



IDR PERFORMANCE REPORT

For
Fiscal Year 2010

Mark R. Schuling
Director

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INTRODUCTION

On behalf of the staff of the Iowa Department of Revenue, I am pleased to present our Fiscal Year 2010 Annual Report. The mission of our Department is “To serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more.”

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

The Iowa Department of Revenue (IDR) monitors performance of four core functions, under which there are seven services, products and activities (SPAs). In all, 74 measures are used to monitor the core functions and the SPAS in the IDR’s Performance Report.

We are pleased to report an excellent year by the IDR. Sixty-three measures or 85% were met or exceeded during the fiscal year. Several of the measures missed were due to staffing reductions and furloughs due to the fiscal funding reductions.

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

Performance measures monitoring the core functions of revenue collection and compliance show that 29 of the 37 outcome measures met or exceeded their targets. All of the measures that involved revenue collections exceeded their measures except for one and this measure was not achieved as a result of reductions in staffing resulting in lower than anticipated work hours spent on audits. All eight of the non-revenue collection measures that were not achieved involved reductions in staffing resulting in lower than anticipated work hours spent on collections and audits.

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

Performance measures monitoring the core functions of resource management show the IDR has done extremely well in supporting the agency in meeting its targets within budget. A total of 12 of the 14 outcome measures met or exceeded their targets.

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

Yours truly,



Mark R. Schuling, Director
Iowa Department of Revenue
IOWA DEPARTMENT OF REVENUE PERFORMANCE REPORT FY10

AGENCY OVERVIEW

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

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

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

Mission

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

Guiding Principles

- **Customer Focus:**
 - We will encourage collaboration and partnership with our internal and external customers.
 - We operate in an ever-changing environment and will integrate advanced technology into our work processes in order to make them more efficient and of higher value to our customers.
- **Integrity:**
 - We will through honest and open policies maintain the public's confidence in our ethical standards.
 - We will carefully safeguard our customer's confidential information.

- **Responsibility:**
 - We will provide expert advice and support to policy-makers and to local and state government entities.
 - We will help local governments responsibly manage their resources through education and supervision of the property tax system and local option taxes.
- **Understanding:**
 - We will recognize that Iowa tax laws are complex and will provide the services and education necessary to enable compliance by all our customers.
 - We understand that to have a well educated and responsive 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.

Core Functions

● *Local Government Assistance* – Provide assistance to local governments by administering fair and equitable assessments and programs for property tax relief and local option sales taxes.

● *Revenue Compliance and Collection* – Educate customers on tax policy and collect revenues in compliance with Iowa’s tax laws, including processing and collections, policy development, education, examination, audit, and timely resolution of disputed tax issues.

● *Research, Analysis, and Information Management* – Provide tax policy analysis, fiscal impact estimation, and economic and statistical research and analysis to help customers, stakeholders, and policy-makers make informed decisions.

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

Department Operational Units

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

● *Director’s Office*

The Director's Office consists of two sections:

The Internal Audit Section and The Tax Research and Program Analysis Section.

- *Compliance*

The Compliance Division is divided into three major sections: Field Audit, Office Examination and Tax Gap.

- *Technology and Information Management*

Maintains and develops the Department's computerized systems, including the planning and technical support of the Wide Area Network and related automated systems.

- *Internal Services*

The Internal Services Division includes:

- Employee Resource Team
- Budget and Finance Office
- Communication Section
- Performance Management Section

- *Revenue Operations*

The Revenue Operations Division has three major sections:

- Customer Accounts
- Collections
- Document Processing

- *Property Tax*

The Property Tax Division assists local governments in making property tax assessments fair and in compliance with the law.

- *Taxpayers Services and Policy*

The Taxpayers Services and Policy Section includes:

- Audit Services
- Tax Policy
- Taxpayer Services

Customers

The Department's customer base is, by its very nature, one of the largest of Iowa State governmental agencies. In addition to 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 and other states' revenue agencies.

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

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

Staff

The Director of the Iowa Department of Revenue is Mark Schuling. During FY10 there were 356 full-time employees working for the Department. Three employees work at out-of-state locations, 77 are assigned to 10 field offices across Iowa, and the remaining 276 are domiciled in Des Moines.

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

KEY RESULT Core Function

Name: Revenue Collections and Compliance

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

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

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

Results

Performance Measure:

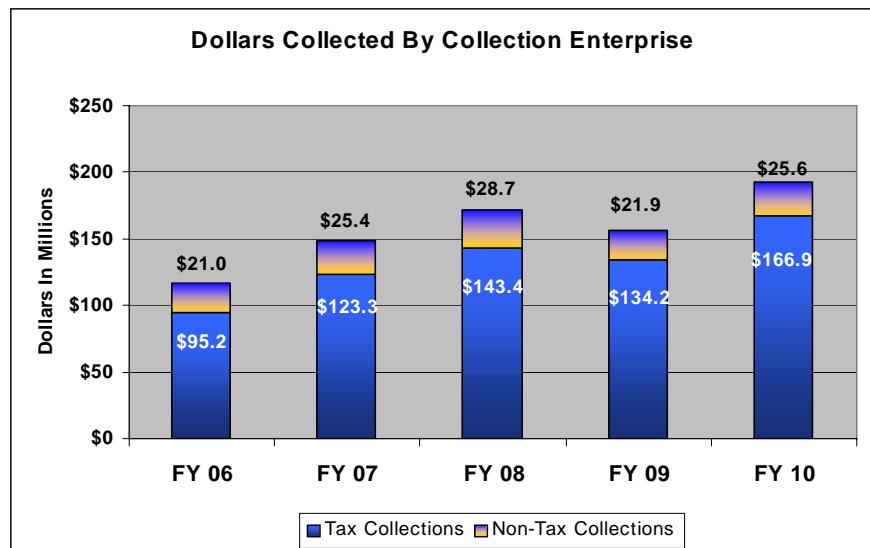
Dollars collected by Collection Enterprise.

Performance Target:

The Department estimated in Fiscal Year 2010 a total of \$157.5 M in tax and non-tax collections.

What was Achieved:

The Department far exceeded Its expectations in fiscal year 2010 with \$192.5 million collected in both tax and non-tax liabilities placed with the Department.



Data Sources:

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

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

KEY RESULT Core Function

Name: Revenue Collections and Compliance

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

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

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

Results

Performance Measure:

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

Performance Target:

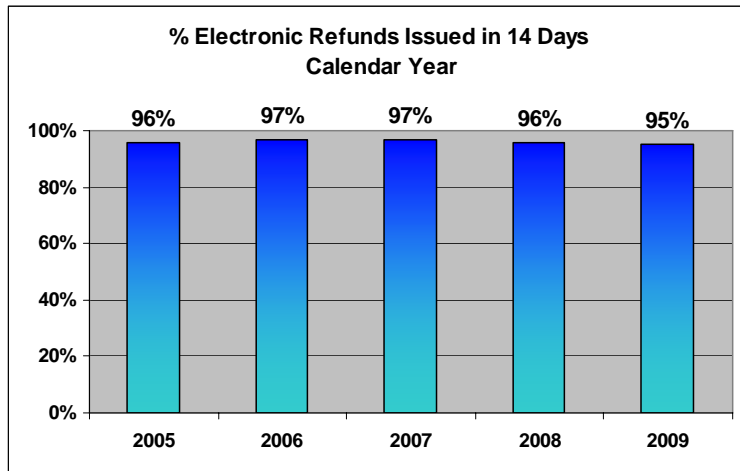
95% of refunds issued in 14 days.

What was Achieved:

The Department met its goal of 95% of electronic refunds issued in fourteen days.

Data Sources:

Iowa Revenue Information System.



KEY RESULT Core Function

Name: Revenue Collections and Compliance

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

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

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

Results

Performance Measure:

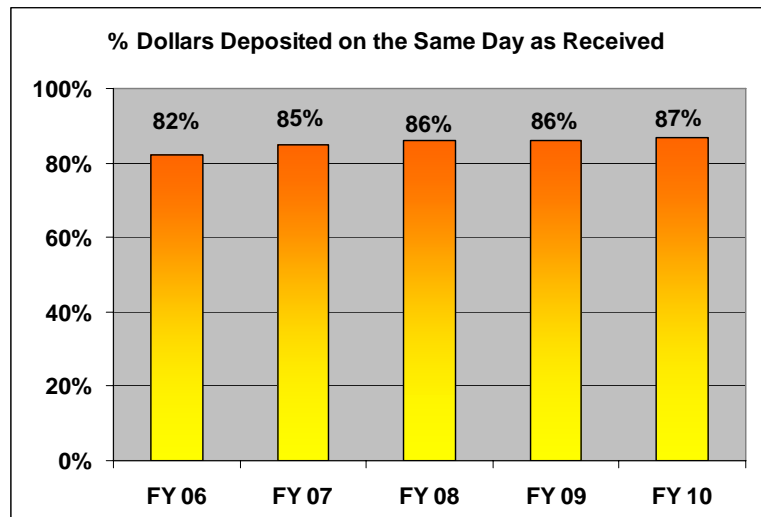
Percent of dollars deposited on the same day as received.

Performance Target:

80% of dollars received will be deposited on the same day as received.

What was achieved:

87% of dollars received into the Department was deposited on the same day as receipt.



Data Sources:

Revenue Operations reports and information systems.

KEY RESULT Core Function

Name: Revenue Collections and Compliance

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

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

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

Results

Performance Measure:

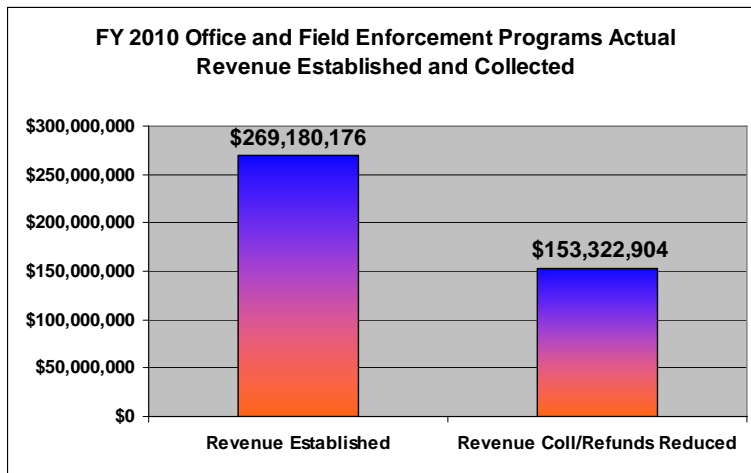
Revenue Established
Revenue Collected

Performance Target:

Establish
\$172,290,547 and
Collect \$75,233,199.

What was achieved:

The Examination and Audit Sections established \$269,180,176 in revenue and collected \$126,099,155. In addition, the Examination and Audit Sections reduced refunds by \$27,223,749.



The dollars collected and refunds reduced total \$153,322,904.

Data Sources:

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

**Agency Performance Report
FY 2010**

Name of Agency: Iowa Department of Revenue

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

Core Function: Local Government Assistance

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. % of jurisdiction within statutory assessment level tolerance.			
Agricultural	75%	71%	The agricultural orders issued dropped from 59 in calendar 2007 to 31 in calendar 2009.
Residential	75%	88%	The residential orders issued dropped from 40 in calendar year 2007 to 13 in calendar 2009.
Commercial	75%	81%	The commercial orders issued dropped from 27 in calendar year 2007 to 20 in calendar year 2009.
2. Number of appraisals completed to date.	100%	100%	Appraisals will be completed by January 2011. Therefore will be report on the FY11 Performance Plan.
3. Automation of collection information from counties.	75% automated by 06/30/10	75%	Reports to be automated include: Abstracts, Board of Review Reports, Utility Reports, and Exempt Property Reports. Estimated time June 30, 2011. Source: Application for course credit forms by assessors and deputy assessors.
4. Number of assessment officials requiring continuing education.	Send exam results by 11/07/09 - 05/09/10	100%	
5. Notify assessors of need for continuing education.	Notify by 08/31/09 - 01/31/10	100%	
6. Timely responses to questions regarding Credits/Exemptions and Transfer Tax	Oral response <=2 working days Written Response<=5 Days	100%	

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Core Function: Local Government Assistance

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of utility and railroad assessments completed.	261	267	
2. Number of replacement tax assessments completed.	138	164	
Property Appeal Board			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of protests from Board of Review	350 protests in reassessment years and 50 protests in non-reassessments years	Non-Reassessment (705) Assessment (1,791)	Exceeded numbers for both reassessment and non-reassessment years.
2. Processing time for appeal process.	90% of decisions prior to properties' second delinquency date	97%	97% of appeals closed prior to second delinquency date. Met and exceeded goal. Delinquency date was until March 2010. Remaining 3% also closed.

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Core Function: Resource Management

Technology and Information Management			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of utilization of electronic filing program.	75%	79%	
2. Percent of utilization of the Iowa e-file services system (withholding/sales-returns).	96%	97%	
3. Percent of utilization of the Iowa e-file services system (withholding/sales-transactions).	59%	65%	
4. Percent of online system work time availability (IRIS, network, e-file).	99%	99%	
Director's Office			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of internal audit project hours spent on tier 1 audits.	75%	71.2%	Internal Auditors spent more time than expected on a Tier 2 audit due to a complete change in the process since the last audit.

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Core Function: Resource Management

Internal Services Division			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of participants completing CPM program.	3	0	Due to the state's fiscal crisis no funds were available for the CPM program.
2. Number of Employees enrolled in Revenue Professional Development	10	0	Due to the state's fiscal crisis no funds were available for professional development classes.
3. Employee satisfaction - average composite score on employee satisfaction survey.	4	4.3	
4. Span of control supervisor/employee.	1:18 or >	1:18	
5. Average number of sick days taken.	8.95	7.9	
6. Percent of employee evaluations complete.	100%	100%	
7. Percent of budget to expenditures.	% of expenditures does not exceed 100% of budget.	98.4%	
8. The level of physical security at my work location is satisfactory.	4 or >	4.21	
9. I feel safe from physical injury at my work location.	4 or >	4.48	

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Core Function: Revenue Collections and Compliance

Revenue Collections			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of tax revenues received by electronic transfer.	75%	72.0%	
2. Percent of paper filed individual income tax refunds issued within 60 days.	90%	95%	
3. Percent of electronic filed individual income tax refunds issued within 14 days	95%	95%	
4. Percent of billed accounts resolved within 180 days.	75%	59%	
5. Ratio of costs to collections	10% or <	8.1%	
6. Dollars collected per audit enforcement dollar expended.	\$9.00	\$12.29	
Document Processing & Deposit			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of dollars deposited same day as receipt.	80%	87.0%	

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Core Function: Revenue Collections and Compliance

Customer Accounts			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of income tax returns requiring review worked within 60 days of going to review	70%	72%	
2. Percent of local option sales tax and school infrastructure local option sales tax distributed timely each year.	95%	100%	
3.Plain Talk-Reduction in phone calls to Customer Account Centers	=<5,008	4,619	
4. Plain Talk-Rent Reimbursement-Reduction in the total number of claims denied.	2,798 or <will be denied.	1,617	
5. Plain Talk-Rent Reimbursement-Percent reduction in claims denied and then reversed.	13.7% or < will be denied and then reversed.	1%	

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Core Function: Revenue Collections and Compliance

Collections			
Accounts Receivables			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 90 days	40%	28%	
2. Dollars of debt collected within 90 days.	\$46,000,000	\$53,000,000	
Central Collections			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 210 days	50%	44%	
2. Dollars of debt collected within 210 days	\$58,000,000	\$82,000,000	
3. Dollars recovered for clients.	\$48,000,000	\$52,000,000	
Advanced Collections			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 365 days	65%	53%	
2. Dollars of debt collected within 365 days	\$75,000,000	\$99,000,000	

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Core Function: Revenue Collections and Compliance

Examination			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Hours spent conducting exams	41,900	45,016	
2. Revenue Established	\$65,000,000	\$172,290,547	
3. Revenue Collected	\$49,800,000	\$75,233,199	
Audit Services			
Instate Field Audit & Compliance			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue Established	\$7,900,000	\$15,749,176	
2. Audit Hours	32,000	31,358	
3. Revenue Collected	\$5,525,000	\$21,802,515	
Investigative Audit			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue Established	\$480,000	\$1,920,875	
2. Audit Hours	6,000	5,626	
3. Revenue Collected	\$360,000	\$211,052	

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Core Function: Revenue Collections and Compliance

Out-of-State Field Audit			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue Established	\$3,000,000	\$4,795,269	
2. Audit Hours	3,500	3,375	
3. Revenue Collected	\$1,800,000	\$2,476,185	
Tax Gap Program			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Revenue Established	\$30,000,000	\$72,265,045	
2. Audit Hours	17,000	17,535	
3. Revenue Collected	\$18,000,000	\$25,878,178	
Taxpayer Services			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of ESU/Taxpayer Services Calls Dropped	5% or <	2.6%	
2. Percent of ESU/TPS calls answered in one minute	85% or >	91.6%	
3. Percent of ESU/TPS emails answered in one business day	90%	99.9%	

**Agency Performance Report
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Core Function: Tax Research and Program Analysis

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Time required for analysis.	Varies		
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Time required to complete individual income tax statistical report.	Mar 1 & May 31	Released on Mar 1 and May 10	Timely release allowed the Department of Education and school districts to prepare budgets and apply for federal grant money.
2. Time required to complete sales tax statistical report.	Published on Web site one month of receipt of final data file	100%	Some quarterly reports were delayed due to the conversion from COBOL to SAS. The annual report is being changed from one ending with the March 31st quarter to a true fiscal year report.
3. Time to complete monthly receipts and refund reports.	End of second business day of the next month	100%	Timely release of report helps identify factors that influence general fund activity and helps the DOM in preparing its monthly revenue memo.
4. Time required to complete state fiscal impact estimates.	Varies	100%	
5. Federal legislation analysis.	Varies		There was no more federal tax legislation during FY 2010.

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Core Function: Tax Research and Program Analysis

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
6. REC briefing papers.	Varies	100%	The effort to develop the quarterly economic indicator papers and econometric forecasting models is a result of feedback from the Revenue Estimating Conference members. A monthly index of Iowa leading economic indicators is now being prepared as a means of allowing REC members and budget officials to better plan for changes to the state's economy.
7. Local option sales tax estimates and school infrastructure local option sales tax estimates.	Released by Aug 15	Released on Time	Over \$500 million is sent in estimated payments for LOST and SAVE. These estimates help local governments and school districts to determine money flow for projects.
8. Motor Fuel Retailer Gallonage Report	Released by April 1, 2010	Released on Time	The information presented in this report is used to gage the State's success in achieving the goal of replacing 25% of motor fuel consumed in the State with biofuels by 2020.
9. Tax credits program.	Quarterly contingent liability reports	100%	Provide the basis for making adjustments for tax credits to State revenue estimates.
	Tax Credit Evaluation Studies	100%	Provide information to policy-makers on the effectiveness of tax credits in achieving the purposes for which they were created and on how Iowa's credits compare to similar programs in other states.

AGENCY CONTACTS

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

Report Team Leader: Kathy McAninch

Department Director: Mark Schuling

Department Administration

Manager, Examination and Tax Gap: Bryce Berg

Administrator, Internal Services Division: Roger Stirler

Administrator, Property Tax Division: Dale Hyman

Administrator, Revenue Operations Division: Stuart Vos

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Administrator, Technology & Information Management Division: Richard Jacobs

ACKNOWLEDGMENTS

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

Paul Benson	Taxpayer Services & Policy
Bryce Berg	Compliance
Cary Halfpop	Property
Brenda Hall	Technology and Information Management
Rich Knapp	Revenue Operations
Mike Lipsman	Tax Research
Kathy McAninch	Internal Services
Kay Arvidson	Internal Services
Jerry Northwick	Revenue Operations
Julie Taylor	Collections