



IDR Performance Report

For

Fiscal Year 2008

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INTRODUCTION

On behalf of the staff of the Iowa Department of Revenue, I am pleased to present our Fiscal Year 2008 Annual Report. The mission of our Department is “To serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more.”

The Department deposits over 90% of the state’s appropriable receipts. Other state agencies depend on timely deposits to provide the funds they use to operate. This is accomplished by providing taxpayers with current and complete information, and up-to-date technology to support tax filings and payments. This report provides information about some of the ways in which that mission was accomplished during the past fiscal year.

The Iowa Department of Revenue (IDR) monitors performance of four core functions, under which there are seven services, products, and activities (SPAs). In all, 72 measures are used to monitor the core functions and the SPAS in the IDR’s Performance Report.

We are pleased to report an excellent year by the IDR. Sixty-three measures – 88% – were met or exceeded during the fiscal year.

Performance measures monitoring the core functions of local government assistance show the IDR has done extremely well in education and service to local governments. A total of eight of the 10 outcome measures met or exceeded their targets.

Performance measures monitoring the core functions of revenue collection and compliance show the IDR exceeded all revenue projections. A total of 29 of the 36 outcome measures met or exceeded their targets.

Performance measures monitoring the core functions of research, analysis and information management show the IDR has done extremely well in providing taxpayer analysis and economic and statistical research. A total of 11 of the 11 outcome measures met or exceeded their targets.

Performance measures monitoring the core functions of resource management show the IDR has done extremely well in supporting the agency in meeting its targets within budget. A total of 13 of the 14 outcome measures met or exceeded their targets.

We recognize our responsibilities to the taxpayers, and service is a priority. We are pleased to offer our professional services through the Internet and will continue to make progress and improve on those services. Our actions comply with the statutory provisions of the State of Iowa, and our duties under those statutes are carried out in a fiscally responsible manner.

Yours truly,



Mark R. Schuling, Director
Iowa Department of Revenue

AGENCY OVERVIEW

The Iowa Department of Revenue is responsible for administering the taxes noted below:

Taxes Established by Iowa Code

Individual Income Tax	Consumer's Use Tax	Motor Fuel Taxes
Corporation Income Tax	Retailer's Use Tax	Fiduciary Tax
Partnership Income Tax	Hotel / Motel Tax	Inheritance & Estate Taxes
Franchise Income Tax	Local Option Tax	Cigarette / Tobacco Tax
Sales Tax	Withholding Tax	Drug Stamp Tax
Property Tax	Replacement Tax	Real Estate Transfer Tax
Motor Vehicle Use Tax	Car Rental Tax	Moneys & Credits Tax

Vision

To be recognized as a department employing a well-trained workforce that in a fair and respectful manner provides responsive and accurate services that enable all customers to comply with Iowa's tax law.

Mission

The Department's mission is to serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more.

Guiding Principles

- **Customer Focus:**
 - We will encourage collaboration and partnership with our internal and external customers.
 - We operate in an ever-changing environment and will integrate advanced technology into our work processes in order to make them more efficient and of higher value to our customers.

- **Integrity:**
 - We will, through honest and open policies, maintain the public’s confidence in our ethical standards.
 - We will carefully safeguard our customer’s confidential information.
- **Responsibility:**
 - We will provide expert advice and support to policy-makers and to local and state government entities.
 - We will help local governments responsibly manage their resources through education and supervision of the property tax system and local option taxes.
- **Understanding:**
 - We recognize that Iowa tax laws are complex and will provide the services and education necessary to enable compliance by all our customers.
 - We understand that to have a well educated and responsive workforce we need to provide our employees with ongoing training to develop their professional skills and to achieve personal growth.
- **Fiscal Management:**
 - We will responsibly manage our financial resources to fulfill our mission.
 - We will continually monitor and measure our processes to assure economy and efficiency.

Core Functions

- *Local Government Assistance* – Provide assistance to local governments by administering fair and equitable assessments and programs for property tax relief and local option sales taxes.
- *Revenue Compliance and Collection* – Educate customers on tax policy and collect revenues in compliance with Iowa’s tax laws, including processing and collections, policy development, education, examination, audit, and timely resolution of disputed tax issues.
- *Research, Analysis, and Information Management* – Provide tax policy analysis, fiscal impact estimation, and economic and statistical research and analysis to help customers, stakeholders, and policy-makers make informed decisions.

- *Resource Management* – Provide vital infrastructure necessary to administer and support agency operations, including personnel, the agency’s Web site, performance measurements, and the development and support of technology and information applications.

Department Operational Units

The organization is structured into seven operational units. The following is a brief overview of the Department’s primary organizational entities and services provided.

- *Director’s Office*
The Director's Office consists of two sections:
 - Internal Audit
 - Tax Research & Program Analysis
- *Compliance*
This division is divided into three major sections:
 - Field Audit
 - Office Examination
 - Tax Gap
- *Technology & Information Management*
This division maintains and develops the Department's computerized systems, including the planning and technical support of the Wide Area Network and related automated systems.
- *Internal Services*
This division includes:
 - Employee Resource Team
 - Budget Officer
 - Communications Unit
 - Performance Management Section
- *Revenue Operations*
This division has three major sections:
 - Customer Accounts
 - Collections
 - Document Processing
- *Property Tax*
This division assists local governments in making property tax assessments fair and in compliance with the law.
- *Taxpayers Services & Policy*
This division includes:
 - Audit Services
 - Tax Policy
 - Taxpayer Services

Customers

The Department's customer base is, by its very nature, one of the largest of Iowa state governmental agencies. In addition to anyone with Iowa tax responsibilities throughout the state and nation, the Department works with all levels of state, local and federal governments, tax practitioners, business groups, state employees, the legislature, and other states' revenue agencies.

The Department deposits over 90% of the state's appropriable receipts. Other state agencies depend on timely deposits to provide the funds they use to operate. Externally, taxpayers expect timely processing of refunds and audit billings that are accurate and understandable.

Each customer expects information and products to be disseminated timely, accurately, and clearly. This expectation holds true for both external inquiries and for product generated by the Department.

Staff

The Director of the Iowa Department of Revenue is Mark Schuling. During FY08 there were 388 full-time employees working for the Department. Four employees worked at out-of-state locations, 82 were assigned to 12 field offices across Iowa, and the remaining 302 were domiciled in Des Moines.

All contract-covered job classifications in this Department fall under the AFSCME bargaining agreement. The Department Director is a position appointed by the Governor.

KEY RESULT Core Function

Name: Revenue Collections and Compliance

Description: The Department of Revenue collects delinquent tax debt and also provides collection services to the Iowa Judicial Branch, Iowa College Student Aid Commission, Department of Human Services, and Department of Natural Resources.

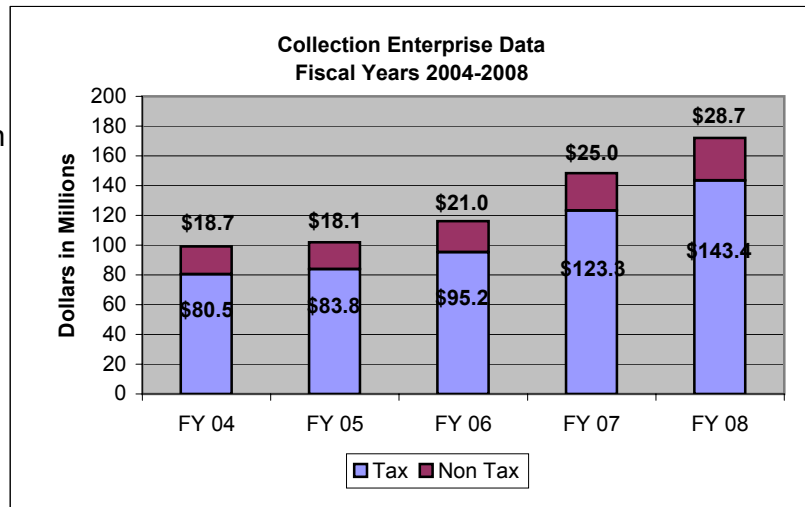
Why we are doing this: To provide quality, competitive collection services. The Collection Enterprise is self-supporting.

What we are doing to achieve results: The Collection Enterprise completed a major upgrade to collection software and coordinated that effort with business process reengineering designed to maximize the effectiveness of the new software and to utilize nationally recognized best practices.

Results

Performance Measure:
Dollars collected by Collection Enterprise

Performance Target:
\$148,600,000 in tax and non-tax collections.



What was achieved:

The Department exceeded its expectations in FY 08 with \$172.1 million collected in both tax and non-tax liabilities placed with the Department. This amount includes \$12.4 million in collection revenue generated as a result of Tax Amnesty.

Data Sources:

Collections Annual Report, Dollars Collected per Dollar Spent by Tax and Non-Tax Programs.

Resources: Collections represent recoveries by all units of the Collections Enterprise.

KEY RESULT Core Function

Name: Revenue Collections and Compliance

Description: The Department of Revenue receives and processes income tax returns from taxpayers each year. Some taxpayers must pay additional tax when filing their returns. However, a majority of taxpayers are entitled to refunds. The Department recognizes that taxpayers entitled to refunds prefer having their payments in a timely manner.

Why we are doing this: To serve the taxpayers of Iowa by processing tax information so that refunds are issued in a timely manner.

What we are doing to achieve results: The Iowa Department of Revenue has two key systems for processing individual income tax returns. One system is used to process returns filed on paper documents. The second system is for processing electronically-filed returns. The Department monitors the processing efficiency and turn-around time for both systems. Since refunds requested electronically are issued much quicker, the Department continues to promote electronically filing returns.

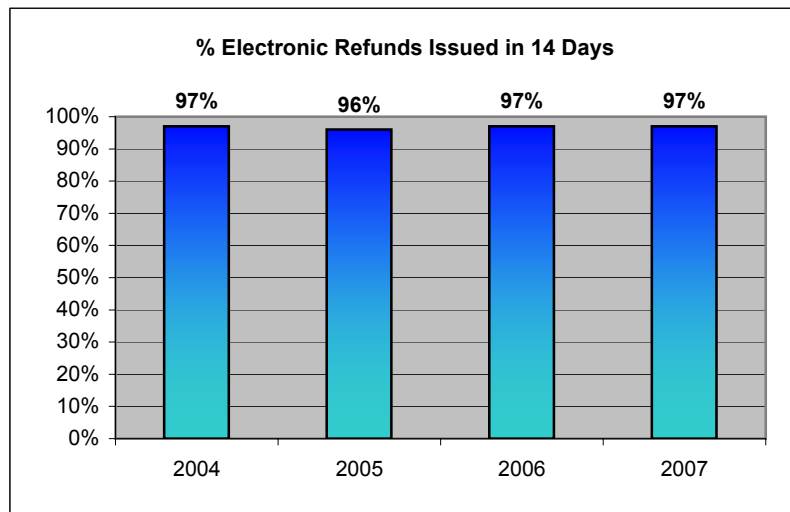
Results

Performance Measure:

Percent of electronically-filed individual income tax refunds issued within 14 days.

Performance Target:

95% of refunds issued in 14 days.



What was achieved:

For the last four fiscal years the percentage has been 96% to 97%.

Data Sources:

Iowa Revenue Information System.

Resources: Revenue sources for this operation include General Fund and the Motor Fuel Appropriation.

KEY RESULT Core Function

Name: Revenue Collections and Compliance

Description: Percent of Dollars Deposited on the Same Day as Receipt.

Why are we doing this: Prudent money management principles require that revenues be deposited as quickly as possible to maximize investment proceeds and cash flow, and to provide for accurate accounting. The timely deposit of revenues ensures that funds are available for the continued provision of state government services.

What we are doing to achieve results: The Revenue Operations Division deploys strategies to improve deposit of sales tax and income tax withholding during high-volume quarterly periods.

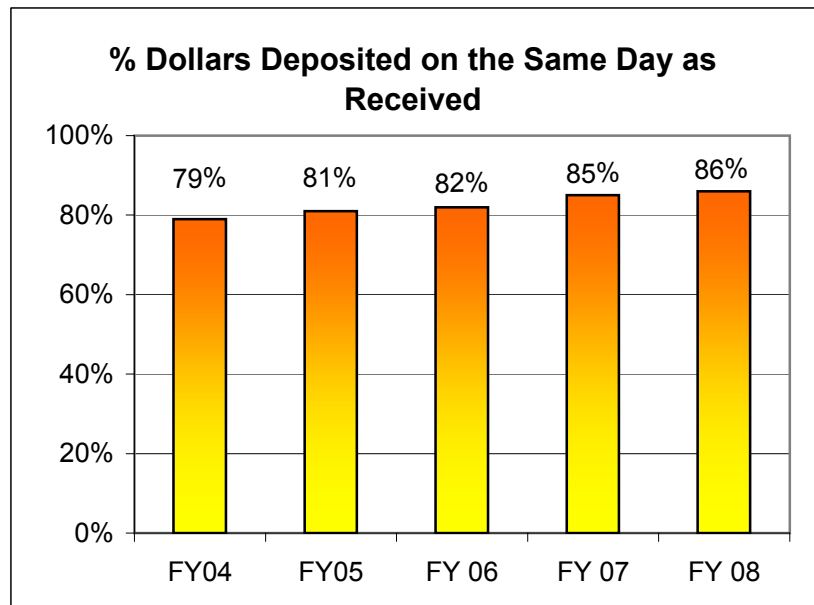
Results

Performance Measure:

Percent of dollars deposited on the same day as received.

Performance Target:

75% of dollars received will be deposited on the same day as received.



What was achieved:

86% of dollars received into the Department was deposited on the same day as receipt.

Data Sources:

Revenue Operations reports and information systems.

KEY RESULT Core Function

Name: Revenue Collections and Compliance

Description: The Examination and Audit Sections review returns covering 14 major taxes established by Iowa law. These sections determine unpaid tax liabilities and bill for the correct amount of tax. The staff tries to make audits both educational and informative to avoid the need for future audits of the same taxpayer.

Why we are doing this: To improve the voluntary compliance with Iowa's tax system.

What we are doing to achieve results: The Examination and Audit Sections integrate internal and external databases to enhance compliance and enforcement.

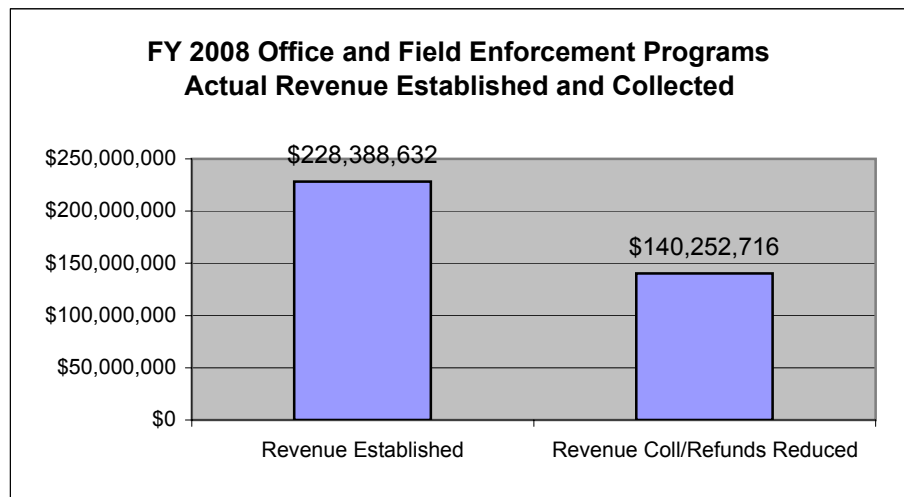
Results

Performance Measure:

Revenue Established
Revenue Collected

Performance Target:

Established
\$88,060,000 and
Collected \$68,550,000.



What was achieved:

The Examination and Audit Sections established \$228,388,632 in revenue and collected \$120,913,134. In addition to collecting \$120,913,134, the Examination and Audit Sections reduced refunds by \$19,339,582.

The dollars collected and refunds reduced total \$140,252,716.

Data Sources:

Compliance Division Return on Investment and Cost Benefits reports. Business Objects query tools.

**Agency Performance Plan
FY 2008**

Name of Agency: Iowa Department of Revenue

Agency Mission: The Iowa Department of Revenue will serve Iowans and support government services in Iowa by collecting all taxes required by law, but no more.

Core Function: Local Government Assistance

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. % of jurisdiction within statutory assessment level tolerance.			
Agricultural	63%	45%	
Residential	79%	63%	
Commercial	65%	75%	
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Equalization orders issued.	5% reduction		Orders are issued odd years only; therefore, no 2008 data.
2. Number of appraisals completed to date.	100%		Appraisals will be completed by January 2009.
3. Automation of collection information from counties.	50% automated by 06/30/08	100%	The Web site 100% functional months prior to the June 30, 2008 due date. Source: Cary Halfpop-Property Tax Division.
4. Number of assessment officials requiring continuing education.	Send exam results by 11/07/07 - 5/09/08	Results sent 10/30/07 - 04/15/08	What occurred: Both exams were administered twice. Source: Application for course credit forms by assessors and deputy assessors.
5. Notify assessors of need for continuing education.	Notify by 08/31/07 - 01/31/08	Notified by 08/10/07 - 01/05/08	

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Core Function: Local Government Assistance

Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of utility and railroad assessments completed.	261	265	What occurred: Certified \$3.8 billion of value to produce \$125.4 million in property tax. Source: Financial statements included in the annual reports of utilities and railroads
2. Number of replacement tax assessments completed.	138	141	What occurred: Assessment of \$7.4 billion generating \$147 million in excise tax. Source: Annual reports filed by the companies.

**Agency Performance Plan Results
FY 2008**

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Core Function: Resource Management

Performance Measure (outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Technology and Information Management			
1. Percent of utilization of electronic filing program.	70%	72%	
2. Percent of utilization of the Iowa e-file services system (withholding/sales-returns).	95%	97%	
3. Percent of utilization of the Iowa e-file services system (withholding/sales-transactions).	55%	59%	
4. Percent of online system work time availability (IRIS, network, e-file).	99%	99.8%	
5. Motor fuel tax administration.	100%	100%	This measure will be deleted in FY 09. It is required by statute but is not a valid measure of performance.
6. Printing cigarette stamps.	100%	100%	This measure will be deleted in FY 09. It is required by statute but is not a valid measure of performance.
7. Percent of budget to expenditures.	% of expenditures does not exceed 100% of budget.	95.3%	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Director's Office			
1. Percent of internal audit project hours spent on tier 1 audits.	75%	98%	

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Core Function: Resource Management

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Internal Services Division			
2. Number of participants completing CPM program.	3	3	
3. Employee satisfaction - average composite score on employee satisfaction survey.	4	4.2	
4. Span of control supervisor/employee.	1:18 or >	1:19	
5. Average number of sick days taken.	8.95	8.1	
6. Percent of employee evaluations complete.	100%	100%	
8. Square feet of utilization - 5% reduction in space.	5%	1.0%	Increased space because of new office in Chicago to locate all out-of-state auditors in a central location. This measure will be replaced in the FY 09 performance plan.

**Agency Performance Plan Results
FY 2008**

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Core Function: Revenue Collections and Compliance

Performance Measure (outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of tax revenues received by electronic transfer.	74%	73%	
2. Percent of paper-filed individual income tax refunds issued within 60 days.	90%	95%	
3. Percent of electronically-filed individual income tax refunds issued within 14 days.	95%	97%	
4. Percent of billed accounts resolved within 180 days.	75%	68%	The number of new accounts increased 24%, resulting in a lower resolution rate.
5. Percent of net debt collected within 365 days.	65%	56%	The dollar value of new liabilities increased 34%, resulting in a lower collection percentage.
6. Ratio of costs to collections.	10% or <	6.3%	
7. Dollars collected per audit enforcement dollar expended.	\$8.10	\$11.16	
Performance Measure			
Document Processing & Deposit	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of dollars deposited same day as receipt.	75%	86%	
2. Percent of income tax returns requiring review worked within 60 days of going to review.	70%	70%	
3. Percent of local option sales tax and school infrastructure local option sales tax distributed timely each year.	95%	95%	

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FY 2008**

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Core Function: Revenue Collections and Compliance

Collections			
Accounts Receivables			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 90 days.	40%	28%	The dollar value of new accounts increased 34%. Although collections increased, the percent collected did not.
2. Dollars of debt collected within 90 days.	\$44,000,000	\$47,558,014	
Central Collections			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 210 days.	50%	42%	The dollar value of new accounts increased 34%. Although collections increased, the percent collected did not.
2. Dollars of debt collected within 210 days.	\$61,000,000	\$71,855,098	
3. Dollars recovered for clients.	\$51,000,000	\$55,525,222	
Advanced Collections			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 365 days.	65%	56%	The dollar value of new accounts increased 34%. Although collections increased, the percent collected did not.
2. Dollars of debt collected within 365 days.	\$72,000,000	\$95,867,779	

**Agency Performance Plan Results
FY 2008**

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Core Function: Revenue Collections and Compliance

Examination			
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. Hours spent conducting exams.	45,400	46,709	
2. Revenue established.	\$55,000,000	\$146,370,874	
3. Revenue collected.	\$46,500,000	\$80,996,305	
4. Percent of protests resolved in 12 months.	80%	74%	The number of protests filed increased 35% in FY 08 from 211 in FY 07 to 285. With the same number of staff working on protests, they were not able to resolve 80% in FY 08.
Instate Field Audit & Compliance			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue established.	\$7,600,000	\$27,794,878	
2. Audit hours.	29,000	30,873	
3. Revenue collected.	\$5,000,000	\$13,364,294	
Investigative Audit			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue established.	\$460,000	\$338,302	
2. Audit hours.	6,240	5,579	
3. Revenue collected.	\$150,000	\$226,131	

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Core Function: Revenue Collections and Compliance

Out-of-State Field Audit			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue established.	\$4,000,000	\$1,753,614	
2. Audit hours.	3,390	3,246	
3. Revenue collected.	\$1,700,000	\$2,815,217	
Tax Gap Programs			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue established.	\$21,000,000	\$52,130,694	
2. Audit hours.	20,400	17,214	
3. Revenue collected.	\$15,200,000	\$23,511,187	
Taxpayer Services			
Service, Product, or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of ESU/Taxpayer Services calls dropped.	4% or <	3.7%	
2. Percent of ESU/TPS calls answered in one minute.	85% or >	85.4%	
3. Percent of ESU/TPS e-mails answered in one business day.	90%	100%	

**Agency Performance Plan Results
FY 2008**

Name of Agency: Iowa Department of Revenue

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Core Function: Tax Research and Program Analysis

Performance Measure (outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. Time required for analysis.	Varies		
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Time required to complete individual income tax statistical report.	Mar 1 & May 31	School District Report completed prior to Mar 1, 2008. Annual Stat Report published to the Web May 2, 2008.	Timely release allowed the Department of Education and school districts to prepare budgets and apply for federal grant money.
2. Time required to complete sales tax statistical report.	Published on Web site one month of receipt of final data file	Mar 2007 Qtr (Aug 24, 2007); Jun 2007 Qtr (Dec 3, 2007); Sep 2007 Qtr (Mar 7, 2008); Dec 2007 Qtr (Apr 29, 2008); FY 2007 (Sep 17, 2008)	There were significant delays this year due to problems with e-filed returns and changes made in IRIS, which impacted the number of returns to resolution.
3. Time to complete monthly receipts and refund reports.	End of second business day of the next month	All monthly reports by second business day of following month	Timely release of report helps identify factors that influence general fund activity and helps the DOM in preparing its monthly revenue memo. All but one report was sent on the first day of the month.
4. Time required to complete state fiscal impact estimates.	Varies		IDR responded to 128 fiscal impact requests and 40 information requests last legislative session.

**Agency Performance Plan Results
FY 2008**

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Core Function: Tax Research and Program Analysis

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
5. Federal legislation analysis.	Varies	One REC up-estimates Jan 9, 08; Economic Stimulus Bill Feb 26, 08	
6. REC briefing papers.	Varies	Three revenue and refund and three economic briefing papers prepared. Only three RECs held during FY 08.	The effort to develop the quarterly economic indicator papers and econometric forecasting models is a result of feedback from the Revenue Estimating Conference members. A monthly index of Iowa leading economic indicators is now being prepared as a means of allowing REC members and budget officials to better plan for changes to the state's economy.
7. Local option sales tax estimates and school infrastructure local option sales tax estimates.	Released by Aug 15	LOST and SILO estimates completed prior to Aug 15, 2007	Over \$500 million is sent in estimated payments for LOST and SILO. These estimates help local governments and school districts to determine money flow for projects.
8. Special tax and policy studies.	Number of studies completed	Three policy studies completed during FY 08	
9. Tax credits program.	Quarterly contingent liability reports	4 reports completed during FY 08	
	Annual report to legislature	Completed Dec 31, 2007	
	Evaluation Study	1 completed during FY 08	

AGENCY CONTACTS

Copies of the Iowa Department of Revenue Performance Report are available on the Department's Web site at www.state.ia.us/tax.

Report Team Leader: Kathy McAninch

Department Director: Mark Schuling

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Compliance: David Casey

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ACKNOWLEDGMENTS

The following individuals contributed their time and effort in developing this report as part of the performance report team:

Paul Benson	Taxpayer Services & Policy
Bryce Berg	Compliance
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Brenda Hall	Technology & Information Management
Rich Knapp	Revenue Operations
Mike Lipsman	Tax Research
Kathy McAninch	Internal Services
Renee Mulvey	Internal Services
Jerry Northwick	Revenue Operations
Julie Taylor	Collections