

Wisconsin Department of



Revenue

Wisconsin Department of Revenue

2009-2011 Biennial Report

Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

December 14, 2011

The Honorable Scott Walker
Governor of Wisconsin
115 East Capitol
Madison, WI 53702

Robert Marchant, Senate Chief Clerk
State Capitol
Room B20 Southeast
Madison, WI 53707

Patrick Fuller, Assembly Chief Clerk
Risser Justice Center
17 West Main Street, Suite 401
Madison, WI 53708

Dear Governor Walker and members of the Wisconsin State Legislature:

The Wisconsin Department of Revenue respectfully submits its 2009-2011 biennial report. This report provides an overview of the agency's operations, accomplishments during the biennium, and goals for the 2011-2013 biennium.

In the upcoming biennium, my goals for the agency are to:

- Implement good tax policy, with a particular emphasis on policies that will promote job growth
- Deliver excellent customer service to individuals and businesses
- Operate the department efficiently and effectively
- Maintain a positive work environment

We want to lower the overall tax burden, make the taxpaying process easier for our customers, and wisely use taxpayer dollars in operating the agency.

Sincerely,



Richard G. Chandler
Secretary of Revenue

Agency Overview

The Wisconsin Department of Revenue:

- Administers the state's major tax laws, including the collection of individual income taxes, sales taxes, corporate income taxes and excise taxes
- Assists local governments in property assessment and financial management
- Administers programs that provide state financial aid to local governments
- Estimates state revenues and forecasts state economic activity
- Helps formulate state tax policy
- Administers the Wisconsin Lottery, which provides property tax relief for homeowners

Our Mission

Our agency administers Wisconsin's tax system to provide revenue to fund state and local government services. We strive to provide taxpayers with clear information about our tax laws, promote voluntary compliance, and assure tax collection fairness.

Our Structure

- **Office of the Secretary** provides department-wide leadership on administrative operations and policy development and is responsible for administering state and local taxes in a fair, efficient and equitable manner, while advocating sound tax and fiscal policies, and providing property tax relief.
- **Office of General Counsel** provides legal counsel to agency officials, litigates tax cases, reviews proposed administrative rules and tax legislation, and works with other state agencies on legal matters.
- **Income, Sales and Excise Tax Division** administers individual income, employee withholding, corporate franchise/income, state and county sales/use, estate, excise, recycling, and other tax types, as well as homestead, earned income and other tax credit programs.
- **State and Local Finance Division** provides state-wide property equalization, conducts property assessment services for manufacturing and telecommunication company property, assesses and collects certain taxes, and certifies assessors across the state. It also administers the State's shared revenue and property tax relief payments for municipal services, as well as the lottery credit program and the tax incremental financing programs.
- **Technology Services Division** administers technology services for all parts of the department, including data administration, applications development, server and network support, data collection and technology planning. The division also establishes and manages information technology standards, policies and guidelines that ensure a secure environment for all electronic resources.
- **Enterprise Services Division** provides department-wide administrative support for the agency, including budget and financial management, business planning and performance measurement, records management, printing, mail processing, fleet and facilities management, personnel, affirmative action, employee development, and employment relations.
- **Research and Policy Division** provides detailed analyses of fiscal and economic policies to the Secretary of Revenue, the Executive Office and other state officials. The division assesses the impact of current and proposed tax laws, prepares official general fund tax revenue estimates used to develop the executive budget, issues quarterly forecasts of the state's economy and develops various statistical reports.
- **Wisconsin Lottery Division** administers the Lottery to provide property tax relief for Wisconsin taxpayers.

Accomplishments and Goals During 2009-11 Biennium

Office of General Counsel (OGC)

OGC PROGRAM: Provide timely, high-quality and efficient legal services. OGC provides legal opinions to the Department and represents it in tax appeals at the Wisconsin Tax Appeals Commission, estate tax matters in state circuit court, appeals of ad valorem assessments of telecommunications companies in state circuit court, and collections matters in state circuit court and federal bankruptcy court.

2009-2011 Biennium Accomplishments

- Unanimous Wisconsin Supreme Court sales tax decision on affirming the Department's test for taxation of entertainment admissions and its denial of Milwaukee Symphony's claim for refund for its adult concerts.
- Majority Wisconsin Supreme Court excise tax decision affirming the Department's interpretation of when a particular parcel of land "was designated . . . trust land" for purposes of Wis. Stat. § 139.323.
- Unanimous Wisconsin Court of Appeals franchise tax decision affirming the Department's allocation of income generated from sales of local phone directories in Wisconsin.
- Worked with interested citizens to improve DOR procedures in bill recently signed by Governor in November 2011.
- Assisted in dialog with tribes on tribal tax sharing agreements and Native American property tax issues.

Goal for 2011-2013

- ⇒ Participate in Manufacturing Property Tax Appeals Work Group to seek ways to handle such appeals more expeditiously and efficiently.

OGC PROGRAM: Provide timely, expert and fair appeal review. Appeals are handled through correspondence, telephone and informal conferences. Taxpayers may appeal the actions of the Resolution Officers to the Wisconsin Tax Appeals Commission (WTAC).

2009-2011 Biennium Accomplishments

- Assisted with reengineering of appeals process and implemented successful field audit resolution caseload reduction project in Milwaukee.
- Added a Large Case Field Audit Resolution Officer and transitioned corporation franchise tax office audit appeals from Office Audit Resolution Officers to Field Audit Resolution Officers to more effectively and efficiently handle corporate franchise tax appeals.
- Achieved final resolution of 94% of cases acted on during 2009 - 2011.
- Improved handling of cases that currently go straight to WTAC.

Goals for 2011-2013

- ⇒ OGC will increase processing speeds of field audit resolution cases.
- ⇒ OGC will develop and implement improvements to the agency's appeal process.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: *My Tax Account - Your Way*. Upgrade the department's online business tax system to better meet customer needs.

2009-2011 Biennium Accomplishments

- *My Tax Account (MTA)* was successfully upgraded in June 2011. Improvements included faster filing of forms, simpler navigation, new functionality and one-step registration.
- Solicited extensive customer feedback, including a survey of MTA users and several focus groups of business owners and tax practitioners. This feedback was incorporated in system design and instructions.
- Implemented a comprehensive, customer-focused communications and training plan for the upgrade rollout. This included online webinars, how-to videos, press outreach, web content, articles and email notices. This plan received an Outstanding Service Award for Customer Service from department leadership.
- Customer feedback to date has been overwhelmingly positive. Hundreds of business and tax practitioner customers have provided feedback about the improvements via email, a voicemail option in the phone system, surveys and other contacts. The feedback is saved for use in future upgrades.

Goals for 2011-2013

- ⇒ On December 5, 2011, *My Tax Account* will receive another upgrade to build on positive customer feedback. Enhancements include a more modern look, improved navigation, fuel tax e-filing, and electronic W-2 submission.
- ⇒ Continue to pursue enhancements to the system based on input from customers. This includes expanding our use of e-notices through *My Tax Account* to reduce printing and mailing costs, improving third party access for tax practitioners, and simplifying withholding tax filing.

IS&E PROGRAM: *State Debt Collection Initiative*. State agencies are referring their debts that have aged past 90 days to DOR for collection. DOR is authorized by law to collect these delinquent obligations owed to the State in a manner similar to individual income tax collections. Primary collection methods include payment plans, wage attachment orders, financial institution levies, tax refund setoffs and vendor payment setoffs.

2009-2011 Biennium Accomplishments

- Performed outreach to state agencies, secured agreements, and negotiated waivers, when necessary.
- Entered into agreements with 23 agencies as active partners. Five other agencies have entered into agreements but are not yet active partners.
- Developed and implemented systems to refer and account for debt collections
- Agencies began to refer debts in late 2010. Collections in the first 18 months were \$375,000.

Goals for 2011-2013

- ⇒ Continue to work with agencies that have not yet referred debts.
- ⇒ Increase collections for agency partners.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Financial Record Matching Program (FRM). DOR matches delinquent accounts with financial institution account information on a quarterly basis to identify delinquent debtor assets. DOR systematically identifies accounts ready for levy of assets when a taxpayer fails to pay a debt. Levies are automatically issued to the financial institution.

2009-2011 Biennium Accomplishments

- Developed the legislation and hired a vendor to work with financial institution partners to provide the matching services.
- Developed the computer systems and internal procedures to enhance levy collections
- Increased collections by \$12.6 million in 2009-2010 and by \$19 million in 2010-2011.

Goal for 2011-2013

- ⇒ Continue to increase collections on delinquent debts by financial institution matching and automated levies.

IS&E PROGRAM: Expand Electronic Filing. DOR has several online applications that provide free electronic filing of tax returns and department forms. DOR accepts e-filed individual income tax returns through the combined federal/state e-filing platform. Statutes and administrative rules authorize DOR to mandate certain businesses to e-file and e-pay. For many years, DOR has promoted e-file and e-pay as fast, easy, and secure.

2009-2011 Biennium Accomplishments

- *Wisconsin eFile* was expanded to include Forms 1X, 1NPR, 2, A-771a, A-772 and Schedules FC, FC-A, and CC.
- *My Tax Account* was improved for easier e-file and e-pay of business taxes. New functions were added including online appeals and claims for refund, e-mail filing reminders, and online communications.
- Wisconsin was one of the first states to move to the new MeF processing system for the federal/state e-file program. By moving to MeF, all individual income tax returns, including amended returns, part-year and non-resident returns, fiduciary and trust returns and closing certificates can now be e-filed with federal returns.
- Wisconsin mandated e-file and e-pay for the sales/use, withholding, corporation (including combined), and partnership tax types during the last three years:
- Wisconsin has seen significant increases in e-filing for all tax types. Current e-file rates are:
 - Individual - 80%
 - Corporation - 69%
 - Partnership 66%
 - Sales/Use - 88%
 - Withholding - 86%
 - Pass-through Withholding - 77%
 - Composite income for shareholders and partners - 11%.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Tax Refund Interception Program. State agencies and local governments refer debts to DOR for refund setoff. The program was created in 1982 and grown significantly in recent years. A new computer system was needed to manage the growth in referrals. The system currently manages approximately 1.4 million debts worth about \$2.8 billion for 842 agencies.

2009-2011 Biennium Accomplishments

- Modernized the system to send proceeds to state agencies and local governments through electronic funds transfer rather than paper check.
- Run setoffs to debts daily, improving services to partners. Refunds that used to be held up for 21 days for matching with partners can now be matched in one day.
- Partners can update accounts daily.
- Automated the process to apportion the refund proceeds between spouses.
- Significant reduction in taxpayers calling about their refund status.
- Record collections of \$63 million for partners in 2010-2011.

Goals for 2011-2013

- ⇒ Work with agency partners to implement one file layout standard and one method for transfer of the funds.
- ⇒ Increase collections for partners.

NEW IS&E PROGRAM in 2011-2013 Biennium: Improve Individual Income Tax Fraud Detection. DOR has programmed its tax processing system to recognize various data abnormalities as a means of identifying fraudulent tax returns for income tax purposes, including homestead credit and earned income credit. Currently, real-time data is limited to information reported on the return. Data is available from previously filed returns, federal tax returns and a few other state agencies. Most comparisons are done post-processing. It is important that fraud be detected as returns are being processed.

NEW IS&E Program in 2011-2013 Biennium: Reciprocal Vendor Payment Program. DOR currently has programs with the federal government for the interception of federal tax refunds against individual income tax debts. In turn, the U.S. Treasury intercepts state tax refunds for federal income tax debts. This new program intercepts vendor payments and non-salary, non-benefit payments for all debts referred by DOR or U.S. Treasury to the other party.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Online Form 1099-G. Form 1099-G is an information return issued by DOR to report government payments, such as tax refunds, interest, etc., that individuals use when preparing the federal and state tax returns. In order to reduce printing and mailing costs, a 24/7 online application was necessary that allowed an individual to view and print their Form 1099-G online (after an established authentication process). A notification process advises users when forms are available online. Annually, the department prints and mails about 925,000 Form 1099-Gs at a cost of approximately \$430,000.

2009-2011 Biennium Accomplishments

- Implemented the online "go paperless" application for taxpayers to elect to receive Form 1099-G electronically. Taxpayers can view and print their 1099-G.
- 2010: accepted 8,000 individual requests to receive Form 1099-G electronically.
- 2011: required vendors to add language to their e-file software allowing users choose to go paperless for 2011 tax year as part of their return e-filing.
- Accepted 164,000 individual requests to go paperless for 2011 tax year that will save \$77,000 in printing and mailing costs.

Goals for 2011-2013

- ⇒ Continue to reduce printing and mailing costs.
- ⇒ Work with all software vendors partners to develop a web service to electronically upload Form 1099-G information as part of e-filing process.
- ⇒ Continue communications about online applications to increase the number of individuals who choose to go paperless.

IS&E PROGRAM: Taxpayer Notices Improvement Project. Improve system-generated notices sent to taxpayers, making them easier to understand and act upon.

2009-2011 Biennium Accomplishments

- A cross-functional team of employees researched the issue, contacted other government agencies, and solicited extensive feedback from customers and customer service staff about what changes needed to be made.
- The team developed an approved template for system-generated notices. Improvements included a new layout, rewritten instructions, a reconciliation of the financial summary and detail statement, and the use of common questions asked by customers.
- As part of this project, the explanations used by staff when adjusting tax returns were rewritten using "plain language" guidelines. For the 2012 filing season, rewrites were completed for the most used explanations for Homestead Credit, Earned Income Credit and individual income tax.
- The template was used as a guide for revising several DOR letters, including the business tax registration greeting letter.

Goals for 2011-2013

- ⇒ Improvements for the Notice of Amount Due, Notice of Refund and Notice of Estimated Tax will be implemented March-July 2012.
- ⇒ Based on customer feedback, the improvements will be applied to all audit-related notices.
- ⇒ Delinquent tax notices will be revised to incorporate customer feedback received as a result of the project.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Federal Audit Report Automation. DOR receives between 30,000-35,000 federal income tax adjustments from the Internal Revenue Service (IRS) each year based upon data matching programs. DOR receives another 8,000-9,000 federal income tax adjustments from formal audits. Most federal adjustments also result in Wisconsin income tax adjustments. Most taxpayers don't amend their Wisconsin returns. DOR is building automation capabilities to generate and send automated bills for these adjustments. This allows auditors to spend more time identifying and auditing more complex issues.

2009-2011 Biennium Accomplishments

- Sent more than 4,000 automated bills for 15 different types of adjustments totaling more than \$1.5 million.
- Designed letter requesting taxpayers to file amended returns and sent trial batch of amended return letters to taxpayers with adjustments.

Goals for 2011-2013

- ⇒ Proactively educate taxpayers about their responsibility to file an amended income tax return.
- ⇒ Build robust systems of collecting and storing key information about the project for analysis and strategic decision-making.
- ⇒ Automate 12 additional adjustment types.
- ⇒ Systematically send amended return request letters as soon as we receive data from the IRS.
- ⇒ Expand amended return request letter to other federal audit reports.

IS&E PROGRAM: Field Audit Plans. DOR completes field audits in a more efficient and timely manner. The field audit process is regularly reviewed to identify changes that would improve the cycle time and efficiency of field audits.

2009-2011 Biennium Accomplishments

- Adopted the Mutual Commitment Date (MCD) process in 2009. The MCD process was designed to provide a consistent approach to the audit planning process, promote better communication between the department and the taxpayer during the audit process, and establish accountability for the auditor and the taxpayer during the audit process.
- Continued to improve process to expand exchange of electronic documents, consolidate audit work papers, and improve audit selection documentation.

Goals for 2011-2013

- ⇒ Through a joint team of business representatives, practitioners, and employees, review the field audit process in detail using Six Sigma principles to identify changes that will improve audit cycle time and reduce administrative burden.
- ⇒ Hold Field Audit focus group meetings annually to obtain feedback from staff on how the field audit process can be improved.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Volunteer Income Tax Assistance (VITA)/Tax Counseling for the Elderly (TCE) Program Improvements. Revamp department's role in volunteer tax assistance programs that serve the elderly, military/veterans, low-income and limited English populations.

2009-2011 Biennium Accomplishments

- Evaluated the program to identify areas for improvements, including a review of existing procedures and interviews with site coordinators and volunteers.
- Adopted a new vision for the program to more efficiently use resources, position the program for expansion, and improve the state tax service being provided through the program.
- Established new procedures with the volunteer sites for reporting potential fraud, troubleshooting e-filing software, and getting assistance on complex income tax questions.
- Created a VITA/TCE page for the website with plans to expand into an online community that would include training materials, common questions, features on sites, and directories.

Goals for 2011-2013

- ⇒ Continue to evaluate the program to realize efficiencies.
- ⇒ Develop an online training certification program similar to that of the Internal Revenue Service to ensure quality state tax preparation.
- ⇒ Explore how to expand the program into more areas of the state with low e-filing rates.
- ⇒ Working with partners, establish a volunteer base that better matches the skills needed at sites (e.g., Spanish language, technology).

IS&E PROGRAM: Online Videos/Webinars. Promote DOR initiatives and systems through online videos and develop self-help and e-learning options for customers.

2009-2011 Biennium Accomplishments

- Produced more than 30 online promotional and training videos for *My Tax Account*, individual income tax credits, assessor certification, *Wisconsin e-file* and other initiatives. The videos are hosted on You Tube and have received more than 160,000 views.
- Conducted several live webinars for *My Tax Account* customers.

Goals for 2011-2013

- ⇒ Evaluate current videos for usefulness and content updates.
- ⇒ Develop new videos to align with strategic initiatives. This may include tax incentives for businesses and additional training/how-to videos.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Electronic Filing Reminders. Before electronic filing, DOR reminded taxpayers to file their tax returns by the due date by sending them tax returns and instructions shortly after the end of the reporting period. Currently, those taxpayers that e-file are not sent paper tax returns, which has significantly reduced printing and mailing costs. Without the tax return reminder, many taxpayers fail to timely file their tax returns and an estimated assessment is generated. A process was necessary to remind certain filers of tax return due dates.

2009-2011 Biennium Accomplishments

- Developed and implemented *My Tax Account* broadcast messages (account notices e-mails) to remind taxpayers:
 - With a history of late filing of the due date for business tax returns,
 - Who have not filed by the due date for business tax returns to file returns or close their accounts, if applicable,
 - Of new due dates if their filing frequency was changed,
 - Of their Business Tax Registration (BTR) renewal due date, and
 - Those that inactivated their withholding account to file their annual reconciliation (Form WT-7) within 30 days as required by law.
- Reduced the number of sales and use tax estimated assessments from 27,624 in calendar year 2010 to 12,996 in calendar year 2011.
- Reduced the number of withholding tax estimated assessments from 41,292 in calendar year 2010 to 12,146 in calendar year 2011.

Goals for 2011-2013

- ⇒ Continue to leverage *My Tax Account* to reduce the number of late-filed returns and department-issued notices of amounts due and estimated assessments.
- ⇒ Explore converting other paper procedural notices to electronic notices and e-mails to reduce printing and mailing costs.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Office Closures and Telecommuting. Reduce facility costs through office closures while maintaining a presence in communities across the state for purposes of providing assistance and enforcement.

2009-2011 Biennium Accomplishments

- Successfully closed remaining branch offices throughout the state (approximately 18 in 2009-2011).
- Established department-wide procedures for employee telecommuting and transitioned more than fifty employees from branch offices to home offices. Offices remain in Madison, Milwaukee, Eau Claire, Green Bay, Appleton, Wausau, and Chicago.
- Improved online customer self-help resources and expanded outreach efforts.
- Improved Madison-based customer service center to address increased contact volume as a result of closures.
- Provided on-site customer support at libraries several days per month throughout the tax season in communities where offices were closed.

IS&E PROGRAM: Reciprocal Refund Setoff with Minnesota. DOR entered into an agreement with the Minnesota Department of Revenue in 2008-2009 to set off tax refunds against delinquent debts of the other agency. Warning letters are mailed before the delinquent debts are referred.

2009-2011 Biennium Accomplishments

- DOR collections from the reciprocal refund setoff program were \$560,400 in 2009-2010 and \$377,500 in 2010-2011.

Goals for 2011-2013

- ⇒ Expand the reciprocal refund setoff program to other states.

IS&E PROGRAM: Taxability and Rate/Jurisdiction Databases for Sales and Use Taxes. An online tax rate database for retailers to quickly and easily look-up the amount of taxes owed on a purchase within its municipality.

2009-2011 Biennium Accomplishments

- Developed and implemented the taxability and rate/jurisdiction database for sales and use taxes.
- The search tool finds the applicable Wisconsin state, county and stadium sales and use tax rates for specific locations, which is especially helpful for those businesses shipping products to or performing services in multiple taxing jurisdictions. Applying the appropriate sales and use tax also increases the accuracy of sales tax remittances, which ensures that revenues are distributed to the appropriate taxing jurisdictions.

Goals for 2011-2013

- ⇒ Continue to monitor and upgrade the on-line tool to make it easy to use for retailers.

Division of Income, Sales and Excise Tax (IS&E)

IS&E PROGRAM: Paperless Audit Reports and Work Papers.

2009-2011 Biennium Accomplishments

- During the last several years, all historical paper tax return files have been scanned and the paper files have been confidentially destroyed.
- Immediate access to documents has improved customer service and enforcement efficiencies.
- A paperless environment significantly reduces storage, printing, and postage costs and allows for more efficient access and sharing of information within DOR and with the taxpayer.
- Eliminated need for copying taxpayer records.

Goals for 2011-2013

- ⇒ Develop templates for storing Field Audit work papers electronically.
- ⇒ Store audit reports, explanations, and other audit documentation that can be accessed electronically.

Division of State and Local Finance (SLF)

SLF PROGRAM: Real Estate Transfer Return (RETR). DOR audits Real Estate Transfer Returns filed because of a property sale.

2009-2011 Biennium Accomplishments

- Employees, appraisers and municipal assessors shared RETR data information through a new online process called iCare. iCare is an online searchable database of real estate transfer returns which was launched on July 1, 2009.
- Starting July 1, 2009, all RETRs were filed with the agency electronically.
- DOR processing of real estate transfer returns:
 - 2009 - processed 171,236
 - 2010 - processed 159,249
 - 2011 - DOR has processed 109,867 real estate transfer returns to date.
- Audited 1,300 real estate transfer returns for the 2011 Fiscal Year, and collected \$963,379.49 from these audits.

Goal for 2011-2013

⇒ SLF will continue to audit real estate transfer returns.

SLF PROGRAM: Field Sales Analysis. DOR identifies and stratifies the value components of a real estate transfer return (RETR) to establish of a comparable sales file for use in the field review program.

2009-2011 Biennium Accomplishments

- 2009: SLF reviewed approximately 2,322 real estate transfer returns
- 2010: SLF reviewed 3,153 real estate transfer returns
- 2011: SLF has reviewed 2,505 real estate transfer returns to date

Goal for 2011-2013

⇒ SLF will continue to process qualified real estate transfer returns.

SLF PROGRAM: Board of Review Appeals. Under sec. 70.85, Wis. Stats., property owners may appeal a local Board of Review decision to DOR.

2009-2011 Biennium Accomplishments

- 2009 - Processed 81 appeals.
- 2010 - Processed 88 appeals.
- 2011 - Have processed 66 appeals to date

Goal for 2011-2013

⇒ Continue to process appeals received from property owners and distribute according to the statutory deadlines.

SLF PROGRAM: Manufacturing and Utility. Electronic filing implementations.

2009-2011 Biennium Accomplishments

- Designed, developed and implemented an electronic filing system for manufacturing forms. In 2010, 83% of forms were filed electronically.
- Began posting manufacturing assessment rolls online in 2010 to better serve customers.
- Implemented electronic reporting for Ad Valorem taxes (air carrier, pipeline and railroads)

Division of State and Local Finance (SLF)

SLF PROGRAM: Tax Incremental Finance (TIF). DOR administers TIF statutes and Valuation of Tax Incremental Districts (TID).

2009-2011 Biennium Accomplishments

2009

- 1,031 TIDs were administered, 42 created & 25 amended
- TID Annual Fee & Creation Fee Collections for 2009: \$215,350

2010

- 1,053 TIDs were administered, 42 created & 24 amended
- TID Annual Fee & Creation Fee Collections for 2010: \$222,150

Law Changes During Biennium

- 2009 Act 310: creates designation of distressed and severely distressed TIDs. A “distressed” designation will allow the extension of a TID’s maximum life by 10 years beyond the original termination date. A “severely distressed” designation will allow the extension of a TID’s maximum life by up to 40 years after the district is created.
- 2009 Act 312: modifies the date application materials are due to DOR from December 31 to October 31; requires payment of the annual TID fee and failure to pay results in no increment for that year; allows a municipality to remove parcels in order to meet the 12% value limitation.
- 2009 Act 28 (Budget Bill): allows a municipality to extend full life of a TID 1 year to benefit affordable housing and improve the quality of the city/village existing housing stock. Also included \$150 annual fee on active TIDs.
- Act 32 (Budget Bill): allows a cooperative TID town to be closed and the city/village that has the agreement with the town to take over the TID until its maximum life has been reached.
- 2011 Act 41: expands distressed/severely distressed legislation to remove a seven year in existence requirement and extend until September 30, 2015.
- 2009 Act 67: provides for ER TIDs to allocate funding to another ER TID under certain circumstances.
- 2011 Act 77: allows the creation of a multijurisdictional TID.

SLF PROGRAM: Sales Analysis. Local municipal assessors indicate to the agency whether real estate transfer returns are valid, arms-length, useable sales through the Provide Assessment Data (PAD) system. Assessors also provide property characteristics for those that have sold.

2009-2011 Biennium Accomplishments

- SLF implemented electronic technology and preliminary sales reports were posted online for local assessor review prior to final completion, eliminating paper correspondence
- 2010: initiated the PAD System for assessors to provide assessment data.
 - 2009: 68,687 useable sales
 - 2010: 65,183 useable sales.
 - 2011: 46,890 usable sales to date

Goal for 2011-2013

- ⇒ Continue processing while working with assessors to make any improvements or enhancements to the process.

Division of State and Local Finance (SLF)

SLF PROGRAM: Equalized Values. Equalized Values is the estimated value of all taxable real and personal property in each taxation district by class of property as of January 1, and certified by DOR on August 15 of each year.

DOR's State and Local Finance Division is responsible for determining the equalized values for Wisconsin's 2,904 taxation districts:

- 1,851 municipalities
- 72 counties
- 425 school districts
- 16 technical colleges
- 540 special districts

2009-2011 Biennium Accomplishments

- Equalized Values was fully implemented into integrated property assessment system and the outdated systems were removed.
- 2009: Equalized values decreased by \$2,481,980,600 from 2008.
 - Statutory corrections (70.57) to the 2009 equalized value totaled \$290,864,600, majority due to late Assessor reports
- 2010: Equalized Values decreased by \$16,007,790,800 from 2009.
 - Statutory corrections (70.57) to the 2010 equalized values totaled 154,571,800, majority due to late assessor reports.
- 2011: Equalized Values were produced from IPAS.
 - Equalized Value decreased by \$9,039,959,500 from 2010.

Goals for 2011-2013

- ⇒ Aim to produce preliminary equalized values by August 1 of each year to allow each municipality to review its submitted data to identify changes or updates before the report is finalized.
- ⇒ Update IPAS for those fixes not completed during the 2011 process.

SLF PROGRAM: Office Closures and Telecommuting. Reduce facility costs through office closures while maintaining a presence in communities across the state for purposes of providing assistance and enforcement.

2009-2011 Biennium Accomplishments

- Successfully closed remaining branch offices throughout the state (approximately 18 in 2009-2011).
- Established department-wide procedures for employee telecommuting and transitioned more than fifty employees from branch offices to home offices. Offices remain in Madison, Milwaukee, Eau Claire, Green Bay and Wausau.

Division of Technology Services (DTS)

DTS PROGRAM: Intelligent Forms E-Filing. DOR has supported its own E-Filing and Telefile systems for state tax return submissions since 1993. In order to enhance the customer experience, DOR developed and implemented intelligent PDF forms which turned paper-based forms into intelligent e-forms. These new intelligent e-forms look just like the paper versions with extensive benefits. These interactive documents automatically calculate totals, provide complex tax table look-ups, perform checks for accuracy and self-correction, and allow attachments to be included, such as Form W-2s and federal tax returns. This results in a more interactive and positive user experience.

2009-2011 Biennium Accomplishments

- 18 individual income forms have been converted to intelligent e-forms, including routinely-filed income tax returns, schedules, and payment vouchers
- 12 excise tax forms have been converted to intelligent e-forms including cigarette tax returns and reports, quarterly Report of Wisconsin Tax-Paid Tobacco Products Purchased, and refund claims
- 11 State and Local Finance Division forms have been converted to intelligent e-forms including financial reports, municipal assessment reports, TID assessment reports, county and city levy limit worksheets, manufacturing and apportionment forms
- 3 compliance forms have been converted to intelligent e-forms including the Installment Agreement Request, electronic Funds Transfer Authorization and Wage Assignment Reduction Request

Goals for 2011-2013

- ⇒ Expand intelligent e-forms to include:
 - Form 2 - Fiduciary Income Tax Return
 - Form CC - Closing Certificate
 - A222 - Power of Attorney
 - P-521 - Request for Copies of Tax Return
 - PE-209 - Tax Increment Certification
 - Merge Ready Municipal Assessment Report
 - Merge Ready Tax Incremental District Assessment Report

DTS PROGRAM: Data Warehouse Functions Support Tax Processing System (WINPAS). DOR initiated a bi-directional pipeline of information between its Data Warehouse and Wisconsin Income Processing and Audit System (WINPAS) to provide real-time database views and on-demand web services. This initiative increases efficiencies and revenue through automation.

2009-2011 Biennium Accomplishments

- Automated items that previously took significant staff time to work through manually, allowing DOR staff, such as auditors and collectors, to better focus on compliance issues.
- Received the Federation of Tax Administrators Award for Outstanding Technology Application for State Tax Administration.

Division of Technology Services (DTS)

DTS PROGRAM: WINPAS Integrated Tax System Rollout 7, 8 & 9. WINPAS (Wisconsin Income Processing and Audit System) is DOR's integrated tax system. WINPAS is a multiyear project that integrates and replaces all of the department's legacy tax processing systems with a single modern system. WINPAS also has a web-based front-end, *My Tax Account*, that makes certain tax related forms and functions available online and easier for taxpayers to access.

Some of the benefits of WINPAS include:

- Allow modern, efficient handling of exception items during return and payment processing, while limiting the need for upfront handling of paper returns.
- Provide increased availability of on-line, integrated information about tax accounts to aid customer services.
- Facilitate increased e-filing and e-payment options.
- Together with the data warehouse, allow for effective, efficient audit selection and data mining.
- Support the Department's goal of paperless tax processing by storing images of system produced notices and customer produced documents and files.

DOR began consolidating its various tax-processing systems to WINPAS in May 2005 through phases termed as rollouts. Ten Rollouts were planned from 2005 through December 2011.

2009-2011 Biennium Accomplishments

- Rollout 7: Implementation of Combined Reporting for Corporations, State Debt Collection Program, Financial Record Matching, Ambulatory Surgical Center Assessments, and Police & Fire Protection Fee.
- Rollout 8: Implementation of some Excise taxes (Beverage and Tobacco), Estate Tax, Dry Cleaning Fee, Tax Refund Intercept Program, and Tax Incremental Financing Fees.
- Rollout 9: Automation of Audit work papers, expanding the My Tax Account functionality to include Online Business Tax Registration, Cigarette Stamp ordering, and Appeals.
- Highlights of the three Rollouts:
 - Further consolidation of tax processing to a modern IT platform through retiring older technology-based application resulting in processing efficiencies
 - Online web-based simple, secure access to taxpayers and businesses for tax filing functions.

Goals for 2011-2013

- ⇒ WINPAS Rollout 10 includes the implementation of Motor Fuel Taxes and Wisconsin's participation in State Reciprocal Program.
- ⇒ Expanding e-filing and payment capabilities through *My Tax Account* by making more tax filing functions available on-line.
- ⇒ Enhancing WINPAS to further automate tax processing that will accelerate return processing, reduce errors, and increase collections.

Division of Technology Services (DTS)

DTS PROGRAM: Integrated Property Assessment System (IPAS). DOR'S State and Local Finance (SLF) Division wanted to consolidate 40 separate computer systems into one comprehensive solution, reduce staff time spent on redundant data entry and maintenance of paper and electronic records, replace static report generation with easy-to-use reporting and ad-hoc querying tools, and improve the assessment and appraisal process to incorporate system data.

2009-2011 Biennium Accomplishments

- DOR can efficiently provide estimates and data for municipalities.
- Fewer resources required for manufacturing-related system maintenance and upgrades.
- Staff time spent preparing CDs and responding to real estate transfer return (RETR) data requests reduced from 200 hours to less than 20 hours annually
- Report generation, such as estimates and data for municipalities, now takes 50% less time
- Tax Incremental Financing (TIF): implemented in IPAS with a new and more efficient method for calculating values.
- Implemented additional features to the Provide Assessment Data (PAD) System. External users can now review state-wide and county-wide sales data.
- Created web application to provide external users with 24/7 access to Manufacturing assessment rolls, which allowed SLF to stop mailing cartons of paper documents.
- SLF won the Public Sector Excellence Award from Tyler Technologies for its work in dramatically improving the efficiency of internal operations.

Goals for 2011-2013

- ⇒ Expand e-filing capabilities
- ⇒ Enhance IPAS to further automate assessment and valuation activities.
- ⇒ Simplify and reduce errors in the various report generation processes.

DTS PROGRAM: Disaster Recovery. Building upon our strategic objective to increase the percentage of virtualized services provided, DTS will be in a position to utilize more cost effective methods to implement disaster recovery solutions. Revised processes and improved technology will allow the agency to recover core systems five times faster than previously, improve the agency's ability to serve customers in the event of a disaster, and reduce the cost of providing disaster recovery options to the department.

Goals for 2011-2013

- ⇒ Setup secondary site.
- ⇒ Develop network configurations to support a more robust disaster recovery environment.
- ⇒ Automate data replication and recovery procedures where possible.

NEW DTS PROGRAM in 2011-2013 Biennium: Financial Management Data Warehouse. DOR will leverage data warehouse capabilities to extract and load data from the Department of Administration's Wisconsin State Management Accounting and Reporting Tool (WISMART) system. The financial and budget units within Division of Enterprise Services will better tools for monitoring and identifying transactions and budget statuses within fiscal years and across biennia.

Goals for 2011-2013

- ⇒ Provide the ability for department staff to view and analyze the data in an effective manner.
- ⇒ Enhance reporting and inquiry across financial and budget business entities.

Division of Enterprise Services (ESD)

ESD PROGRAM: Promote and advocate for a diverse DOR workforce. Utilize recruitment and other techniques to address job classifications and groups that have been traditionally underutilized for minority groups and women within the DOR.

2009-2011 Biennium Accomplishments

Trend analysis for underutilized job groups from the last Affirmative Action (AA) Plan have shown a positive movement in 6 of the 7 job groupings for minority employees and the 1 job grouping for female employees.

Job Group	2011 Total % of Minorities	Minority % Increase/Decrease from 2009-2011
Administrator's- Senior Executives	16.0%	5.7%
Attorneys	33.3%	13.3%
Human resources Professionals	25.0%	25.0%
Management Information Professionals and Supervisors	13.4%	3.8%
Planning and Research Professionals & Supervisors	7.7%	2.1%
Program Support Professionals & Supervisors	9.7%	5.5%
Women % Change from 2009-2011	2011 Total % of Women	Women % Increase/Decrease from 2009-2011
Clerks Shipping, Storage and Related	50.0%	4.5%

Goals for 2011-2013

- ⇒ Develop and secure OSER approval of an updated 2011-13 DOR Affirmative Action (AA)/Equal Employment Opportunity (AA/EEO) Plan.
- ⇒ Expand diversity initiatives as identified by Executive Management and the AA/EEO.

ESD PROGRAM: Automate Processing of Human Resource (HR) Transactions. Automate selected HR transactions by developing a Position Action Request System (PARS).

2009-2011 Biennium Accomplishments

- PARS - Phase 1 was developed and implemented in 2009
- Front end processing of personnel staffing and reclassification transactions have all been automated.
- Multiple users may enter data into the system and access data to determine the status of transactions.
- Eliminated unnecessary delays between approvals in the review process.

Goal for 2011-2013

- ⇒ Explore the feasibility of proceeding with the development of Phase 2 of the PARS to provide greater detail about the staffing process. It may also enable the PARS to capture back end certification processing information leading to a reduction in payroll entry of data into the payroll system.

Division of Enterprise Services (ESD)

ESD PROGRAM: Improvements to Accounting, Financial Reporting and Internal Controls. DOR is committed to continuous improvement in its financial operation. During the past several years, the department has implemented several changes that have enhanced the department's accounting and auditing functions.

2009-2011 Biennium Accomplishments

- **Internal Audit Function:** The Department established an internal audit and program evaluation function during Fiscal Year 2010, and hired its first Internal Auditor in October, 2009. This provides independent, objective assurances and consulting services designed to add value and to improve the DOR operations. The internal audit function will help the agency to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the risk management, control activities, and governance processes designed by management to meet the financial, strategic, and operational objectives of DOR.
- **Ad-Hoc Review Teams:** To improve internal controls, small teams of experts, along with the Internal Auditor, are used throughout DOR to review financial functions and processes and make recommendations for improvements.
- **Increased Accuracy of Accrual Entries:** With the continued conversion to DOR's integrated tax system (WINPAS), the agency has the ability to more quickly and more accurately reconcile payments and sort them by tax period. This has significantly increased the accuracy of both the on-system accruals (13th month entries) as well as the off-system transactions (GAAP entries).

Goal for 2011-2013

- ⇒ The Department will continue to look for ways to improve its financial operations.

ESD PROGRAM: Improve Processes and Manage Change to Improve Agency Operations.

2009-2011 Biennium Accomplishments

- **Creation of mail database:** while the paper income tax mail has decreased greatly during the last few years, DOR still receives more than a million pieces of tax mail annually. Previously, most of the mail was tracked manually for all steps. A database was developed that automatically tracks income tax mail when it is first received from the post office and again after the mail was prepped and transferred to the scanning unit for the next processing step. This database also records daily productivity of staff. The database allows the agency to know how much mail has been received and processed in the mail review area almost instantaneously. The result is a more efficient operation.
- **Agency restacking project:** DOR employee staff has been permanently reduced during the last few years, creating a large number of small underutilized spaces throughout the Rimrock Road building in Madison. Vacant spaces were analyzed and it was determined that DOR could significantly reduce space needs by reconfiguring work areas and other common facility space. Upon completion, the agency will have reduced its square footage by more than 20,000 square feet at an annual savings close to \$500,000.
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Goal for 2011-2013

- ⇒ Continue to increase the efficiency of processing paper tax returns during tax season by scheduling the necessary amount of limited-term employees needed based on the estimated number of returns to be received.

Division of Enterprise Services (ESD)

ESD PROGRAM: Development of Automated Employee Expense Reimbursement System. DOR is developing a system in which employees will enter reimbursement information online through a secure web-based portal. This system will also allow for required receipts and other attachments to be scanned, electronically stored and linked to the reimbursement request. Supervisors will be able to review claim data and attachments and either refer incorrect or incomplete claims back to the employee for resolution or approve claims for reimbursement. Information from approved claim forms will be aggregated and automatically uploaded to the State's accounting system (WiSMART) accounting system. In addition, e-mail notifications to employees and supervisors will be generated when claims are submitted, approved or rejected through the system's workflow process. Claim information and related attachments will be stored and the data can be queried and reports generated to support ad hoc information requests and post reimbursement audit processes.

2009-2011 Biennium Accomplishments

- System development began late in fiscal year 2010.
- Testing began in 2011 with phased-in implementation expected to be completed by the end of the fiscal year.

Goals for 2011-2013

- ⇒ DOR anticipates that all employee reimbursements will be processed in the new system by the beginning of 2012
- ⇒ DOR will work to share this system with other agencies to determine the feasibility for use state-wide, or by agencies similar to DOR.

ESD PROGRAM: Development of Financial Data Warehouse to Improve Financial Reconciliations. The Financial Data Warehouse extracts and loads financial and budgetary data from the State's accounting system (WiSMART) on a daily basis and makes the data available to accounting and other staff in formats that allow account queries and account reconciliations to be performed in a more efficient manner.

2009-2011 Biennium Accomplishments

- In 2010, DOR began the development of a financial data warehouse. Phase One was completed in 2011, and it includes the retrieval of accounting data in the form of ad-hoc queries. This capability allows staff to download transactions and account balances in order to effectively reconcile various accounts.

Goals for 2011-2013

- ⇒ Phase Two will be developed in late FY12 and it will further automate and facilitate the preparation of financial reports.
- ⇒ During the next two years, further staff training will continue in order to maximize its use and to continue to develop timely and efficient reporting capabilities.

Division of Enterprise Services (ESD)

ESD PROGRAM: Technology Governance. Governance of technology projects, as well as ongoing technology processes, ensure that the objectives of the agency are met and that DOR's investment in technology assets is safeguarded. DOR is proud of its project successes and processes to govern technology.

2009-2011 Biennium Accomplishments

- In 2010, the Division of Technology Services (DTS) established a comprehensive change management practice to provide a high level of availability to its customers. This practice ensures that planning, review and implementation of production information technology infrastructure changes occur in a controlled and predictable manner.
- The Integrated Property Assessment System (IPAS) project developed and implemented an IPAS Configuration Management Plan during 2010. The plan establishes the benefits, roles, responsibilities and activities that will be used to establish a standard set of change control processes to manage the IPAS system environments and assets.
- Development of a post-production governance structure is being planned to manage the Wisconsin Income Processing and Audit System (WINPAS) project when it transitions from project status to full production at the end of 2011.

Division of Research and Policy (R&P)

R&P PROGRAM: General Fund Revenue Estimates.

2009-2011 Biennium Accomplishments

- Comprehensive re-design of income tax revenue model.
- Forecast error less than 1% for FY10 and FY11.
- Forecasts among the 10 most accurate among the states.

Goals for 2011-2013

- ⇒ Re-design corporate tax revenue model
- ⇒ Target forecast to within 2% of actual revenues

R&P PROGRAM: Develop and Issue Quarterly Economic Forecasts. Quarterly economic outlook for state employment and income.

2009-2011 Biennium Accomplishments

- Incorporated special supplemental reports on topics of interest including metropolitan area forecasts, report on state exports and an estimate for the impact of federal Tax Reform legislation.
- Redesigned report to plain language standards for wider audience.
- Subscriber base for the economic outlook increase 226% in FY09 and another 32% in FY10.
- Renegotiated contract with Global Insight.

Goals for 2011-2013

- ⇒ Continuous design improvement
- ⇒ Expand the range of data reported in the forecast

R&P PROGRAM: General Fund Revenue Estimates. Supplement econometric model with other forecasting techniques.

Goal for 2011-2013

- ⇒ Develop time-series and tracking models as a check to existing forecasting models

Wisconsin Lottery Division (Lottery)

LOTTERY PROGRAM: Property Tax Relief - FY 2010. Lottery sales goal of \$479.4 million. Control expenses by ensuring that statutorily defined administrative expenses are less than 10 percent of revenues

2009-2011 Biennium Accomplishments

- ⇒ Actual FY10 sales: \$480.9 million.
- ⇒ Expenses were 6.4% of revenues.

LOTTERY PROGRAM: Property Tax Relief - FY 2010. Obtain the rights to sell Mega Millions.

2009-2011 Biennium Accomplishments

- Mega Millions Launched in January 2010.
- Sales of national jackpot games increased 17 % in FY 10.

LOTTERY PROGRAM: Property Tax Relief - FY 2011. Lottery sales goal of \$ 480.1 million. Control expenses by ensuring that statutorily defined administrative expenses are less than 10 percent of revenues.

2009-2011 Biennium Accomplishments

- Actual sales \$502.5 million.
- Expenses were 6.6% of revenues (unaudited).

Goals for 2011-2013

- ⇒ Sales goal of \$508.4 million for FY 2012.
- ⇒ Expenses less than 10% of revenues.

LOTTERY PROGRAM: Property Tax Relief - FY 2012. Advocate for an increase in the price of Powerball to \$2.

2009-2011 Biennium Accomplishments

- ⇒ The price of Powerball will increase to \$2 on January 15, 2012

Goal for 2011-2013

- ⇒ Increase the sales of national jackpot games.