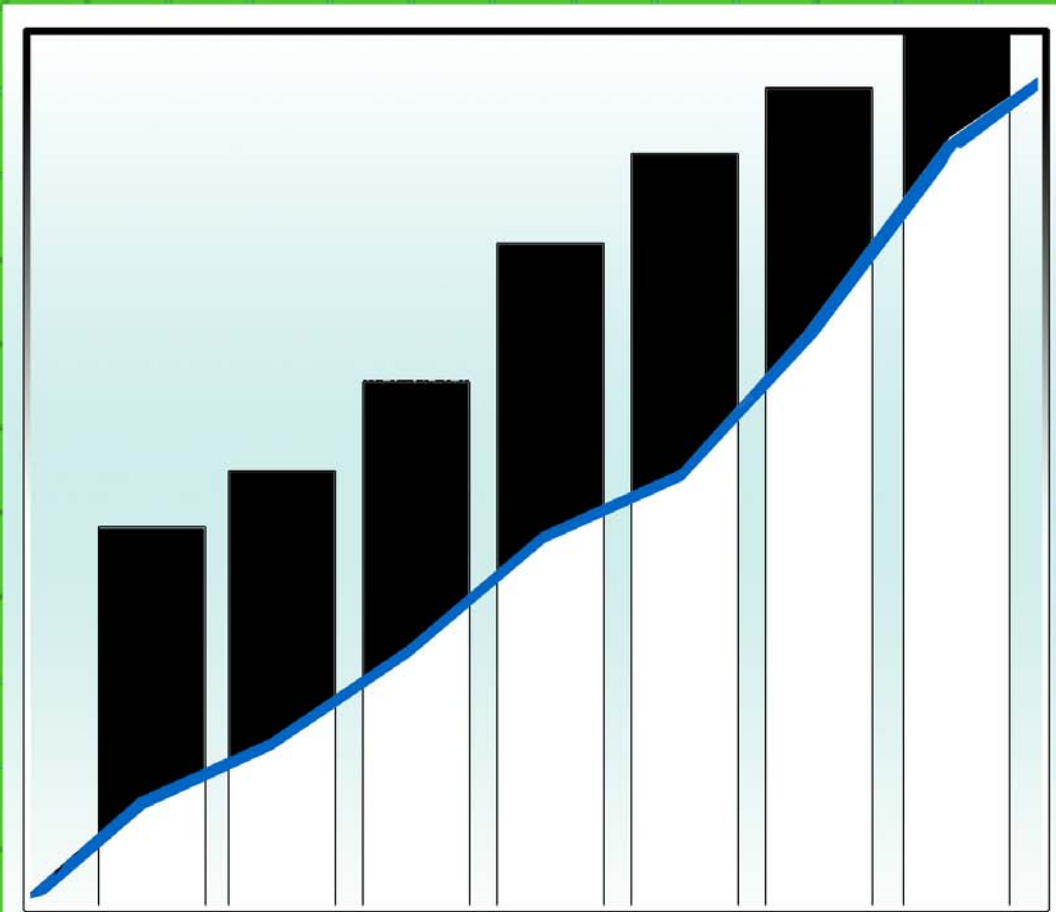




# Iowa Department of Revenue Performance Report



**For Fiscal Year 2004**

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# INTRODUCTION

The Iowa Department of Revenue Performance Report for Fiscal Year 2004 is presented in accordance with the Accountable Government Act to improve decision-making and increase accountability to stakeholders and citizens of Iowa.

Information in this report summarizes progress made in areas outlined in the Department's strategic plan and performance report.

Of particular note are the services and functions that continue to exceed expectations, such as

- Customer education
- Collections
- Electronic filing
- Technology

The Agency Overview (pages 2-4) summarizes the Department's mission and function.

Major Accomplishments (page 5) highlights the strides taken in Fiscal Year 2004. Several of the major accomplishments were not specific to our Strategic Plan or Performance Plan, and, therefore, are not detailed in this report.

Our successes are the result of employee dedication, knowledge, and vision combined with a determination to provide the taxpayers of Iowa the customer service they expect and deserve.

# AGENCY OVERVIEW

The Iowa Department of Revenue is responsible for administering the taxes noted below as established by Iowa law.

## Taxes Established by Iowa Code

Individual Income Tax	Consumer Use Tax	Motor Fuel Taxes
Corporation Income Tax	Retailer 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

The Iowa Department of Revenue sees a future where the Department programs of education, service, and enforcement are recognized by our external and internal customers as the best in the nation.

### Mission

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

### Guiding Principles

- We have a responsibility to provide our customers with services that are accessible, understandable, efficient, and fair.
- Our employees need ongoing training to develop their skills and deserve opportunities for professional and personal growth.
- We cannot succeed unless we create an environment in which each employee has a role to play in determining how the work of the agency is accomplished. This is the

most effective path to innovation and continuous improvement.

- We must integrate advanced technology into our work processes in order to make them more efficient and of higher value to our customers.

### Core Functions

*Property Tax Assistance* – Provides comprehensive and timely education, service and enforcement programs to property tax officials and property tax payers of Iowa that will result in fair and equitable property assessments.

*Revenue Collection and Compliance* – Administers the tax laws. Collects and distributes revenues in compliance with Iowa’s laws. This includes document processing, deposit of payments, policy development, examination, audit, collections, and timely resolution of disputed tax issues.

*Research, Analysis, and Information Management* – Provides analysis of proposed legislation, analysis of tax revenues and refunds, analysis of tax policy

issues, and statistical reports to the governor, legislators, other state government departments, local governments, and the general public so that they may make more informed decisions when preparing budgets and proposing changes to state law.

*Resource Management* – Provides all vital infrastructure needs necessary to administer and support Department operations.

### **Department Operational Units**

The organization is structured into six 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 and Tax Research and Program Analysis. It also supports the administrative appeals process.

The Department's Internal Audit responsibilities include the review of information systems to ensure reliability, integrity, and compliance with policies, procedures, and laws and regulations.

The Tax Research and Program Analysis Section conducts tax policy analysis, fiscal impact estimation, revenue forecasting for the Revenue Estimating Conference, and economic and statistical research and analysis.

In addition, the Director's Office provides support for the administrative appeals process of the Department, including the State Board of Tax Review.

#### ● *Compliance*

The Compliance Division is divided into four major functions: Tax Policy, Taxpayer Services, Audit and Examination, and Audit Services.

The Tax Policy Section writes administrative rules; prepares rulings,

drafts legislation; compiles topical papers; responds to complex inquiries related to tax law and policy; and monitors federal and state legislation.

The Taxpayer Service Section responds to taxpayer inquiries through an automated call center. Access to the call center is through a toll-free number for any callers within the State of Iowa. The section also handles general correspondence and provides walk-in service to taxpayers. Taxpayers may also request information from the section via e-mail. The section provides educational services for taxpayer groups, new businesses, organizations, and schools. Within this section, the Communications Unit produces a wide range of multi-media presentations for the Department. This unit also maintains and updates the agency Web site that contains comprehensive information regarding tax laws, filing requirements, tax forms and frequently-asked questions. An online tax research library is maintained on the Web site.

The Audit and Examination Section is responsible for office and field examination of tax returns and refund claims for most tax types. They issue billings for additional tax due, interest and penalty, and issue refunds for overpayment of tax.

The Audit Services Section establishes audit criteria, selects audits for field assignment and review. Protests are resolved through informal settlement or through formal proceedings, including appeals to the director, the State Board of Tax Review, and Iowa District Court.

#### ● *Technology and Information Management*

The Technology and Information Management Division maintains and develops the Department's computerized systems, including the planning and technical support of the Local Area Network and related automated systems.

It provides for development and support for the electronic filing and electronic payment functions utilized by taxpayers to report and pay taxes. It also manages all Department internal and external forms.

● *Internal Services*

The Internal Services Division administers the Department's budget and accounting services; personnel, payroll and training functions; program evaluation, and general administrative responsibilities.

● *Revenue Operations*

The Revenue Operations Division has three major sections: Customer Accounts, Collections, and Document Processing.

The Customer Accounts Section resolves errors on tax returns and communicates with taxpayers on current-year tax return issues. The section receives taxpayer registrations and issues tax permits. This section also distributes local option tax receipts to local governments.

The Document Processing Section receives and routes mail, processes tax payments and returns, and manages data entry functions. Almost four million documents are processed each year.

The Collections Section operates the accounts receivable system and coordinates collection activities department-wide, including issuing tax bills and processing payments. This section has established business relationships with numerous government entities for the purpose of collecting debts owed.

● *Property Tax*

The Property Tax Division assists local governments in making property tax assessments fair and in compliance with the law. This is done by providing technical assistance to local governments and taxpayers, providing educational programs, issuing equalization orders,

assessing utilities, railroads and pipelines, and administering certification exams for local assessors.

**Customers**

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

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

Each type of customers brings an expectation of timely, accurate and understandable dissemination of information or product. 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 Michael Ralston. During FY04 there were 360 full-time employees working for the Department. Four employees work at out-of-state locations, 63 are assigned to 14 field offices across Iowa, and the remaining 293 are domiciled in Des Moines.

All contract-covered job classifications in this Department (non-Lottery) fall under the AFSCME bargaining agreement. The Department director is a position appointed by the governor.

# MAJOR ACCOMPLISHMENTS

## Property Tax Division

- Implemented revisions to the computer application for the utility replacement tax pursuant to 2003 legislative action (SF 275).
- Completed appraisals and ratio study for statewide industrial assessment review.

## Tax Research and Program Analysis Section

- Initiated project to significantly improve individual income tax modeling.
- Successfully completed the electronic filing data project to improve tracking of individual income tax returns during tax processing season.

## Internal Services Division

- Continued needs assessment process to evaluate employee development and training needs.
- Became one of six charter agencies in state government and thus able to take advantage of the benefits of charter status to increase performance.

## Technology & Information Management Division

- Began development of the applications that will allow withholding agents, and sales, use and motor vehicle tax filers to file and pay their taxes electronically in FY05.
- Increased participation in the individual income tax e-file program by 8 percent. For the third consecutive year, Iowa led the nation with 60 percent of income tax returns filed electronically.

## Compliance Division

**Collections and refund reductions** from Compliance programs totaling over \$81.8 million, including:

- Tax Gap collections of over \$10.6 million
- Charter Agency collections and interest savings totaling over \$1.2 million

## Implementation of Streamlined Sales Tax Legislation effective July 1, 2004

- More than 130 training seminars in all 99 counties were conducted.

## Revenue Operations Division

### Electronic Income Tax Filing Program

- Led the nation with 60 percent of individual income tax returns filed electronically.
- Issued 97 percent of individual income tax refunds from electronically filed returns within 14 days of receipt.
- Received 62 percent of tax revenues electronically and deposited 79 percent of all tax revenues on the same day as received.

**Reduced Interest Cost** on Individual Income Tax Refunds by \$225,940.18

Interest Paid		
FY2002	FY2003	FY2004
\$498,459.66	\$529,772.74	\$303,832.56

### Collections

- Generated collections of \$80 million in past due tax liabilities.
- Created a special unit to pursue collection of the most difficult tax cases and generated over \$2 million in revenue.
- Collected over \$12 million in court fines, \$5 million in defaulted student loans and \$1 million in past due child support payments.

# STRATEGIC PLAN RESULTS

## **Key Strategic Challenges and Opportunities:**

The Compliance Division provides tax assistance, reviews returns, and examines and audits returns covering 14 major taxes established by Iowa law. The Examination and Audit Sections strive to discover 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. The Examination and Audit staff maintain specified turn around times of reviewing and issuing refunds.

Technology has been a significant focus for the Department as we strive to achieve our goals. In 1999, the Department partnered with a vendor to design, develop and implement a Data Warehouse and automated audit processing and transaction system to facilitate the identification of non-filers and taxpayers that under-report taxes. The Data Warehouse is the repository for multiple internal and external data sources, and enables the Department to load, manipulate and analyze data. The Audit Component is an automated platform used by examination and field audit staff for the tracking, performance and reporting of all audit and examination processes.

We are using performance measurements and return on investment data to gauge our program effectiveness, program outcomes as related to our goals, and to make decisions and reallocate resources as necessary to meet the goals of our division.

## **Goal # 1:**

We will seek to improve the voluntary compliance with Iowa's tax system.

## **Strategy:**

Enhance office exam and field audit compliance programs and processes.

## **Related Tool Strategy:**

Integrate internal (i.e., tax return, collections, financial, and statistical) and external (workforce, business incorporation, driver's license, and property assessment) databases to enhance compliance, enforcement, financial management, and fiscal analysis capabilities.

With the development and implementation of the enterprise Data Warehouse system, the Department has been able to improve its detection of non-compliance in all tax areas. Compliance programs range from discovering non-filers for individual and corporate income tax to auditing large multi-state corporations doing business in Iowa for corporate income and sales and use taxes. Our primary emphasis has been detecting non-filers.



**Performance Measure:**

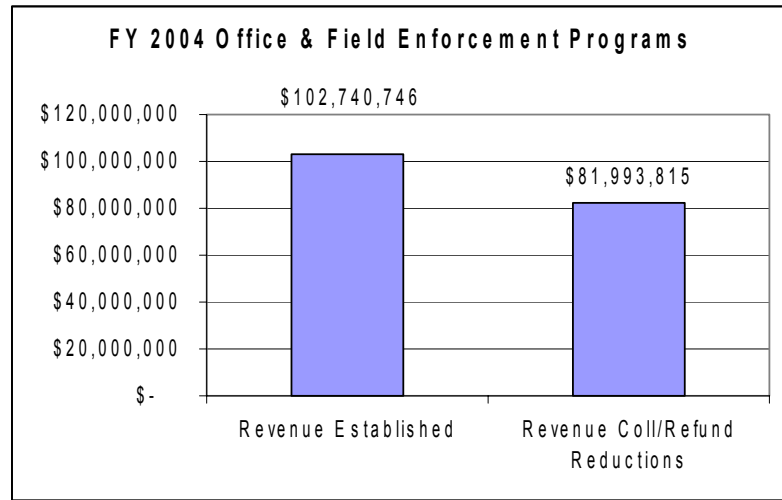
Revenue established.

Revenue collected.

**Data Sources:**

Business Objects query tool used to extract data from the Data Warehouse and monthly report statistics.

**Results**



**Data Reliability:**

The data resides in the Data Warehouse. The Business Objects query tool is used as a resource to extract data from the Data Warehouse.

**What was Achieved:**

With the use of the Data Warehouse, the Audit Component, and Business Objects technology, the Compliance Division has been able to improve the audit selection process to develop more productive audit leads, and has been able to improve staff performance by having information readily available to them to make decisions. The Tax Gap revenues are a direct result of these efforts and would normally not be received through past processes.

*For FY04, through Office and Field Enforcement programs, we projected 63,815 audit hours, projected revenue established of \$52,327,000 and projected revenue collected of \$36,525,000. The division actually used 78,724 audit hours, established \$81,190,308 and collected \$39,922,471.*

*For FY04 Tax Gap programs, we projected 19,008 audit hours, projected revenue established of \$15 million and projected revenue collected of \$10 million. The Division actually used 16,718 audit hours, established \$21,550,438 and collected \$10,685,364.*

*For FY04, Office and Field staff used 18,959 reviewing refund claims, which resulted in refund reductions of \$31,385,980.*

*Collections and Refund Reductions for Office and Field Enforcement programs totaled nearly \$82 million dollars for FY04.*

**Analysis of Results:**

Using the above technology tools, the division was able to achieve these results. We are continually striving to identify additional data sources to use in the Data Warehouse. The

Data Warehouse tools are used to match and analyze characteristics of the data to develop more productive audit leads to improve our performance. Some of these revenues are a result of improved audit selection capabilities.

**Links(s) to Enterprise Plan:**

The Department's mission is to serve Iowans and support government services in Iowa by collecting all taxes required by law, but no more. The core functions performed by the Department assure proper collection of taxes and assessment of taxes to provide revenues needed by Iowa State Government and local governments. Strategic initiatives conducted by the Department help to assure that its mission is accomplished. By staying focused on the mission and the strategic plan, the Department helps support Iowa State Government in accomplishing goals set in the Enterprise Plan. While the Department has very few direct links to the Enterprise Plan, our services and activities help the rest of state government to follow through in accomplishing enterprise goals.

# STRATEGIC PLAN RESULTS

## Key Strategic Challenges and Opportunities:

Taxpayer education remains a primary emphasis for the Field Taxpayer Service Specialists (FTSS) in the Iowa Department of Revenue. The challenge is to meet the education needs of our customers.

## Goal # 1:

We will seek to improve the voluntary compliance with Iowa's tax system.

## Strategies:

Three days a week are devoted to providing a wide range of educational presentations across the state. We are constantly looking for ways to improve on this service.

## Performance Measure:

To track the number of presentations given during the year and the number of participants attending.

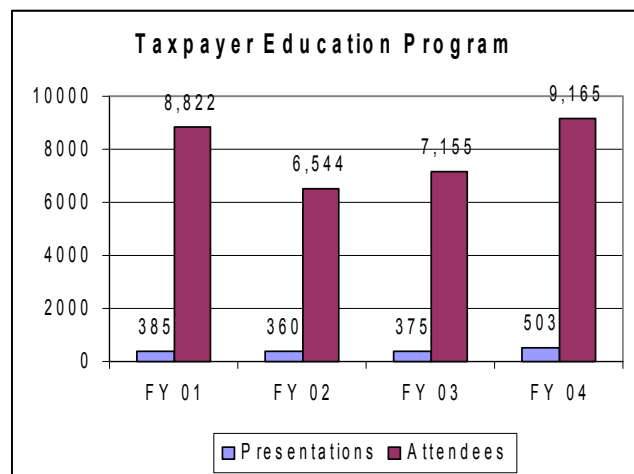
## Performance Target:

None.

## Data Sources:

Monthly reports of the FTSS.

## Results



## Data Reliability:

Each FTSS tracks presentations and the number of participants at them.

## What was Achieved:

The number of presentations and participants have increased over the past two years.

## Analysis of Results:

Presentations increased by 43% in FY04 and the number of participants increased by 28%.

## **Links(s) to Enterprise Plan:**

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# STRATEGIC PLAN RESULTS

## Key Strategic Challenges and Opportunities:

The Department proposed to the legislature that four additional collection agents could each generate \$500,000 in revenue from aged receivables, referred to as the Status 39 Project. Approval was granted to initiate the project in FY04. Four agents were hired in August 2003. Since training was needed prior to the new agents initiating collection activity, they didn't begin collecting on accounts until mid-September. Thus, the new agents needed to meet or surpass the goal in eight months.

## Goal # 1:

We will seek to improve the voluntary compliance with Iowa's tax system.

## Strategies:

Hire four new agents and collect \$2 million in additional revenue in FY04.

- The collection system was modified to allow aged receivables to enter back into active collections.
- Aged receivables were matched against identified criteria to predict potential collectibility.
- Accounts that matched the criteria were then skipped traced and moved to the new agents' inventory for collection.

## Performance Measure:

Dollars of additional revenue collected.

## Performance Target:

Collect \$2 million by June 30, 2004.

## Data Sources:

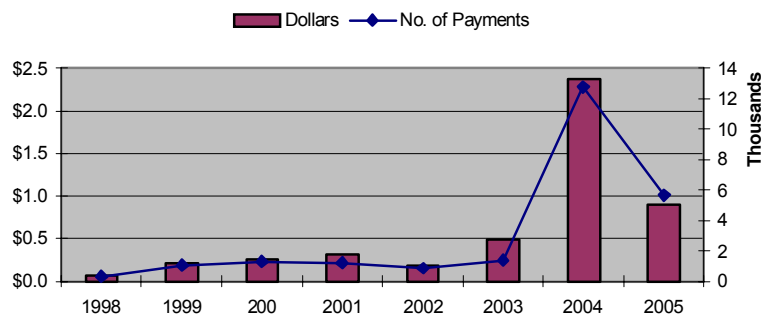
Revenue's Accounts Receivable System (RVAD).

## Results

### Status 39 Payments

\$ in Millions

Fiscal Year	1998	1999	200	2001	2002	2003	2004	2005
Dollars	\$0.1	\$0.2	\$0.2	\$0.3	\$0.2	\$0.5	\$2.4	\$0.9
No. of Payments	339	1,037	1,284	1,217	866	1,366	12,770	5,656



## Data Reliability:

Checks and balances present in the Accounts Receivable System.

**What was Achieved:**

The goal of \$2 million was exceeded. Fiscal year collections on the Status 39 Project were \$2.38 million.

**Analysis of Results:**

Due to the success of this project, it will continue in FY05. As of October 31, 2004, collections on the Status 39 Project have exceeded the total collections for Status 39 accounts in Fiscal Years 1998 through 2002.

**Links(s) to Enterprise Plan:**

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# STRATEGIC PLAN RESULTS

## **Key Strategic Challenges and Opportunities:**

Expand and enhance the scope and analytical capabilities of the tax research and program analysis functions.

## **Goal # 4:**

We will improve the Department's program evaluation efforts through careful, rigorous use of data to analyze performance and measure results.

## **Strategies:**

Create an individual income tax model which cuts the time required to analyze a fiscal impact request regarding a change in the individual income tax law from several hours to minutes.

- Divided the task into creation of a reference database and a tax calculation engine.
- Each half of the task was assigned to different individual.
- Moved processing from mainframe to PC.
- The fields required from both the federal income tax tape and the state master file were identified and placed into a SAS database.
- Database was downloaded from mainframe to Department network.
- Tax calculation engine was moved from mainframe to PC and re-written for efficiency.
- Policy parameters were moved from programming to more accessible Excel format.
- Worked with Iowa State University to develop database model.

## ***Performance Measure:***

No set measure was developed since the time required composing and running each request is still dependent on complexity of request.

## ***Results***

## ***Data Sources:***

Requests for model runs are kept on an Excel spreadsheet with date of request and date of release.

## **Data Reliability:**

Spreadsheet is maintained by staff of Tax Research and Program Analysis Section.

**What was achieved:**

All of the above strategies were performed in order to produce a PC-driven income tax simulation model.

In the past, the mainframe model took anywhere from 45 minutes to four hours to execute a particular income tax program, depending on available mainframe resources. The new PC model executes consistently in approximately five minutes.

**Analysis of Results:**

As a result of the significant reduction in execution time, the Department can provide requested analysis on alternative income tax proposals more expediently to the Executive and Legislative branches of government.

**Links(s) to Enterprise Plan:**

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# STRATEGIC PLAN RESULTS

## Key Strategic Challenges and Opportunities:

One of the challenges to the Iowa Department of Revenue has been to develop measurements to help the organization manage its operations, make informed decisions, and measure results. A concerted effort has been undertaken to create or refine measurements for key processes, annual performance plans, strategic planning, and to create dashboard measures for the Director of Revenue.

## Goal # 4:

We will improve the Department's program evaluation efforts through careful, rigorous use of data to analyze performance and measure results.

## Strategies:

Align performance measures to Department priorities, strategic plan and the Accountable Government Act.

## Performance Measure:

Percent of Department units with key performance measures developed.

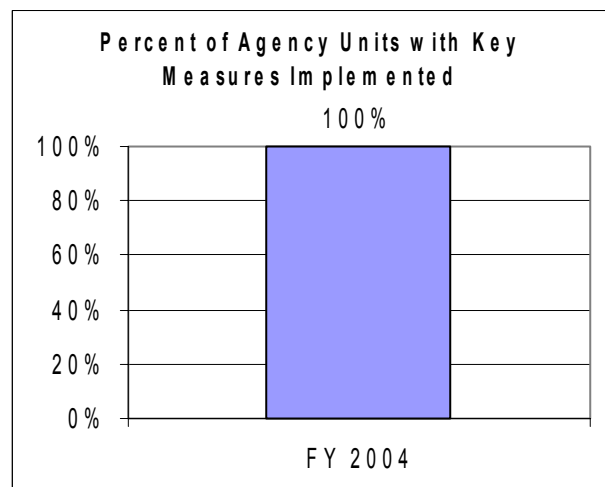
## Performance Target:

100%.

## Data Sources:

A complete record and inventory of measures developed and put into use by each organizational unit is kept in the Internal Services Division.

## Results



## Data reliability:

Measurement inventory records for FY04 have been reviewed and approved. Inventory records need to be updated every two years to reflect refinement and improvement in performance measures.

## What was Achieved:

Core function measures and measures for key services, products and activities were developed for the Fiscal Year 2004 Performance Plan. An inventory of key measures for

every unit in the Department was developed during FY04. Each unit within the Department has identified and put into use key measures for the processes and services they perform.

A set of Director's Dashboard Measures was developed in the spring of 2004. Sixteen high-level Department measures will be tracked and reported on a quarterly basis. The first quarterly report was issued in August 2004.

### **Analysis of Results:**

The activity necessary to build and implement key measures for each organizational unit has been completed. The Department will continue to use the measures and make refinements to unit measurements in future years.

The Director of Revenue will continue to receive and review data for the 16 dashboard measures in quarterly updates. Refinement and revisions to these measures will take place over time as performance targets for strategic goals are reached.

### **Links to Enterprise Plan:**

The Department's mission is to serve Iowans and support government services in Iowa by collecting all taxes required by law, but no more. The core functions performed by the Department assure proper collection of taxes and assessment of taxes to provide revenues needed by Iowa State Government and local governments. Strategic initiatives conducted by the Department help to assure that the Department mission is accomplished. By staying focused on the mission and the strategic plan, the Department helps support Iowa State Government in accomplishing goals set in the Enterprise Plan. While the Department has very few direct links to the Enterprise Plan, our services and activities help the rest of state government to follow through in accomplishing enterprise goals.

# PROPERTY TAX



# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Statewide Appraisals of Commercial Property as required for biennial equalization  
Property Tax Division

### Description:

Twelve commercial properties in each of 107 jurisdictions are appraised by staff appraisers over a two-year cycle from September 2003 through August 2005. We are in the middle of the cycle.

### Why we are doing this:

The appraisals supplement the statewide sales ratio studies required under Iowa Code 441.47 and 701 IAC 71.12(3). In many jurisdictions, there are few commercial sales on which to perform statistical analysis. Thus, our appraisals are treated as sales in order to assure a valid sample size for the sales ratio study. The appraisal process helps the local assessing jurisdictions ensure equalization as mandated.

### What we're doing to achieve results:

The Iowa Department of Revenue provides seven staff appraisers and the hardware and software to complete the appraisals during the two-year cycle. The appraisers measure, list, and value the selected properties after a thorough analysis of the market and economic conditions of each jurisdiction.

### Performance Measure:

Number of appraisals completed to date

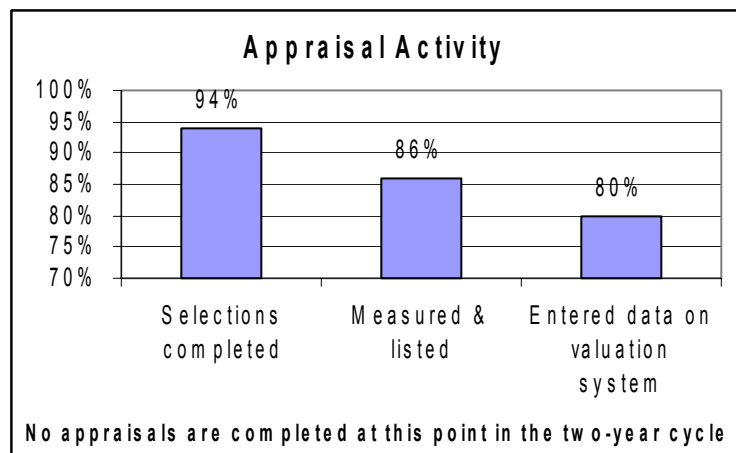
### Performance Target:

1,284 appraisals by August 15, 2005

### Data Sources:

Monthly reports of staff appraisers that detail progress made toward completion of appraisals.

### Results



## **Data Reliability:**

Monthly production reports are a systematic method of monitoring progress toward completion of various steps in the appraisal process.

## **Why we are using this measure:**

The Department uses output measures to monitor the progress of the appraisal process. We must see progressive steps toward appraisal completion, which are established by Iowa Department of Revenue equalization appraisal procedures. Very few appraisals are completed at this point in the appraisal cycle. Most of the values are set near the end of the two-year cycle. The final measure showing “percent of appraisals completed on time” will be reported in the FY 2005 Performance Report.

## **What was achieved:**

Appraisal selections are 94% complete, with 101 of 107 jurisdictions finished. 86% of the total number of properties to be appraised have been measured and listed by staff appraisers (1,102 of 1,284). Complete property data has been entered on our mass appraisal system for 1,023 appraisals, which is 80% of the total. Market analysis by the appraisers is now underway in some jurisdictions.

## **Analysis of results:**

Based on historical data from prior appraisal cycles, we will successfully complete 1,284 appraisals by August 15, 2005. This will ensure that the equalization orders can be issued in a timely manner.

## **Factors affecting results:**

The number of staff appraisers has been constant for several years, allowing the appraisal program to stay on track. If resources were reduced causing fewer appraisers, it would hurt the integrity of the sales ratio study and the overall effectiveness of the statutory equalization process.

## **Resources used:**

A total of 7.5 FTEs were used. The source of funding is more than 90% from the General Fund with limited funding also from the Motor Vehicle Fuel Appropriation and other expendable receipts.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Equalization of the Levels of Assessment of residential, commercial, and agricultural property in each of 107 assessing jurisdictions every odd year

Property Tax Division

### Description:

The Property Tax Division analyzes data including, but not limited to, abstracts of assessment and reconciliation reports from city and county assessors, sales ratio studies, and agricultural yield and income data, in order to arrive at adjustments required to reach statutory assessment levels by class in every jurisdiction.

### Why we are doing this:

Equalization of property tax assessment levels in every odd year is required by Iowa Code section 441.47. The program ensures fair and equitable assessments for property tax purposes throughout the state based on the aggregate values by class in each jurisdiction.

### What we're doing to achieve results:

The Property Tax staff processes approximately 100,000 Declaration of Value (DOV) forms annually in order to compile the sales ratio study, which is a necessary component of equalization. A DOV is filed with county recorders for every transfer of real estate in the state. The DOV is required under Iowa Code section 428A.1 as a tool for transfer tax collection in Iowa. It also serves as disclosure of sales price information which helps the assessors and the Iowa Department of Revenue achieve fair and equitable assessments. Analysis of other data as stated above is also critical to the equalization process.

### Performance Measure:

Equalization orders issued every odd year.

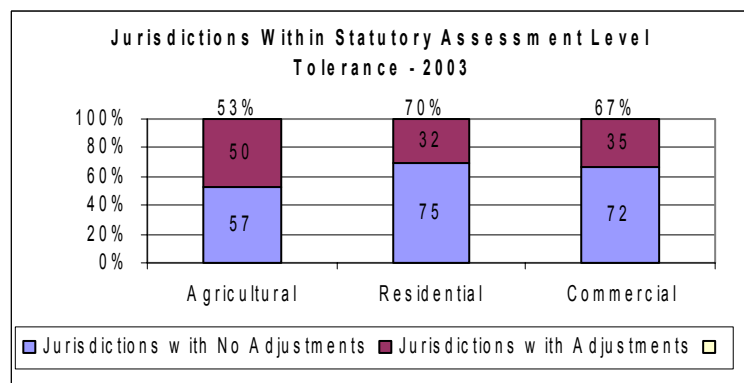
### Performance Target:

Tentative orders issued in 107 jurisdictions by August 15, 2003.

### Data Sources:

Assessors' abstracts, appraisals, agricultural statistics, and DOVs.

### Results



## **Data Reliability:**

All data is reviewed and/or verified through phone interviews or written communication to ensure reliability. Many DOVs are dropped from the study due to abnormal sales conditions.

## **Why we are using this measure:**

Statutory requirement under Iowa Code section 441.47 to issue property tax equalization orders to those jurisdictions not within 5% tolerance when comparing assessments to actual value as determined by the Iowa Director of Revenue.

## **What was achieved:**

Analysis of data and release of orders as required by statute. Of 321 possible orders, 54 were decreased, 63 were increased, and 204 were not changed.

## **Analysis of results:**

For the last two-year equalization cycle (ending 2003), 70% of the jurisdictions in Iowa were within the 5% tolerance for residential property; 67% were within the tolerance for commercial property; and 53% were within the tolerance for agricultural property. This illustrates a continuing need for equalization to assure all Iowa property owners have a fair and equitable property tax.

## **Factors affecting results:**

Market conditions, agricultural yields and incomes, and reassessment efforts by local assessors all factor into the resulting equalization orders. Agricultural assessments are based on productivity and net earning capacity, while residential and commercial assessments are based on market value of the property.

## **Resources used:**

A total of 4.75 FTEs were used. The source of funding is more than 90% from the General Fund with limited funding also from the Motor Vehicle Fuel Appropriation and other expendable receipts.



# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Declarations of Value (DOVs) processed to construct and publish a statewide sales ratio study annually

Property Tax Division

### Description:

DOVs are received from local assessors for every conveyance of real estate as required in Iowa Code section 428A.1. These declarations are counted, verified, and coded, and statistics are compiled, analyzed, and published. This process is done annually; however, it is the even-year sales data that is primarily utilized in the statutory biennial equalization, which occurs in the odd years.

### Why we are doing this:

The sales ratio study is required by Iowa Code section 421.17(6). Sales ratio studies are analytical tools to help local assessors and the Iowa Department of Revenue establish equitable property assessments.

### What we're doing to achieve results:

Property Tax Division staff complete the necessary processing regardless of the number of DOVs filed. Mailing dates for 2003 sales listings: Partial listing – December 29, 2003; Final listing – May 10, 2004. A total of 94,444 DOVs were received and processed concerning 2003 sales. Of that total, 46,892 sales were treated as normal and included in the study.

### Performance Measure:

Number of DOVs processed.

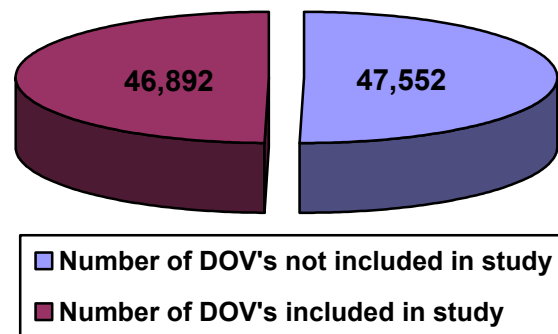
### Performance Target:

Process all DOVs and send final 2003 sales listing to assessors by May 10, 2004.

### Data Sources:

DOVs as completed by buyers, sellers, agents, recorders, and assessors.

### Results



**Data Reliability:**

The person who completes the DOV (buyer, seller, or agent) declares truth and correctness of data provided. The data included on the DOVs is also verified to some degree through phone interviews and written communication. Once verified, batch processing is completed on the Department mainframe system.

**Why we are using this measure:**

Iowa Code section 421.17(6) requires annual publication of sales ratio study and is an integral part of the biennial equalization process. DOVs provide the essential data for such study.

**What was achieved:**

Final 2003 sales listings were mailed on May 10, 2004, and the sales ratio study has been published.

**Analysis of results:**

The 2003 study reflects that the ratio of total assessed value to total sales price has increased by 1-2 percentage points over the last five years for urban residential and commercial and rural residential. At the same time, the ratio for agricultural land and buildings has decreased by 15 percentage points.

**Factors affecting results:**

Market activity and economic conditions affect the number of declarations processed in a given year. A stable workforce of examiners completing the DOV processing ensures that the sales listings are completed and mailed in a timely manner.

**Resources used:**

A total of 2.5 FTEs were used. The source of funding is more than 90% from the General Fund with limited funding also from the Motor Vehicle Fuel Appropriation and other expendable receipts.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### **Name:**

Utilities and Railroads Assessed (appraised) Annually  
Property Tax Division, central assessment staff

### **Description:**

The property tax assessment of 250 telephone, pipeline, and railroad companies operating in Iowa based on annual reports filed by the companies with the Iowa Department of Revenue.

### **Why we are doing this:**

Assessment of companies by the Iowa Department of Revenue is required pursuant to Iowa Code chapters 428, 433, 434, 437, and 438. This is a service to local government in Iowa as values are allocated over 99 counties and over 2,000 taxing districts.

### **What we're doing to achieve results:**

Many companies have property in multiple assessing jurisdictions. The Department arrives at a total statewide value and allocates it back to the appropriate taxing districts based on miles of phone line, pipeline, or railroad track in such taxing districts. Central assessment staff then certifies assessed value data to the local county auditors, who apply the local property tax levies to such property. Our staff works with the companies to help them complete the annual reports in an accurate manner. We communicate with their tax representatives to resolve any reporting problems.

### ***Performance Measure:***

Number of utility and railroad companies assessed annually.

### ***Results***

2002 assessed value:  
\$4.1 billion; 245 companies

### ***Performance Target:***

Complete all 250 by October 31, 2003.

2003 assessed value:  
\$3.8 billion; 250 companies

### ***Data Sources:***

Financial statements that are included in the annual reports that each company provides.

Assessments were completed by October 31, 2003.

**Data Reliability:**

The annual reports are either audited financial statements or a compilation report from an accounting firm. If any problems arise, an audited report is requested.

**Why we are using this measure:**

The Iowa Code requires the Department to collect annual reports from telephone, pipeline, and railroad companies operating in Iowa. The reports are used by the Department to issue assessments for taxable values. This measure shows the total number of assessments completed.

**What was achieved:**

Property Tax Division central assessment staff certified \$4 billion of value to local governments for the collection of over \$120 million in property tax.

**Analysis of results:**

Assessments for 2003 were certified to county auditors by December 15, 2003.

**Factors affecting results:**

More companies operate in Iowa each year, adding a burden to staff for completion of assessments in a timely manner. This process could be more effective if the mainframe computer system were updated. Each year, the staff also reviews legislation to analyze the impact on the central assessments process.

**Resources used:**

The Department used 1.625 FTEs. The source of funding is more than 90% from the General Fund with limited funding also from the Motor Vehicle Fuel Appropriation and other expendable receipts.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Replacement Tax  
Property Tax Division

### Description:

This is an excise tax on the generation, transmission, and delivery of electricity and natural gas to consumers in Iowa. This excise tax replaced property taxes previously imposed on electric and natural gas companies, electric cooperatives, and municipal utilities.

### Why we are doing this:

Pursuant to Iowa Code chapter 437A as a service to local government in Iowa.

### What we're doing to achieve results:

We educate and communicate with the companies about the various reporting forms and requirements. We update our software applications to apply revisions to the assessment process to remain current with section 437A of the Iowa Code.

Staff mailed assessments to 140 gas and electric companies with copies to county auditors and the Iowa Department of Management by October 31, 2003.

### Performance Measure:

Number of gas and electric companies assessed for taxable values and replacement tax liability each year.

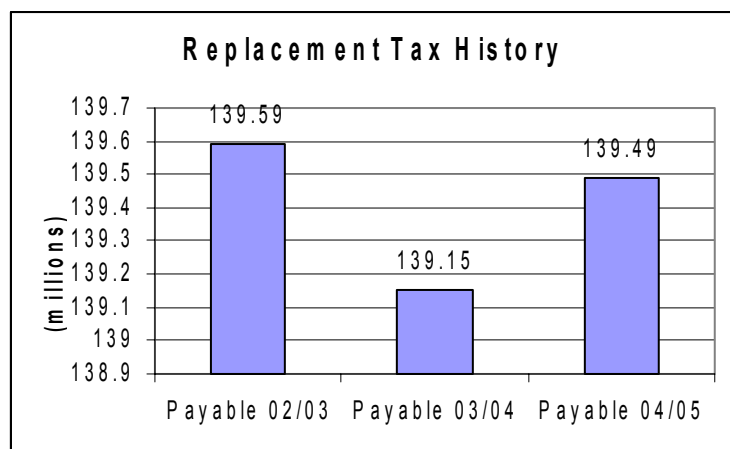
### Performance Target:

All 140 company assessments completed by October 31, 2003.

### Data Sources:

Annual reports which are filed by the companies.

### Results



140 Assessments completed.

**Data Reliability:**

The data is reliable. Complete filing instructions are mailed with all reports, and we have continued communication with these companies about reporting requirements in order to maintain accuracy.

**Why we are using this measure:**

Iowa Code requires the Department to collect annual reports from gas and electric companies operating in Iowa. The reports are used by the Department to issue assessments for taxable values and replacement tax liabilities. This measure shows the total number of assessments completed.

**What was achieved:**

Assessment of approximately \$5 billion in assessed value annually for the bonding base statewide and the collection of \$140 million annually in excise tax for local governments.

**Analysis of results:**

Certify assessments to county auditors and the Iowa Department of Management by October 31, 2004. We update our software applications to implement law changes.

**Factors affecting results:**

Each year, more types of companies become providers of electricity and natural gas to consumers in Iowa, and we must educate them on the filing requirements as outlined in Chapter 437A.

**Resources used:**

A total of 1.625 FTEs were used. The source of funding is more than 90% from the General Fund with limited funding also from the Motor Vehicle Fuel Appropriation and other expendable receipts.

# TAX RESEARCH





# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Tax Research and Program Analysis Section

### Description:

The Tax Research and Program Analysis Section provides relevant information and technical services in a timely manner to customers, stakeholders, and policy makers to help make informed decisions. Activities may include collection, analysis, management, interpretation and dissemination of information.

### Why we are doing this:

To provide analysis of proposed legislation, analysis of tax revenues and refunds, analysis of tax policy issues, and statistical reports to the governor, legislators, other state government departments, local governments, and the general public so that they may make informed decisions when preparing budgets and proposing law changes.

### What we're doing to achieve results:

To improve performance in all programs by streamlining processes and applying technology where applicable. To provide training for staff and increase exposure to data on both a state and federal level.

### Performance Measure:

Staff hours spent on analysis.

### Data Sources:

Excel spreadsheet.

### Staff Hours Spent on Analysis

Function	Staff Hours
Receipts and Refunds Analysis	1,164
Revenue Estimating Conference Support	2,564
Sales and Use Tax Statistical Reports	487
Individual Income Tax Statistical Reports	224
Legislative Analysis and Support	2,770
Local Option Sales and Services Tax	520
Special Research Projects	886
Administrative and Training	1,570
Other	290
<b>Total Hours</b>	<b>10,475</b>

### Data Reliability:

Work hours are estimates based on staff reports.

## **Why we are using this measure:**

This measure is used to gauge the extent the section provides services to its various customer groups. Much of the work is customized to meet customer needs. No other outcome measures are in place to measure current services.

## **What was achieved:**

- 99 fiscal impact estimate requests were completed in a timely fashion.
- All statistical reports were issued before their due dates. These are important tools used in economic analysis by the business industry in determining where to locate and to make the best use of the resources available.
- Local option and school infrastructure local option sales tax estimates were released on their legislatively-mandated due dates, which allowed the more than \$400 million estimated local option tax collections to be distributed to local governments and school districts before the actual collection of the tax.
- Four special tax and policy studies were completed.
- Four briefing papers for the Revenue Estimating Conference were released. These papers provide its three members insight into what is currently impacting receipts and what will impact them in the future and are the major tool used in estimating by tax type the more than \$5.0 billion receipts that flow into the General Fund.
- Analysis of one federal legislation package and the impact on state receipts was performed in FY04.

## **Analysis of results:**

The Tax Research and Program Analysis Section provided timely and accurate research and analysis to its customers.

## **Factors affecting results:**

Numerous factors impact the work of the Tax Research and Program Analysis Section. Any interruption in the flow of the collection systems for the Department can delay the processing of receipts and their ability to be analyzed. The number of returns with errors that need to be resolved can impact the timeliness of release of statistical reports. The amount of fiscal estimate requests and the complexity of the fiscal estimates impact the number that will be completed in any given legislative session. The availability of data on which to perform an estimate impacts whether or not one can be completed.

## **Resources used:**

A staff of four fiscal policy analysts and one supervisor devote 82.3% of their time to these key activities. Resources used include personal computers and a variety of specialized software. It is estimated that 8,615 work hours each fiscal year are devoted to this core function. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### **Name:**

Individual Income Tax Statistical Report  
Tax Research and Program Analysis Section

### **Description:**

The Tax Research and Program Analysis Section provides an annual individual income tax report.

### **Why we are doing this:**

Chapter 422.75 of the State of Iowa Code requires that the Department of Revenue prepare and publish an annual report which includes individual income tax statistics such as the amount of tax collected, classification of taxpayers, and other facts that are deemed pertinent and valuable. The material is of general interest; it is a major source of information for the Governor's Office, the Legislative Fiscal Service, and the Department of Management. Local school districts use a section of the report in their budgeting process. The Department of Education will use information from the report when applying for federal grants.

### **What we're doing to achieve results:**

The Department is working to redesign the analysis process for the income tax statistical report. Progress is being made to move programs used to generate information for the report from mainframe / COBOL applications to a PC/SAS platform.

### ***Performance Measure:***

Time to complete the report.

### ***Results***

The report took approximately 224 work hours to complete. The report was completed on February 19, 2004.

### ***Performance Target:***

Complete the school district surtax and low income statistical reports by March 1.

### ***Data Sources:***

Time log maintained in an Excel file under the Tax Research and Program Analysis project management directory.

**Data Reliability:**

The date of receipt of the file is entered into the spreadsheet. Any major factors impacting production of the report is logged. When the report is finished, the date of release is keyed and the report is released to the communications area of the Department to publish on the Web site.

**Why we are using this measure:**

Errors in the individual income tax file must be identified and corrected. The error correction process is iterative and time-consuming. The 90-day window assures that the reports, particularly the low-income report for school districts, are completed in a timely manner.

**What was achieved:**

The individual income tax file for tax year 2004 was closed on January 22, 2004. The report was published on February 19, 2004.

**Analysis of results:**

The report was published exceptionally early this year.

**Factors affecting results:**

The individual income tax file had no unusual or outstanding errors for this tax year. The analyst assigned to producing the report had time available to start the process sooner than in past years. An extra effort was made to deliver information to school districts as early as possible in what was expected to be a difficult budget year.

**Resources used:**

One-quarter FTE from the section. A variable amount of computer programmer/analyst time is needed. A small amount of clerical time is use in support. Approximately 224 hours per fiscal year. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel (MVF) Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Sales and Use Tax Statistical Reports  
Tax Research and Program Analysis Section

### Description:

The Tax Research and Program Analysis Section provides quarterly and annual retail sales tax statistical reports.

### Why we are doing this:

Chapter 422.75 of The State of Iowa Code requires that the Department of Revenue at least publish an annual statistical report. The quarterly sales and use tax reports are used by local government jurisdictions to promote economic development in their communities. The sales and use tax reports provide valuable data to analyze potential sales and use tax law changes. The statistical sales and use tax reports are the major tool used in estimating the over \$400 million local option sales tax and school infrastructure local option sales taxes. The sales tax reports are used by entrepreneurs in analyzing whether or not to start a specific business in a certain geographical location.

### What we're doing to achieve results:

The sales and use tax reports and the programs used to generate them were reviewed and streamlined where applicable.

### Performance Measure:

Time required to publish the report after receipt of corrected file.

### Performance Target:

Complete and published on the Department's Web site within one month of the receipts of a final quarterly data file.

### Data Sources:

Time log maintained in an Excel file under the Tax Research and Program Analysis project management directory.

### Results

Quarter	Corrected File Date	Due Date	Report Published
Jun-03	10-27	11-27	10-31
Sep-03	2-19	3-19	2-23
Dec-03	5-3	6-3	5-14
Mar-04	7-12	8-12	7-16
FY 04 Annual	7-21	8-21	8-16

Approximately 487 hours were needed to complete the report.

## **Data Reliability:**

The date that the report is turned over to the communications section of the Department of Revenue is hard coded into a spreadsheet.

## **Why we are using this measure:**

It is of vital importance that valid sales tax data be provided on a timely enough basis so that data of analysis of proposed law changes is available for economic development for local governments, and so that retailers and the general public can gain some insight on how the retail sales industry is doing currently. Dated data does not provide insight into what is happening now.

## **What was achieved:**

All reports for the last two fiscal years have been published within one month of receipt of a corrected sales tax file.

## **Analysis of results:**

100% of quarterly and annual sales tax statistical reports are published within one month of receipt of a corrected sales tax file.

## **Factors affecting results:**

The number of errors on sales tax returns received in the office. The amount of data that must be requested from retailers such as schedules of business consolidated forms, which break out the tax by location for major retailers. Availability of data processing time to run corrected sales tax files.

## **Resources used:**

Approximately 25% of the time of a full-time fiscal policy analyst is used in analyzing the sales tax file and determining that it is correct. This analyst may do some corrections and data requests. The majority of the analyst time is spent preparing the tables and various sections of the reports so that it is ready to be published on the Department's Web site.

Four full-time sales tax resolution employees review returns and request the data needed to correct the returns so that they may be processed.

Time is spent by an Accounting Tech II to key and prepare the County's Treasurer's Use Tax Report that is published in the Sales Tax Annual Report.

In total, approximately 500 hours each fiscal year is required. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Receipts and Refund Reports  
Tax Research and Program Analysis Section

### Description:

The Tax Research and Program Analysis Section provides monthly reports to the Department of Management analyzing monthly General Fund tax receipts and refunds issued. The analysis provides explanations and comparisons as to variations in receipts and refunds issued for the same time period during the previous fiscal year.

### Why we are doing this:

The monthly receipts reports provide the Department of Management with insights of what factors are causing variations from the expected growth or declines in receipts and refunds. The reports can identify trends that may be developing in receipts or refunds. These reports are used in analyzing the proposed fiscal year revenue estimates of the General Fund taxes and refunds. These reports present receipts and refunds data both on an unadjusted and adjusted basis. The purpose of the adjustments is to allow receipt and refund year-to-date comparisons that eliminate distortion due to processing changes and timing factors.

### What we're doing to achieve results:

Reviewing and updating procedures for monitoring and reporting on tax receipts and refunds. Working to integrate the process with the state's new 1/3 accounting information system.

### Performance Measure:

Percent of receipt reports issued on time.

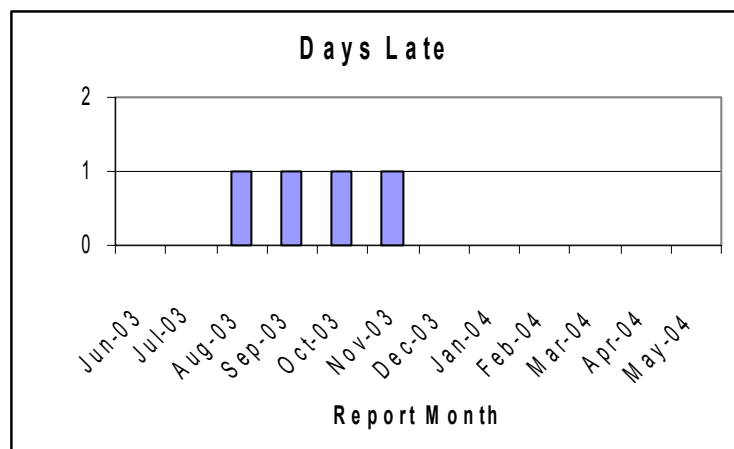
### Performance Target:

90% of reports issued on time.

### Data Sources:

Time log maintained in an Excel file under the Tax Research and Program Analysis project management directory.

### Results



## **Data Reliability:**

The target date is the first business day of the next month. The date completed is measured by the date on the e-mail publishing the report. The difference, less non-working days, is the measure. It is reliable.

## **Why we are using this measure:**

The object of the report is to identify non-economic factors that influence General Fund activity for a given time frame. Removing the effect of non-economic factors allows the report's audience to judge whether revenue targets can be reached and respond as necessary. The more timely the report the more response time the Department of Management has to review forecasts. The prime advantage of this measure is its simplicity. When the measure is greater than zero, the report was not issued on time.

## **What was achieved:**

For FY04, the report was on time eight of twelve times. No report was late during session or during the spring individual income tax processing season, when timeliness is critical. Only one report was published as late as the afternoon of the second day; the rest were transmitted the first hour of the second working day.

## **Analysis of results:**

This is a percentage of 67%. The standard is 90% — only one report late per fiscal year.

## **Factors affecting results:**

The August report required additional work on accrual reporting; accrual reporting has been moved to a different medium. One report was late due to staffing issues.

## **Resources used:**

One-quarter FTE of a fiscal analyst's time is used to generate the report and maintain the underlying reporting information system.

Some clerical support comes from the Revenue Operations Division.

Approximately 420 hours per fiscal year are dedicated to this activity.

Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.



# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### **Name:**

Revenue Estimating Conference (REC) Briefing Papers  
Tax Research and Program Analysis Section

### **Description:**

The Tax Research and Program Analysis Section provides analysis of year-to-date General Fund receipts and refunds. It identifies the significant factors impacting the current fiscal year receipts and those factors which will impact the next fiscal year's receipts and refunds. The report attempts to identify the impact of any law changes on the receipts and refunds. National economic trends and federal law changes are identified to determine if and how they will impact Iowa receipts. The final draft of the REC briefing paper is written by the supervisor of the Tax Research and Program Analysis Section.

### **Why we are doing this:**

The briefing papers allow the three-member board of the REC to understand what factors are impacting the current fiscal year receipts and refunds and what will impact next fiscal year's receipts. It provides a benchmark for them to compare the current REC estimates of General Fund receipts and refunds and to determine if any changes need to be made to those estimates. The reports are used at the REC work session and provide analysis of data for the Department of Management and Legislative Service Agency to use in determining their estimates of the General Fund receipts and refunds.

### **What we're doing to achieve results:**

We are researching factors that influence state tax revenues and refunds to allow for improved tax revenue and refund estimates, and we are creating formatted tables that could be used for each report.

### ***Performance Target:***

Complete briefing paper at least one day prior to the work session.

### ***Results***

### ***Data Sources:***

Current fiscal year-to-date receipts. Economic indicators published by federal and state agencies. Passed law changes both federal and state. Analysis of numerous exogenous factors which could impact receipts, such as higher gas prices impacting the amount of sales tax purchases consumers will make.

## **Data Reliability:**

The data for the briefing paper comes from a variety of sources within and outside the department. Primary data and the most recent measurements are used whenever possible.

## **Why we are using this measure:**

REC briefing papers are the main tools used by the REC and their staff to forecast the state General Fund receipts and refunds.

## **What was achieved:**

Due to formatting of tables to measure receipts and refunds, the background data used to produce the report is easily prepared and presented. This allows the staff more time to research and analyze more data sources, providing for a more detailed and exacting picture of what is impacting receipts and refunds and what will impact receipts and refunds in the future. This has made the report an invaluable tool to the REC.

## **Analysis of results:**

The REC and their staff use the briefing papers as a major source of information to estimate and break out the more than \$5.0 billion dollars of receipts and refunds that flow through the General Fund each fiscal year.

## **Factors affecting results:**

When REC meetings are held close to the end of the month or a time frame when significant receipts of a particular tax are expected to be processed, the paper may be delayed until the receipts can be analyzed.

## **Resources used:**

Four FTEs on the staff devote approximately one to two weeks before each REC work session to update tables and research before the briefing paper is written. The supervisor spends approximately two to three weeks before the work session writing the paper. The two to three weeks are usually 60- to 70-hour weeks. In total, approximately 720 hours per fiscal year are dedicated to this. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

State Fiscal Impact Estimates  
Tax Research and Program Analysis Section

### Description:

The Tax Research and Program Analysis Section provides analysis and fiscal impact estimates of proposed state law changes.

### Why we are doing this:

Fiscal impact estimates help legislators, the governor, and other stakeholders make informed decisions regarding how proposed state tax law change will affect the state's budget.

### What we're doing to achieve results:

We continue to develop improved and more efficient models for analyzing state tax legislation.

### Performance Measure:

Number of fiscal impact estimates issued.

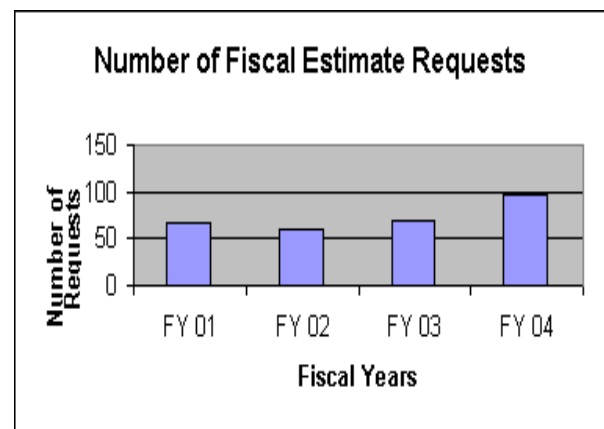
### Performance Target:

Varies due to complexity of fiscal estimate requested and the availability of the data to perform an estimate.

### Data Sources:

Index of fiscal impact requests in Excel file in the legislative directory on the Department of Revenue's server.

### Results



### Data Reliability:

The index is maintained by clerical staff outside of the staff of the Tax Research and Program Analysis Section. As fiscal impact requests are received, they input data received into the Department legislative tracking system. The section manager approves all fiscal estimates for release and updates the tracking system database.

**Why we are using this measure:**

The legislators and the Governor's Office need valid estimate impacts in order to understand the full impact of proposed law changes on the state's General Fund receipts and refunds.

**What was achieved:**

Ninety-nine fiscal impact requests were received in FY04 and letters were issued for all of them.

**Analysis of results:**

Periodically, the section completes tax expenditure analysis which provide after-the-fact checks for fiscal impact estimates.

**Factors affecting results:**

The complexity of the fiscal impact request and the availability of data on which to perform analysis can impact the results.

**Resources used:**

During the four months of legislative session, four of the five FTEs in the Tax Research Section devote the majority of their time analyzing fiscal impact requests. In the months preceding the legislative session, there are quite often requests for analysis of proposed law changes. Approximately 1,100 hours are expended each fiscal year. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### **Name:**

Federal Legislation Analysis  
Tax Research and Program Analysis Section

### **Description:**

The Tax Research and Program Analysis Section provides analysis and fiscal impact estimates of proposed and passed federal law changes.

### **Why we are doing this:**

Federal legislation often has significant impact on state receipts and refunds and may even conflict with current state law. Legislators and the governor need to be able to make informed decisions on how any federal law changes will impact the state. The Department also receives requests from Iowa's congressional delegation for comments on proposed federal tax legislation.

### **What we're doing to achieve results:**

We are improving staff training to enhance knowledge of federal tax law.

### ***Performance Measure:***

Time required to complete analysis.

### ***Results***

Approximately 160 hours were used to complete this analysis during the fiscal year.

### ***Performance Target:***

Varies.

### ***Data Sources:***

Index of all fiscal impact requests is kept on the Department server. It tracks date received, date letter released, fiscal impact, and any other relevant factors.

### **Data Reliability:**

Index is maintained in an Excel spreadsheet.

### **Why we are using this measure:**

It is of extreme importance that the governor, legislature, and other state agencies know the impact of federal law changes on state revenues. Federal legislation is of such a

complex nature that it requires significant analysis time, and data available to analyze the state impact can be very scarce.

**What was achieved:**

Federal legislation reviewed included the Internet Tax Freedom Act, the Working Families Tax Relief Act and the Business Activity Tax Simplification Act.

**Analysis of results:**

Requests for analysis of federal legislation were completed within the requested time frames.

**Factors affecting results:**

Major tax policy legislation was not proposed in SFY2004. In contrast, several major policy changes were made at the federal level in SFY2003, requiring extensive analyses.

**Resources used:**

Federal legislation analyses can require up to 0.25 FTEs. In SFY2004, 0.07 FTEs were allocated to this task. Approximately 160 hours were dedicated to this. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Local Option Sales Tax (LOST) and School Infrastructure Local Option Sales Tax (SILO) Estimates

Tax Research and Program Analysis Section

### Description:

Each year the Department of Revenue sends out estimated payments for local option sales tax and school infrastructure local option sales tax programs to the participating jurisdictions. Analysis must be performed on current collections and projected collections. Adjustments need to be made to payments based on analysis. Due to the recent law change in the school infrastructure local option sales tax, not only do estimates need to be done, but supplemental money, which could be as much as \$15 million, must be prorated among certain school districts.

### Why we are doing this:

According to the State of Iowa Code, Chapter 422B, paragraph 10(2a) the Director of Revenue will release by August 15 of each fiscal year the next fiscal year's local option sales tax estimates. These estimates will identify the amount of the monthly payments and the total fiscal year estimate. Due to recently-enacted legislation, the date of the school infrastructure local option sales tax estimates has been changed to June 1.

### What we're doing to achieve results:

Improve local option sales tax and school local option sales tax estimation processes, databases, and programs.

### Performance Measure:

None at this time.

### Results

#### Fiscal Year 2004

### Performance Target:

Annual LOST estimates by August 15. SILO estimates by June 1 each year.

LOST	Release Date	Due Date
	August 15 <sup>th</sup>	August 15 <sup>th</sup>

### Data Sources:

The data correspondence is released and the files are uploaded into a mainframe program to generate estimate letters and payments are maintained in programs for local option sales tax payments and collections.

SILO	Release Date	Due Date
	June 1 <sup>st</sup>	June 1 <sup>st</sup>

**Data Reliability:**

Dates are maintained in programs located on the mainframe. Once correspondence is released, dates cannot be manipulated.

**Why we are using this measure:**

Local government jurisdictions and school districts rely on the timely release of this data to budget for their fiscal year and to determine money flow for projects.

**What was achieved:**

Estimates were released on the deadline date. Approximately 96% received their estimates and letters when anticipated.

**Analysis of results:**

The Tax Research and Program Analysis Section provided timely customer service.

**Factors affecting results:**

Incorrect e-mails or wrong addresses in the Department's Integrated Revenue Information System can delay notification of jurisdictions or school districts from promptly receiving their estimate notifications.

**Resources used:**

Approximately 50% of the time of a full-time fiscal policy analyst is used in estimating the collections of current jurisdictions and new jurisdictions as they implement the tax. Approximately 520 hours per fiscal year are dedicated to this activity. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.



# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### **Name:**

Special Tax and Policy Studies  
Tax Research and Program Analysis Section

### **Description:**

The Tax Research and Program Analysis Section provides special studies of policy and tax issues.

### **Why we are doing this:**

The special studies focus on a variety of tax and economic policy issues. Tax studies address the following types of issues:

- How past law changes have affected the state's economy and tax receipts.
- How proposed tax law changes will affect different income groups.

Economic studies focus on the following types of issues:

- How various economic factors affect state tax revenue.
- How the state's economy compares to the national economy.

### **What we're doing to achieve results:**

Work to enhance staff knowledge in all areas of federal and state tax policy and expand their knowledge of economic data services.

### ***Performance Measure:***

Number of studies completed.

### ***Results***

Four studies were completed.

### ***Performance Target:***

Study completed in a thorough and professional manner.

### ***Data Sources:***

Section network files.

**Data Reliability:**

Data is subject to low inter-rater reliability.

**Why we are using this measure:**

This is the only practical measure.

**What was achieved:**

Four special studies were produced.

**Analysis of results:**

Of the four studies, two were not published. The two unpublished studies were used internally, for methodological improvements.

**Factors affecting results:**

Most ad-hoc reports produced by the section this fiscal year fell into other categories.

**Resources used:**

Special studies can take up to one-quarter of the section's resources (1.25 FTEs). For the fiscal year, 0.24 FTEs were expended on special reports. Approximately 886 hours in total each fiscal year was dedicated to this. Funding for this function comes from the General Fund, with limited funding from Tax Gap and the Motor Vehicle Fuel Appropriation.

# RESOURCE MANAGEMENT



# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### **Name:**

Utilization of Electronic Filing for Individual Income Tax.  
Technology & Information Management Division

### **Description:**

Increase utilization of electronically-filed income tax program by 10%. For tax year 2003 the goal was to increase the number of individual income tax returns filed electronically by 10%. For tax year 2003, the Department supported three alternative ways for taxpayers to file electronically and marketed to the taxpayers the advantages of electronic filing. The three programs were Fed/State Electronic Filing, a Web-based application and an Interactive Voice Response (IVR) application.

### **Why we are doing this:**

Electronic filing of tax returns is viewed by the Department as an effective way to improve the performance efficiency of the Department while providing our customers with an accurate way in which to file their tax returns. Where applicable, customers receive the benefit of receiving a tax refund in less time than if the return is filed on paper.

### **What we're doing to achieve results:**

By offering three alternatives for filing, the Department was attempting to leverage the investment made by the Internal Revenue Service and tax practitioners in the current federal electronic filing system, as well as to provide alternatives for those customers who do not wish to use the practitioner community. Additionally, by marketing to customers the advantages of electronic filing and through the elimination of easy access to tax returns, the Department has attempted to increase the utilization of the alternative electronic services .

**Performance Measure:**

Percent increase of electronically-filed returns.

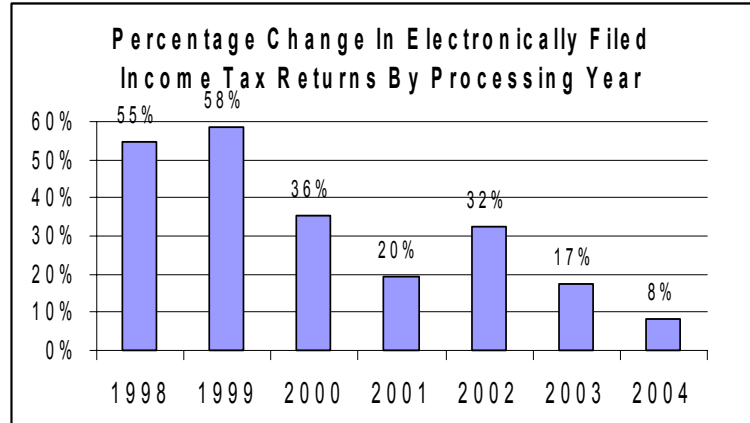
**Performance Target:**

10% increase in electronically-filed income tax returns.

**Data Sources:**

Department processing statistics are maintained to track the number of returns filed electronically.

**Results**



**Performance Measure:**

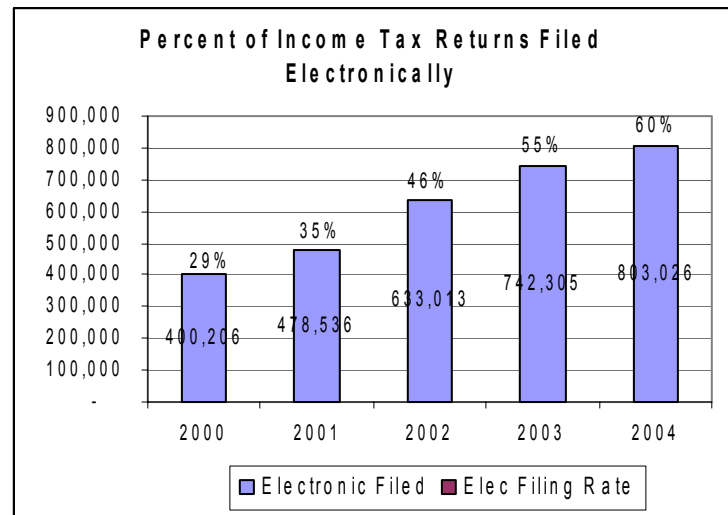
Percent of electronically-filed returns.

**Performance Target:**

60.5% of all income tax returns for processing year 2004 will be filed electronically.

**Data Sources:**

**Results**



**Data Reliability:**

Data is extremely reliable as it is an individual count of returns filed electronically each year.

**Why we are using this measure:**

The Department strives to measure its performance against the goal of receiving 80% of all income tax returns in electronic format by 2007. However, to accommodate the performance measurement requirements placed on the Department, we have converted our targets to annual increases in percentage utilization.

**What was achieved:**

With the receipt of 803,000 returns electronically, the Department achieved more than an 8% increase in the number of returns filed in electronic format.

**Analysis of results:**

Data indicates that continued marketing of the program in conjunction with the IRS and tax professionals will likely result in achieving the established 80% utilization goal by 2007.

**Factors affecting results:**

While efforts made by the Department affect the rate of utilization, it is recognized that electronic filing of returns continues to be influenced by the opportunity to achieve a rapid state tax refund. To some extent, the number of refund returns, therefore, influences the acceptance of the program, and future changes in refund patterns may affect participation.

**Resources used:**

Department staff is dedicated in part to the program as part of our overall application and technology support. No specific allocation of staff time or costs is prepared by the Department for this program. The costs of the direct marketing program referred above were approximately \$75,000.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Information System Availability  
Technology & Information Management Division

### Description:

Technology resources are provided to customers to assure reliable access to departmental information systems during critical hours.

### Why we are doing this:

Customers must be able to get access to both mainframe and online systems to do their work.

### What we're doing to achieve results:

Continue to enhance and upgrade the operating system used in the Department which helps to ensure a stable and reliable network. Qualified staff monitors the network and software that is currently running on the network for capacity planning and overall maintenance.

### Performance Measure:

Percent of time the network is available

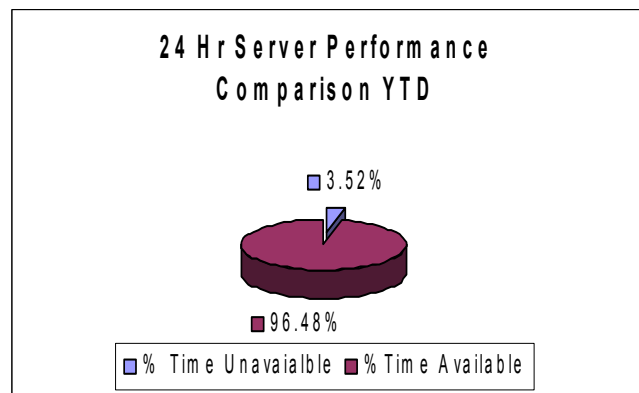
### Performance Target:

Network resources available 99% of normal work hours.

### Data Sources:

Reports are generated monthly from the department's LAN identifying the down time during normal work hours.

### Results





**Performance Measure:**

Percent of online system work time availability.

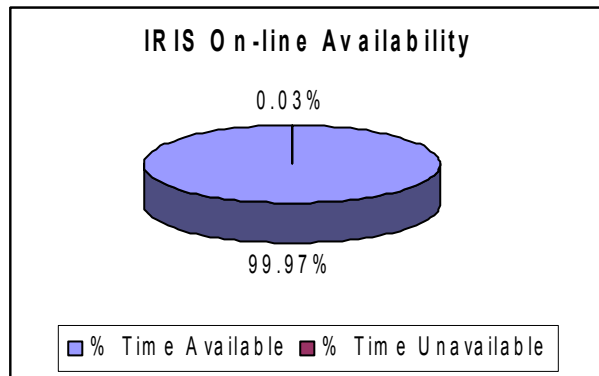
**Performance Target:**

Mainframe system is available 99% of normal work hours.

**Data Sources:**

Reports are generated monthly based on downtime data collected during the month.

**Results**



**Performance Measure:**

Percent of Collections online mainframe system availability.

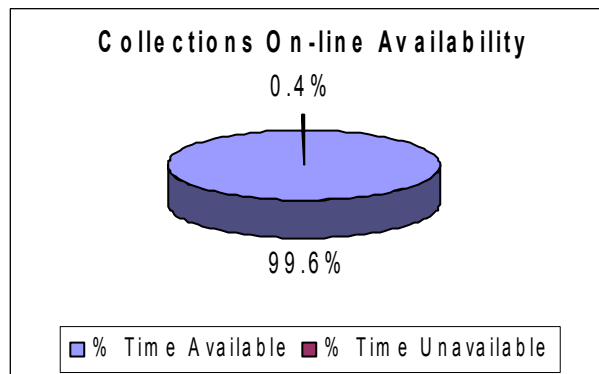
**Performance Target:**

Mainframe system is available 99% of normal work hours.

**Data Sources:**

Reports are generated monthly based on downtime data collected during the month.

**Results**



**Data Reliability:**

The data is extracted from the mainframe and a database and placed in an Excel spreadsheet. The data is then used to calculate accessibility for key operating hours.

**Why we are using this measure:**

To assure key technical systems are available to our customers during critical work hours.

**What was achieved:**

The division was very successful at keeping key operating systems available for customer use. The LAN was available for use 96.48% of the normal work hours during FY04. The IRIS mainframe system was available during 99.97% of the normal work hours. The Collections mainframe system was available during 99.96% of the normal work hours.

**Analysis of results:**

The Technology and Information Management Division has been successful in keeping critical operating systems operational for Department customers which include both our internal and external customers. We have been able to perform critical maintenance during evenings or weekends.

**Factors affecting results:**

Many factors can impact the critical operating systems; among them are such items as the amount of dedicated resources available, back-up procedures, equipment failure and maintenance issues.

**Resources used:**

The Technology and Information Management Division uses resources from the technology team and the system application team. The funding for this operation comes from our General Fund appropriation.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Prevent Unauthorized Access to Department Information Systems.  
Technology & Information Management Division

### Description:

Technology resources are provided to ensure that appropriate security is maintained in that unauthorized access to the department's information systems is not allowed.

### Why we are doing this:

To ensure that the information contained in the Department's information systems are used by authorized personnel only and that unauthorized access is not allowed.

### What we're doing to achieve results:

We inform employees of the Department's anti-browsing policy. We implement security and set up general controls to help ensure only individuals with appropriate authorization can access Department files. We maintain a separate firewall which aids in our success of ensuring no intrusions into the Department's network.

### Performance Measure:

Measure the number of occurrences of unauthorized access to the Department's information systems.

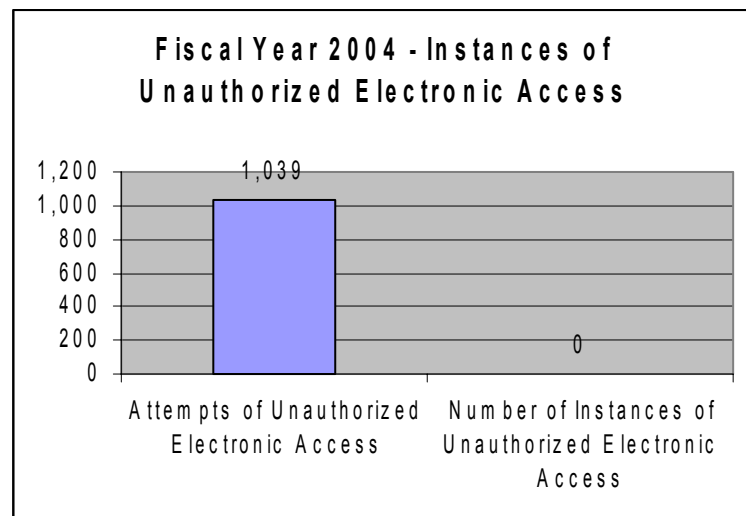
### Performance Target:

No unauthorized access to the Department's information systems.

### Data Sources:

Reports are generated monthly identifying unauthorized attempts to the Department's information systems.

### Results



**Data Reliability:**

The data is extracted from the mainframe and the Department's network and placed in a Word document. The Word document is distributed to the appropriate managers for review.

**Why we are using this measure:**

To assure the information in the Department's information systems is available only to those that have the authorization.

**What was achieved?**

The division was very successful with the security measures in place at ensuring only authorized users can access the information systems.

**Analysis of results:**

We did not observe any successful security violations into our information systems that reside on the mainframe. We also did not observe any intrusions of hackers into the Department's network. Unauthorized attempts were identified and forwarded to the appropriate manager for follow up.

**Factors affecting results:**

No comment.

**Resources used:**

The Technology & Information Management Division uses resources from the technology team and the system application team. The funding for this operation comes from our General Fund appropriation.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Expenditures as a Percentage of the Budget  
Internal Services Division – Department Financial Unit

### Description:

The Department receives funding from the legislature and other sources to carry out its mission and annual performance plan. The Internal Services Division monitors Department expenditures throughout the year, reports on year-to-date expenditures, and compares this to the budget projections. This information is used to keep the Department on track and if revisions must be made to the budget plan.

### Why we are doing this:

The Department monitors expenditures against the final approved budget during the course of the fiscal year to assure spending stays within the budget plan.

### What we're doing to achieve results:

The Financial Section tracks, reports and does projections on year-to-date expenditures during the course of a fiscal year. Reports with projections are issued to the Director of Revenue and each Division Administrator at the end of the first quarter and second quarter of the fiscal year. These reports and projections are issued monthly during the final six months of the fiscal year. These reports help Department management track and project expenditures and help them stay within their spending plan targets.

### Performance Measure:

Percent of expenditures to the total budget.

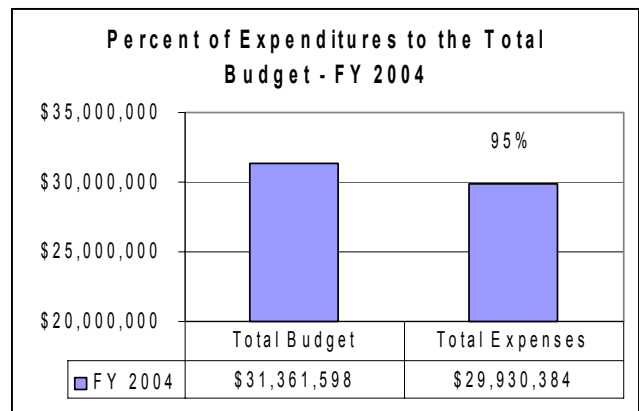
### Performance Target:

Spend less than or equal to the final budget target amount for the fiscal year.

### Data Sources:

I/3 system, Foxpro

### Results



**Data Reliability:**

Data is tracked and verified as part of the eight updates performed during the year.

**Why we are using this measure:**

This measure is in place as a means to help assure that Department spending stays within the budget plan and overall expenditures do not exceed the final budget target.

**What was achieved:**

The Department kept total expenditures within the overall targeted budget amounts for FY04. A reversion of \$ 823,012 was sent back to the General Fund after the end of the fiscal year of which \$411,056 was carried over to Fiscal Year 2005. The carry over was conducted under provisions of the Department's Charter Agency Agreement.

**Analysis of results:**

The Department was able to stay within planned budget spending targets.

**Factors affecting results:**

There were no unanticipated spending cuts or unanticipated expenses that impacted planned expenditures.

**Resources used:**

Two staff members devote part of their time to building the budget and monitoring year-to-date spending. Funding for this activity comes from the General Fund, with limited funding from the Motor Vehicle Fuel Appropriation and from Central Collections receipts.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Staff Turnover

Internal Services Division

### Description:

In order for the Department to accomplish its mission and goals, a relatively stable workforce is important. The Department tracks its employee turnover rate to determine if any employee problems or issues affect the organization's ability to recruit and retain a qualified workforce. A high turnover rate may be an indicator of issues affecting the ability of the Department to retain qualified staff. Data on staff turnover is disaggregated to observe staff turnover by reason. If there are any unusual trends as to reasons for turnover, the Department will analyze the cause and effect behind the data.

### Why we are doing this:

The Department monitors staff turnover to identify any issues that may impact its ability to attract and retain a qualified workforce.

### What we're doing to achieve results:

The Department uses the turnover rate data as one indicator of workforce stability. It also uses employee surveys to measure levels of satisfaction and identify areas where improvements need to be made.

### Performance Measure:

Percent of Department staff turnover.

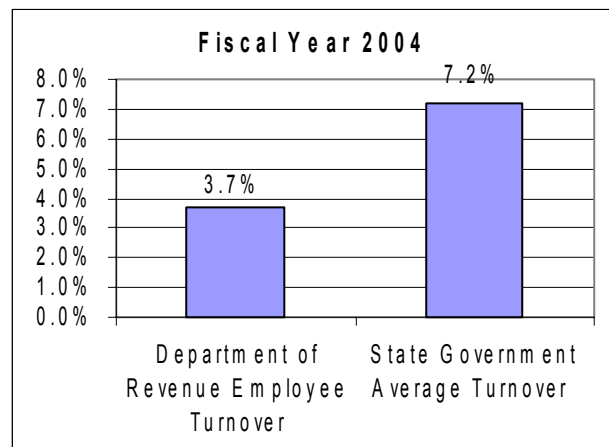
### Performance Target:

Deviation of no more than 5% above the state average for employee turnover.

### Data Sources:

Department of Revenue turnover data.  
Department of Administrative Services turnover data.

### Results



**Data reliability:**

Data on employee turnover is tracked and stored in the Internal Services Division.

**Why we are using this measure:**

This measure is being used to monitor workforce stability. It is an indicator used by the Department to watch for any key trends and issues affecting workforce stability.

**What was achieved:**

The percentage of employee turnover for FY04 was 3.7%. This compares to the Iowa State Government average for the same period of 7.2%.

**Analysis of results:**

In FY04 staff turnover affected 14 out of 376 positions. Of this number, five were resignations and one was termination. Of the remaining eight employees, four retired, two passed away, and two went on long-term disability. There were no significant issues affecting workforce stability during FY04.

**Factors affecting results:**

While the turnover rate for FY04 was fairly stable, the Department must also address issues that will impact workforce stability in the next three to five years. During the most recent early-out retirement offer, 41% of Department employees were eligible to participate. The turnover rate may well reach or exceed the statewide average in the next few years because of the large portion of employees that are approaching retirement eligibility.

**Resources used:**

One employee is assigned the task of monitoring employee turnover as part of their work duties.



# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Succession Planning

Internal Services Division

### Description:

The Iowa Department of Revenue has recognized the need for succession planning as part of the strategic planning effort. Department workforce data projections show that 41% of the Department personnel were eligible to retire under the provisions of Early Out III. In anticipation of the turnover in key management positions, the Department has chosen to provide the opportunity to Department staff to receive Certified Public Manager training.

### Why we are doing this:

Opportunities for Certified Public Manager training are being offered to Department staff to help assure there are qualified candidates to replace Department managers and supervisors that will be retiring in the next 5-7 years.

### What we're doing to achieve results:

In FY04 three Department personnel were selected and entered training in the Certified Public Manager Program. In FY05 another three Department staff were selected and began the training. The Department plans to continue to offer this training to three Department staff members per year.

### Performance Measure:

Number of participants in Certified Public Manager training.

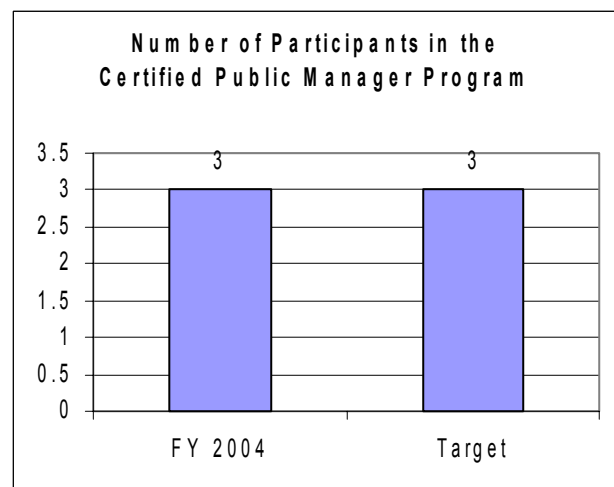
### Performance Target:

Three Department personnel receive training in FY04.

### Data Sources:

Human Resource training records.

### Results



**Data reliability:**

Data on employees involved in the program is tracked and stored in the Internal Services Division.

**Why we are using this measure:**

This measure is in place to track Department progress toward manager training goals.

**What was achieved:**

In FY04 three Department personnel entered and followed through on training in the Certified Public Manager program.

**Analysis of results:**

The training goal for FY04 was achieved. The three Department personnel are on track to complete the training program in October 2004. Three additional staff have begun training in the subsequent training cycle.

**Factors affecting results:**

The Department provides \$3,000 tuition per student for the courses and allows the employees to attend training courses during work time at Drake University.

**Resources used:**

Funding for this training comes from the General Fund. In FY04, \$9,000 was spent for the training course work.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Workforce Development  
Internal Services Division

### Description:

The Department recognizes the need to assure Department staff have the needed skills and training to do their work effectively. One of the strategies in the strategic plan focuses on determining training needs for the Department workforce. These needs assessments are planned to be conducted over a period of five years.

### Why we are doing this:

Efforts are being made to obtain feedback on training needs by conducting assessments of various workplace skills and competencies. After the assessments of employee work groups are completed, efforts are made to identify training classes or training tools to help individual employees.

### What we're doing to achieve results:

In FY04 training needs assessments were completed for clerical staff and for revenue agents to determine their training needs. The Department is now focused on identifying training courses or training tools to help these groups of employees to improve their work skills.

### Performance Measure:

Percent of workforce assessed annually.

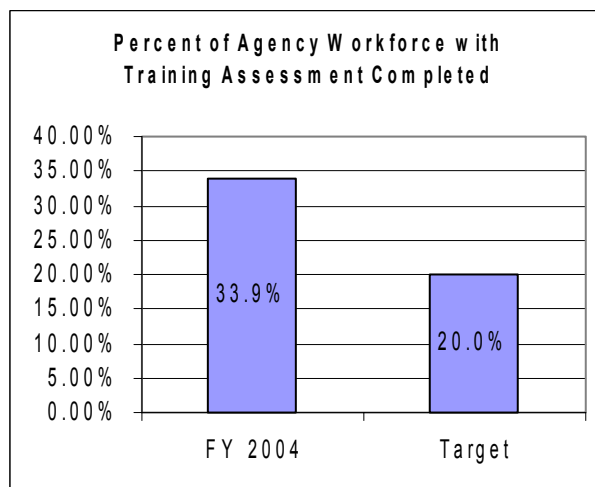
### Performance Target:

20% of workforce assessed in FY04.

### Data Sources:

Assessment studies of revenue agents and clerical staff. Employee assessment surveys. Excel spreadsheet.

### Results



**Data reliability:**

Data on workforce assessment is tracked and stored in the Internal Services Division.

**Why we are using this measure:**

This measure is in place to track Department progress toward workforce assessment targets set by the Department.

**What was achieved:**

Training needs assessments were completed for the revenue agent classification and for all clerical staff within the Department. Follow-up focus group meetings were conducted with a representative sample from the revenue agent work group and from the clerical staff. These assessments covered 33.9% of the Department workforce. The 20% target for FY04 was exceeded.

**Analysis of results:**

Training needs were identified for both work groups involved in the assessments. A number of training courses were identified to fill the training needs for individuals in both of these work classes. Employees are being given the opportunity to enroll in the courses.

**Factors affecting results:**

The assessment covered employees in these classifications regardless of work location. A portion of the employees in both groups work in field offices throughout Iowa. All employees were able to participate in the process.

**Resources used:**

The funding source for this initiative is the General Fund. A Department training officer conducted the assessment and surveys. A total of 122 employees were involved in the training needs assessment.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Facilities Management  
Internal Services Division

### Description:

The Iowa Department of Revenue maintains work space in Des Moines and has offices throughout the State of Iowa.

### Why we are doing this:

The Department has set a target to consolidate and improve its utilization of necessary work space and to eliminate unneeded space.

### What we're doing to achieve results:

Opportunities exist to reduce space when leases are renegotiated. Within the last few years, the Department has closed an office in Ottumwa and collocated with Iowa Workforce Development, and has reduced space in the Mason City office. Currently, work is taking place with the Department of Administrative Services-General Services Enterprise (DAS-GSE) to move records storage from the Hoover Building into warehousing space, allowing for almost 6,000 square feet of office space to become available on the complex.

### Performance Measure:

Number of square feet of work space utilization.

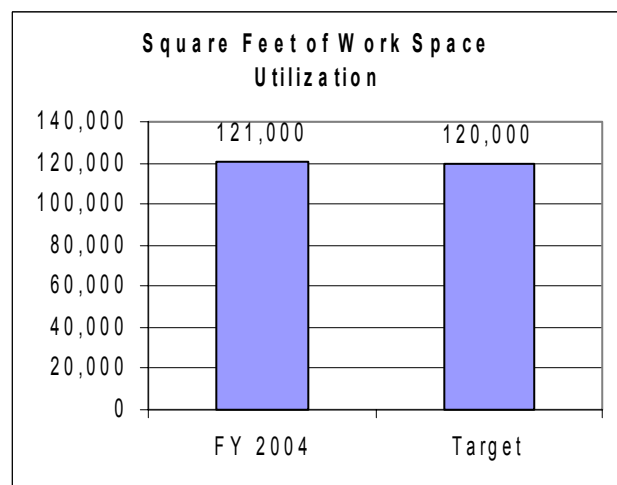
### Performance Target:

Reduce work space needed to conduct Department operations.

### Data Sources:

Lease agreements, DAS-GSE staff.

### Results



**Data reliability:**

Based on actual square footage of space.

**Why we are using this measure:**

The Department continues to look for opportunities to consolidate or eliminate work space.

**What was achieved:**

A reduction in space occurred due to reassignment to DAS. This was part of a reorganization of state government and not attributable to specific actions taken by the Department.

**Analysis of results:**

Results occurred due to creation of a new department that removed state accounting functions from Revenue to the Department of Administrative Services.

**Factors affecting results:**

Internal reorganization of state government. Also, increases/decreases in numbers of employees in field offices and in the central office.

**Resources used:**

Funding for Department work space comes from the General Fund.

# REVENUE COLLECTIONS & COMPLIANCE





# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Tax Revenues Collected by Electronic Funds Transfer  
Revenue Operations Division

### Description:

The Revenue Operations Division processes both electronic and paper tax payments from individuals and businesses for the State of Iowa.

### Why we are doing this:

To serve the taxpayers of Iowa by processing tax information and payments in an accurate and timely manner so that questions, taxpayer mistakes, or adjustments are addressed expeditiously.

### What we're doing to achieve results:

The Iowa Department of Revenue implemented rules that require semi-monthly business filers of withholding and sales taxes to remit these tax payments electronically. Regarding monthly, quarterly and annual filers, the Department is implementing a Web and telephone based *eFile & Pay* application that will allow businesses and individuals to file and pay their taxes on the Internet or over the telephone. This capability will be phased in over the next 12 to 24 months.

### Performance Measure:

Percent of tax revenues received by electronic funds transfer.

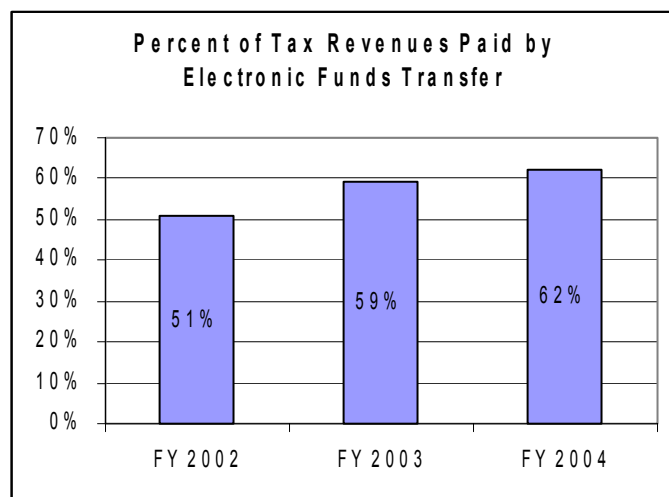
### Performance Target:

60% of tax revenues will be received by electronic funds transfer by 6-30-04.

### Data Sources:

Tax Tracker Relational Database  
Software Application.

### Results



**Data reliability:**

All data extracted from *Tax Tracker* software is balanced daily with the I/3 accounting software system.

**Why we are using this measure:**

This is a standard approach adopted by the Federation of Tax Administrators to measure how efficient a tax collection agency performs with respect to collecting and processing tax payments.

**What was achieved:**

The percent of tax receipts collected by electronic funds increased by approximately 3% from the prior year.

**Analysis of results:**

The amount of funds received electronically increased to 62% from 59% the previous year.

**Factors affecting results:**

The requirement for semi-monthly filers that pay withholding and sales taxes to pay electronically contributed to the increase in electronic payments.

**Resources used:**

*Tax Tracker* relational database management system used by the Department to record, monitor and evaluate document processing volumes, documents and collected tax revenues. The Department also uses the State of Iowa's integrated financial software in the I/3 system.

Revenue sources for this operation include the General Fund with limited funding from the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Issue Individual Income Tax Refunds  
Return Processing Section

### Description:

Serve the taxpayers of Iowa by processing tax information so that refunds are issued in a timely manner.

### Why we are doing this:

The Department 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 will file returns that show they are entitled to a refund. The Department recognizes that taxpayers entitled to refunds would prefer having their payments in a timely manner.

### What we're doing to achieve results:

The Iowa Department of Revenue has two key processing 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. There is a distinct difference between these systems in terms of the speed in which returns can be processed. The Department monitors the processing efficiency and turn-around time for both systems and looks for opportunities to issue refunds expeditiously.

### Performance Measure:

Percent of paper-filed individual income tax refunds issued within 60 days of receipt.

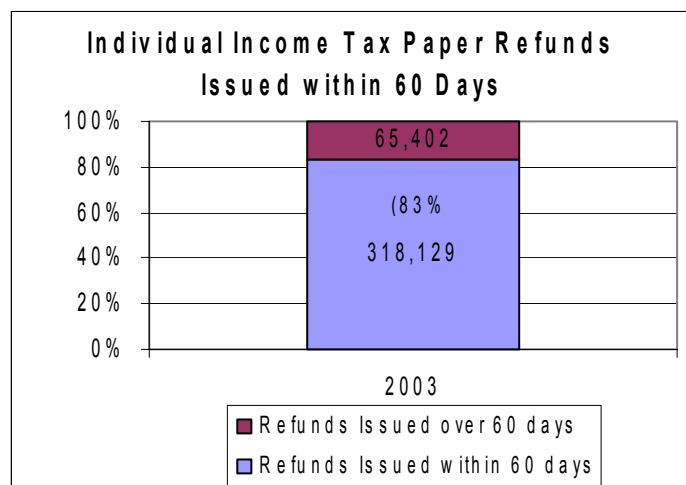
### Performance Target:

90% of paper refund returns issued within 60 days.

### Data Sources:

Iowa Revenue Information System.

### Results



**Performance Measure:**

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

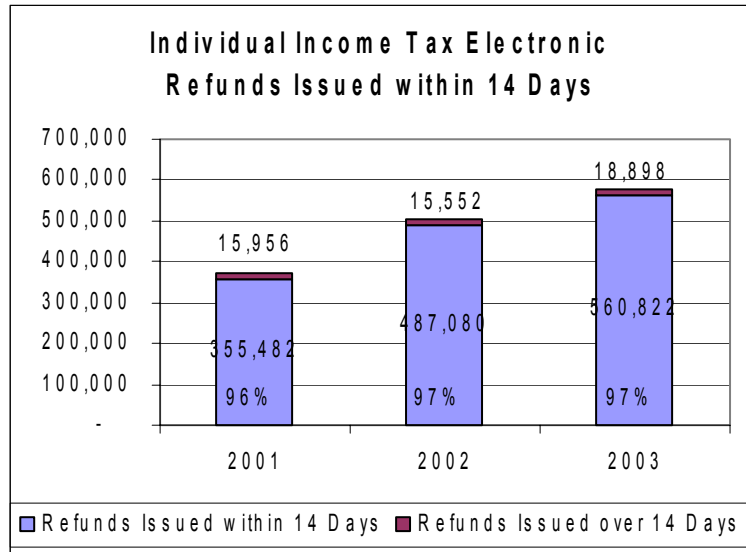
**Performance Target:**

90% of electronically-filed refund returns issued within 14 days.

**Data Sources:**

Iowa Revenue Information System.

**Results**



**Data reliability:**

Refund cycle times are calculated using a standard methodology that has been in use for 10 years. The data is extracted from the Iowa Revenue Information System, which is the primary source for return and transaction data. Separate histograms are constructed from the data in increments of seven days and 10 days. The data from these histograms is used for the measures shown above.

**Why we are using these measures:**

The Department operates two parallel processing systems for individual income tax returns. As noted above, there is a distinct difference in the processing time for issuing refunds from these systems. The Department measures the turn-around time for both processes to determine system processing efficiency against targets set.

**What was achieved:**

The target for processing electronically-filed income tax refunds was exceeded. The Department issued 97% of electronic refunds in 14 days. The target for processing paper-filed income tax refunds was not exceeded. Refunds for 83% of paper-filed returns were issued within 60 days.

**Analysis of results:**

The turn-around time for electronic refund returns is much faster than the time required to process paper documents. Of the electronically-filed income tax refund returns, 94% of the refunds were issued within seven days. 51% of electronically-filed income tax refund returns had the refund printed within three days.

**Factors affecting results:**

The Department can process electronic income tax documents more efficiently than paper documents. More time and resources are required to prepare paper-filed returns for processing and data entry than what is needed to handle electronically-filed documents. Fewer filing errors occur with electronically-filed returns than with paper returns. These factors contribute to the noticeable difference in turn-around time for electronic refund returns when compared to paper documents.

**Resources used:**

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

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Deposits Within the Same Day of Receipt  
Revenue Operations Division

### Description:

The Revenue Operations Division processes both electronic and paper tax receipts from individuals and businesses for the State of Iowa.

### Why we are doing this:

Serve the taxpayers of Iowa by processing tax payments in an accurate and timely manner.

### What we're doing to achieve results:

The Document Processing Section processes tax returns and tax payments received from taxpayers. These payments come in the form of checks, money orders and through electronic payments. Regardless of the type of the payment, the section works to expeditiously process and deposit tax payments.

### Performance Measure:

Percent of dollars deposited on the same day of receipt.

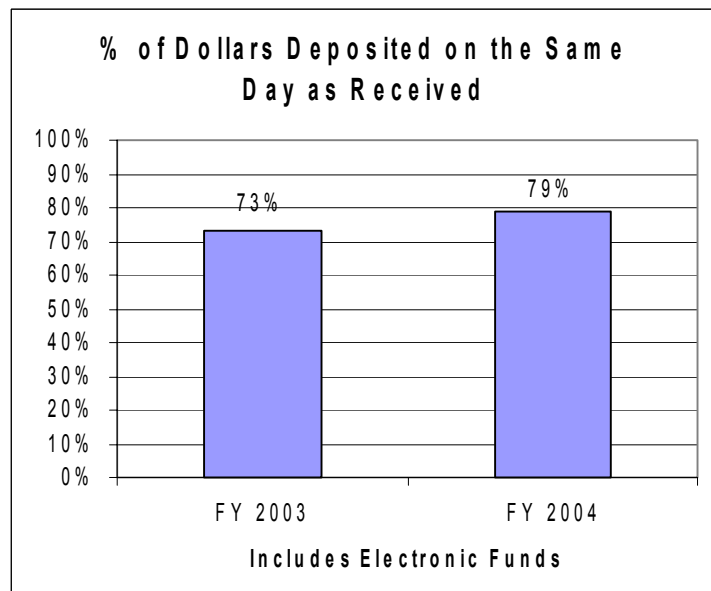
### Performance Target:

75% of dollars deposited on the same day.

### Data Sources:

Tax Tracker system and I/3 system.

### Results



**Data Reliability:**

All data is extracted from *Tax Tracker* software and balanced with the I/3 accounting system.

**Why we are using this measure:**

This is a standard measure used by the Federation of Tax Administrators to measure how efficient a tax agency performs regarding processing and deposit of tax payments. It allows state tax agencies to compare performance in the processing and deposit of tax payments.

**What was achieved:**

The Department was able to deposit 79% of dollars received within the same day of receipt in FY04.

**Analysis of results:**

In FY04 the Revenue Operations Division implemented strategies to improve deposit of sales tax and income tax withholding during high-volume quarterly periods. This resulted in a 6% improvement in the dollars deposited on the date of receipt when compared to the prior year.

**Factors affecting results:**

Depending upon tax type, filing requirements and tax due dates, the volume of payments received varies throughout the year. In the periods around the due dates for sales and use taxes, income tax withholding, and for individual income tax returns, very large volumes of payments are received. It is during these high-volume periods when the Document Processing Section moves high volumes of payment documents and works to move as many payments as resources allow within one day of receipt.

**Resources used:**

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

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Financial Reports Completed within One Day  
Revenue Operations Division

### Description:

The Revenue Operations Division collects and processes revenues for the State of Iowa, reconciles deposits to internal systems (BancTec and *Tax Tracker*), places revenues in appropriate accounts within the state financial system (I/3), and reconciles *Tax Tracker* to I/3.

### Why we are doing this:

To serve the taxpayers of Iowa by processing tax payments in an accurate and timely manner. The Department serves other state agencies by timely and accurately depositing funds in appropriate accounts, thus allowing for a reliable year-to-year comparison of deposits by tax type and revenue account.

### What we're doing to achieve results:

The Document Processing Section processes taxpayer payments. These payments come in the form of paper and electronically. Regardless of the type of the transaction, the section works to expeditiously process and deposit tax payments. Additionally, we are working to increase the number of electronic funds transfer (EFT) payments.

### Performance Measure:

Percent of financial reports completed within one day of receipt.

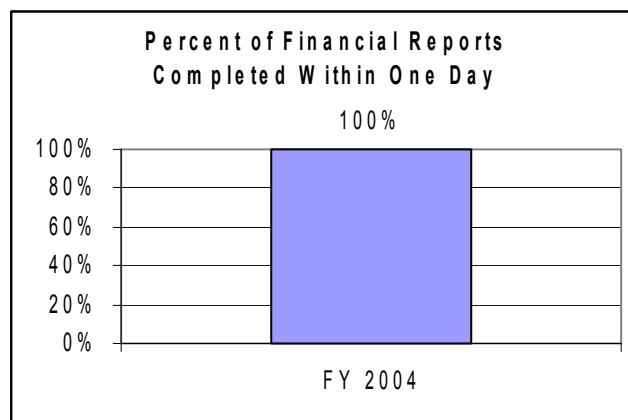
### Performance Target:

100% of reports completed on the same day.

### Data Sources:

*Tax Tracker* and I/3 systems.

### Results





**Data Reliability:**

All data is reconciled daily between internal systems (BancTec and *Tax Tracker*), the State Treasurer's Office, and I/3. Quality control practices are in place to ensure data quality.

**Why we are using this measure:**

This practice ensures that the various systems accurately reflect the daily receipts. Additionally, it ensures accurate and timely data is supplied to other state agencies.

**What was achieved?**

Revenue Operations Division achieved the goal of completing financial reports within one day.

**Analysis of results:**

In spite of I/3 system problems, the division was able to stay on track and complete financial reports within one day.

**Factors affecting results:**

During FY04, two factors facilitated our ability to achieve the stated goals: Enhancements to internal systems and the institution of "best practices." However, the conversion from the former accounting system, IFAS, to the new system, I/3, had a negative impact on our ability to meet this goal at the beginning of FY04. These challenges were overcome by the end of the accrual period (August 31).

**Resources used:**

Revenue for this operation comes from the General Fund.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Tax Returns Processed  
Revenue Operations Division

### Description:

The Revenue Operations Division processes tax documents from individuals and businesses for the State of Iowa.

### Why we are doing this:

To serve the taxpayers of Iowa by processing tax returns in an accurate and timely manner.

### What we're doing to achieve results:

The Document Processing Section processes tax returns received from taxpayers. These returns come in the form of paper and electronically. Regardless of the type of the transaction, the section works to expeditiously process and deposit tax payments.

### Performance Measure:

Number of paper tax returns processed in FY04.

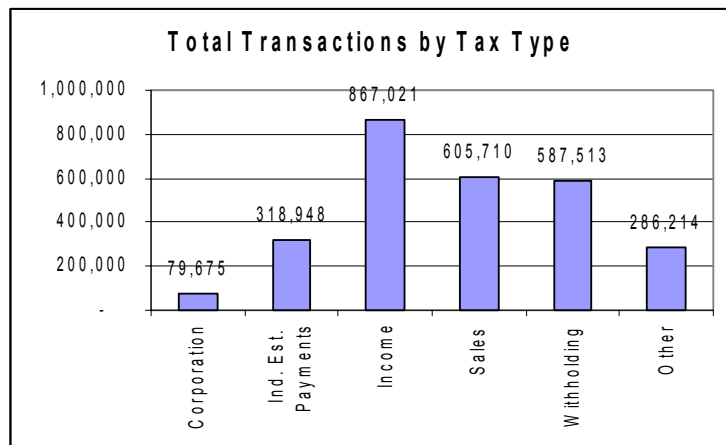
### Performance Target:

Process all tax transactions in a timely manner

### Data Sources:

Tax Tracker

### Results



### Data Reliability:

All data is extracted from *Tax Tracker* software. Quality control practices are in place to ensure data quality. Additionally, *Tax Tracker* is reconciled to the Integrated Revenue Information System annually.

**Why we are using this measure:**

This measure is used to monitor the volume and flow of paper documents through the Document Processing Section. This data, combined with other data elements, allows us to measure cycle times and perform activity-based cost analysis.

**What was achieved:**

The Department reduced the total universe of paper transactions by over 100,000 documents, or about 4%. Additionally, the Department succeeded in lowering the average length of processing paper income tax refunds from over 36 days in the previous tax year to about 16.5 days this tax year.

**Analysis of results:**

The Department has been able to improve the processing time for individual income tax returns and corporation income tax returns. This has helped to reduce the interest pay out on refund returns.

**Factors affecting results:**

Two factors directly impact this process: Growth in the number of electronic filers and a budget that will allow the Department to hire an adequate number temporary staff.

**Resources used:**

Revenue for this operation comes from the General Fund.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Income Tax Resolution/60 Days

Customer Accounts Section

### Description:

The goal is to resolve income tax returns within 60 days to reduce the number of taxpayer contacts and issue refunds sooner to reduce the amount of interest paid.

### Why we are doing this:

To reduce interest paid on refunds and provide good customer service in correcting errors and providing timely refunds.

### What we're doing to achieve results:

The section uses capacity models, workflow estimates to project annual resolution volumes. Cross training of staff allocates staff resources to help meet this goal.

### Performance Measure:

Number of returns resolved in the fiscal year within 60 days divided by the total returns going to review in the fiscal year.

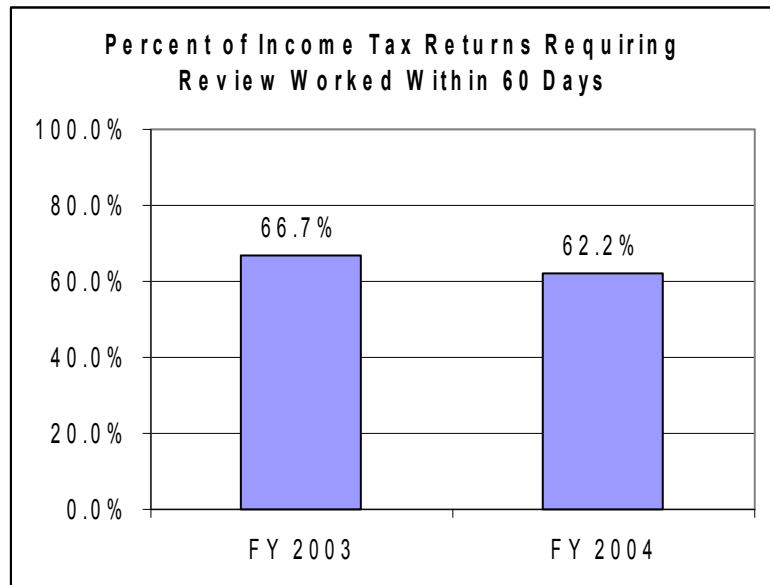
### Performance Target:

Target is 80%.

### Data Sources:

Number of returns loaded is from a daily report from the mainframe computer system. Number of returns resolved within 60 days is from a quarterly system-generated report.

### Results



**Data reliability:**

Daily totals are from a daily system-generated report. The quarterly statistics showing the number of returns resolved within specific time frames are from a file on the mainframe.

**Why we are using this measure:**

This measure is used track the progress of income tax resolution. The information is used to make decisions about staffing in future years.

**What was achieved:**

The Department is not meeting this goal. In FY04 the Department moved further away from it. There is need for additional staff in this area to meet this goal.

**Analysis of results:**

The target was not reached. The reason is due to reduced staff in this area. The section does not currently have the capacity to reach the goal with the resources that were available.

**Factors affecting results:**

The Customer Accounts Section has had a reduction of staff over the past several years. There has been a steady decline of hours in this program, from 40,500 hours in FY00 to 22,000 hours in FY04.

**Resources used:**

A total of 10.5 FTEs were used last year at a total salary cost of \$562,141. This money was from the General Fund.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Local Government Distributions

Customer Accounts Section

### Description:

Percent of local option sales tax and school local option sales tax that is timely distributed each year.

### Why we are doing this:

The Iowa Code mandates that we issue payments for a specific month by the last day of the following month. Timely distribution of local option money is expected by the local jurisdictions in order to meet their requirements and obligations. This is a way to track our compliance.

### What we're doing to achieve results:

There is monitoring of this function by several different people, and areas, within the Department to ensure the timely distribution of local option money.

### Performance Measure:

Local option dollars distributed timely compared to the total local option dollars distributed. Count and report any exceptions when funds are not distributed by the statutory due date.

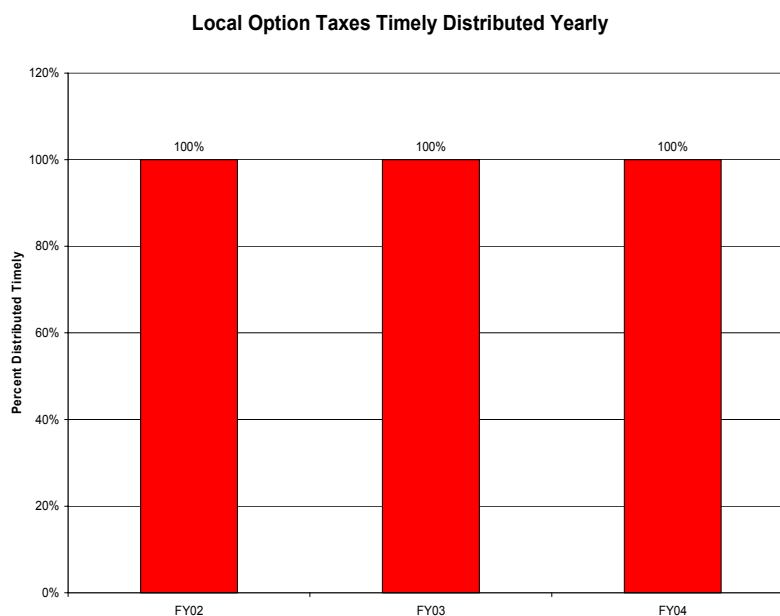
### Performance Target:

Target is 95%.

### Data Sources:

Mainframe computer.

### Results



**Data reliability:**

Data reliability is very accurate since we know the exact dates the payments are made.

**Why we are using this measure:**

A means to assure distributions occur by the statutory due dates. Customers need their funds in order to conduct their operations.

**What was achieved:**

This measure provided proof that the statutory due dates were met.

**Analysis of results:**

Dates were met and distributions were made timely. The Department has completed 100% of local option distributions timely for the last three fiscal years.

**Factors affecting results:**

There is always the chance of a system failure that could delay the distributions. The Department must rely on internal and external systems to generate these distributions.

**Resources used:**

A total of 1.8 FTEs were used last year at a total salary cost of \$135,879. This money was from the General Fund.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Return Resolution

Customer Accounts Section

### Description:

The Customer Accounts Section tracks the percent of transactions that are sent to a review status in need of resolution.

### Why we are doing this:

The Department tracks the number and percent of transactions that need resolution for all major tax systems. This helps to better plan for future periods by having a historical perspective. It will also help us measure the efficiencies of new, or revised, procedures or strategies that were implemented to help reduce the number of transactions in need of resolution.

### What we're doing to achieve results:

Measuring the number of returns in need of resolution processing versus the total number of returns processed. We are breaking this down by tax type.

### Performance Measure:

Number of tax returns sent to the error file for a given period divided by the total number of tax returns processed for that given period.

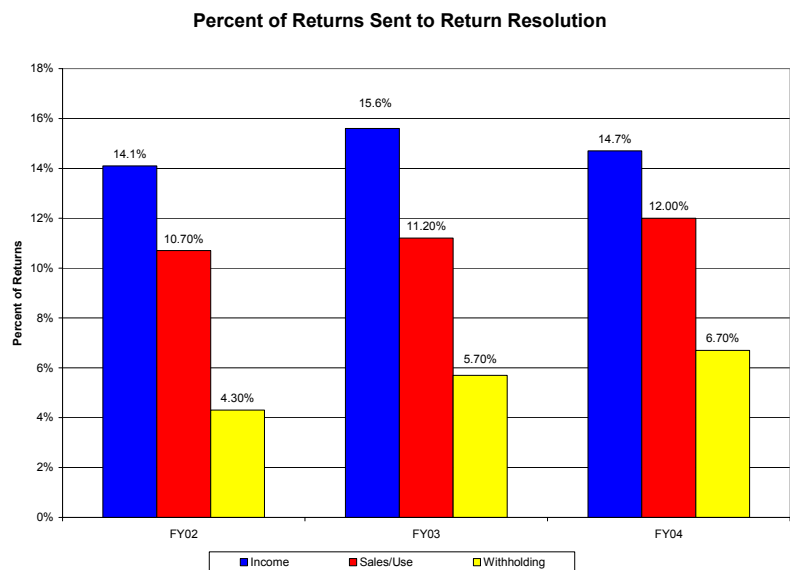
### Performance Target:

No specific target has been set.

### Data Sources:

Number of returns loaded is a daily report from the mainframe computer system. Number of returns sent to review is also derived from a daily mainframe report.

### Results





**Data reliability:**

Data reliability is very accurate since the daily totals are taken from a daily system-generated report. The quarterly statistics showing the number of returns resolved within specific time frames is from a file on the mainframe.

**Why we are using this measure:**

To track the number of transactions that required resolution. We further break down the data to see why the returns go to resolution. The Department can use this data to educate taxpayers about common types of errors in filing tax returns.

**What was achieved:**

The section is able to make year-to-year comparisons in each tax type. Analysis of sales tax errors has shown that each year a higher percentage of sales tax returns with local option dollars need to be resolved.

**Analysis of results:**

Error rates are fairly constant year-to-year. There is a slight increase in the error rate for withholding and sales/use taxes.

**Factors affecting results:**

- Change in tax laws effect the type of errors in reconciliation process.
- Increase in the number of jurisdictions implementing local option sales tax.
- Changes in our internal tax processing systems.

**Resources used:**

A total of 29.1 FTEs were used last year at a total salary cost of \$1,496,954. This money was from the General Fund.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Resolve Outstanding Debt/180 Days

Revenue Operations Division:

Accounts Receivable, Central Collections, and Advanced Collections

### Description:

Resolve the outstanding debt owed to the Iowa Department of Revenue to assure timely resolution and collection of tax billings.

### Why we are doing this:

The Department's first priority is to bring both individuals and businesses into compliance with the tax laws. The faster this is done, the higher the resolution rate will be.

### What we're doing to achieve results:

The Department of Revenue is improving taxpayer compliance by applying technology and program improvements as appropriate.

### Performance Measure:

Percent of billed accounts resolved within 180 days.

### Performance Target:

Resolve 75% of billed accounts within 180 days of entry into the system.

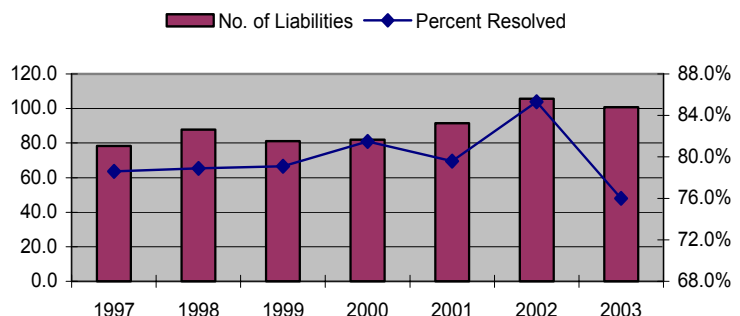
### Data Sources:

Revenue's Accounts Receivables System.

### Results

**Percent of Billed Accounts Collected Within 180 Days**  
in Thousands

Fiscal Year	1997	1998	1999	2000	2001	2002	2003
No. of Liabilities	78.3	87.8	81.2	82.1	91.5	105.6	100.7
Percent Resolved	78.6%	78.9%	79.1%	81.5%	79.6%	85.3%	76.0%



**Data reliability:**

Checks and balances are present in the Accounts Receivable Accounting System.

**Why we are using this measure:**

Based on historical data, accounts resolved within the first 180 days of entry into the system provide the greatest opportunity for collections.

**What was achieved:**

Since 1997, the target of 75% of billed accounts resolved within 180 days of entry into the system has been exceeded in all fiscal years.

**Analysis of results:**

Measuring the percent of billed accounts resolved within 180 days without showing the number of accounts resolved can be a little misleading. That is why both data elements are shown on the same chart. The percent of billed accounts resolved in FY03 does not compare well with prior years. However, by comparing the number of billings issued, beginning in 1997, the picture becomes clearer:

<b>Fiscal Year</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>No. of Billings</b>	78,321	87,770	81,179	82,069	91,490	105,621	100,678

The volume of billings issued shows a significant upward trend during the last three years. However, more accounts were resolved in FY03 than in FY99 through FY01. A record number of the billings were resolved in FY02 without being moved to advanced collections stages.

**Factors affecting results:**

The data tends to show we were reaching our limits in the capacity to handle increased volumes of billings. The number of new liabilities in FY03 dropped by 4.8% from the record high established in FY02.

Improved audit selection tools have been put in place since 2000. This has also contributed to an increase in tax billings and collections.

**Resources used:**

The results reported are due to the combined resources of Accounts Receivable and Central Collections Unit efforts. The Central Collections Unit is a self-supporting entity in partnership with the Department.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Resolve Outstanding Debt/365 Days

Revenue Operations Division:

Accounts Receivable, Central Collections, and Advanced Collections

### Description:

Resolve the outstanding debt owed to the Iowa Department of Revenue to assure timely resolution and collection of tax billings.

### Why we are doing this:

The Department's first priority is to bring both individuals and businesses into compliance with the tax laws. The faster this is done, the higher the resolution rate will be.

### What we're doing to achieve results:

The Department of Revenue is improving taxpayer compliance by applying technology and program improvements as appropriate.

### Performance Measure:

Percent of net debt collected within 365 days.

### Performance Target:

Collect 60% of net debt within 365 days of entry into the system.

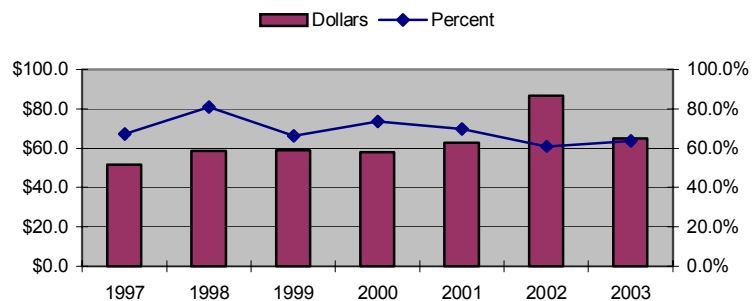
### Data Sources:

Revenue's Accounts Receivable System.

### Results

Percent of Net Debt Collected within 365 Days  
in Millions

Fiscal Year	1997	1998	1999	2000	2001	2002	2003
Dollars	\$51.5	\$58.7	\$58.9	\$57.9	\$62.9	\$86.9	\$65.0
Percent	67.3%	81.0%	66.1%	73.7%	69.9%	60.9%	63.6%



**Data reliability:**

Checks and balances are present in the Accounts Receivable Accounting System.

**Why we are using this measure:**

Based on historical data, collections occurring within the first 365 days of entry into the system provide the highest collection results.

**What was achieved:**

The Collections Section was able to collect 63.6% of the net debt within 365 days.

**Analysis of results:**

Excluding FY02, the trend shows an increase in dollars collected, with an average of 68.9% of dollars collected within 365 days for Fiscal Years 1997 through 2003.

**Factors affecting results:**

As with the United States in general, Iowa has also had a suffering economy. This, in part, contributed to increased billings generated since 2000.

<b>Fiscal Year</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>No. of Billings</b>	78,321	87,770	81,179	82,069	91,490	105,621	100,678

Improved audit selection tools have been in place since 2000. This has also contributed to an increase in tax billings and collections.

A high number of billing dollars were tied up in tax appeals for Fiscal Years 2002 and 2003. This contributed to a lower percent of net dollars collected, even though collections for FY02 and FY03 were higher than in prior years.

**Resources used:**

The results reported are due to the combined resources of Accounts Receivable, Central Collections Unit and Advanced Collections efforts. The Central Collections Unit is self-supporting entity in partnership with the Department.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Control Collection Costs  
Iowa Department of Revenue - Collections Partnership

### Description:

Oversee the operation of the Collections Partnership to assure timely resolution and collection of debt owed to the Iowa Department of Revenue and other contracting agencies.

### Why we are doing this:

To provide quality, competitive collection services.

### What we're doing to achieve results:

Outsourcing Services, Inc., in partnership with the Iowa Department of Revenue, is collecting debt for delinquent tax accounts, and debt from Iowa Judicial Branch, Iowa College Aid Commission, and Department of Human Services.

### Performance Measure:

Percentage of cost to collect.

### Performance Target:

Maintain the level of costs to collections at or below 10%.

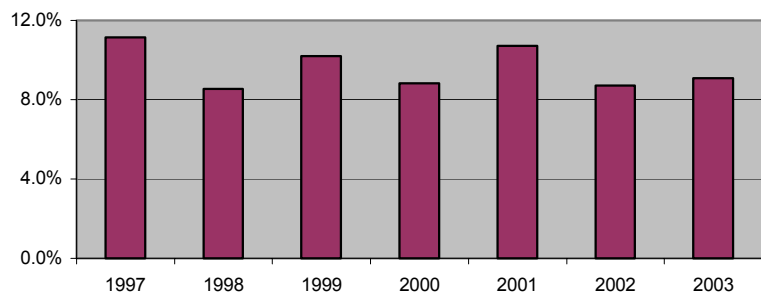
### Data Sources:

Revenue's Accounts Receivable System, Revenue's Judicial Accounts Receivable System, and clients' Accounts Receivable Systems.

### Results

Ratio of Costs to Collections

Fiscal Year	1997	1998	1999	2000	2001	2002	2003
Cost Ratio	11.1%	8.5%	10.2%	8.8%	10.7%	8.7%	9.1%



**Data reliability:**

Generally accepted accounting standards are used to reconcile debt.

**Why we are using this measure:**

This measure is used to ensure competitive collection activity.

**What was achieved:**

In Fiscal Years 1998, 2000, 2002 and 2003, the percentage of cost to collect was below 10%.

**Analysis of results:**

Applying technology improvements, where possible, and streamlining collections efforts have kept the collection costs below the 10% target in the last two years.

**Factors affecting results:**

The number of new liabilities in FY03 dropped 4.8% from the record high established in FY02.

**Resources used:**

Primary resources were provided by Outsourcing Services, Inc. (OSI), which is in a self-supporting partnership with the Department of Revenue. OSI's collection efforts were also supported by the Iowa Department of Revenue's Accounts Receivable and Central Collections staff.

# PERFORMANCE PLAN RESULTS

## SERVICES / PRODUCTS / ACTIVITIES

### **Name:**

Resolve Outstanding Debt

Revenue Operations Division:

Accounts Receivable, Central Collections, and Advanced Collections

### **Description:**

Our goal is to resolve the outstanding debt owed to the Iowa Department of Revenue to assure timely resolution and collection of tax billings. To achieve this, billed accounts begin in Accounts Receivable, where they reside for 60 days. Money collected during this timeframe is attributed to Accounts Receivable collections efforts. Accounts with a balance after 60 days move to Central Collections, where they reside for 180 days. Money collected during this timeframe is attributed to Central Collections efforts. (The exceptions to this rule are accounts with a balance over \$500,000, which move immediately to the Advanced Collections Unit.) Accounts with a balance after 240 days move to Advanced Collections, where they can reside up to 240 days before the account may be deemed uncollectible. Money collected during this timeframe is attributed to Advanced Collections efforts.

### **Why we are doing this:**

To serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more.

### **What we're doing to achieve results:**

All correspondence was reviewed and modified, where appropriate, to improve communications with taxpayers. Payment coupons were added to correspondence, which reduced errors and expedited payment entries into the Accounts Receivable Accounting System. Modifications were also made to the Computer Assisted Collection System *Plus* (CACs) to streamline account movement through the collection system.

Following are key performance measures used as accounts move through Accounts Receivable and the Central Collections Unit:



**Performance Measure:**

**Accounts Receivable -**  
Dollars and percent of net debt aged one year, collected within 60 days.

**Performance Target:**

Collect 36% of the net debt within 60 days, based on historical trends.

**Data Sources:**

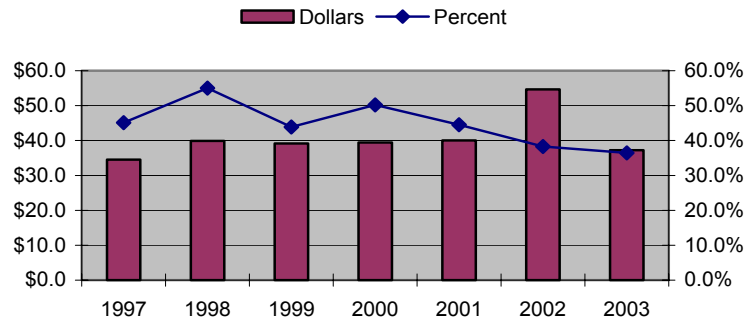
Revenue's Accounts Receivable System Accounting System.

**Results**

**Collections within 60 days**

\$ in Millions

Fiscal Year	1997	1998	1999	2000	2001	2002	2003
Dollars	\$34.5	\$39.9	\$39.2	\$39.4	\$40.0	\$54.7	\$37.2
Percent	45.1%	55.0%	43.9%	50.2%	44.5%	38.3%	36.4%



**Performance Measure:**

**Central Collections –**  
Dollars and percent of net debt aged one year, collected within 180 days.

**Performance Target:**

Collect 45% of the net debt within 180 days, based on historical trends.

**Data Sources:**

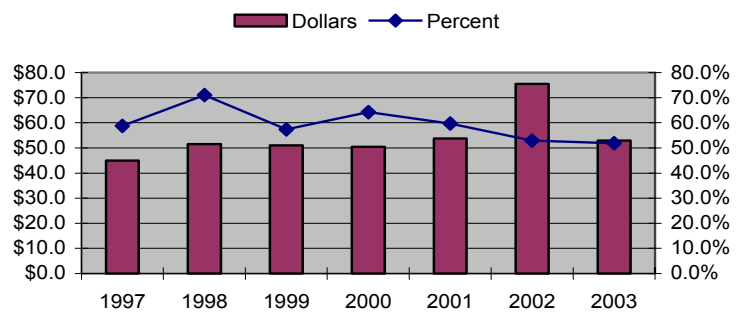
Revenue's Accounts Receivable System Accounting System.

**Results**

**Collections within 180 days**

\$ in Millions

Fiscal Year	1997	1998	1999	2000	2001	2002	2003
Dollars	\$45.0	\$51.5	\$51.1	\$50.4	\$53.7	\$75.5	\$52.9
Percent	58.8%	71.0%	57.3%	64.2%	59.7%	52.9%	51.8%



**Performance Measure:**

**Advanced Collections –**

Dollars and percent of net debt aged one year, collected within 365 days, and over 365 days.

**Performance Target:**

Collect 60% of net debt within 365 days.

**Data Sources:**

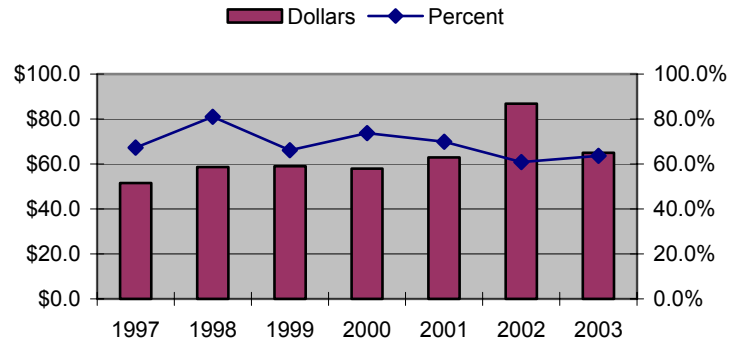
Revenue's Accounts Receivable System Accounting System.

**Results**

**Collections within 365 days**

\$ in Millions

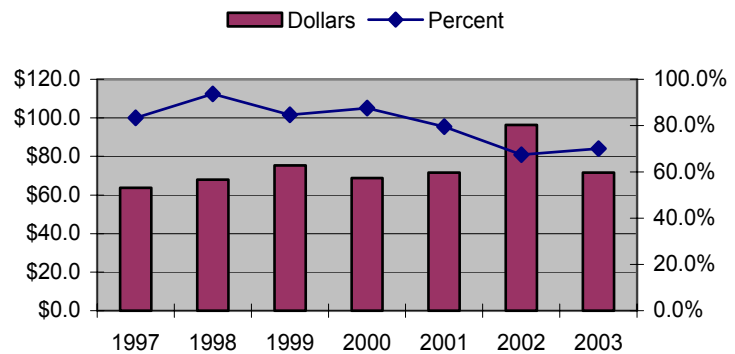
Fiscal Year	1997	1998	1999	2000	2001	2002	2003
Dollars	\$51.5	\$58.7	\$58.9	\$57.9	\$62.9	\$86.9	\$65.0
Percent	67.3%	81.0%	66.1%	73.7%	69.9%	60.9%	63.6%



**Collections over 365 days**

\$ in Millions

Fiscal Year	1997	1998	1999	2000	2001	2002	2003
Dollars	\$63.8	\$67.9	\$75.4	\$68.8	\$71.6	\$96.3	\$71.6
Percent	83.4%	93.7%	84.6%	87.6%	79.6%	67.5%	70.1%



**Data reliability:**

Checks and balances are present in the Accounts Receivable Accounting System to ensure account balances are accurate.

**Why we are using this measure:**

Based on historical data, accounts resolved within the first 180 days of placement provide the greatest opportunity for collections. During this time, 63.9% of the new debt placed, aged one year, is collected. Overall, 74% of net debt placed and aged one year is resolved within the first 365 days. The final chart shows that accounts that have moved to Advanced Collections not only are harder to resolve, but also can exceed the 365-day benchmark.

**What was achieved:**

Since 1998, the collection targets have been exceeded, even during difficult economic times.

**Analysis of results:**

Applying technology improvements, where possible, and streamlining collections efforts have resulted in an average overall resolution rate of 80%, when collections are measured for accounts that have aged over one year.

**Factors affecting results:**

The data tends to show we were reaching our limits in the capacity to handle increased volumes of billings. The number of new liabilities in FY03 dropped by 4.8% from the record high established in FY02.

A high number of billing dollars were tied up in tax appeals for Fiscal Years 2002 and 2003. The Collections staff cannot collect items in protest until the protest is resolved.

**Resources used:**

The results reported are due to the combined resources of the Accounts Receivable, Central Collections and Advanced Collections efforts.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Dollars Recovered for Clients  
Iowa Department of Revenue – Central Collections Partnership

### Description:

Oversee the operation of the Collections Partnership to assure timely resolution and collection of debt owed to the Iowa Department of Revenue and other contracting agencies.

### Why we are doing this:

To provide quality, competitive collection services.

### What we're doing to achieve results:

Outsourcing Services, Inc., in partnership with the Iowa Department of Revenue, is collecting debt for delinquent tax accounts and debt from Iowa Judicial Branch, Iowa Collage Aid Commission, and Department of Human Services.

### Performance Measure:

Dollars recovered for clients.

### Performance Target:

No target identified.

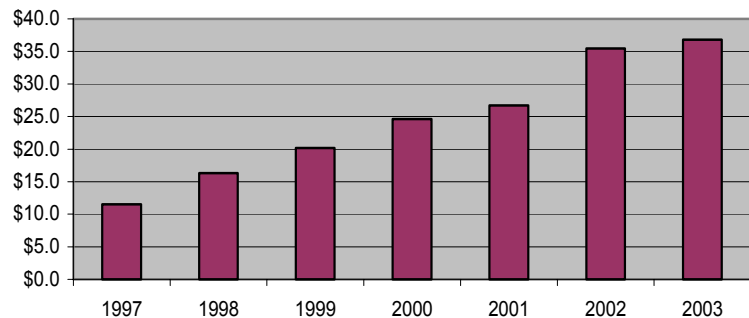
### Data Sources:

Revenue's Accounts Receivable System, Revenue's Judicial Accounts Receivable System, and clients' Accounts Receivable Systems.

### Results

#### Dollars Recovered for Clients in Millions

Fiscal Year	1997	1998	1999	2000	2001	2002	2003
Collections	\$11.5	\$16.3	\$20.2	\$24.6	\$26.7	\$35.5	\$36.8



### Data Reliability:

Generally accepted accounting standards are used to reconcile debt.

**Why we are using this measure:**

The Central Collections Unit is self-supporting; therefore, collections are tracked to monitor and refine collection strategies.

**What was achieved:**

The first full fiscal year of partnership collection activity resulted is \$11.5 million collected for all debt types. Collections have continued to rise each fiscal year, with \$38.8 million collected in 2003.

**Analysis of results:**

Although no new clients have entered into partnership with the Department of Revenue and Outsourcing Services, Inc., correspondence improvements, along with improved strategies implemented in the Computer Assisted Collection System *Plus*, have resulted in continued collection growth and account resolution.

**Factors affecting results:**

The Computer Assisted Collection System *Plus* Team met to strategize to improve the collection of all debt types. This past year, this led to systemic letter improvements, tightened rules in the Computer Assisted Collection System *Plus*, and a special project referred to as the "Status 39 Project."

**Resources used:**

Primary resources were provided by Outsourcing Services, Inc. (OSI). OSI's collection efforts were also supported by Iowa Department of Revenue's Accounts Receivable and Central Collections staff.

# PERFORMANCE PLAN RESULTS

## CORE FUNCTION

### Name:

Revenue Per Dollar of Cost – Compliance Division

### Description:

Assure voluntary compliance with Iowa's tax laws so the correct amount of taxes are paid, but no more, through policy development, taxpayer education and assistance, examination, audit, and the timely resolution of disputed tax issues.

### Why we are doing this:

The Department seeks to improve voluntary compliance with Iowa's tax laws by assuring that under-reported and non-filed taxes are identified and collected.

### What we're doing to achieve results:

Audit programs are being developed to identify and collect taxes from under-reporters and non-filers in the most cost efficient manner.

### Performance Measure:

Dollars collected per enforcement dollars expended.

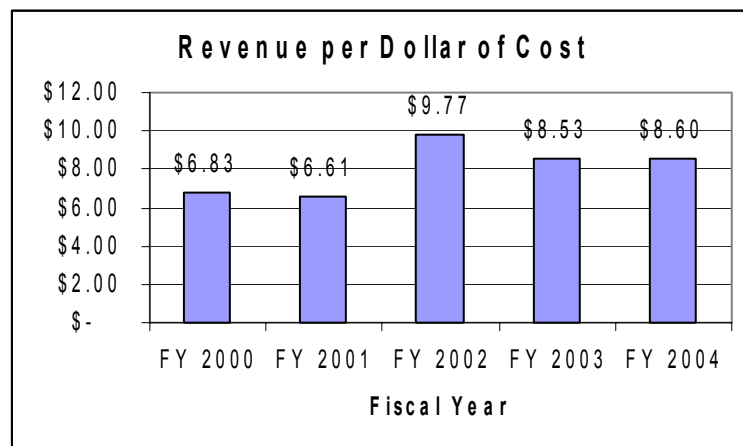
### Performance Target:

Collect \$6.25 for each enforcement dollar expended.

### Data Sources:

Compliance Division Return on Investment and Cost Benefit reports.

### Results



### Data Reliability:

The methodology used to measure cost benefit and return on investment has been the Department standard for several years. This measure compares the dollars spent against actual dollars collected for any given program.

### Why we are using this measure:

This measure is used to gauge the overall efficiency of the Department's enforcement programs.

## **What was achieved:**

Enforcement costs for Examination Section, Tax Gap, In-State Field Audit, Out-of-State Field Audit, and Investigative Audit totaled \$9,533,780. FY04 collections and refund reductions totaled \$81,993,815. Thus, for FY04, a return on investment of \$8.60 for every dollar spent was realized.

## **Analysis of results:**

In general, every dollar spent funding examiner and auditor positions in the Compliance Division will generate \$8.60 in revenue. As seen from the chart above, FY02 was an exceptional year in terms of return on investment. There were one-time exceptional collections in corporation tax in FY02. Also FY02 reflected the first year of the technology changes, which contributed to improved efficiency in the division. Prior to FY04, the return on investment measure did not include Tax Gap revenue and expenditures. The return on investment for FY04 reflects the addition of Tax Gap revenues and expenditures. The Tax Gap program is reported under a separate Service/Product/Activity in this report.

## **Factors affecting results:**

As the chart shows, periods 1999 through 2001 show lower return on investment results. These periods occurred before technology and system changes. Once the division implemented the technology, return on investment and efficiency improved dramatically for the periods 2002 through 2003. FY04 reflects the addition of Tax Gap revenues and expenditures.

## **Resources used:**

The Compliance Division's enforcement programs consist of the Examination Section, In-State Field Audit, Investigative Audit, and Out-of-State Field Audit, which will be highlighted individually in the following pages under Service/Product/Activity.

*The Examination Section* consists of 44 examiners and nine support staff, which are funded under four different funding streams including General Fund, Motor Vehicle Fuel Appropriation, Charter Agency funding, and Tax Gap funding. Total direct and indirect expenditures for the Examination Section for FY04 were \$4,707,996. For purposes of this report, Tax Gap is reported separately as a Service/Product/Activity.

*The In-State Field Section* consists of 34 auditors and three support staff, funded through the General Fund and Motor Vehicle Fuel Appropriation. Total direct and indirect expenditures for the In-State Field function were \$3,598,131.

*The Investigative Audit Section* consists of five auditors and one support person, funded through the General Fund and Motor Vehicle Fuel Appropriation. Total direct and indirect expenditures for Investigative Audit were \$633,148.

*The Out-of-State Field Audit* function consists of four auditors located in Seattle, Chicago, Kansas City, and Pennsylvania, funded through the General Fund. Total direct and indirect expenditures for Out-of-State Field Audit were \$594,505.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Revenue Established / Revenue Collected  
Examination Section Programs

### Description:

The Examination Section consists of 30 examiners working baseline audit programs designed to uncover non-filers and under-reporters in individual income tax, excise taxes, corporation income tax, and inheritance and fiduciary taxes.

### Why we are doing this:

To improve voluntary compliance.

### What we're doing to achieve results:

We are developing and implementing audit programs to identify and collect taxes from under-reporters and non-filers.

### Performance Measure:

Revenue established.  
Revenue collected.

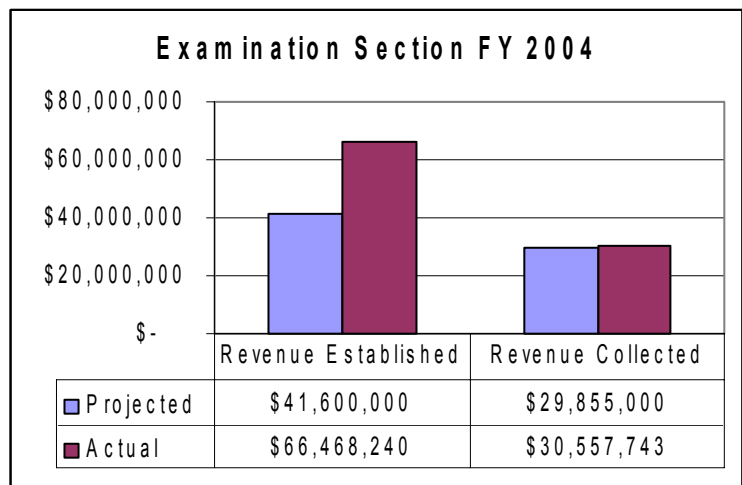
### Performance Target:

Using 31,215 examination hours, establish \$41,600,000 in revenue and collect \$29,855,000.

### Data Sources:

Compliance Division Return on Investment and Cost Benefit reports.

### Results



### Data reliability:

The data resides in the Data Warehouse. We use Business Objects query tool as a resource to extract data from the Data Warehouse.



**Why we are using this measure:**

We use this measure to track our progress toward annual goals set by the Compliance Division.

**What was achieved:**

Examination Section used 42,942 audit hours to establish \$66,468,240 in revenue and collect \$30,557,743.

For FY04, 7,479 hours were spent reviewing refund claims, which resulted in refund reductions of \$27,231,437.

**Analysis of results:**

The Examination Section staff during FY04 worked on multiple billing/refund programs covering multiple tax types, which resulted in the revenue established and collected and the refund reductions for FY04 as stated above.

**Factors affecting results:**

Some billing programs are ongoing. Other programs are eliminated as non-compliance is reduced or as benefit cost ratios go down. New programs are being developed and implemented when projected benefit cost ratios and non-compliance are found to be high.

**Resources used:**

Examination staff, consisting of 30 examiners and support staff. The total direct and indirect costs for the Examination Section were \$3,357,096. Funding for the section comes from four different sources: the General Fund, Tax Gap, Charter and Motor Vehicle Fuel Appropriation. Tax Gap is reported under a separate Service/Product/Activity.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Revenue Established / Revenue Collected  
In-State Field Audit Programs

### Description:

In-State Field Audit is comprised of 34 auditors conducting civil audits for sales, use, individual income, motor vehicle fuel, cigarette and tobacco, withholding and corporation taxes.

### Why we are doing this:

To improve voluntary compliance.

### What we're doing to achieve results:

The in-state field auditors conduct civil audits to detect mistakes in reporting and filing. They educate taxpayers regarding filing and reporting errors, and misinterpretations of Iowa tax law.

### Performance Measure:

Revenue established.  
Revenue collected.

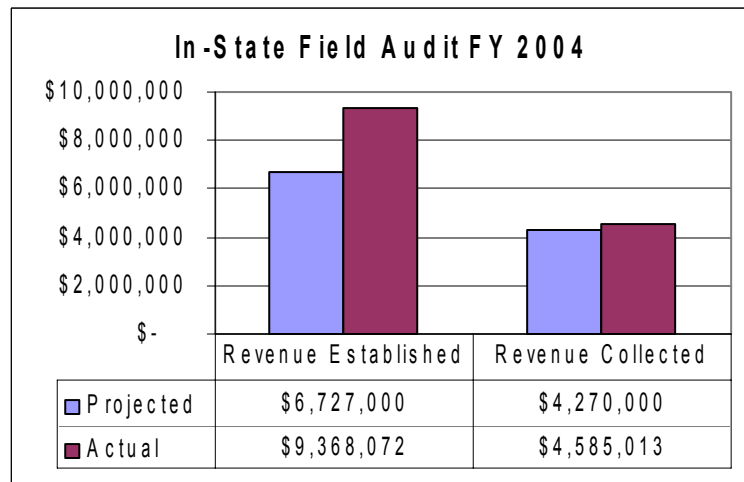
### Performance Target:

Using 21,600 audit hours, establish \$6,727,000 in revenue and collect \$4,270,000.

### Data Sources:

Compliance Division Return on Investment and Cost Benefit reports.

### Results



### Data Reliability:

Data is collected, stored and accumulated in spreadsheets and is reported monthly.

### **Why we are using this measure:**

This measure is used to show progress toward the annual goals set by the Compliance Division.

### **What was achieved:**

In-State Field Audit staff used 25,841 audit hours to establish \$9,368,072 and collect \$4,585,013. Ten new field auditors were hired and trained. They exceeded first year projections by 213%, achieving audit collections of \$533,746. Three new field audit programs were implemented during FY04. Two programs tested sales and use tax compliance in specific areas and generated \$340,000 from 25 audits. Based upon the test results, these audits will be continued during FY05. A third program is a continuation from FY03 and generated an additional \$656,000 from 61 audits.

In-State Field Audit staff also used 9,291 hours reviewing refund claims, reducing them by \$3,244,910.

### **Analysis of results:**

The field staff also uses the Audit Component and the Business Objects tools to improve audit selection and improve performance. During FY04, five new Business Objects reports were published using a combination of Audit Component data and a second database that allow field managers to better track the progress of audit assignments.

### **Factors affecting results:**

Field staff continually make improvements in the audit selection process and in the audit process itself, reducing the average time spent per audit.

### **Resources used:**

In-State Field Audit staff, consisting of 34 auditors and three support staff. Total direct and indirect expenditures for In-State Field Audit were \$3,598,131. Funding comes from the General Fund and the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Revenue Established / Revenue Collected

Investigative Audit Programs

### Description:

Investigative Audit consists of five auditors who conduct criminal investigations with the ultimate goal of criminal prosecution. They conduct audits on sales, use, individual income, withholding, motor vehicle fuel, corporation, and rent reimbursement taxes.

### Why we are doing this:

To improve voluntary compliance.

### What we're doing to achieve results:

The Investigative Audit staff exists for the purpose of detection of criminal activities and criminal violations of Iowa tax laws. They investigate violators of tax law, build cases against them, and where appropriate, turn the cases over for criminal prosecution. Their purpose is to assure improved voluntary compliance with Iowa's tax laws.

### Performance Measure:

Revenue established.

Revenue collected.

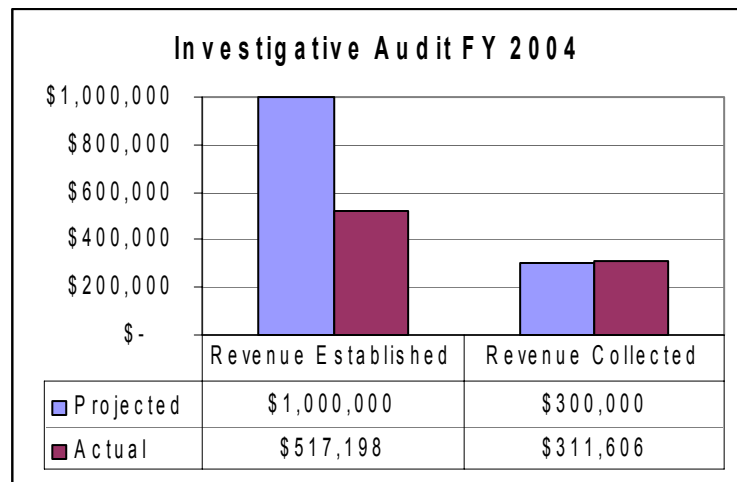
### Performance Target:

Using 6,700 audit hours, establish \$1 million in revenue and collect \$300,000.

### Data Sources:

Compliance Division Return on Investment and Cost Benefit reports.

### Results



### Data Reliability:

Data is collected, stored and accumulated in spreadsheets and is reported monthly.

**Why we are using this measure:**

This measure is used to track our progress toward annual targets set by the Compliance Division.

**What was achieved:**

Investigative Audit staff used 6,512 hours to establish \$517,198 and collect \$311,606. A total of nine cases were referred to criminal court and five were closed civilly.

**Analysis of results:**

The Investigative Audit Section is the criminal prosecution arm of the division. They file charges and prosecute tax non-filers and under-reporters in various tax types, with the goal of improving voluntary compliance.

**Factors affecting results:**

As the section goes after tax cheats and finds success in prosecution, factors affecting results are often due to publication of criminal prosecutions in the newspapers. Publication of criminal case results lets the public know we are going after tax cheats and will prosecute them. Newspaper articles both educate and help to deter others from committing tax fraud.

**Resources used:**

Investigative Audit staff, consisting of five auditors and one support person. Total direct and indirect expenditures for the Investigative Audit Section were \$633,148. Funding comes from the General Fund with limited funding from the Motor Vehicle Fuel Appropriation.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Revenue Established / Revenue Collected

Out-of-State Field Audit

### Description:

Out-of-State Field Audit consists of four auditors located in Seattle, Chicago, Kansas City and Pennsylvania. They conduct civil audits of sales, use and withholding taxes.

### Why we are doing this:

To improve voluntary compliance.

### What we're doing to achieve results:

Out-of-State Audit staff conduct audits on sales/use tax accounts to assure proper reporting and collection of tax that may be due.

### Performance Measure:

Revenue established.

Revenue collected.

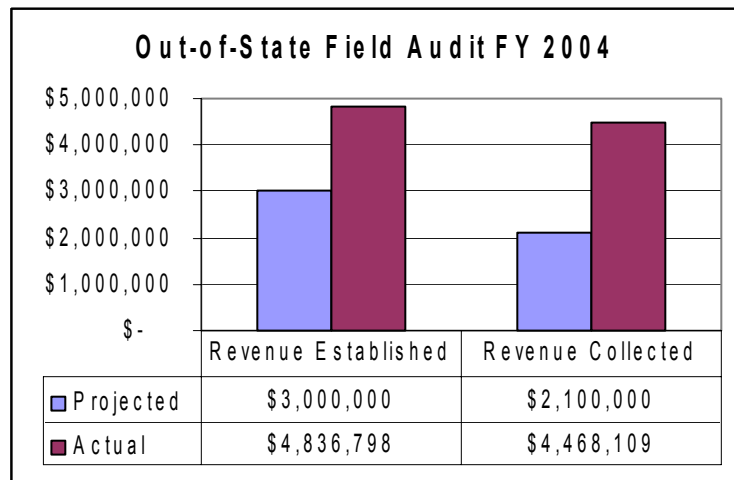
### Performance Target:

Using 4,300 audit hours, establish \$3 million in revenue and collect \$2.1 million.

### Data Sources:

Compliance Division Return on Investment and Cost Benefit reports.

### Results



### Data Reliability:

Data is collected, stored and accumulated in spreadsheets and is reported monthly.

**Why we are using this measure:**

This measure is used to track our progress toward annual targets set by the Compliance Division.

**What was achieved:**

Out-of-State Field Audit staff used 3,429 hours to establish \$4,836,798 and collect \$4,468,109. They also reviewed refund claims, reducing them by \$909,633.

**Analysis of results:**

Beginning in FY04, Out-of-state field auditors no longer conducted audits on corporation tax, as those audits were transferred to Office Exam. However, revenue continued to be collected on previous audits.

**Factors affecting results:**

Out-of-State Field Audit staff has been reduced drastically since 2002 due to budget, from a high of 10 auditors to the current four.

**Resources used:**

Out-of-State Field Audit staff, consisting of four auditors. Total direct and indirect expenditures for the Out-of-State Field Audit program were \$594,505. Funding comes from the General Fund.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Revenue Established / Revenue Collected  
Tax Gap Programs

### Description:

The Tax Gap program is a compliance initiative to design, develop and implement a Data Warehouse and automated audit processing/transaction system. Tax Gap consists of 14 examiners working individual income tax, corporation tax and sales/use taxes.

### Why we are doing this:

To promote voluntary compliance, enhance and improve customer services and audit efficiency, and to increase tax revenues.

### What we're doing to achieve results:

Tax Gap is improving the office and field audit selection process by 1) identifying additional data sources to be used with Data Warehouse tools, 2) using Data Warehouse tools to analyze characteristics to develop audit leads, 3) reviewing the results of certain office transactions and refining criteria, and 4) refining the process for analyzing non-Data Warehouse audit leads. These actions will result in more productive audit leads.

### Performance Measure:

Revenue established.  
Revenue collected.

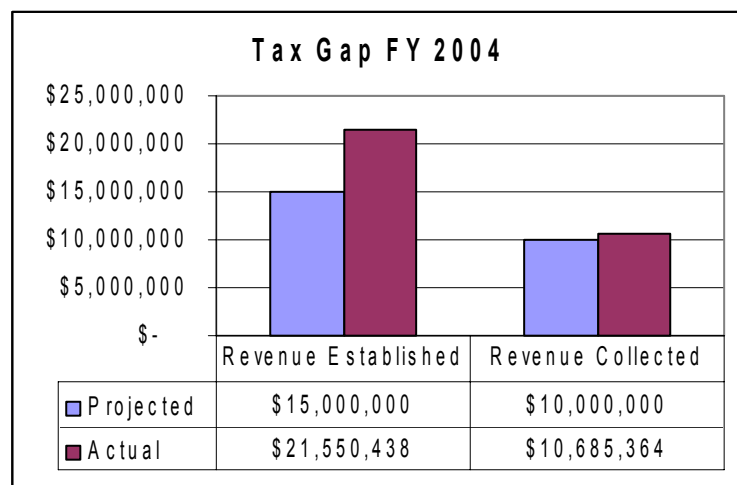
### Performance Target:

Using 19,008 examination hours, establish \$15 million in revenue and collect \$10 million.

### Data Sources:

Compliance Division Return on Investment and Cost Benefit reports.

### Results





**Data Reliability:**

The data resides in the Data Warehouse. Business Objects is the query tool used to extract and report data from the Data Warehouse.

**Why we are using this measure:**

This measure is used to track progress toward annual targets set by the Compliance Division.

**What was achieved:**

Tax Gap staff used 16,718 audit hours to establish \$21,550,438 in revenue and collected \$10,685,364.

**Analysis of results:**

The Data Warehouse and the Business Objects query tools enables Tax Gap staff to load and extract data from multiple sources from the warehouse, and analyze and manipulate the data to produce productive audit leads. The leads are then loaded to the Audit Component for assignment to the examiners to work without the use of paper. Without the use of these new technology tools to load and match data, it would have been very difficult to bill and collect these new revenues.

**Factors affecting results:**

The new tools we are using — Data Warehouse, Audit Component, and Business Objects — have allowed the division to improve the audit selection process, to develop more productive audit leads, and to improve staff performance. The Tax Gap revenues are a direct result of these efforts and would not have normally been received using past methods.

**Resources used:**

Tax Gap staff, consisting of 14 examiners and one support person. Total direct and direct expenditures for Tax Gap were \$1,350,900. Funding comes from Tax Gap revenues.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### **Name:**

Technical Calls-Only Initiative  
Taxpayer Service Section

### **Description:**

Technical calls are defined as calls that require a tax specialist's knowledge of tax law to answer. They do not include, for instance, requests for forms orders and refund status calls or e-mails.

### **Why we are doing this:**

Approximately one-fourth of the more than 126,000 calls answered by tax specialists are non-technical calls. The goal is to reduce non-technical calls to tax specialists, who then become available to callers with complex tax issues.

### **What we're doing to achieve results:**

The Department believes it can reduce and redirect non-technical calls by expanding its self-service options.

The upfront message on the 800-number phone system gives the Department's Web address. Callers are given self-help options for refund information, ordering forms, listening to recorded messages, changing name and address, and obtaining a copy of a return

The Web site provides all publications, forms, and news. An online application gives refund status. Other applications are available to apply for business permits and set up tax payments. Separate e-mail alternatives are provided to order forms and to ask questions. Forms and publications are available on the TaxFax system. A ListServ provides instant e-mail news to subscribers.

**Performance Measure:**

Percent of calls of a technical nature.

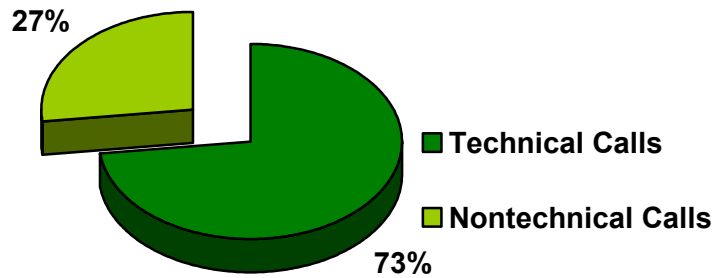
**Performance Target:**

Technical calls will be at least 75% of total calls.

**Data Sources:**

Taxpayer Service Specialists manual tracking of calls.

**Results**



**Data Reliability:**

Because this statistic is compiled manually by each call agent, the number is as accurate as they are able to track, given the large call volume.

**Why we are using this measure:**

Our mission statement is: With integrity and professionalism, we will educate our customers to help them understand Iowa tax laws, assist them with complying with the laws, and provide information on and assistance with department processes and services.

Answering calls of a technical nature educates the taxpayer and helps them voluntarily comply with tax laws.

**What was achieved:**

73% of calls in FY04 were of a technical nature.

**Analysis of results:**

The performance target for FY04 was 75%. Taxpayer Services did not meet its goal by only 2%. One reason identified is that although e-filing produces fewer technical calls, it also increases non-technical calls, particularly requests for Personal Identification Numbers.

**Factors affecting results:**

Self-service options contributed to improving the percent of technical calls being answered.

In FY04:

- ListServ (E-Lists) subscribers increased 47%; e-mail sent via E-Lists increased 91%
- Questions via e-mail increased 13% to more than 20,000 total for the year
- Use of online/telephone refund status system increased 63%
- 42% of all calls to the 800 number chose self-help options
- Busy signal rate was reduced 37%
- E-filing increased non-technical calls

**Resources used:**

Taxpayer Services is staffed by 14 tax specialists. Taxpayer Services is funded by the General Fund.

# PERFORMANCE PLAN RESULTS

## SERVICE / PRODUCT / ACTIVITY

### Name:

Busy Signal Study

Taxpayer Service Section

### Description:

Busy signals are defined as calls that do not reach a tax specialist when requested through the 800 number. The Iowa Department of Revenue continually seeks to reduce the busy signal rate to the tax specialist call center.

### Why we are doing this:

In FY04 more than 110,000 of the more than 126,000 calls immediately reached one of the 14 tax specialists. Approximately 16,000 calls still received a busy signal. Many calls are non-technical requests for forms and basic information that are easily obtained elsewhere. The goal is to reduce the non-technical calls to tax specialists, who then become available to callers with complex tax issues. The busy signal rate would then be reduced.

### What we're doing to achieve results:

The Department believes it can reduce the overall number of calls and redirect non-technical calls by expanding its self-service options. The Web site provides all publications, forms, and news. An online application and telephone system answers "Where's my refund?" calls. Online applications are available to apply for business permits and set up tax payments. Forms and publications are available on the TaxFax system. A ListServ provides instant e-mail news to subscribers. Classes about Iowa taxes are held statewide, and marketing them is a priority. Separate e-mail alternatives are provided to order forms and to ask questions.

### Performance Measure:

Percent of calls receiving a busy signal.

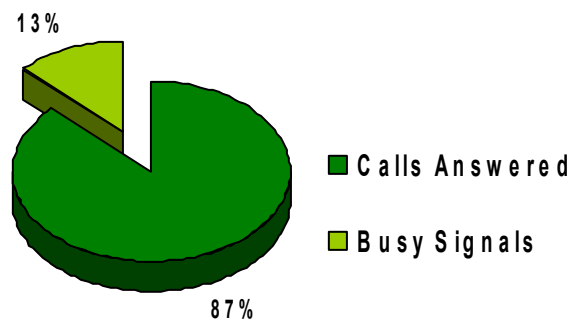
### Performance Target:

No more than 15% of calls will receive a busy signal.

### Data Sources:

Telephone ACD records.

### FY04 Results



**Performance Measure:**

Number of calls receiving a busy signal.

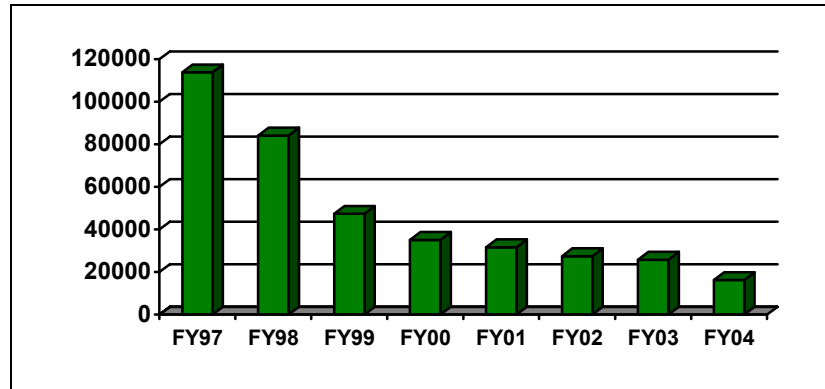
**Performance Target:**

No more than 15% of calls will receive a busy signal by FY04.

**Data Sources:**

Telephone ACD records.

**8-Year Comparison**



**Data Reliability:**

Statistics are compiled by our call-handling software and are extremely reliable. Data is stored in a spreadsheet by the manager.

**Why we are using this measure:**

The actual call statistics show that Taxpayer Services continues to improve and increase its response time to callers.

**What was achieved:**

In FY04, just over 13 percent of calls received a busy signal. Taxpayer Services had 9,500 fewer busy signal calls than last fiscal year. Busy signals dropped 6 percent in FY04 from the prior year. Since 1997, busy signals have dropped 77 percent.

**Analysis of results:**

The performance target of no more than 15 percent of calls receiving busy signals in FY04 was achieved.

**Factors affecting results:**

The Department improved its income tax return and rent reimbursement processes, which reduced the time to receive a refund/reimbursement. This, in turn, reduced telephone calls and contributed to the overall reduction of calls.

Previously, the telephone system had no call-waiting function and callers could choose to leave a message. This proved inefficient and cumbersome. Callers would leave multiple messages; messages were manually removed from the phone mail system; callers would often reach a tax specialist before the phone mail was processed. Phone mail was removed and the call-waiting function was installed.

**Resources used:**

Taxpayer Services is staffed by 14 tax specialists. Taxpayer Services is funded by the General Fund.

# 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](http://www.state.ia.us/tax).

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# ACKNOWLEDGMENTS

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

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