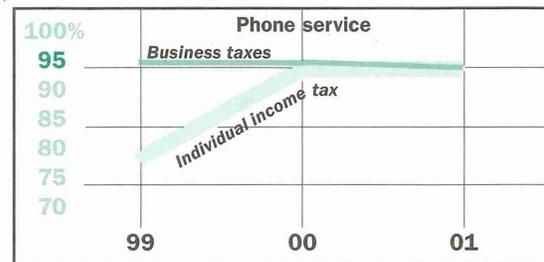
**How long does it take us to collect delinquent taxes—and how much is collected?** The department is responsible for ensuring that all liabilities are collected. The graph below shows our rate of success. It shows, for representative months, what percent of liabilities have been resolved within three months of assessment; within six months of assessment; within one year of assessment; and within two years of assessment. **Our goal is to resolve 95 percent of liabilities within two years of assessment.**



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

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

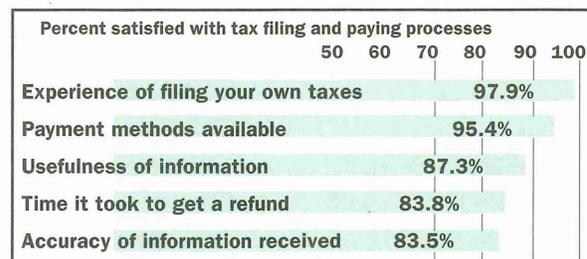
**How hard is it to reach us?** With over 1 million phone calls per year, **our goal is to answer 95 percent** the first time. The response rate for individual income tax increased from 78 percent in 1999 to 96 percent in 2001. For business tax calls, the rate stayed at or slightly above 95 percent for 2001.



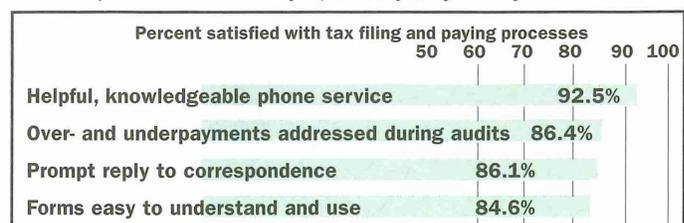
(Business tax calls include business registration, withholding, and sales and use tax.)

**How satisfied are taxpayers?** Business and individual taxpayers are surveyed on their satisfaction with the filing and paying processes. **Our goal for 2003: to increase the "satisfied" or "very satisfied" responses in each category to 85%.**

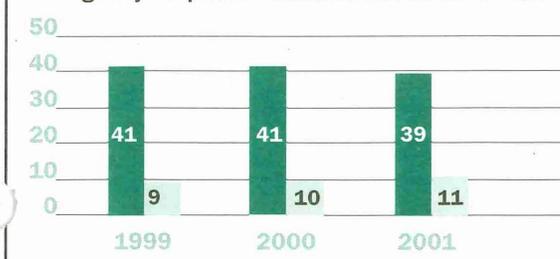
### 2001 Taxpayer satisfaction survey—Individuals



### 1999/2000 Customer input, audit quality surveys—Businesses



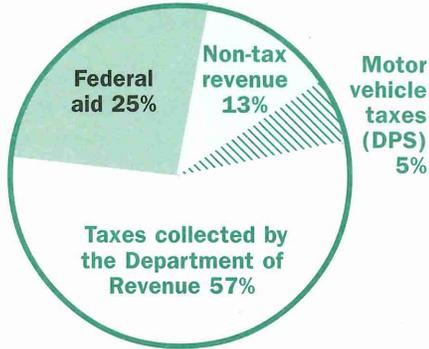
### Average days to process individual income tax refunds



# The Minnesota Department of Revenue *at a glance*



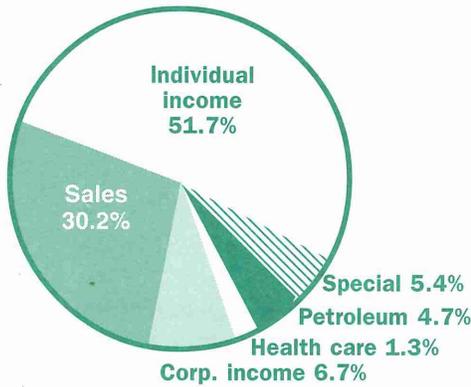
Minnesota's revenue from all sources: \$20 billion.



**In 2001, we received:**

- 1 million individual income tax and business tax phone calls
- More than 1.8 million visits to the Revenue web site
- 5.4 million pieces of mail

Of that amount, the Department of Revenue collects \$13.3 billion.



**How to contact us:**

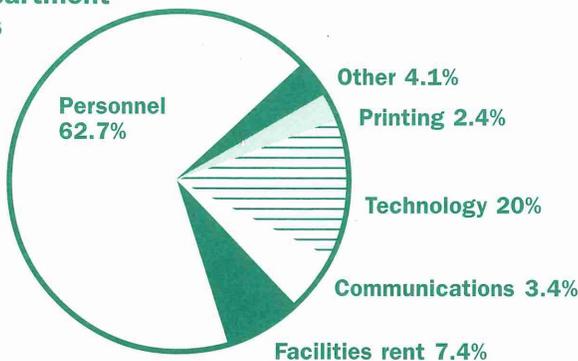
General information  
 (651) 296-3781  
 1-800-652-9094

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

Web site  
[www.taxes.state.mn.us](http://www.taxes.state.mn.us)

The department administers 28 taxes. Cost to collect \$100 of taxes: 89¢

How the Department of Revenue's budget is allocated:



MinnesotaCare tax, 1992

Hazardous waste tax, 1983

Gift tax repealed, 1979

Sales tax, 1967

Cigarette tax, 1947

Gift tax, 1937

Liquor tax, 1934

Income tax, 1933

Fuel tax, 1925

Mortgage tax, 1907

Inheritance tax, 1905

Iron ore tax, 1881

Premium tax on insurance companies, 1872

State Board of Equalization, 1860

Statehood, 1858

Property tax, 1849