



April 9, 2021

Representative Rena Moran, Chair
House Ways and Means Committee
449 State Office Building
Saint Paul, MN 55155

Dear Chair Moran:

Thank you for your leadership and the committee's work over the past months to establish a funding approach for the important services provided by Minnesota state agencies. We are writing to provide information about the committee's approach to supporting the work of the Department of Revenue to serve Minnesotans.

We ask that the committee give full consideration to the Governor's budget recommendation. The Governor's recommendation is intended to maintain existing staff and service levels, as well as the technology systems required to efficiently process and protect private taxpayer data. We appreciate the resources provided to the department to serve Minnesotans. We are concerned, however, that HF1952 does not fully fund the department's needs, as reflected in the Governor's recommendations. With increasing fixed costs such as employee compensation, legal, rent, technology, and data security, we are not able to absorb these budget reductions.

Any reduction from the Governor's recommendations will affect the delivery of programs and services to Minnesotans. This will translate into longer wait times for customers calling with questions and delays in the department's ability to process and issue tax refunds. As this bill moves forward, we hope the committee will provide the full operating adjustment Governor Walz and Lt. Governor Flanagan proposed in their budget.

The Department of Revenue currently has about 1,400 employees that work throughout the state of Minnesota. About 93% of our \$170 million budget is comprised of employee, technology, and data security costs. The department uses this funding to collect \$27 billion in tax revenue annually for the state, as well as about \$450 million in local option sales taxes.

Each year the department processes 3 million individual income tax returns, sends over 2 million individual income tax refunds, and issues over 900,000 property tax refunds. Since the income tax filing season opened on February 12, 2021, over 1.7 million Minnesotans have already filed, and we have issued just over 1 million unique refunds. The department also serves all 87 counties, 800 assessors, 850,000 property tax refund filers, and more than 415,000 businesses in Minnesota and across the country.

Revenue also has robust outreach efforts aimed at helping our business tax customers understand their obligations under the law. Businesses can sign up for informational classes to learn about their tax obligations and how to file and pay online. These classes are offered in locations across Minnesota, and by webinar for the convenience of the business owners.

Finally, we would like to thank Chair Nelson and the State Government Finance Committee for supporting the compliance provisions that aligns Minnesota to IRS background check requirements, as well as supporting the additional Volunteer Income Tax Assistance (VITA) program funding. Meeting background check requirements is an important provision that Revenue is carrying on behalf of multiple state agencies that will enable us to maintain access to Federal Tax Information, which is vital for Revenue and other state agencies. VITA assistance is an important program that supports many low income taxpayers across Minnesota.

We thank the committee for its work and consideration of the Governor's full funding request. We strive to serve Minnesota taxpayers as efficiently and effectively as possible. To do so, we need your help to secure the appropriate level of financial resources in order to meet taxpayers' needs.

We look forward to working with the committee as this bill moves forward and are available to answer any questions you might have in the days ahead.

Sincerely,

A handwritten signature in blue ink that reads "Robert A. Doty". The signature is written in a cursive style with a large initial "R".

Robert A. Doty
Commissioner

Cc: Representative Pat Garofalo, Ranking Minority Member, House Ways and Means
Committee

Representative Michael Nelson, Chair, State Government Finance and Elections
Committee