Iowa Department of Revenue
Strategic Plan

2007 - 2010

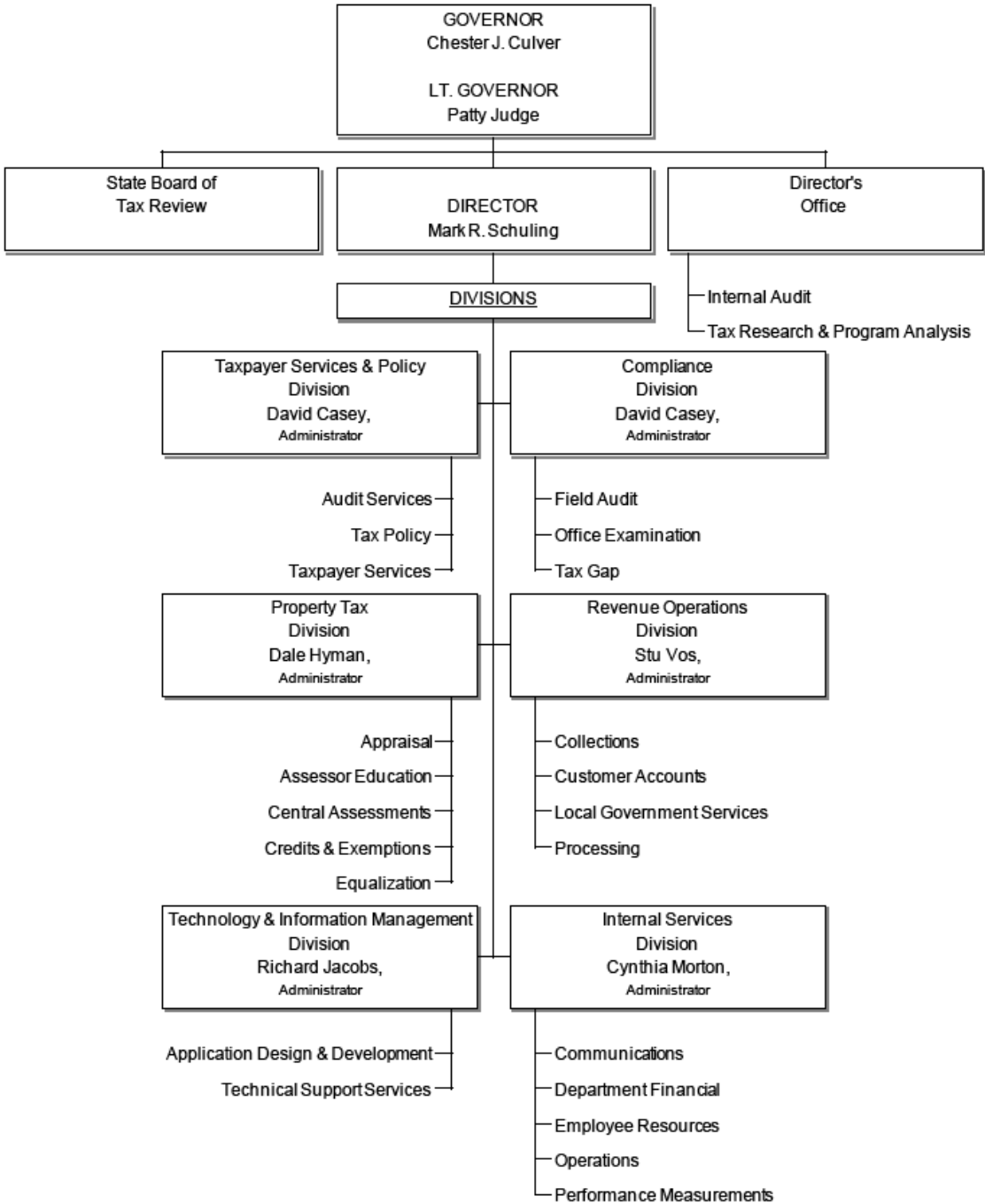# CONTENTS

MISSION & CORE FUNCTIONS

Our Mission:

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

Our Core Functions

- REVENUE COMPLIANCE AND COLLECTION

  Educate customers on tax policy and collect revenues in compliance with Iowa's tax laws, including processing and collections, policy development, education, examination, audit, and timely resolution of disputed tax issues.

- LOCAL GOVERNMENT ASSISTANCE

  Provide assistance to local governments by administering just and uniform assessments and programs for property tax relief, local option sales tax, and school infrastructure sales tax.

- RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT

  Provide tax policy analysis, fiscal impact estimation, and economic and statistical research and analysis to help customers, stakeholders, and policy-makers make informed decisions.

- RESOURCE MANAGEMENT

  Provide all vital infrastructure needs necessary to administer and support agency operations, including personnel, the agency's Web site, performance measurements, and the development and support of technology and information applications.

DEPARTMENT OF REVENUE

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                    │        GOVERNOR         │
                    │     Chester J. Culver   │
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                    │       Patty Judge       │
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| State Board of Tax Review | DIRECTOR Mark R. Schuling | Director's Office |

DIVISIONS

- Internal Audit
- Tax Research & Program Analysis

Taxpayer Services & Policy Division
David Casey, Administrator

Compliance Division
David Casey, Administrator

- Audit Services
- Tax Policy
- Taxpayer Services

- Field Audit
- Office Examination
- Tax Gap

Property Tax Division
Dale Hyman, Administrator

Revenue Operations Division
Stu Vos, Administrator

- Appraisal
- Assessor Education
- Central Assessments
- Credits & Exemptions
- Equalization

- Collections
- Customer Accounts
- Local Government Services
- Processing

Technology & Information Management Division
Richard Jacobs, Administrator

Internal Services Division
Cynthia Morton, Administrator

- Application Design & Development
- Technical Support Services

- Communications
- Department Financial
- Employee Resources
- Operations
- Performance Measurements

VISION & GUIDING PRINCIPLES

The Department's Vision:

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

Guiding principles:

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

- **Integrity:**
    - We will through honest and open policies maintain the public's confidence in our ethical standards.
    - We carefully safeguard our customers' confidential information.

- **Responsibility:**
    - We will provide expert advice and support to policy-makers and to local and state government entities.
    - We will help local governments responsibly manage their resources through education and supervision of the property tax system and local option taxes.

- **Understanding:**
    - We recognize that Iowa tax laws are complex and will provide the services and education necessary to enable compliance by all of our customers.
    - We understand that to have a well educated and responsive work force we need to provide our employees with ongoing

training to develop their professional skills and to achieve personal growth.

- **Fiscal Management:**
  - We will responsibly manage our financial resources to fulfill our mission.
  - We will continually monitor and measure our processes to assure economy and efficiency.

ASSESSMENT

The Iowa Department of Revenue is responsible for administering the following taxes.

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

CUSTOMERS

The department's customer base is one of the largest of all state government agencies. In addition to responding to all persons and entities throughout the state and nation who have Iowa tax responsibilities, the department interacts with all levels of state, local and federal governments, tax practitioners and business groups.

The department timely processes deposits and refunds. The department deposits over 90 percent of the State's General Fund receipts. The state depends on timely deposits to provide funds for use in daily operations. Taxpayers expect timely processing and receipt of refunds.

Each type of customer requires from the department timely, accurate and understandable responses or "product."

CUSTOMER SATISFACTION

The department has a strong program of performance measurement and evaluation to monitor customer satisfaction, emerging trends, issues and innovations. A growing emphasis exists for e-commerce and other technologies that provide the means to serve customers more efficiently and effectively.

The department has forged relationships to facilitate efforts to provide customer satisfaction. Information exchanges occur with the Internal Revenue Service (IRS), other states, the Federation of Tax Administrators, the National Tax Association and several local business and accounting associations to address "best practices" for customer satisfaction issues.

SUPPLIERS

The department relies on information suppliers and suppliers of support services. Information suppliers include the IRS through electronic filing and information exchange programs, other states, tax practitioners and taxpayers themselves. The department uses the services of third-party data providers to locate addresses and telephone numbers of taxpayers. Other state agencies supply data related to corporate officers and wages, state payrolls, debt

collections, and applicable financial data. Local governments supply information necessary for the department to administer various property tax responsibilities.

Suppliers that provide support services include divisions of the Department of Administrative Services, the Iowa Communications Network, General Services, the Department of Management, the Legislative Service Agency, and the IRS.

COMPETITION

The department as a collector of taxes does not operate in a competitive environment. The department maintains a strong program of performance measurement and evaluation to compare annual performances in multiple categories. The Collections Section has expanded its delinquent debt collection activities to include debts owed other state agencies and local governments to maximize collection benefits. The department gauges performance by benchmarking with the IRS and other state agencies in areas such as turnover, sick leave usage, training expenses, hiring cycle time, and Affirmative Action.

The department does compete with other state agencies for general and special funds. Performance measurement data about assessments, collections and customer satisfaction is used to support these requests.

FUTURE

Collecting Iowa's taxes while providing fair and respectful responses will be achieved. The department will assist taxpayers with their understanding of tax laws and filing requirements through educational opportunities. Where appropriate, automated self-help options will be made available to taxpayers so needed information and forms can be obtained anytime. Staff resources will be concentrated on providing technical assistance where personal assistance is most appropriate. Ongoing performance measures will be utilized to determine the right mix of services that assures taxpayer assistance needs are being met by the department.

Technology is a significant focus in the department's future. Education and encouragement for taxpayers to submit electronic payments will be pursued. The department will expand 24/7 electronic alternatives to traditional "paper based" methods for filing and paying taxes. This includes filing tax returns, making payments, obtaining forms and information as well as viewing and updating information on file with the department. While e-services are a focal point, the department will seek improvements for processing the diminishing number of paper tax returns.

GOALS

Department of Revenue Goals

- We will create an environment of collaboration and partnership in order to improve voluntary compliance with Iowa's tax system.

- We will safeguard our customers' confidential information.

- We will provide a consistent, fair and professional program of collection services.

- We will improve our methods of processing tax returns and payments and managing tax revenues so that these transactions will be timely, accurate and cost effective.

- We will support department operations by responsibly managing our finances to provide an environment that nurtures our human resources, enhances technology platforms and continues a strong program of performance measurement and evaluation.

- We will provide education and supervision so that property assessment will be uniform, fair and equitable, and we will assist local governments by efficiently administering the local option tax programs.

- We will provide expert advice and support to policy-makers and to local and state government entities to promote economic growth in the state and accountability in the administration of the state tax system.

STRATEGIES

The department is committed to the following strategies:

- Enhance compliance programs and processes while meeting the education and communication needs of customers.
- Recommend improvements in the taxation system.
- Complete a comprehensive review of security of assets, including data retention policies, activities required under the Enterprise Security Policy, and infrastructure.
- Enhance processes and technology to maximize resolution of all collection accounts.
- Ensure consistent, fair and equitable treatment of all customers through process improvement and professional development.
- Foster at least a 15 percent increase in the number of electronically-filed documents.
- Evaluate current and future electronic filing and payment options to ensure quality of service to others.
- Review internal processes to ensure timely and effective processing of returns and resolution of errors and to increase operating efficiencies.
- Increase the knowledge, skills and productivity of employees to ensure a well-trained work force is developed and retained.
- Review current performance measurements to determine their usefulness and the extent to which they are used to drive data-based decision making.
- Prepare and monitor an annual budget that supports the financial needs of the department, reflects departmental priorities and maintains alignment with spending plans.
- Market Communications Unit services to all departmental divisions.
- Complete a comprehensive strategy for modernizing information management resources.
- Prepare and publish a real property appraisal manual for use by local assessors, department staff appraisers, and private appraisers.
- Work with customers to identify and clarify inequities and complexities in the property tax system.
- Improve expertise in economic and revenue forecasting, fiscal and economic impact analysis, and tax policy.
- Expand collaboration with other units of government and state universities to improve the quality of information available for economic development planning and to improve research and program analysis capabilities.
- Enhance expertise in the areas of tax expenditures and tax credits, and effectiveness evaluation.
- Support the professional growth of staff and their research and analysis capabilities.

REVENUE GOAL #1

We will create an environment of collaboration and partnership in order to improve voluntary compliance with Iowa's tax system.

GOAL MEASURES
1. Percentage of known-due individual income tax paid timely.
2. Percentage of known-due corporation income tax paid timely.
3. Total revenue collected per dollar spent.
4. Recovery rate for major taxes.

STRATEGY
Enhance office exam and field audit compliance programs and processes while meeting the education and communication needs of customers.

ACTIONS
Implement audit/exam processes and procedures to improve the efficiency and return on investment for dollars spent.

Education and Communication
- Enhance educational programs by working with specific organizations, such as the Iowa Bar and Iowa Society of CPAs, to identify special training needs and conduct educational programs based on these identified areas.
- Increase the number of subscribers to eLists (list, increase the use of e-mail, and increase the information on the department's Web site to improve customer service to our taxpayers.
- Evaluate areas of non-compliance and determine outreach opportunities to improve voluntary compliance.
- Utilize focus groups and other tools to identify custom needs and meet those needs with additional services and/or education.
- Within a four year cycle, review and update all administrative rules.

Enhance Audit and Compliance Program Management
- Segment and analyze field audits, identify traits of productive audits and use to screen audit leads prior to assignment.
- Decrease interest paid on refund claims by assigning two field auditors solely to auditing claims.
- Increase field audit revenue by decreasing audit hours through the use of statistical auditing techniques and support.
- Continue to develop and implement new or expand existing audit programs to uncover under-reporters and non-filers.
- Develop scoring and ranking systems for audit leads.

Improve Applications to Enhance Productivity
- Expand utilization of the Audit Component by identifying additional data sources and by adding additional tax types and programs.
- Using Business Objects, develop a method to analyze results of staff productivity and programs to determine their cost benefit and return on investment.
- Conduct all office exam programs, including non-filer programs, within two years of the due date of the return.
- Evaluate return on investment for all compliance programs and prioritize accordingly.

STRATEGY
   Recommend improvements in the system of taxation in the state.

ACTION
   Annually recommend simplification steps to the Legislature.

REVENUE GOAL #2

We will safeguard our customers' confidential information.

GOAL MEASURES
1. Number of instances of unauthorized access.
2. Percent of staff receiving security awareness training.

STRATEGY

Complete by July 2007 a comprehensive review of the security of assets maintained by the agency including:

- Development of data retention policies for agency diverse information systems.
- All necessary activities required under the Enterprise Security Policy, including completion of annual vulnerability assessment, biannual risk assessment and compliance with Internal Revenue Service requirements.
- Maintain secure infrastructure, including timely installation of software upgrades consistent with security requirements.

ACTIONS

- Inventory data resources and establish criteria for evaluating the data retention policies of these various information assets by January 2007.
- Apply criteria to data maintained on mainframe and SQL data resources managed by the Technology and Information Management Division.
- Establish priorities for application of criteria to data resource maintained external to mainframe (including Compliance Division data warehouse and F&P Data Analysis data warehouses.)
- Complete required vulnerability assessment by April 1, 2007.
- Implement procedures for ensuring enhanced security policies, including software distribution, encryption and data retention, by January 1, 2007.
- Provide enhanced security awareness training for all staff.

REVENUE GOAL #3

We will provide a consistent, fair and professional program of collection services.

GOAL MEASURES
1. Net recovery rate – major taxes.
2. Percent of billed accounts resolved.
3. Percent of recoveries per dollars placed – non-tax entities.
4. Percent of expenses to total collections – Collections Partnership.
5. Dollar change in collections.

STRATEGIES
- Enhance processes and technology to maximize resolution of all collection accounts.
- Ensure consistent, fair and equitable treatment of all customers through process improvement and continued professional development.

ACTIONS
- Re-engineer collection processes by January 2007 to utilize nationally-recognized best practices.
- Enhance collection technology through ongoing modernization of software applications. This includes upgrades to the accounts receivable, collection and offset systems. Account stratification software will be developed and implemented by April 2007.
- Integrate operational aspects of the collections program into a single enterprise.
- Continue professional development through a program of performance feedback and accountability, regular team meetings and an annual collections conference.
- Apply performance metrics to improve results achieved on collection portfolios of state agency customers.
- Continue to define opportunities to expand collection services to additional state and local government entities.

REVENUE GOAL #4

We will improve our methods of processing tax returns and payments
and managing tax revenues so that these transactions
will be timely, accurate and cost effective.

GOAL MEASURES
1. Cycle time for income tax returns.
2. Cycle time for income tax refunds.
3. Percent of dollars deposited on the same day of receipt.
4. Percent of dollars collected electronically.

STRATEGIES
- Encourage the use of electronic filing services to foster at least a 15 percent increase in the number of electronically-filed documents.
- Systematically evaluate and document current and future electronic filing and payment options to ensure quality of service to others.
- Carefully review internal processes to ensure timely and effective processing of returns and resolution of errors and to increase operating efficiencies within the department.

ACTIONS
- Implement a quality improvement event to reduce costs and improve the quality and timeliness of Elderly Credit processing.
- Pilot an imaging project to improve access to selected records.
- Continue existing quality improvement efforts to systemically identify and resolve errors in electronically-filed returns.
- Provide information and education designed to foster greater acceptance of electronic filing and payment solutions.
- Complete by January 2008, the development of the specifications which are necessary for software developers to re-engineer their applications for continued participation in the Federal/State Individual Income Tax Electronic Filing Program.

REVENUE GOAL #5

We will support department operations by responsibly managing our finances
to provide an environment that nurtures our human resources,
enhances technology platforms and continues a strong program
of performance measurement and evaluation.

GOAL MEASURES
1. Percent of hours all online systems are available.
2. Percent of reversion to appropriation.
3. Percent of employees who participate in Skill Needs Assessment.

STRATEGY
Seek opportunities to increase the knowledge, skills and productivity of
employees to ensure a well-trained work force is developed and retained.

ACTIONS
- Conduct training needs assessments on all positions on a 3-year rotation.
- Annually conduct an employee survey designed to measure and respond to
  the satisfaction of employees.
- Formalize orientation so that intervention occurs for all new employees
  through their first year of employment.

STRATEGY
Review current performance measurements to determine their usefulness in
managing departmental operations and the extent to which they are used to
drive data-based decision making while asking the question "What should we
be measuring that we are not?"

ACTIONS
- Review revised strategic plan to determine if performance measures in
  place still relate to the new strategies for the department.
- Analyze new programs such as eFile & Pay to determine the most
  appropriate measures.
- Review and validate departmental survey techniques.

STRATEGY
Prepare and monitor an annual budget that supports the financial needs of the
department, reflects departmental priorities and maintains alignment with
spending plans.

ACTIONS
- Through monthly financial reporting provide analysis and follow-up on
  adherence to the spending plan.
- Seek opportunities to further automate budget and central accounting
  operations.

STRATEGY
Market Communications Unit services to all departmental divisions.

ACTIONS
- Review services available with senior managers and recommend opportunities for further Communications services utilization.
- Coordinate forms development and design with users to seek user-friendly design and test for accuracy of the design.

STRATEGY
Complete by January 2008 a comprehensive strategy for modernizing department information management resources.

ACTIONS
Develop a process for evaluation of current technology solutions and identification of improvements that will result in a strategic vision of enhancements to the agency's information solutions to:
- Improve delivery of service to customers.
- Leverage current investment to achieve effectiveness from upgrades in technology platforms.
- Improve IT strategic planning within agency to co-exist with agency business strategic planning.
- Secure adequate funding to successfully achieve objectives.

Maintain technology resources required to provide:
- Technical skills required for secure and effective deployment of technology.
- Management of complex infrastructure to include adequate life cycle.
- Continuity of critical agency operations.

REVENUE GOAL #6

We will provide education and supervision so that property assessment
will be uniform, fair and equitable and assist local governments
by efficiently administering the local option tax programs.

GOAL MEASURES
1. Percent of jurisdictions within statutory assessment level tolerance.
2. Percent of assessments completed in a timely manner.
3. Statewide uniform and just assessments.

STRATEGY
- Prepare and publish a real property appraisal manual for use by local assessors, Department of Revenue staff appraisers, and some private appraisers.
- Work with our customers and the public to identify and clarify inequities and undue complexities in the property tax system.

ACTIONS
- Implement by the end of calendar year 2007 a schedule for delivery of appraisal manuals, including training of local government officials on how to use the manual to improve uniformity and quality of assessments.
- Provide ongoing training to staff, focusing on enhanced service to customers at all levels.
- Provide a quality equalization process to ensure fair and equitable assessments statewide.
- Enhance our system of communications with our customers.

REVENUE GOAL #7

We will provide expert advice and support to policy-makers and
to local and state government entities to promote growth in the state
and accountability in the administration of the state tax system.

GOAL MEASURES
1. Timeliness of receipts and refund reports, statistical reports, tax credits reports, and Revenue Estimating Conference briefing papers.
2. Number of tax research and evaluation reports and presentations completed per year.
3. Number of requests for information and analysis, including fiscal impact estimate requests, responded to per year.

STRATEGIES
- Improve expertise in the areas of economic and revenue forecasting, fiscal and economic impact analysis, and tax policy.
- Expand collaboration with other units of government and with the state's universities to improve the quality of information available for economic development planning and to improve research and program analysis capabilities.
- Enhance expertise in the areas of tax expenditures and tax credits, and effectiveness evaluation.
- Support the professional growth of staff and their research and analysis capabilities.

ACTIONS

Economic, Fiscal and Policy Expertise
- Develop an Iowa leading economic indicators model and enhance Iowa economic and revenue forecasting models.
- Stay current with state and national tax policy research through the reading and review of articles in professional journals and reports from other states and from public policy research organizations and by attending professional conferences.
- Enhance the analytical capabilities of the department through the upgrading of IT resources, the expansion of tax and economic databases, the improvement of computer programs, and staff training.

Intergovernmental and University Collaboration
- Continue to make staff expertise available to other departments of state government for projects such as the enhancement of the Iowa Values Fund return on investment model, the economic analysis of local economies for Iowa Great Places communities, the evaluation of budget proposals related to enhancement of the state's economy and evaluation of Iowa's regulatory tax environment.
- Expand the capabilities to assist local governments and economic development organizations with statistical data for use in community

development planning, economic development planning, and the preparation of grant applications.
- Expand collaborative research with faculty at the state's universities, particularly in the areas of micro-simulation modeling and the development of a state structural economic forecasting model.

Tax Expenditures Analysis and Evaluation and Statistical Reporting
- Update the 2000 Iowa Tax Expenditure Study and redesign the tax expenditures database.
- Enhance and maintain a government-wide tax credits tracking and reporting database, and develop procedures for evaluating the effectiveness of tax credits programs.
- Redesign tax statistical reports and modernize statistical reporting programs.