

DEPARTMENT OF REVENUE

GOVERNOR'S BUDGET RECOMMENDATIONS

Source of Funds	FY15 Adjusted Base	FY16 Recommended	% Change Over FY15	FY17 Recommended	% Change Over FY16
GPR	92,271,000	107,064,500	16.0	108,571,400	1.4
PR-O	11,977,100	13,313,400	11.2	13,524,100	1.6
PR-S	8,060,300	8,045,500	-0.2	8,047,100	0.0
SEG-O	74,680,100	80,210,300	7.4	80,231,400	0.0
TOTAL	186,988,500	208,633,700	11.6	210,374,000	0.8

FULL-TIME EQUIVALENT POSITION SUMMARY

Source of Funds	FY15 Adjusted Base	FY16 Recommended	FTE Change Over FY15	FY17 Recommended	FTE Change Over FY16
GPR	870.53	968.53	98.00	963.53	-5.00
PR-O	106.30	116.30	10.00	116.30	0.00
PR-S	12.75	12.75	0.00	12.75	0.00
SEG-O	106.70	104.70	-2.00	104.70	0.00
TOTAL	1,096.28	1,202.28	106.00	1,197.28	-5.00

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, lottery and unclaimed property program; 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, conducts criminal investigations, and administers the unclaimed property program;
- 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

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- 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 and other segregated funds. In addition, programs administered by the department provide revenue to counties and local tax districts. The department also administers the homestead, farmland preservation, earned income and other credits, which are paid to eligible applicants from the general fund.

MISSION

The department administers Wisconsin's tax system to provide revenue to fund state and local government services.

PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES

Note: Programs, goals, objectives and activities have been modified.

Program 1: Collection of Taxes

Goal: Ensure accountability through enforcement of tax laws.

Objective/Activity: Delinquent tax collections per fiscal year.

Objective/Activity: Enforcement cost per dollar collected.

Goal: Promote efficiency and integrity.

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

Objective/Activity: Average processing time for tax returns (electronically and paper filed, and suspended/nonsuspended returns).

Objective/Activity: Average hold time and answer rate for customer service call centers.

Program 2: State and Local Finance

Goal: Ensure equitable tax compliance, collection and property valuation.

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

Program 3: Administrative Services and Space Rental

Goal: Maintain a positive work environment.

Objective/Activity: Percentage of target group members in agency workforce.

Program 4: Unclaimed Property Program

Goal: Promote efficiency and integrity.

Objective/Activity: Process unclaimed property claims within 90-day statutory limit.

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Program 8: Lottery

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

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

PERFORMANCE MEASURES

2013 AND 2014 GOALS AND ACTUALS

Prog. No.	Performance Measure	Goal 2013	Actual 2013	Goal 2014	Actual 2014
1.	Collection of delinquent taxes.	\$173 million	\$203.5 million	\$187 million	\$206.3 million
1.	Percentage of individual income (II) sales tax (ST) and corporate (C) returns received electronically.	84% (II) 89% (ST) 65% (C)	84% (II) 91% (ST) 73% (C)	81% (II) 86% (ST) 60% (C)	85% (II) 92% (ST) 84% (C)
2.	Percentage of forms and reports received electronically.	95%	90%	95%	90%
3.	Variance between estimated revenue and actual revenue.	± 2%	± 0.5%	± 2%	+ 0.76%
3.	Percentage of target group members in agency workforce.	10%	11.5%	10%	12.1%
3.	Cost per dollar received.	\$.0070	\$.0063	\$.0070	\$.0067
3.	Lean Government project charter counts.	7	8	7	9
8.	Percentage increase in non-Powerball/Mega Millions sales generated over prior year.	0%	-0.4%	0%	4%
8.	Percentage of lottery costs as compared to lottery revenues.	<10%	6.12%	<10%	6.03%

Note: Based on fiscal year.

Note: Some performance measures transferred from the Office of the State Treasurer to the department were not tracked in 2013 or 2014.

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2015, 2016 AND 2017 GOALS

Prog. No.	Performance Measure ¹	Goal 2015	Goal 2016	Goal 2017
1.	Collection of delinquent taxes.	\$202.6 million	\$202.6 million	\$202.6 million
1.	Enforcement cost per dollar impact.	\$.055	\$.055	\$.055
1.	Percentage of individual income (II) sales tax (ST) and corporate (C) returns received electronically.	87% (II) 95% (ST) 78% (C)	88% (II) 96% (ST) 80% (C)	89% (II) 96% (ST) 82% (C)
1.	Average processing time for individual income tax returns.	E-filed no further review: 5 days E-filed further review: 40 days Paper no further review: 25 days Paper further review: 45 days	E-filed no further review: 5 days E-filed further review: 40 days Paper no further review: 25 days Paper further review: 45 days	E-filed no further review: 5 days E-filed further review: 40 days Paper no further review: 25 days Paper further review: 45 days
1.	Average hold time/answer rate for customer service call center.	1.5 minute hold time 97.8% answer rate	1.5 minute hold time 97.8% answer rate	1.5 minute hold time 97.8% answer rate
2.	Percentage of forms and reports received electronically.	95%	95%	95%
3.	Percentage of target group members in agency workforce.	12.5%	12.5%	12.5%
4.	Process unclaimed property claims within 90 days.	100%	100%	100%
8.	Percent change in funds distributed for property tax relief from prior year.	1%	1%	1%

Note: Based on fiscal year.

¹Many performance measures have been significantly revised in order to reflect new programs, goals, objectives and activities for the new biennium.

DEPARTMENT OF REVENUE
GOVERNOR'S BUDGET RECOMMENDATIONS

RECOMMENDATIONS

1. Eliminate Long-Term Vacancies
2. Ongoing Lapse Authority
3. Information Technology Infrastructure Adjustment
4. Office of Marketing
5. Auditing Expansion
6. Property Assessment Reform
7. Statewide Debt Collection Expansion
8. Distribution Facility Operators
9. Delay Implementation of 2013 Wisconsin Act 229
10. Manufacturing and Agriculture Credit Technical Modifications
11. Historic Rehabilitation Tax Credit Reforms
12. Sales and Use Tax Nexus
13. Personal Property Executions
14. Internal Revenue Code Update
15. Tax Refund Intercept Program
16. Lottery Sum Sufficient Adjustments
17. Extension of Permanent Project Positions
18. Minor Transfers Between Appropriations
19. Standard Budget Adjustments

ITEMS NOT APPROVED

20. Transfer Upon Death Deeds Update

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

	ACTUAL FY14	ADJUSTED BASE FY15	AGENCY REQUEST FY16	AGENCY REQUEST FY17	GOVERNOR'S RECOMMENDATION FY16	GOVERNOR'S RECOMMENDATION FY17
GENERAL PURPOSE REVENUE	\$86,582.6	\$92,271.0	\$95,229.3	\$95,330.6	\$107,064.5	\$108,571.4
State Operations	86,582.6	92,271.0	95,229.3	95,330.6	107,064.5	108,571.4
PROGRAM REVENUE (2)	\$12,817.7	\$20,037.4	\$20,555.1	\$20,623.5	\$21,358.9	\$21,571.2
State Operations	12,817.7	20,037.4	20,555.1	20,623.5	21,358.9	21,571.2
SEGREGATED REVENUE (3)	\$75,064.8	\$74,680.1	\$80,210.3	\$80,231.4	\$80,210.3	\$80,231.4
State Operations	75,064.8	74,680.1	80,210.3	80,231.4	80,210.3	80,231.4
TOTALS - ANNUAL	\$174,465.1	\$186,988.5	\$195,994.7	\$196,185.5	\$208,633.7	\$210,374.0
State Operations	174,465.1	186,988.5	195,994.7	196,185.5	208,633.7	210,374.0

(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 Funding Source (in FTE positions) (4)**

	ADJUSTED BASE FY15	AGENCY REQUEST FY16	AGENCY REQUEST FY17	GOVERNOR'S RECOMMENDATION FY16	GOVERNOR'S RECOMMENDATION FY17
GENERAL PURPOSE REVENUE	870.53	870.53	870.53	968.53	963.53
PROGRAM REVENUE (2)	119.05	119.05	119.05	129.05	129.05
SEGREGATED REVENUE (3)	106.70	106.70	106.70	104.70	104.70
TOTALS - ANNUAL	1,096.28	1,096.28	1,096.28	1,202.28	1,197.28

(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

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

	ACTUAL FY14	ADJUSTED BASE FY15	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
			FY16	FY17	FY16	FY17
1. Collection of Taxes	\$59,627.9	\$65,069.7	\$65,154.8	\$65,228.4	\$76,401.9	\$78,291.6
2. State and Local Finance	\$10,314.8	\$12,544.1	\$12,894.8	\$12,895.6	\$13,089.3	\$12,701.1
3. Administrative Services and Space Rental	\$28,667.1	\$32,964.8	\$36,033.5	\$36,134.8	\$37,230.9	\$37,454.6
4. Unclaimed Property Program	\$2,973.9	\$4,338.8	\$4,320.6	\$4,321.2	\$4,320.6	\$4,321.2
8. Lottery	\$72,881.4	\$72,071.1	\$77,591.0	\$77,605.5	\$77,591.0	\$77,605.5
TOTALS	\$174,465.1	\$186,988.5	\$195,994.7	\$196,185.5	\$208,633.7	\$210,374.0

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

	ADJUSTED BASE FY15	AGENCY REQUEST		GOVERNOR'S RECOMMENDATION	
		FY16	FY17	FY16	FY17
1. Collection of Taxes	714.23	713.03	713.03	825.03	825.03
2. State and Local Finance	112.00	113.00	113.00	112.00	107.00
3. Administrative Services and Space Rental	180.15	180.35	180.35	177.35	177.35
4. Unclaimed Property Program	5.95	5.95	5.95	5.95	5.95
8. Lottery	83.95	83.95	83.95	81.95	81.95
TOTALS	1,096.28	1,096.28	1,096.28	1,202.28	1,197.28

(4) All positions are State Operations unless otherwise specified

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1. Eliminate Long-Term Vacancies

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	-169,800	-2.00	-169,800	-2.00
SEG-O	0	0.00	0	0.00	0	-2.00	0	-2.00
TOTAL	0	0.00	0	0.00	-169,800	-4.00	-169,800	-4.00

The Governor recommends reducing authority for positions that have been vacant for 12 months or more. The Governor also recommends reducing the funding for the GPR positions.

2. Ongoing Lapse Authority

The Governor recommends amending 2013 Wisconsin Act 20, as last affected by 2013 Wisconsin Act 145, to require a lapse from PR and GPR appropriations of executive branch state agencies to extend through FY17. The department's amount is \$1,383,400 in each year.

3. Information Technology Infrastructure Adjustment

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	-1.00	0	-1.00
PR-O	0	0.00	0	0.00	0	-1.00	0	-1.00
TOTAL	0	0.00	0	0.00	0	-2.00	0	-2.00

The Governor recommends transferring positions for information technology infrastructure functions from the department to the Department of Administration. The Governor also recommends deleting vacant positions at the department to reflect infrastructure functions that have already transitioned to the Department of Administration. See Department of Administration, Item #12.

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4. Office of Marketing

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	0	-1.00	0	-1.00
TOTAL	0	0.00	0	0.00	0	-1.00	0	-1.00

The Governor recommends creating an Office of Marketing in the Department of Tourism to utilize the expertise of that department to provide centralized marketing services to all state agencies. As a result of having a centralized marketing office, the Governor recommends deleting 1.0 FTE position in the department to avoid duplication of services. See Department of Tourism, Item #1.

5. Auditing Expansion

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	11,810,500	102.00	13,605,100	102.00
TOTAL	0	0.00	0	0.00	11,810,500	102.00	13,605,100	102.00

The Governor recommends the addition of auditing and associated positions to enhance nexus identifying activities and to improve tax collections. These additional positions are estimated to collect \$113.5 million in taxes during the biennium already owed to the state but not yet paid.

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6. Property Assessment Reform

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	0	0.00	0	0.00	194,500	0.00	-194,500	-5.00
TOTAL	0	0.00	0	0.00	194,500	0.00	-194,500	-5.00

The Governor recommends beginning the transition from the current system of municipal property assessment to countywide property assessment in 2016 and requiring completion of the transition for the 2017 property assessment year. All properties will be required to be assessed at 100 percent of fair market value by the 2017 assessment year. Multiple counties may form consolidated assessment regions at their discretion. First and second class cities may choose to maintain municipal assessment provided that they meet certain requirements. Counties or multicounty regions will conduct the assessment process in their jurisdictions and report assessment data to the department. Boards of review, except in excluded municipalities, will be consolidated at the county level. The department will continue to license assessors and audit the county assessments to ensure that properties are being valued at 100 percent of fair market value. If counties fail to do so, the department may conduct supervised assessments in those counties. The Governor also recommends reducing position and expenditure authority in FY17 related to personnel reductions resulting from the department's reduced role in property value equalization. The Governor further recommends providing this funding to the department in FY16 for necessary software upgrades to complete the transition to county property value assessment. Finally, the Governor recommends modifying current law relating to assessor standards to align the certification threshold with departmental probationary periods, providing for greater flexibility in disciplinary actions and creating a more uniform standard for maintaining assessor licensure by eliminating an optional annual basic certification exam in lieu of training and continuing education.

7. Statewide Debt Collection Expansion

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	0	0.00	0	0.00	803,800	11.00	947,700	11.00
TOTAL	0	0.00	0	0.00	803,800	11.00	947,700	11.00

The Governor recommends additional expenditure and position authority for the Statewide Debt Collection program to improve the collection of debts owed to state agencies and local governments. This enhanced effort will ensure that outstanding debt owed to state agencies and to local governments will be paid. This action will also increase departmental revenues by an estimated \$3,770,000 in FY16 and \$7,440,000 in FY17.

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8. Distribution Facility Operators

The Governor recommends modifying current law to specify that the owner or operator of a distribution center is exempt from sales and use tax liability related to sales made on behalf of a third-party seller. This codifies the department's administration of current law.

9. Delay Implementation of 2013 Wisconsin Act 229

The Governor recommends modifying the effective date of 2013 Wisconsin Act 229 relating to sales tax return adjustments for private label credit card bad debt from July 1, 2015, until July 1, 2017. The fiscal effect is an estimated increase in tax revenue of \$10.7 million in FY16 and \$11.1 million in FY17.

10. Manufacturing and Agriculture Credit Technical Modifications

The Governor recommends making several technical modifications to the manufacturing and agriculture credit to ensure its proper administration. The modifications include correcting a reference to the agriculture property factor, ensuring that manufacturing firms may claim the credit in the year in which they commence operations in Wisconsin or relocate to Wisconsin, and clarifying what expenditures are deducted from qualified production activities income.

11. Historic Rehabilitation Tax Credit Reforms

The Governor recommends limiting annual awards under the historic rehabilitation tax credit to \$10 million. The Governor also recommends that credits be awarded on a competitive basis with several criteria, including job creation potential, to determine which applicants receive the credit. The Governor further recommends requiring that credits be repaid in proportion to any shortfall in job creation relative to the amounts claimed in the credit application if actual job creation is deficient within the first five years after receiving the credit. In addition, the Governor recommends that if a recipient is required to repay the federal credit, the state supplement to the credit must also be repaid. These changes begin with the 2016 tax year. The fiscal effect of these changes is expected to be a revenue increase of \$7.8 million in FY17. Finally, the Governor recommends repealing the related credit for nonhistoric buildings built prior to 1936. See Wisconsin Economic Development Corporation, Item #5.

12. Sales and Use Tax Nexus

The Governor recommends modifying the definition of "retailer engaged in business in the state" to strengthen the state's ability to collect sales and use taxes that are due from out-of-state businesses that have transactions in the state.

13. Personal Property Executions

The Governor recommends expanding the authority of the department to conduct auctions of the personal property of delinquent taxpayers on-line and in counties other than the county in which the property is located. Additionally, the Governor recommends permitting the department to contract with a third party to conduct auctions. The fiscal impact of this provisional is a minimal revenue gain.

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14. Internal Revenue Code Update

The Governor recommends updating Wisconsin's references to the Internal Revenue Code to reflect provisions relating to small employer charity pension plans and tribal general welfare payments. The fiscal effect of these changes is estimated to be minimal.

15. Tax Refund Intercept Program

The Governor recommends specifying that a taxpayer does not have any right to, or interest in, refunds or overpayments until the current law setoff procedure for a taxpayer to satisfy debts owed to the department, other state agencies, local governments and the federal government has been completed. This change clarifies current law to ensure that the existing tax refund intercept program is maintained.

16. Lottery Sum Sufficient Adjustments

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
SEG-O	5,487,800	0.00	5,487,800	0.00	5,487,800	0.00	5,487,800	0.00
TOTAL	5,487,800	0.00	5,487,800	0.00	5,487,800	0.00	5,487,800	0.00

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

17. Extension of Permanent Project Positions

The Governor recommends the extension of 2.0 FTE PR permanent project positions in the unclaimed property program to June 30, 2017.

18. Minor Transfers Between Appropriations

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
PR-O	-18,300	0.00	-18,000	0.00	-18,300	0.00	-18,000	0.00
PR-S	1,700	0.00	1,700	0.00	1,700	0.00	1,700	0.00
SEG-O	16,600	0.00	16,300	0.00	16,600	0.00	16,300	0.00
TOTAL	0	0.00	0	0.00	0	0.00	0	0.00

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

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19. Standard Budget Adjustments

Source of Funds	Agency Request				Governor's Recommendations			
	FY16		FY17		FY16		FY17	
	Dollars	Positions	Dollars	Positions	Dollars	Positions	Dollars	Positions
GPR	2,958,300	0.00	3,059,600	0.00	2,958,300	0.00	3,059,600	0.00
PR-O	550,800	0.00	617,300	0.00	550,800	0.00	617,300	0.00
PR-S	-16,500	0.00	-14,900	0.00	-16,500	0.00	-14,900	0.00
SEG-O	25,800	0.00	47,200	0.00	25,800	0.00	47,200	0.00
TOTAL	3,518,400	0.00	3,709,200	0.00	3,518,400	0.00	3,709,200	0.00

The Governor recommends adjusting the department's base budget for: (a) turnover reduction (-\$1,575,400 in each year); (b) full funding of continuing position salaries and fringe benefits (\$5,178,100 in each year); (c) reclassifications and semiautomatic pay progression (\$132,700 in FY16 and \$198,500 in FY17); and (d) full funding of lease and directed moves costs (-\$217,000 in FY16 and -\$92,000 in FY17).

ITEMS NOT APPROVED

The following requests are not included in the Governor's budget recommendations for the Department of Revenue.

Decision Item	Source of Funds	FY16		FY17	
		Dollars	Positions	Dollars	Positions
20. Transfer Upon Death Deeds Update	GPR	0	0.00	0	0.00
TOTAL OF ITEMS NOT APPROVED	GPR	0	0.00	0	0.00

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