

Performance Report

FISCAL YEAR 2007

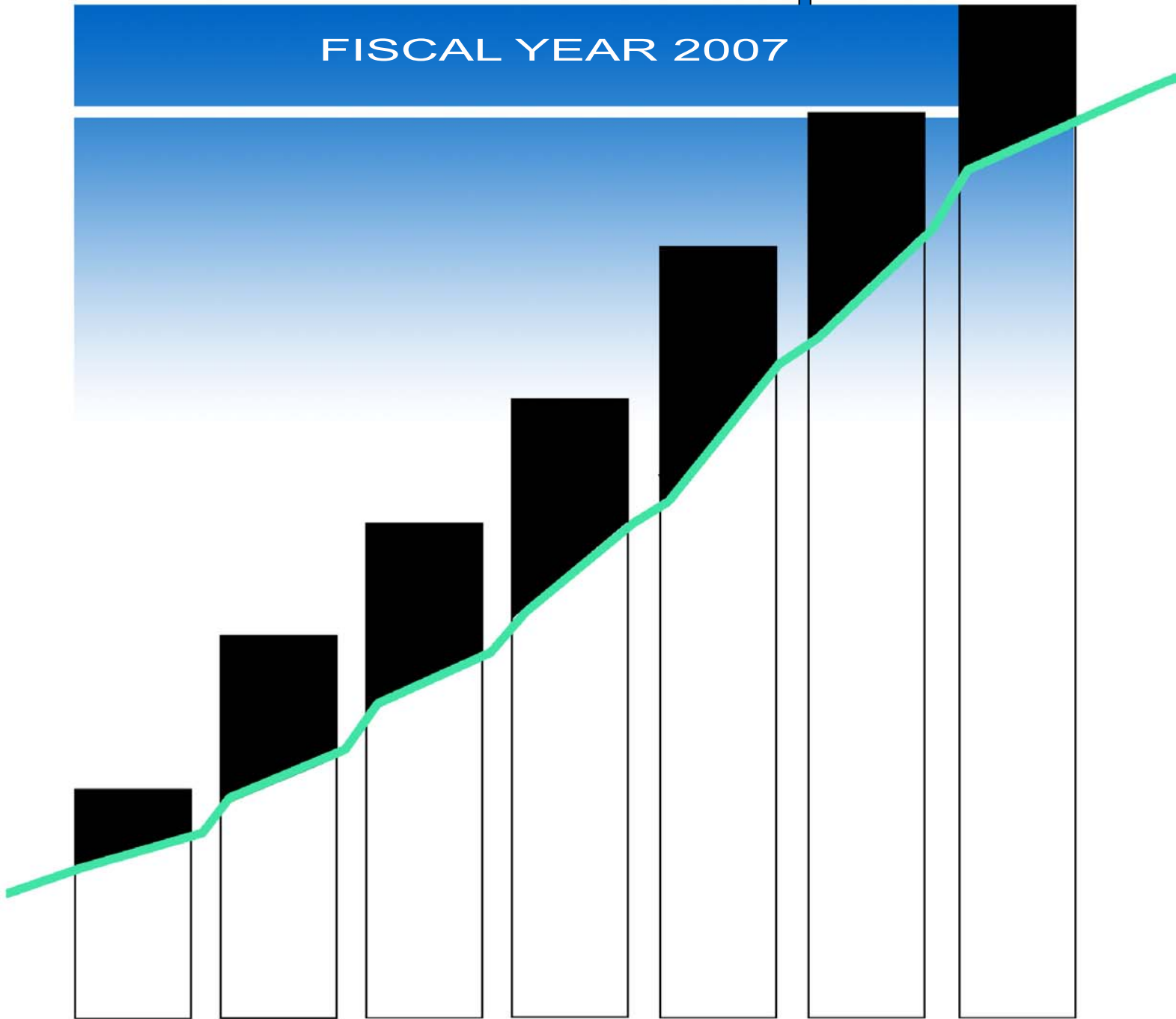


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INTRODUCTION

On behalf of the staff of the Iowa Department of Revenue, I am pleased to present our Fiscal Year 2007 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 six services, products and activities (SPAs). In all, 71 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-one measures or 86% were met or exceeded during the fiscal year. Nine of the remaining 10 measures were within 5% of their target. This means 98.6% of the IDR measures met or exceeded 95% of their preset target.

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 six of the seven outcome measures met or exceeded their targets.

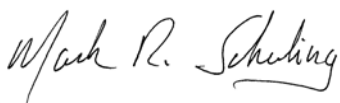
Performance measures monitoring the core functions of revenue collection and compliance show the IDR has done extremely well and exceeded all revenue projections. A total of 32 of the 38 outcome measures met or exceeded their targets.

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

Performance measures monitoring the core functions of resource management show the IDR has done extremely well in supporting the agency in meeting its targets within budget. A total of 12 of the 15 outcome measures met or exceeded their targets.

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

Yours truly,



Mark R. Schuling, Director
Iowa Department of Revenue

AGENCY OVERVIEW

The Iowa Department of Revenue's purpose is to provide education on Iowa tax policy and collect revenues in compliance with Iowa's tax laws. This includes processing and collections, policy development, education, local government assistance, examination, audit and timely resolution of disputed tax issues. This is accomplished in a manner consistent with our Mission Statement "To serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more."

Taxes which the IDR is responsible for administering are:

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

Vision

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

Guiding Principles

IDR embraces five guiding principles:

- Customer focus
- Integrity
- Responsibility
- Understanding
- Fiscal management

We believe these principles are necessary to achieve compliance by taxpayers reporting confidential information and making voluntary payments of taxes.

Core Functions

In FY 2007, the IDR's Performance Plan had four core functions:

- *Local Government Assistance* – Provide assistance to local governments by administering fair and equitable assessments and programs for property tax relief and local option sales taxes.
- *Revenue Compliance and Collection* – Educate customers on tax policy and collect revenues in compliance with Iowa's tax laws, including processing and collections, policy development, education, examination, audit, and timely resolution of disputed tax issues.
- *Research, Analysis, and Information Management* – Provide tax policy analysis, fiscal impact estimation, and economic and statistical research and analysis to help customers, stakeholders, and policy-makers make informed decisions.
- *Resource Management* – Provide vital infrastructure necessary to administer and support agency operations, including personnel, the agency's Web site, performance measurements, and the development and support of technology and information applications.

Department Operational Units

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

- *Director's Office*
The Director's Office consists of two sections:
 - Internal Audit
 - Tax Research and Program Analysis
- *Compliance*
The Compliance Division is divided into three major sections:
 - Field Audit
 - Office Examination
 - 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 Officer
 - Communications Unit
 - Performance Management

- *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.
- *Taxpayer Services and Policy Division*
The Taxpayer Services and Policy Division is divided into three major sections:
 - Audit Services
 - Tax Policy
 - Taxpayer Services

Staff

During Fiscal Year 2007, there were 377 full-time employees working for the Department. Four employees work at out-of-state locations, 79 are assigned to 13 field offices across Iowa, and the remaining 298 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.

Agency Customers and Stakeholders

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.

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.

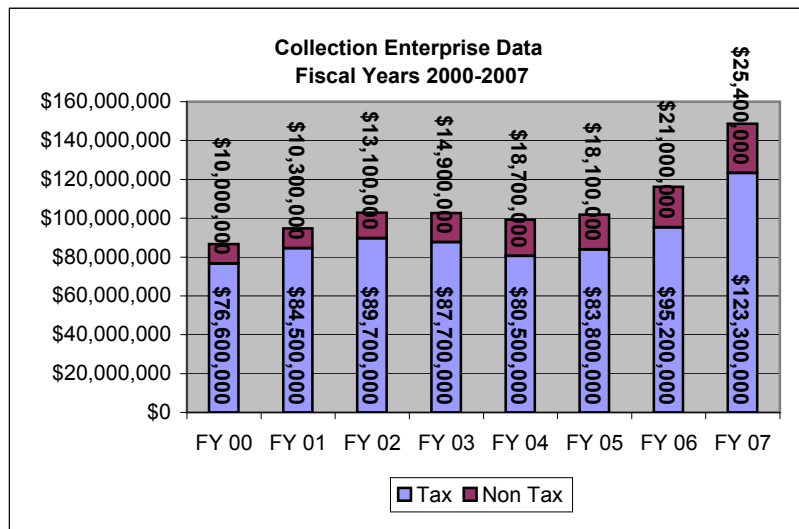
Results

Performance Measure:

Dollars collected by Collection Enterprise.

Performance Target:

The Department estimated in Fiscal Year 2007 a total of \$116.2 M in tax and non-tax collections.



What was achieved:

Fiscal Year 2007 was a record setting year, both for tax collections and for collections on liabilities placed with the Department by other state agencies. Actual collections were over \$148 M.

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 Collection 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 a refund. The department recognizes that taxpayers entitled to a refund would prefer having their payments in a timely manner.

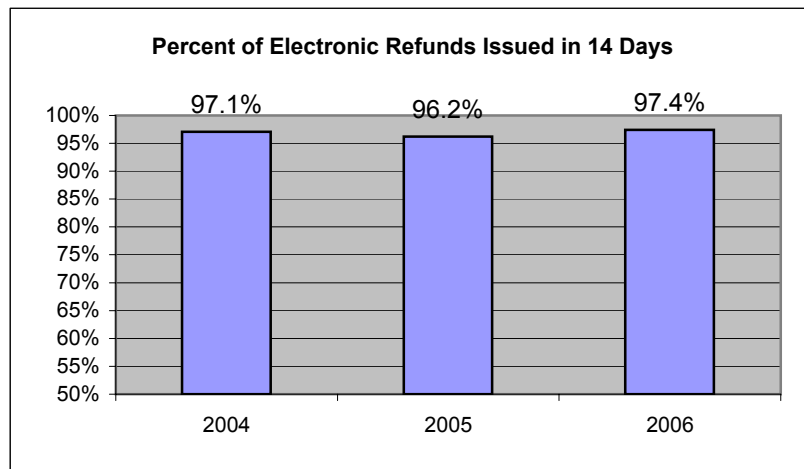
Why we are doing this: To serve the taxpayers of Iowa by processing tax information so that refunds are issued in a timely manner.

What were 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 market and promote electronically filing returns.

Results

Performance Measure:
Percent of electronically filed individual income tax refunds issued within 14 days.

Performance Target:
95% of refunds issued in 14 days



What was achieved:

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

Data Sources:

Iowa Revenue Information System.

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

KEY RESULT Core Function

Name: Revenue Collections and Compliance

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

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 deployed strategies to improve deposit of sales tax and income tax withholding during high-volume quarterly periods.

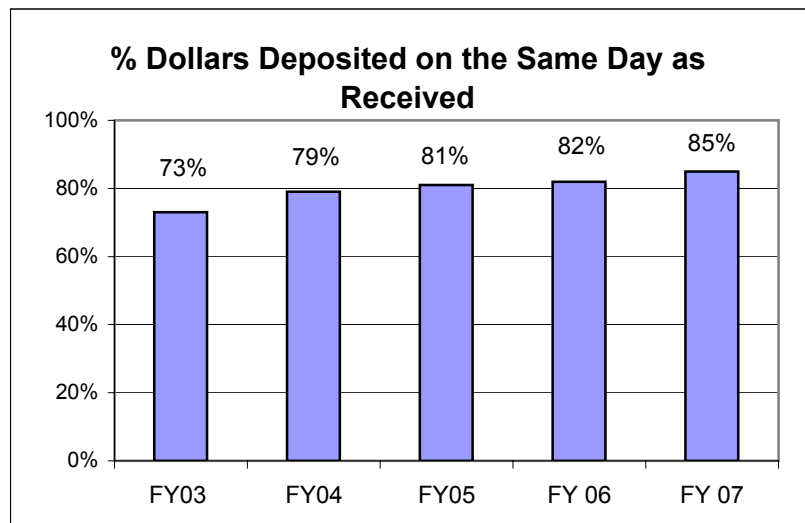
Results

Performance Measure:

Percent of Dollars deposited on the same day as received.

Performance Target:

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



What was achieved:

85% of dollars received into the Department were deposited on the same day as received.

Data Sources:

Revenue Operations reports and information systems.

KEY RESULT Core Function

Name: Revenue Collections and Compliance

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

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

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

The Department completed its fourth successful year as a Charter Agency. Collection and interest savings from office and field programs for Charter initiatives totaled over \$8.0 M during FY 07.

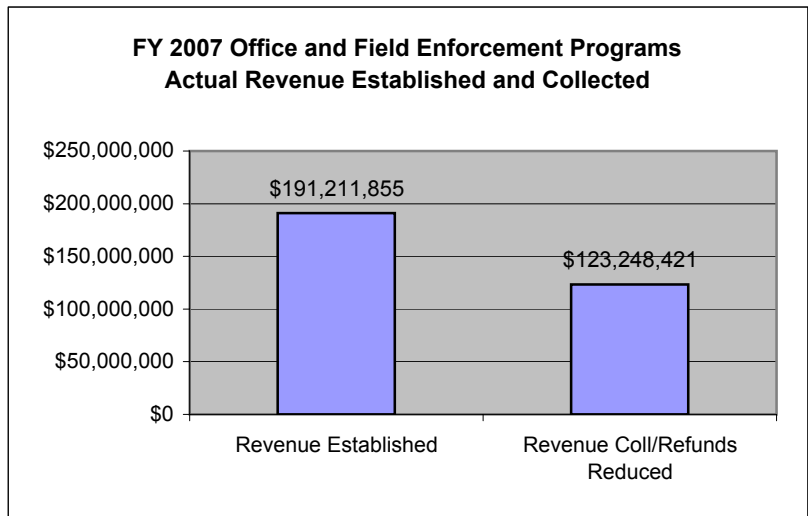
Results

Performance Measure:

Revenue Established
Revenue Collected

Performance Target:

Department estimates for FY 07 were Revenue Established \$83,575,000 and Collection of \$65,965,000.



What was achieved:

The Examination and Audit sections established \$191,211,855 in revenue and collected \$92,123,298. In addition, the Examination and Audit sections reduced refunds by \$31,125,122. The dollars collected and refunds reduced total \$123,248,421.

Data Sources:

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

Agency Performance Plan FY 2007

Name of Agency: Iowa Department of Revenue

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

Core Function: Local Government Assistance

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1.% of jurisdiction within statutory assessment level tolerance.			
Agricultural	63%	45%	
Residential	79%	62%	
Commercial	65%	73%	

Service, Product, or Activity:

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1.Number of Declaration of Value documents processed.	92,120	92,120	What Occurred: Final 2006 sales listings were mailed on April 10, 2007. Source: DOV's as completed by buyers, sellers, agents, & assessors.
2. Equalization orders issued.	100%	100%	What Occurred: Analysis of data and release of orders as required by statute. Orders are issued odd years only; therefore, no 2006 data. Source: Assessors' abstracts, appraisals, agricultural statistics, and DOV's.
3.Number of Appraisals completed to date.	100%	100%	What Occurred: All 1,284 appraisals were completed by June 30, 2005. Source: Monthly detail reports of staff appraisers.

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Core Function: Local Government Assistance

4. Number of assessment officials requiring continuing education.	Send exam Results by 11/7/06 5/9/07	Results Sent 10/17/06 4/17/07	What occurred: Both exams were administered twice.
			Source: Application for course credit forms by assessors & deputy assessors.

Service, Product, or Activity:

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of utility and railroad assessments completed.	270	270	What occurred: Certified \$3.8 billion of value to produce \$125.4 M in property tax.
			Source: Financial statements included in the annual reports of utilities and railroads.
2. Number of replacement tax assessments completed.	158	158	What occurred: Assessment of \$7.4 B generating \$147 M in excise tax.
			Source: Annual reports filed by the companies.

Agency Performance Plan FY 2007

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Core Function: Resource Management

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Technology and Information Management			
1. Percent of Utilization of Electronic Filing Program	71%	69%	Since electronic filing of individual income tax is a mature program there may no longer be opportunity for continued significant growth in this program.
2. Percent of Utilization of the Iowa eFile Services System (Withholding/Sales>Returns)	95%	97%	
3. Percent of Utilization of the Iowa eFile Services System (Withholding/Sales-Payment Transactions)	45%	55%	
4. Percent of online system work time availability (IRIS, Network, eFile)	99%	99.30%	
5. Motor Fuel Tax Administration	100%	100%	
6. Printing Cigarette Stamps	100%	100%	
7. Percent of budget to expenditures	< 100%	99.30%	

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Core Function: Resource Management

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Director's Office			
1. Percent of internal audit project hours spent on tier 1 audits.	75%	90.91%	
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Internal Service Division			
2. Number of participants completing CPM program.	3	3	
3. Employee Satisfaction-Average composite score on Employee Satisfaction Survey	> 4	4.07	
4. Span of Control Supervisor/Employee	< 1 to 18	1 to 21.8	
5. Average Number of Sick Days Taken	8.95	10.1	
6. Percent of Employee evaluations complete	100%	100.00%	One employee is on military leave in IRAQ, three others start dates were in May or June, so not eligible for evaluation yet.
7. Number of forms distributed-Receive less than 6,094 calls for forms	< 6,094	4,525	
8. Square Feet of Utilization-5% reduction in space	-5%	+1.6%	The Department decreased the Mason City office by 500 square feet, but due to the addition of the Property Assessment Appeal Board space, we increased square footage by 3,011 with a net increase of 2,511.

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Core Function: Tax Research and Program Analysis

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of tax revenues received by electronic transfer	75%	70%	
2. Percent of paper-filed individual income tax refunds issued within 60 days	90%	96%	Processing Year 2006
3. Percent of electronic-filed individual income tax refunds issued within 14 days	95%	97.40%	Processing Year 2006
4. Percent of billed accounts resolved within 180 days	75%	78.20%	The target was exceeded in FY 2006.
5. Percent of net debt collected within 365 days	65%	70.40%	
6. Ratio of costs to collections	< 10%	9.92%	
7. Dollars collected per audit enforcement dollar expended	> \$8.10	\$10.13	

Agency Performance Plan FY 2007

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Core Function: Tax Research and Program Analysis

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Document Processing & Deposit			
1. Percent of dollars deposited same day as received	75%	85%	The Revenue Operations Division deployed strategies to improve deposit of sales tax and income tax withholding during high-volume quarterly periods.
2. Documents processed	Process documents & information as efficiently as possible.	Documents processed Corp: 103,117 Ind Income Returns and Payments: 2,263,890 Sales: 1,195,538 Withholding: 1,211,066 Other: 345,424 Total 5,119,035	
3. Percent of income tax returns requiring review worked within 60 days of going to review	70%	73.60%	
4. Percent of local option sales tax and school infrastructure local option sales tax distributed timely each year	95%	100%	

Agency Performance Plan FY 2007

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Core Function: Tax Research and Program Analysis

5. Percentage of Transactions sent to Return Resolution by tax type	Varies	Individual Income: 14.4% Sales and Use: 9.3% Withholding: 4.4%	
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Accounts Receivables			
1. Percent of net debt collected within 90 days	40%	35.50%	
2. Dollars of debt collected within 90 days	\$38,000,000	\$40,100,000	
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Central Collections			
1. Percent of net debt collected within 210 days	50%	51.20%	
2. Dollars of debt collected within 210 days	\$53,000,000	\$58,000,000	
3. Dollars recovered for clients	\$44,000,000	\$53,300,000	The collection partnership was established in 1997 and \$11.5 M was collected for clients. FY 2007 had record collections of \$53.3 M.
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Advanced Collections			
1. Percent of net debt collected within 365 days	65%	60.40%	
2. Dollars of debt collected within 365 days	\$62,000,000	\$68,400,000	

Agency Performance Plan FY 2007

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Core Function: Tax Research and Program Analysis

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Examination			
1. Hours spent conducting exams	41,458	37,195	
2. Revenue Established	\$50,225,000	\$98,656,890	
3. Revenue Collected	\$43,070,000	\$58,278,319	
4. Percent of Protests Resolved in 12 months	80.0%	65.0%	There were 211 protests received in FY 07 compared to 185 received during FY 06. One of the new personnel in the Attorney General's Office who would have worked on resolving protests was tied up on tobacco issues.
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Instate Field Audit & Compliance			
1. Revenue Established	\$6,795,000	\$29,895,391	
2. Audit Hours	27,439	33,752	
3. Revenue Collected	\$4,895,000	\$6,347,426	
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Investigative Audit			
1. Revenue Established	\$555,000	\$762,291	
2. Audit Hours	7,488	5,121	
3. Revenue Collected	\$300,000	\$185,017	

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Core Function: Tax Research and Program Analysis

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Out-of-State Field Audit			
1. Revenue Established	\$3,500,000	\$7,999,773	
2. Audit Hours	3,936	3,786	
3. Revenue Collected	\$2,500,000	\$8,021,860	
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Tax Gap Programs			
1. Revenue Established	\$22,500,000	\$53,897,509	
2. Audit Hours	19,275	20,124	
3. Revenue Collected	\$15,200,000	\$19,292,491	
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
Taxpayer Services			
1. Percent of eFile Service Unit (eSU) / Taxpayer Services (TPS) calls dropped	4%	4.2%	As with any new system, the volume of calls was extremely high in the learning period, taxing the ability of the staff to answer all calls in the queue. This impacted the percent of dropped calls and the percent of calls answered in one minute. In FY 07 as taxpayers become more comfortable with the system, the Department has a decline in the volume of phone calls.
2. Percent of eSU/TPS calls answered in one minute	85%	82.8%	
3. Percent of eSU/TPS e-mails answered in one business day	90%	99.9%	

Agency Performance Plan FY 2007

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Core Function: Tax Research and Program Analysis

Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. Time Required for Analysis	Varies	All Deadlines Met	
Performance Measure (Outcome)	Performance Target	Performance Actual	Performance Comments & Analysis
1. Time required to complete individual income tax statistical report.	Mar 1st & May 31st	School District Report completed prior to Mar 1, 2007. Annual Stat Report published to the Web May 23, 2007.	Timely release allowed the Dept. of Education and school districts to prepare budgets and apply for federal grant money.
2. Time required to complete sales tax statistical report.	Published on Web site one month of receipt of final data file	Mar 2006 Qtr (Nov 7, 2006); Jun 2006 Qtr (Nov 9, 2006); Sep 2006 Qtr (Mar 1, 2007); Dec 2006 Qtr (May 9, 2007); FY 2006 (Nov 7, 2006)	There were significant delays this year due to problems with e-filed returns and changes made in IRIS which impacted the number of returns to resolution.

Agency Performance Plan FY 2007

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Core Function: Tax Research and Program Analysis

3. Time to complete monthly Receipts and Refund Reports	End of second business day of the next month	All monthly reports by second business day of following month	Timely release of report helps identify factors that influence general fund activity and helps the DOM in preparing its monthly revenue memo. All but one report was sent on the first day of the month.
4. Time required to complete state fiscal impact estimates.	Varies		One hundred and twenty eight fiscal impact requests and 40 information requests responded to last legislative session.
5. Federal Legislation Analysis	Varies	No major federal legislation during FY 2007	
6. REC Briefing Papers	Varies	Three revenue and refund and three economic briefing papers prepared. Only three RECs held during FY 2007.	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 (LOST) estimates and School infrastructure local option sales tax (SILO) estimates	Released by Aug 15th	LOST and SILO estimates completed prior to Aug 15, 2006	Over \$500 million is sent in estimated payments for LOST and SILO. These estimates help local governments and school districts to determine money flow for projects.
8. Special Tax and Policy Studies	Number of Studies Completed	Four policy studies completed during FY 2007	

Agency Performance Plan FY 2007

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Core Function: Tax Research and Program Analysis

9. Tax Credits Program	Quarterly Contingent Liability Reports	3 reports completed during FY 07	The contingent liability reports began with the Dec 2006 quarter.
	Annual Report to legislature	Completed Dec 31, 2006	
	Evaluation Study	1 completed during FY 07	

RESOURCE REALLOCATIONS

There were no major reallocations of staff and funding at the Iowa Department of Revenue during the 2007 state fiscal year.

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/educate/IDRfy07PerfRep.pdf

Copies may also be obtained by contacting Renee Mulvey at

515/242-6226 or

renee.mulvey@iowa.gov or

Renee Mulvey
Iowa Department of Revenue
PO Box 10460
Des Moines IA 50306-0460