



Agency Overview and Budget Requests

Paul Marquart | Commissioner

Lee Ho | Deputy Commissioner

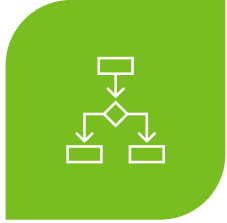
Working Together to Fund the Future for All of Minnesota

Tax revenue funds vital programs that benefit Minnesotans

- Education
- Infrastructure
- Healthcare & Public Health
- Public Safety
- Roads/bridges/transit
- Natural Resources



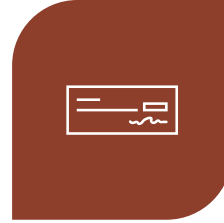
Serving Taxpayers



PROCESSED MORE THAN 7.2 MILLION TAX RETURNS AND REFUNDS.



COLLECTED \$33.4 BILLION IN STATE AND LOCAL TAXES



RETURNED \$560 MILLION DOLLARS TO FAMILIES THROUGH THE NEW MINNESOTA CHILD TAX CREDIT



PROCESSED MORE THAN 1,000 E-BIKE REBATES TO MINNESOTANS TOTALING NEARLY \$1 MILLION



PROCESSED 1.2 MILLION PROPERTY TAX REFUNDS, TOTALING NEARLY \$1.2 BILLION RETURNED TO MINNESOTANS



PARTNERED WITH MORE THAN 374,000 BUSINESSES TO ADMINISTER SALES TAX



ASSISTED MORE THAN 3,400 LOCAL GOVERNMENTS WITH TAX ADMINISTRATION



RESPONDED TO OVER 475,000 PHONE CALLS AND 100,000 CUSTOMERS BY EMAIL OR IN-PERSON



SERVED 9.5 MILLION VISITORS THROUGH OUR WEBSITE

Protecting Taxpayers



Stopped nearly \$30 million in fraudulently filed tax refunds from going out the door



Collected over \$487 million in past-due taxes owed to Minnesota state and local governments through audit, collection, and enforcement activities



Resolved nearly 400,000 unique tax collection cases



Charged 44 criminal tax fraud cases in court



Returned more than \$4.2 million in court-ordered restitution from tax fraud cases back to the state

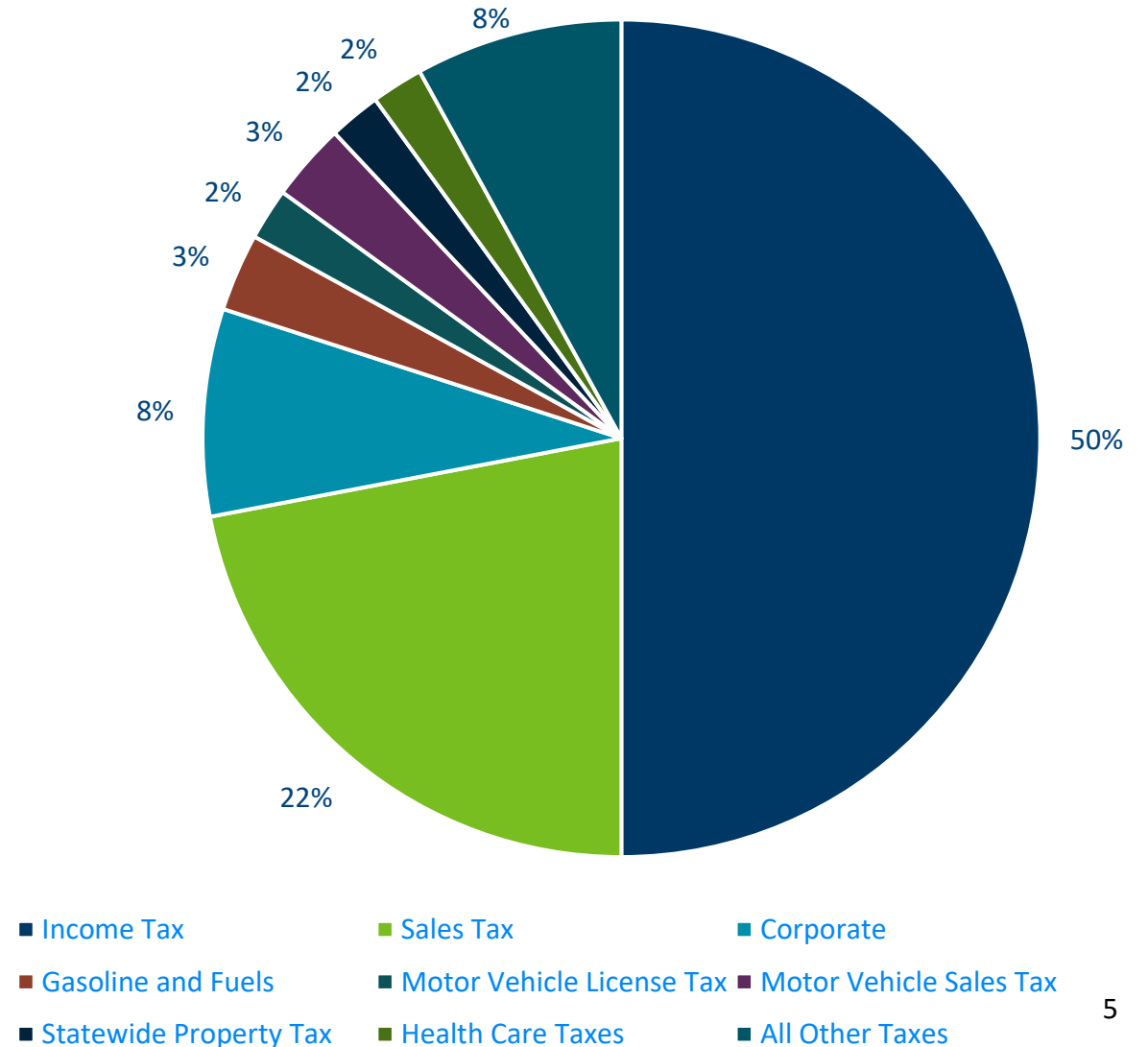


Blocked more than 480,000 malicious attacks on our website

Collecting Tax Revenue

Revenue manages, administers, and collects \$33 billion annually to provide vital resources for services and programs around the state.

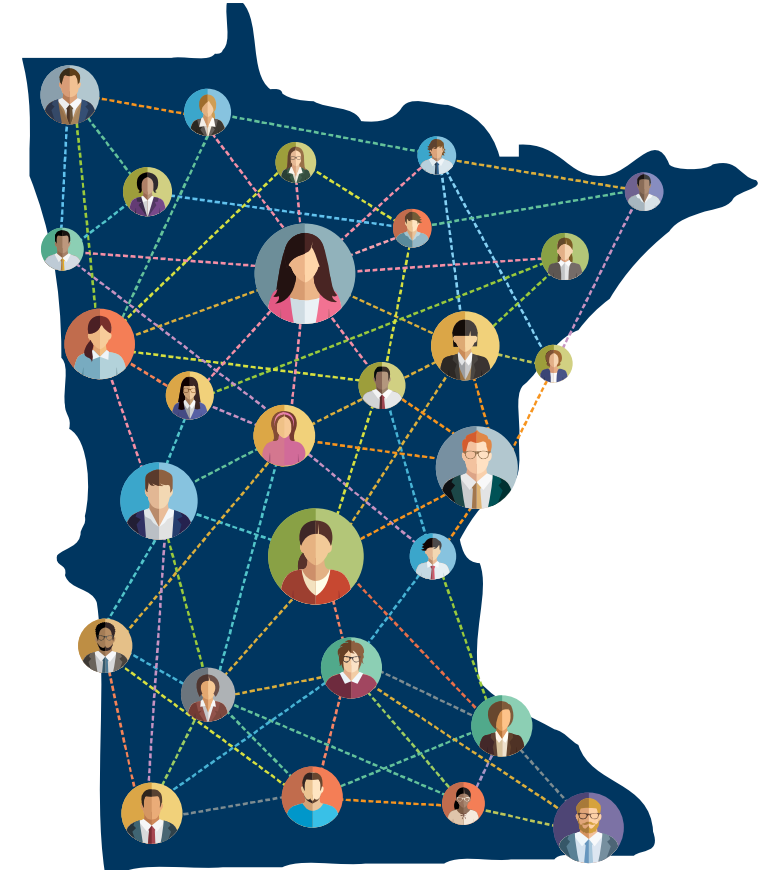
This is accomplished with an administrative cost of 0.6%.



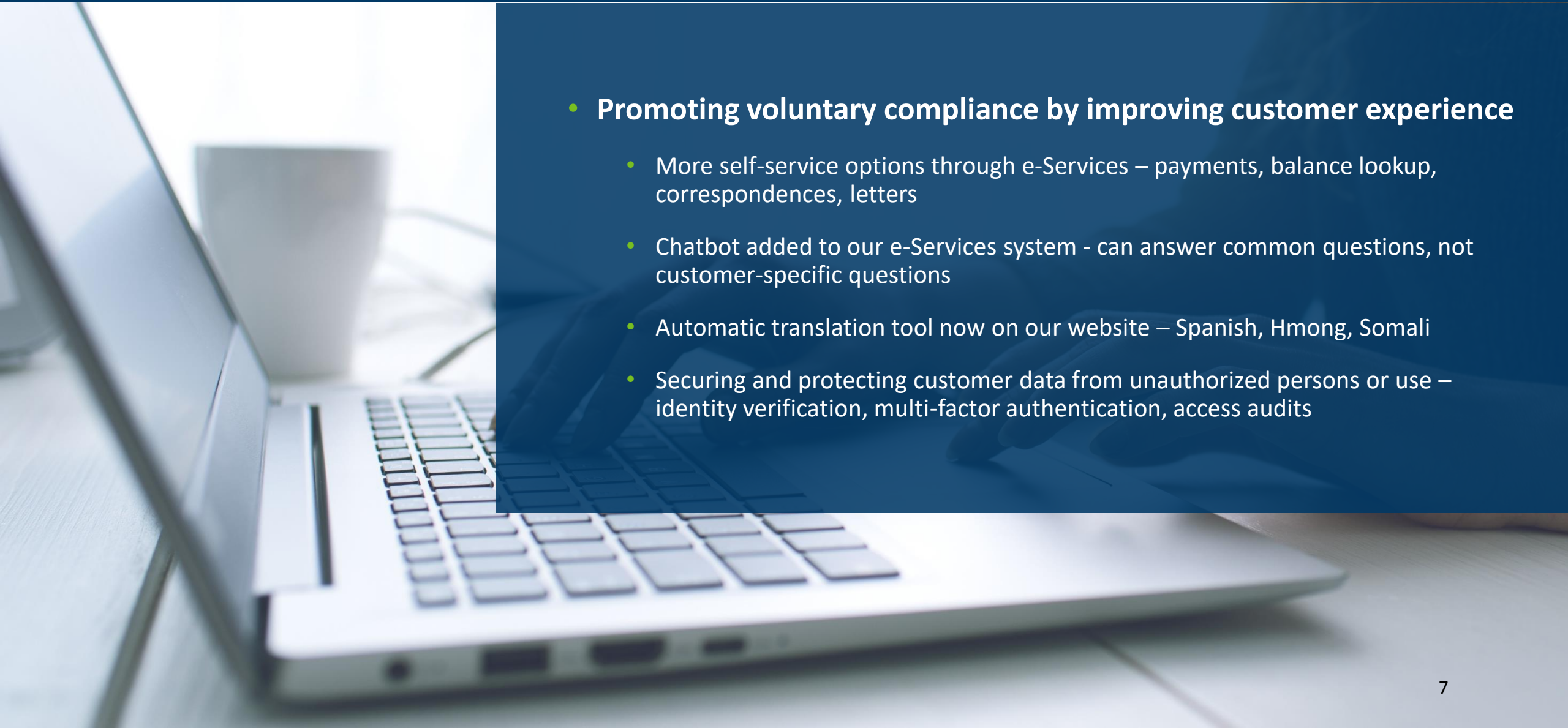
Who Do We Serve?

Our broad base of customers around the state

- 3.1 million individual income tax filers
- Over 800,000 property tax refund filers
- 800 licensed property tax assessors
- More than 500,000 businesses
- More than 370,000 sales tax filers
- Governor and Legislature
 - Consult, confer, and recommend on changes in law necessary to help serve Minnesota taxpayers



Improving Customer Experience Through Technology

- 
- **Promoting voluntary compliance by improving customer experience**
 - More self-service options through e-Services – payments, balance lookup, correspondences, letters
 - Chatbot added to our e-Services system - can answer common questions, not customer-specific questions
 - Automatic translation tool now on our website – Spanish, Hmong, Somali
 - Securing and protecting customer data from unauthorized persons or use – identity verification, multi-factor authentication, access audits

Efficiencies and Managing Costs

Contact center enhancements

- Leveraging greater use of technology to answer calls, look-up information, and get taxpayers the answers they need to voluntarily comply with the tax code.

Expanding alternative customer service options

- Increased use of artificial intelligence to answer basic questions found on website, more efficiently use staff for complex customer service needs.

Shrinking physical footprint

- Revenue has reduced its total physical office space by more than 35% since 2020, resulting in an annual savings of more than \$2.4 million each year.

Securing Taxpayer Information is Everyone's Job

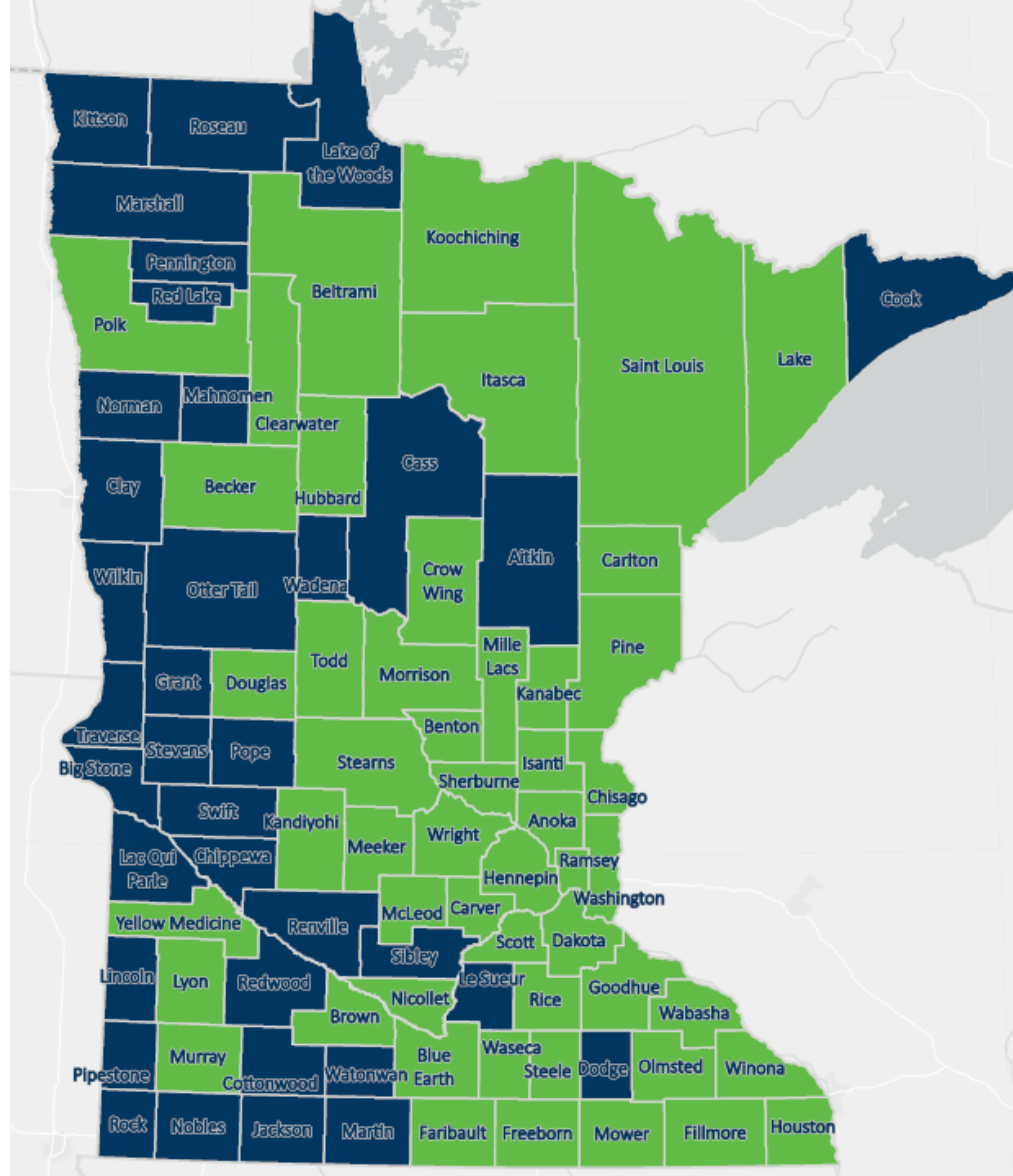


Employee Roles



1,400 employees including:

- Auditors
- Return processors
- Collections officers
- Taxpayer assistance representatives
- Tax aid administrators
- Researchers
- Attorneys
- Outreach and Communications



Hybrid in Revenue Operations

What is Hybrid Work at Revenue?



Revenue supports a hybrid working culture



Business needs of the agency determine where an employee performs their job – at home, in the office, or both



Eligibility is dependent on an employee's position, the needs of their division, and meeting and maintaining performance requirements



Eligible positions will have “hybrid” or “telework” listed in the job posting

Investing in Hybrid as a Business Strategy

- **Performance** – Measuring performance + efficiency + effectiveness
- **Accountability** – Work duties, responsibility, and high-performance standards do not change
- **Employee Experience**
 - High employee satisfaction
 - Improved recruitment and retention
 - Employees better reflect all of Minnesota

Why does Hybrid Work for Revenue?



Employee performance is measurable

Call Centers
Collections
Audit Case Work
Tax Return Processing



Working in the office to meet business needs

Collaboration
Team Development
Strategic Planning



Using virtual tools to increase employee engagement

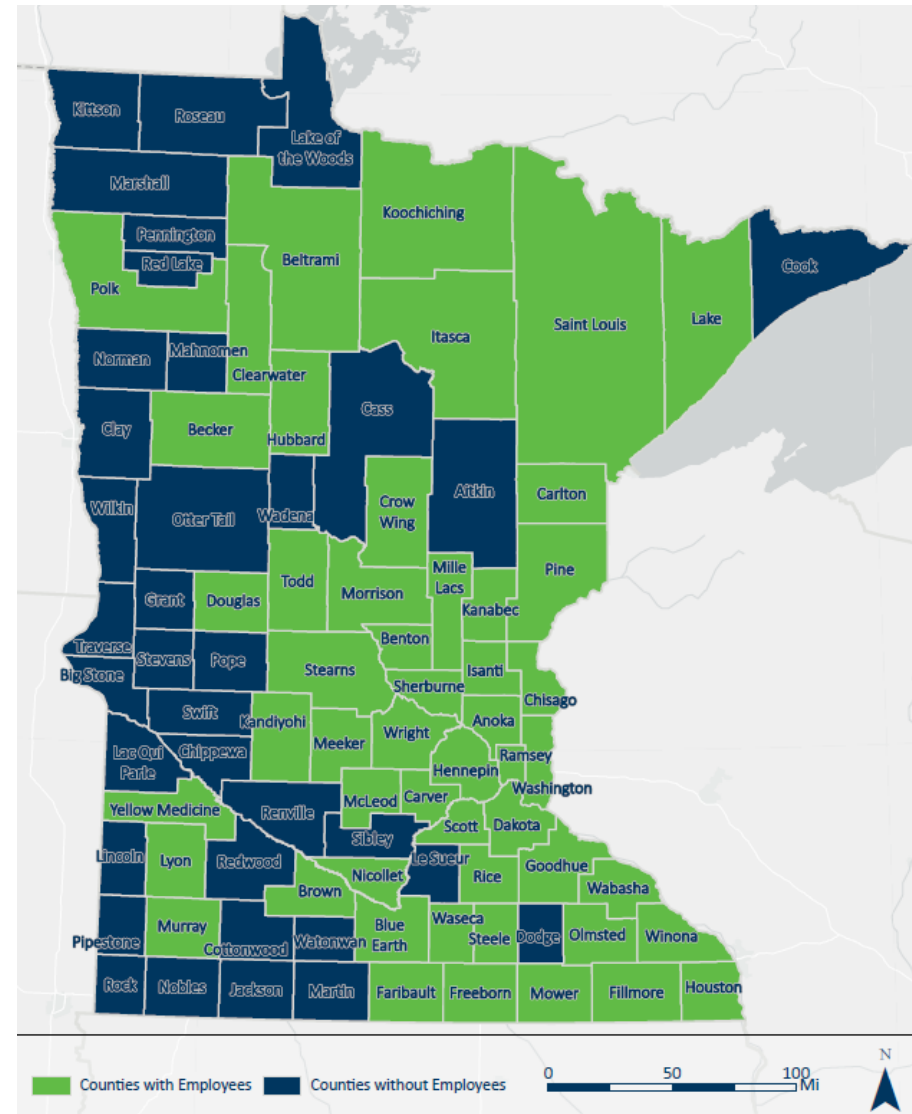
Commissioner's Forum
Team meetings
Internal communications

Changing the Way Revenue Works

- Approximately 95% of employees have telework agreement on file
 - Maintain a primary work location at a state office, Dependent on an employee's job, the needs of their division, and meeting and maintaining performance requirements
- Reduced leased office space by 35% since 2021
 - Regional office space by 90%
 - Capitol complex space by 24%
 - Savings of \$2.45 million annually – reinvested in upgrading physical/IT security systems and reconfiguring existing space to maximize efficiency
- Production has improved; Recruitment has improved
 - Greater efficiency since 2019
 - Higher retention and recruitment numbers – avg. 99% retention rate month over month
 - Averaging 43 applicants/job in 2024 compared to 23 applicants/job in 2019.

Reflecting Minnesota

- About 1,400 total employees – 75% of agency budget
 - Nearly 280 employees – 20% of our workforce – live and work in Greater Minnesota; double the number prior to hybrid work starting in 2020
 - Greater Minnesota Revenue employees live and work in 44 distinct Minnesota counties and 120 distinct Minnesota cities
 - A workforce that better represents all of Minnesota



Improving Performance

Measure	2019	2023	Results
Revenue Employees	~1,400	~1,400	Flat
Revenue Operating Budget	\$158 million	\$175 million	10.8% increase
Total Returns Processed	6.3 million 4,500/employee \$25.07/return	7.2 million 5,143/employee \$24.30/return	14.3% increase 14.3% increase +3.2% efficient
Total Revenue Collected	\$28 billion \$20M/employee \$177.21/budget dollar	\$33.4 billion \$23.9M/employee \$190.85/budget dollar	19.3% increase 19.3% increase +7.7% efficient
Total Debt Collected	\$369 million \$263,571/employee \$2.33/budget dollar	\$487 million \$347,857/employee \$2.78/budget dollar	32% increase 32% increase +19.3% efficient
Court Ordered Restitution	\$869,000	\$4.2 million	5x increase
Greater Minnesota Employees	138	276 (2025)	2x increase

Other Agency Partners

MNIT

- Data security
- Tax management system

MMB

- Reporting and forecasting

Administration

- Paper mail distribution
- Facilities support

Employment and Economic Development

- Check printing (refunds and Advanced Child Tax Credit)



Governor Walz and Lieutenant Governor Flanagan's 2025 Budget Recommendations

Budget Operating Adjustment

- Operating Adjustment
 - \$4,206,000 in FY2026 ~ 2.0% of budget
 - \$8,517,000 for each year ongoing ~4.1% of budget
- Maintain high tax voluntary compliance by:
 - Maintaining strong fraud prevention efforts through investigations/ID theft/refund surveillance
 - Maintaining tax return and refund processing times
 - Continuing partnerships and provide education to businesses
 - Assisting local governments with tax administration
 - Responding to phone calls, emails, and in-person inquiries from taxpayers
- Maintain a safe, functional electronic tax system and website to find credible tax information, make payments, and look up refund status

New Corporate Franchise Tax Passthrough Audit Unit

- New Corporate Franchise Tax Division Passthrough Audit Unit
 - \$692,000 in FY26, \$1,141,000 in FY27, and \$1,432,000 ongoing
 - Expected to generate revenues starting in FY27, should exceed expenditures in FY28

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Thank You! Questions?

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