

DEPARTMENT OF REVENUE

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY11 Adjusted Base	FY12 Recommended	% Change Over FY11	FY13 Recommended	% Change Over FY12
GPR	95,648,700	91,107,800	-4.7	91,107,800	0.0
PR-O	11,161,500	10,437,700	-6.5	10,231,400	-2.0
PR-S	3,677,000	3,708,600	0.9	3,708,600	0.0
SEG-O	70,099,400	68,471,500	-2.3	68,441,700	0.0
TOTAL	180,586,600	173,725,600	-3.8	173,489,500	-0.1

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY11 Adjusted Base	FY12 Recommended	FTE Change From FY11	FY13 Recommended	FTE Change From FY12
GPR	892.73	848.28	-44.45	848.28	0.00
PR-O	98.85	80.30	-18.55	80.30	0.00
PR-S	7.65	6.80	-0.85	6.80	0.00
SEG-O	115.20	100.70	-14.50	100.70	0.00
TOTAL	1,114.43	1,036.08	-78.35	1,036.08	0.00

AGENCY DESCRIPTION

The department is headed by a secretary who is appointed by the Governor with the advice and consent of the Senate. The department advises the Governor and Legislature on tax policy, administers the state's tax laws and lottery, distributes property tax relief and local unrestricted aid payments, and oversees general administration of the property tax system. The department's activities are organized into the following four major program areas:

- The Division of Income, Sales and Excise Tax collects taxes through accepting tax payments and processing tax returns, enforces tax laws and collects taxes through audit and compliance activities, provides taxpayer assistance, and conducts criminal investigations;
- The Division of State and Local Finance administers state policy and programs affecting local government finance and the state's property tax system, including establishing equalized values, supervising general administration of the local property tax and assessing the value of manufacturing property statewide;
- The Lottery Division administers the lottery program that provides funding for the property tax credit and farmland tax relief credit; and
- The administrative services area includes the Secretary's Office, Office of General Counsel, Division of Enterprise Services, Division of Technology Services, and Division of Research and Policy, and provides the Executive Office and Legislature with detailed analyses of revenue and tax policy options.

The tax programs administered by the department provide revenue for the state's general fund, recycling fund and transportation fund. The department also administers the homestead, farmland preservation and earned income credits, which are paid to eligible applicants from the general fund.

An independent Investment and Local Impact Fund Board, attached to the department for administrative purposes, governs the distribution of mining net proceeds occupational tax monies.

MISSION

The department's primary strategic mission is to deliver the best tax services to the citizens of Wisconsin while maintaining the public's trust. The department must administer state and local taxes in an efficient manner, advocate for sound tax and fiscal policies, and provide property tax relief.

PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

The department has identified the following five core business principles that reflect the outcomes the department seeks to achieve: planning (forecasting), learning (well-trained staff), innovation (advanced technology and creativity), accountability (accuracy and reliability), and diversity (ensuring a multicultural, multigenerational workplace).

Program 1: Collection of Taxes

Goal: Ensure accountability through enforcement of tax laws.

Objective/Activity: Delinquent collections per fiscal year.

Objective/Activity: Reduction in specifically identified areas of noncompliance.

Goal: Operate efficiently and effectively.

Objective/Activity: Growth in individual income, corporate franchise/income, and sales/use tax returns received electronically.

Program 2: State and Local Finance

Goal: Ensure fair and equitable tax compliance, collection and property valuation through the Integrated Property Assessment System (IPAS).

Objective/Activity: Increase availability of electronic means of doing business.

Program 3: Administrative Services and Space Rental

Goal: Develop and advocate sound tax and fiscal policy.

Objective/Activity: Variance between estimated revenue and actual revenue.

Goal: Ensure a positive and diverse work environment.

Objective/Activity: Percentage of employees satisfied with their work environment.

Objective/Activity: Percentage of affirmative action target group members in underutilized job classifications.

Goal: Operate efficiently and effectively.

Objective/Activity: Cost per dollar received.

Program 8: Lottery

Goal: To achieve the highest possible revenue for property tax relief by offering entertaining and socially responsible games, while ensuring integrity and public trust.

Objective/Activity: Percentage change from prior year in the funds generated for lottery property tax relief.

Objective/Activity: Percentage of lottery administrative expenses as compared to lottery revenues.

PERFORMANCE MEASURES**2009 AND 2010 GOALS AND ACTUALS**

Prog. No.	Performance Measure	Goal 2009	Actual 2009	Goal 2010	Actual 2010
1.	Collection of delinquent taxes.	\$147 million	\$153 million	\$152 million	\$193 million
1.	Percentage of individual income (II) sales tax (ST) and corporate (C) returns received electronically.	70% (II) 60% (ST) 35% (C)	71% (II) 57%(ST) 33% (C)	74% (II) 58% (ST) 40% (C)	74% (II) 79% (ST) 45% (C)
2.	Percentage of forms and reports received electronically.	75%	79%	80%	82%
3.	Variance between estimated revenue and actual revenue.	± 2%	12.3%	± 2%	1.1%
3.	Percentage of employees satisfied with their work environment.	More than 2008	No survey conducted	More than 2009	No survey conducted
3.	Percentage of target group members in underutilized job classifications.	10%	10.2%	10%	11%
3.	Cost per dollar received.	\$.0070	\$.0081	\$.0070	\$.0072
8.	Percentage increase in non-Powerball sales generated over prior year.	1%	-3.3%	1%	-1.7%
8.	Percentage of lottery costs as compared to lottery revenues.	<10%	6.9%	<10%	6.59%

Note: Based on fiscal year.

2011, 2012 AND 2013 GOALS

Prog. No.	Performance Measure	Goal 2011	Goal 2012	Goal 2013
1.	Collection of delinquent taxes.	\$173 million	\$173 million	\$173 million
1.	Percentage of individual income (II) sales tax (ST) and corporate (C) returns received electronically.	78% (II) 63% (ST) 45% (C)	81% (II) 86% (ST) 60% (C)	84% (II) 89% (ST) 65% (C)
2.	Percentage of forms and reports received electronically.	85%	90%	95%
3.	Variance between estimated revenue and actual revenue.	± 2%	± 2%	± 2%
3.	Percentage of employees satisfied with their work environment.	More than 2010	More than 2011	More than 2012
3.	Percentage of target group members in underutilized job classifications.	10%	10%	10%
3.	Cost per dollar received.	\$.0070	\$.0070	\$.0070
8.	Percentage increase in non-Powerball sales generated over prior year.	-1%	-0.1%	0%
8.	Percentage of lottery costs as compared to lottery revenues.	<10%	<10%	<10%

Note: Based on fiscal year.

DEPARTMENT OF REVENUE**GOVERNOR'S BUDGET RECOMMENDATIONS****RECOMMENDATIONS**

1. Increase Employee Contributions to Pension and Health Insurance
2. Budget Efficiencies
3. Eliminate Long-Term Vacancies
4. Technical Modification
5. Capital Gains Exclusion for Reinvested Gains
6. Capital Gains Exclusion for Wisconsin-Based Investments
7. Internal Revenue Code Updates
8. Loss Carryforward Sharing Under Combined Reporting
9. Controlled Group Elections
10. Modular Home Sales Tax Exemption
11. Personal Renewable Fuel Sales Tax Exemption
12. Cigarette Tax Stamps
13. Lottery Sum Sufficient Appropriations
14. Minor Transfers Between Appropriations
15. Standard Budget Adjustments

Table 1
Department Budget Summary by Funding Source (in thousands of dollars)

	ACTUAL FY10	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY12	FY13	FY12	FY13
GENERAL PURPOSE REVENUE	\$86,879.3	\$95,648.7	\$98,506.8	\$98,506.8	\$91,107.8	\$91,107.8
State Operations	86,879.3	95,648.7	98,506.8	98,506.8	91,107.8	91,107.8
PROGRAM REVENUE (2)	\$10,659.1	\$14,838.5	\$15,095.6	\$14,595.5	\$14,146.3	\$13,940.0
State Operations	10,659.1	14,838.5	15,095.6	14,595.5	14,146.3	13,940.0
SEGREGATED REVENUE (3)	\$66,775.5	\$70,099.4	\$70,006.8	\$70,259.2	\$68,471.5	\$68,441.7
State Operations	66,775.5	70,099.4	70,006.8	70,259.2	68,471.5	68,441.7
TOTALS - ANNUAL	\$164,313.9	\$180,586.6	\$183,609.2	\$183,361.5	\$173,725.6	\$173,489.5
State Operations	164,313.9	180,586.6	183,609.2	183,361.5	173,725.6	173,489.5

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

Table 2
Department Position Summary by Program (in FTE positions) (4)

	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY12	FY13	FY12	FY13
GENERAL PURPOSE REVENUE	892.73	892.73	892.73	848.28	848.28
PROGRAM REVENUE (2)	106.50	99.50	99.50	87.10	87.10
SEGREGATED REVENUE (3)	115.20	115.20	115.20	100.70	100.70
TOTALS - ANNUAL	1,114.43	1,107.43	1,107.43	1,036.08	1,036.08

(2) Includes Program Revenue-Service and Program Revenue-Other

(3) Includes Segregated Revenue-Service, Segregated Revenue-Other and Segregated Revenue-Local

(4) All positions are State Operations unless otherwise specified

Table 3
Department Budget Summary by Program (in thousands of dollars)

	ACTUAL FY10	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY12	FY13	FY12	FY13
1. Collection of taxes	\$59,697.2	\$66,537.3	\$66,723.1	\$66,787.4	\$61,223.8	\$61,017.5
2. State and local finance	\$11,246.5	\$13,091.5	\$13,696.0	\$13,696.0	\$12,497.6	\$12,497.6
3. Administrative services and space rental	\$28,648.8	\$33,386.3	\$36,141.1	\$35,858.9	\$33,836.6	\$33,836.6
8. Lottery	\$64,721.4	\$67,571.5	\$67,049.0	\$67,019.2	\$66,167.6	\$66,137.8
TOTALS	\$164,313.9	\$180,586.6	\$183,609.2	\$183,361.5	\$173,725.6	\$173,489.5

Table 4
Department Position Summary by Program (in FTE positions) (4)

	ADJUSTED BASE FY11	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY12	FY13	FY12	FY13
1. Collection of taxes	731.83	686.58	686.58	654.18	654.18
2. State and local finance	121.50	121.50	121.50	112.00	112.00
3. Administrative services and space rental	172.15	210.40	210.40	189.95	189.95
8. Lottery	88.95	88.95	88.95	79.95	79.95
TOTALS	1,114.43	1,107.43	1,107.43	1,036.08	1,036.08

(4) All positions are State Operations unless otherwise specified

1. Increase Employee Contributions to Pension and Health Insurance

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-3,825,700	0.00	-3,825,700	0.00
PR-O	0	0.00	0	0.00	-373,300	0.00	-373,300	0.00
PR-S	0	0.00	0	0.00	-28,900	0.00	-28,900	0.00
SEG-O	0	0.00	0	0.00	-445,500	0.00	-445,500	0.00
TOTAL	0	0.00	0	0.00	-4,673,400	0.00	-4,673,400	0.00

The Governor recommends increasing state employee contributions towards pension and health insurance costs. Employees will generally pay 50 percent of the total required retirement contribution, which for calendar year 2011 equals 5.8 percent of salary. The Governor further recommends increasing employee contributions for health insurance from approximately 6 percent of the premium to 12.6 percent of the premium. These modifications are necessary to bring state employee compensation in line with private sector employment and reduce compensation costs.

2. Budget Efficiencies

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-1,102,400	0.00	-1,102,400	0.00
PR-O	0	0.00	0	0.00	-255,400	0.00	-255,400	0.00
TOTAL	0	0.00	0	0.00	-1,357,800	0.00	-1,357,800	0.00

The Governor recommends reducing funding, excluding salary and fringe benefits, in most GPR and PR appropriations by 10 percent to create additional efficiencies and balance the budget.

3. Eliminate Long-Term Vacancies

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-2,470,900	-44.45	-2,470,900	-44.45
PR-O	0	0.00	0	0.00	-534,900	-11.55	-534,900	-11.55
PR-S	0	0.00	0	0.00	-37,600	-0.85	-37,600	-0.85
SEG-O	0	0.00	0	0.00	-835,600	-14.50	-835,600	-14.50
TOTAL	0	0.00	0	0.00	-3,879,000	-71.35	-3,879,000	-71.35

The Governor recommends eliminating position authority and related funding for positions that have been vacant for longer than 12 months.

4. Technical Modification

The Governor recommends incorporating position changes related to budget repair legislation.

5. Capital Gains Exclusion for Reinvested Gains

The Governor recommends creating an exclusion from Wisconsin income taxation for capital gains reinvested in Wisconsin-based businesses within 180 days of the realization of those capital gains. The fiscal impact is an estimated reduction in tax revenue of \$16.1 million in FY12 and \$20.2 million in FY13.

6. Capital Gains Exclusion for Wisconsin-Based Investments

The Governor recommends providing an exclusion equal to 100 percent of the capital gains realized on investments in Wisconsin-based businesses held by an investor for a period of five or more years beginning with purchases after December 31, 2010. In order to be qualified for the exclusion, a business must be certified by the Wisconsin Economic Development Corporation as having 50 percent or more of its property and payroll located in the state for three or more of the first five years of the investor's holding period. This provision will not have a fiscal effect until FY17.

7. Internal Revenue Code Updates

The Governor recommends updating Wisconsin Statutes to conform with changes made to the federal Internal Revenue Code. The net impact of these changes is an increase in tax revenue of \$230,000 in FY12 and a reduction of \$347,000 in FY13.

8. Loss Carryforward Sharing Under Combined Reporting

The Governor recommends allowing corporations in a combined group to share a portion of net loss carryforwards incurred prior to January 1, 2009, with other members of the combined group beginning with tax year 2012. The Governor also recommends extending the period that businesses can carryforward losses from 15 years to 20 years. The fiscal impact is an estimated reduction in tax revenue of \$9.2 million in FY12 and \$37.2 million in FY13.

9. Controlled Group Elections

The Governor recommends modifying provisions relating to combined group elections under combined reporting to disallow the department's ability to disregard combined group elections.

10. Modular Home Sales Tax Exemption

The Governor recommends creating a sales tax exemption for modular homes built in the state for use in other states. The fiscal impact is an estimated reduction in tax revenue of \$260,000 in each year.

11. Personal Renewable Fuel Sales Tax Exemption

The Governor recommends exempting vegetable oil and other oils used for cooking that have been converted to motor vehicle fuel from sales and use taxes in order to treat this type of fuel in the same manner as other motor vehicle fuels.

12. Cigarette Tax Stamps

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	15,000	0.00	15,000	0.00
TOTAL	0	0.00	0	0.00	15,000	0.00	15,000	0.00

The Governor recommends increasing expenditure authority for the administration of cigarette tax stamps.

13. Lottery Sum Sufficient Appropriations

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	-819,800	0.00	-849,600	0.00	-819,800	0.00	-849,600	0.00
TOTAL	-819,800	0.00	-849,600	0.00	-819,800	0.00	-849,600	0.00

The Governor recommends decreasing the sum sufficient appropriations to reflect the impact of lottery sales projections.

14. Minor Transfers Between Appropriations

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	-54,600	0.00	-54,600	0.00	-54,600	0.00	-54,600	0.00
PR-O	310,600	0.00	310,600	0.00	55,900	0.00	55,900	0.00
PR-S	-508,400	0.00	-790,600	0.00	500	0.00	500	0.00
SEG-O	252,400	0.00	534,600	0.00	-1,800	0.00	-1,800	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

The Governor recommends making minor transfers between appropriations in order to align department programs with the correct appropriations.

15. Standard Budget Adjustments

Source of Funds	Agency Request				Governor's Recommendation			
	FY12		FY13		FY12		FY13	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	2,912,700	0.00	2,912,700	0.00	2,912,700	0.00	2,912,700	0.00
PR-O	357,300	-7.00	139,400	-7.00	368,900	-7.00	162,600	-7.00
PR-S	97,600	0.00	97,600	0.00	97,600	0.00	97,600	0.00
SEG-O	474,800	0.00	474,800	0.00	474,800	0.00	474,800	0.00
TOTAL	3,842,400	-7.00	3,624,500	-7.00	3,854,000	-7.00	3,647,700	-7.00

The Governor recommends adjusting the department's base budget for: (a) turnover reduction (-\$1,551,200 in each year); (b) removal of noncontinuing elements from the base (-\$206,300 in FY12 and -\$412,600 in FY13 and -7.0 FTE positions in each year); (c) full funding of continuing position salaries and fringe benefits (\$5,762,300 in each year); (d) full funding of lease and directed moves costs (-\$150,800 in each year); and (e) minor transfers within the same alpha appropriation.