

EXPLANATION OF THE BILL (Cont.)

Any data shared between the Department of Revenue and the FCFS is classified. Any returns and return information must be disclosed to the inspector general to carry out the duties specified in Minnesota Statutes Chapter 15E, provided that the legislature enacts that Chapter and establishes the inspector general.

REVENUE ANALYSIS DETAIL

- The amount of future program fraud is unknown. The largest known incident of state program fraud is the Feeding our Futures case, which involved approximately \$250 million, according to a report by the Office of the Legislative Auditor (OLA).
- Minnesota Statutes requires the Bureau of Criminal Apprehension (BCA) to publish an annual report on FCFS activity in the past year. In 2025, state agencies reported 652 incidents of state program fraud with a suspected financial loss of \$10,000 or more. A small share of these incidents included estimated amounts of suspected or known fraud, totaling \$4.2 million. The BCA report does not include programs funded by federal dollars.
- Federal dollars allocated to Minnesota programs such as the Minnesota Housing Stability Services program and the Early Intensive Developmental and Behavioral Intervention benefit are currently under investigation for fraud by the U.S. Attorney's Office, District of Minnesota.
- Recovering defrauded funds is often slow and incomplete.
 - Of the total amount from the Feeding Our Future case, about \$75 million has been seized for restitution, according to news reports.
 - Other defrauded money is either lost or tied up in illiquid assets or internationally. For example, according to the OLA report criminals in the Feeding Our Future case spent the money on travel, entertainment, foreign property, and/or deposited the money in overseas accounts.
 - Perpetrators of fraud may have large restitution or penalty amounts that would be paid before the tax, making collection of the imposed tax even more difficult.
 - Additionally, since the tax is imposed on convicted persons or organizations, revenues may be further slowed down as court cases, legal challenges, or appeals can take several years to be completed.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>