



IDR PERFORMANCE REPORT

For

Fiscal Year 2012

Courtney M. Kay-Decker

Director

AGENCY OVERVIEW

Mission

The mission of the Iowa Department of Revenue, as established by Iowa Code Section 421.2, is to serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more.

Taxes Established by Iowa Code

The taxes and fees administered by the Department include:

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 Registration Fee	Car Rental Tax	Moneys & Credits Tax

Vision and Guiding Principles

IDR established the following *vision* and *guiding principles* in its 2012-2015 Strategic Plan:

Vision

Iowa will be a state where it is easy to understand and comply with tax obligations.

Guiding Principles

Governor Branstad has outlined four goals for his administration, as follows:

- Create 200,000 New Jobs,
- Reduce the Cost of Government by 15%,
- Restore Iowa's Educational System to Number One in the Nation, and
- Increase Family Incomes by 25%.

The Department of Revenue will do its part to support and further those goals. In addition, we have adopted the following Departmental Guiding Principles:

Customer Focus

- We understand that Iowa taxpayers are our number one customers.
- We collaborate and partner with both our internal and external customers.
- We use technology to support our customers more efficiently.
- We maintain the public's confidence by safeguarding our customers' confidential information.

Expertise

- We provide expert advice and support to policymakers and to local and state government entities.
- We help local governments responsibly manage their fiscal resources through our support of the property tax system and distribution of local option taxes.
- We educate and train employees to gain the knowledge needed to perform their jobs the best they can.

Education

- We recognize that Iowa tax laws are complex and will provide the services and education necessary to facilitate compliance.
- We simplify regulations where possible and recommend policy that enhances the ease of taxpayer compliance.

Fiscal Management

- We responsibly manage our financial resources to fulfill our mission.
- We continually monitor and measure our internal processes to assure economy and efficiency, keeping the cost of state government as low as possible.
- We work with the Legislative Branch to recommend fiscally sound legislation that reflects the fiscal obligations of the State.

Core Functions

The core functions of the Iowa Department of Revenue consist of the following:

TAX COMPLIANCE AND REVENUE COLLECTION functions are the most visible portion of our operations. This function includes educating taxpayers – our customers - on tax laws and regulations, processing tax returns and related documents, and collecting taxes and other amounts due, all in compliance with Iowa’s tax laws. It is under this umbrella that the Department conducts its taxpayer examination and audit programs, and resolves disputed tax issues.

LOCAL GOVERNMENT ASSISTANCE provides assistance to local governments. This function is responsible for administering just and uniform property assessments across the state. It also administers programs for property tax relief, local option sales tax, and school infrastructure sales tax.

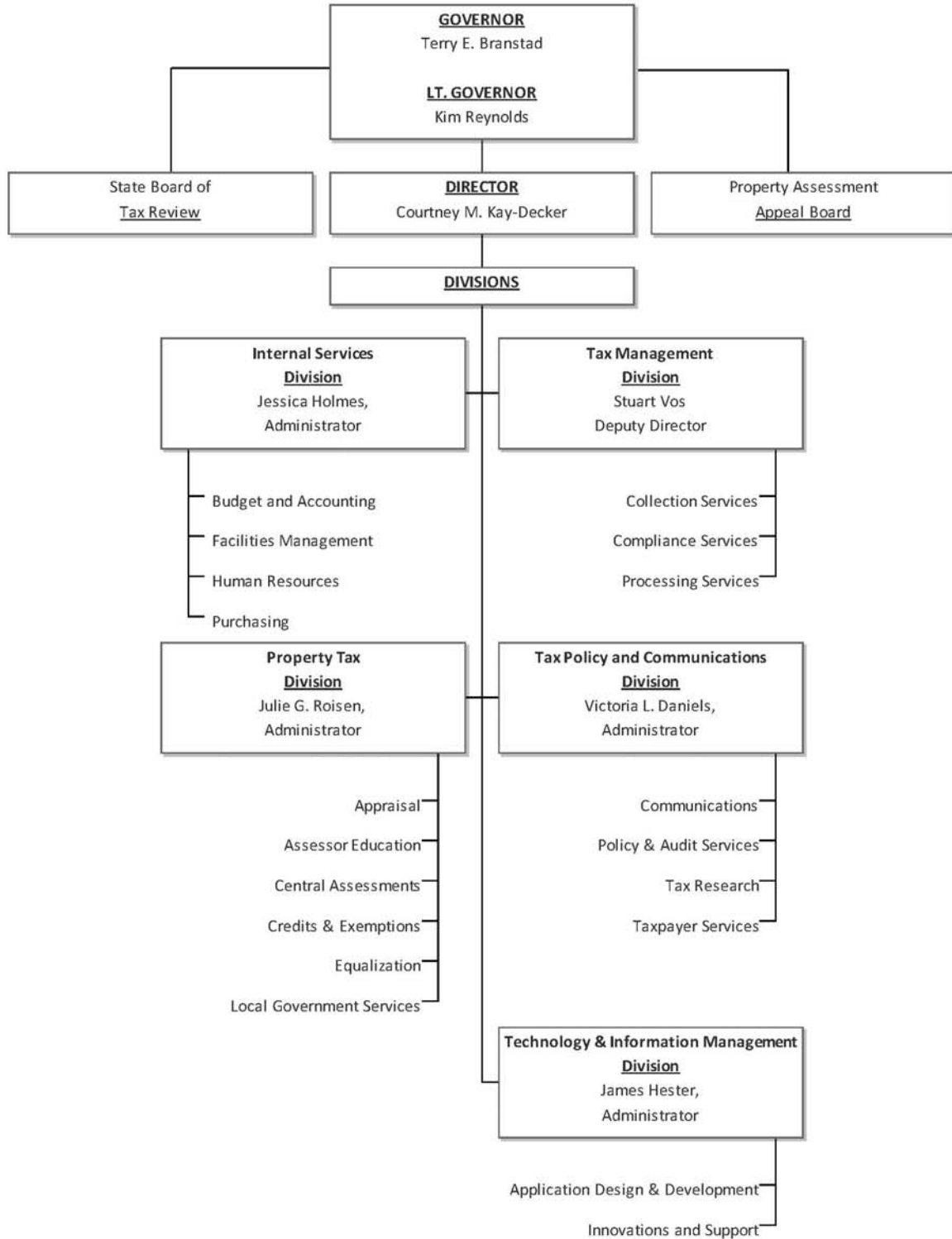
RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT provides tax policy development and analysis, fiscal impact estimation, and economic and statistical research and analysis to help customers, stakeholders, and policymakers make informed decisions.

RESOURCE MANAGEMENT provides internal infrastructure support of the Department’s operations, including technology development and support, personnel management, and budgeting.

Department Operational Units

The organization is structured into five operational units. The following chart is an overview of the Department’s primary organizational entities and services provided.

IOWA DEPARTMENT OF REVENUE



Customers

The Department's customer base is, by its very nature, one of the largest of Iowa State government 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 returns and refunds, and that an audit billing is accurate and understandable, among other things.

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

Staff

The Director of the Iowa Department of Revenue is Courtney M. Kay-Decker. She was appointed by Governor Branstad in January 2011. As of June 30, 2012, there were 290 full-time employees working for the Department. There were five employees in our Sioux City field office and seven employees worked at our Cedar Rapids office. There were 29 teleworkers and the remaining 249 employees were domiciled in Des Moines.

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

Goals, Measures And Results

In our Strategic Plan, we identified three goals, and a number of strategies to achieve those goals. This Performance Plan summarizes our tactical steps toward achieving those goals. In the pages that follow, we highlight six noteworthy achievements. Thereafter, we have summarized the results of each of the measures identified in our Fiscal Year 2012 Performance Plan.

KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: Provide a consistent, fair, and professional program of collections services.

Description: The Department of Revenue collects delinquent tax debt and also provides collection services to the Iowa Judicial Branch, Department of Human Services, and Department of Natural Resources. The Collection Enterprise is self-supporting.

Why we are doing this: To provide quality, efficient, and competitive collection services.

What we are doing to achieve results: The Collection Enterprise completed a major upgrade to its collection software. This was coordinated with a reengineered business process designed to maximize the effectiveness of the new software, and utilize nationally recognized best practices. The process improvements allowed us to reallocate resources in a more efficient manner.

Results

Performance Measure:

Cost to Collect

Performance Target:

Ratio of Cost to Collections will be 10% or lower.

What was Achieved:

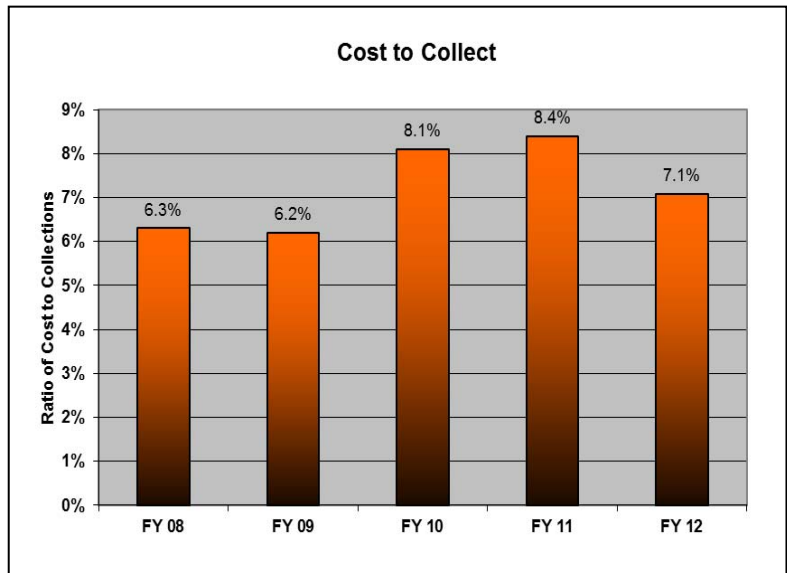
The Ratio of Cost to Collections for Fiscal Year 2012 was 7.1%, a decrease of 1.3% compared to Fiscal Year 2011.

Data Sources:

Collections Annual Report

Resources:

Cost to collect includes all units of the Collections Enterprise.



KEY RESULT

Core Function: Revenue Collections and Compliance

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

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 in order 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 Tax Management Division deploys strategies to improve deposit of income tax, withholding, and sales tax during high-volume quarterly periods. The Department also provides easy access for electronic deposit for business taxes. Eighty-six percent (86%) of dollars received are deposited the same day. The remaining 14% is deposited the day after receipt, and generally consists of paper checks that must be manually separated from a return.

Results

Performance Measure:

Percent of dollars deposited on the same day as received.

Performance Target:

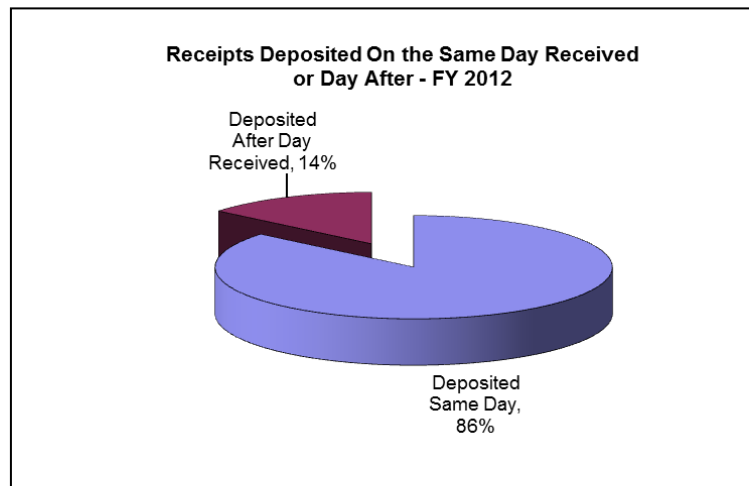
85% of dollars received will be deposited on the same day as received.

What was Achieved:

86% of dollars received by the Department were deposited on the same day as receipt.

Data Sources:

Tax Management reports and information systems



KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: Create an environment of collaboration and partnership in order to improve voluntary compliance with Iowa's tax system.

Description: The Examination and Audit Sections review returns covering fourteen 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 encourage 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. In October, 2012 the Department integrated these functions into its new Tax Management Division.

Results

Performance Measure:

Total Revenue Collected Per Dollar Spent.

Performance Target:

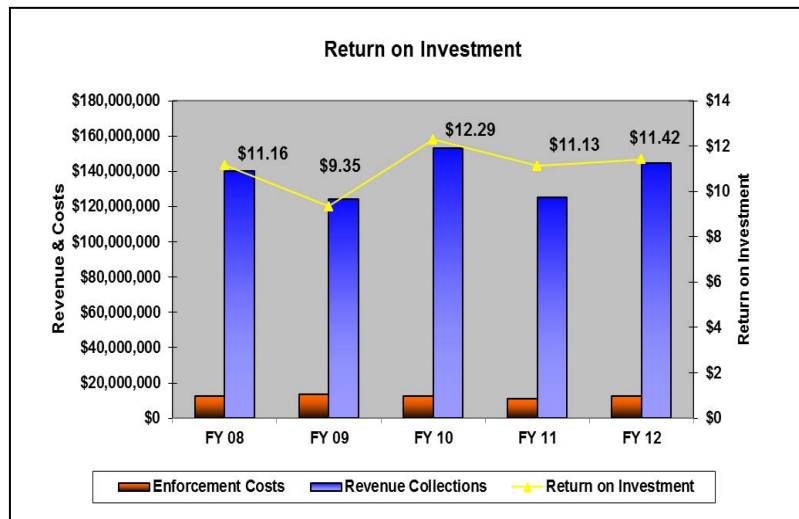
Collect \$9 for every Dollar Spent on Enforcement.

What was Achieved:

In Fiscal Year 2012 the Return on Investment was \$11.42 for Every Dollar Spent on Enforcement.

Data Sources:

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



KEY RESULT

Core Function: Resource Management

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

Description: Increase utilization of electronically-filed income tax programs each year.

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 a more accurate way to file their tax returns. Where applicable, customers benefit from receiving a tax refund in less time than if they filed a paper return.

What we are doing to achieve results: The Department offers access to electronic filing of individual income tax return software as well as access to free filing web sites. The software located on our web site has been monitored to assure that it is compatible with our tax forms and systems. In addition, the Department has worked to promote electronic filing to the general public and several key customer groups in cooperation with agencies and non-profit organizations throughout the state.

Results

Performance Measure:

Percent of electronically-filed individual income tax returns.

Performance Target:

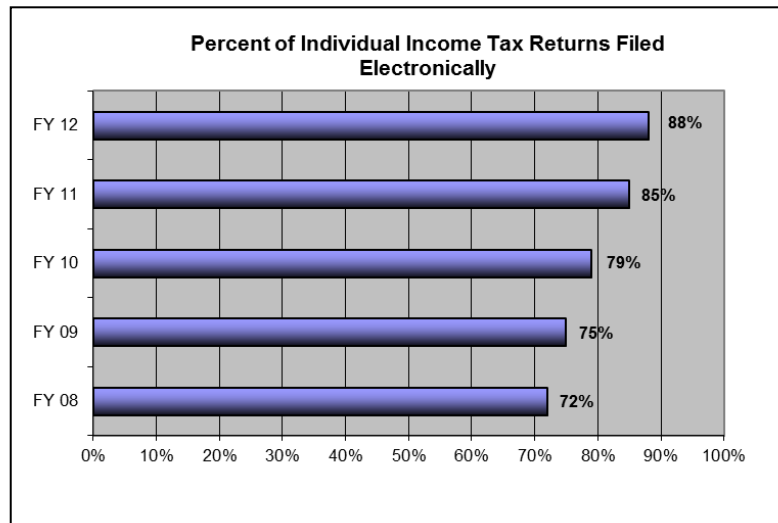
85% of individual income tax returns will be filed electronically for the tax processing year 2012.

What was Achieved:

The Department received 88% of individual income tax returns electronically.

Data Sources:

Department of Revenue information systems



KEY RESULT

Core Function: Resource Management

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

Description: The Department of Revenue receives and processes over 1.5 million individual income tax returns 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 promptly in order to issue refunds in a timely manner.

What we are doing to achieve results: The Department has two key information systems for processing individual income tax returns. One system is used to process returns filed on paper documents. The other system is for processing electronically-filed returns. The Department monitors the processing efficiency and turn-around time for both systems, and continues to promote the quick refund turnaround time as a benefit to taxpayers who file returns electronically. Ninety-six percent of electronic refunds are issued in 14 days. These remaining four percent are returns that must go to income resolution for review of errors.

Results

Performance Measure:

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

Performance Target:

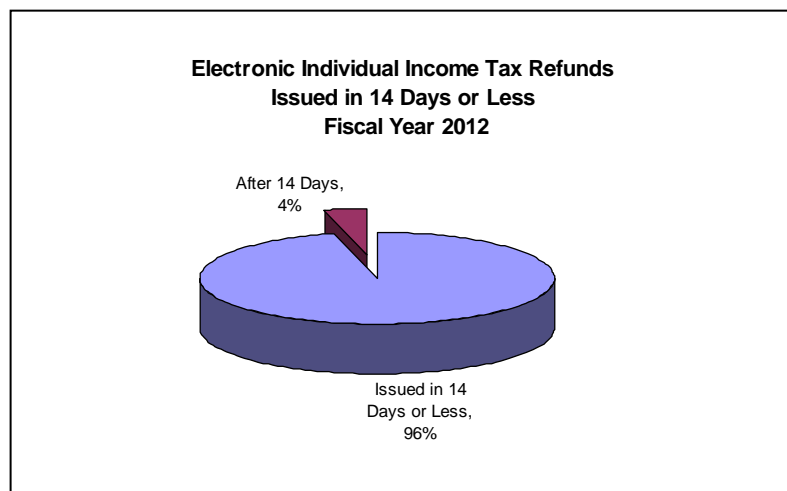
95% of refunds issued in 14 days

What was Achieved:

96% of electronic refunds were issued in 14 days or less.

Data Sources:

Iowa Revenue Information System (IRIS)



KEY RESULT

Core Function: Resource Management

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

Description: Customer satisfaction with online systems.

Why we are doing this: Taxpayers want to conduct business with the Department at their convenience. They also want their returns and refunds processed quickly and cost-effectively. Online services are intended to fulfill these needs.

What we are doing to achieve results: Electronic filing for individual income tax returns and business taxes is offered 24 hours a day. The Department continues to devote resources to add and improve e-commerce options.

Results

Performance Measure:

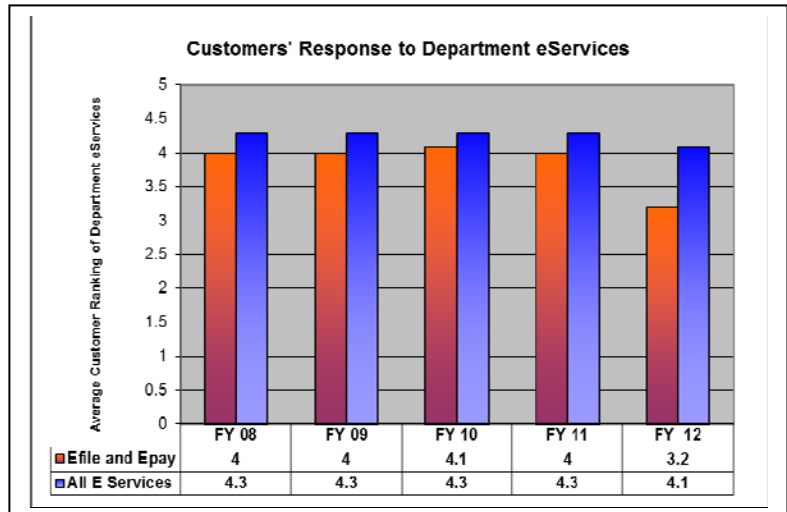
How satisfied are taxpayers with our electronic services?

Performance Target:

An average score of 4 or better on The Department's customer satisfaction survey (survey scale 1 – 5)

What was Achieved:

The Department scored 4.1 on the overall eServices customer satisfaction survey in Fiscal Year 2012.



Data Sources:

Iowa Department of Revenue Tax Policy and Communications Division

**Agency Performance Report
FISCAL YEAR 2012**

Name of Agency: Iowa Department of Revenue

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

Core Function: Local Government Assistance

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Equalization:			
1. Percent of jurisdictions within statutory assessment level tolerance.			
Agricultural	75%	75%	
Residential	75%	75%	
Commercial	75%	75%	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Property Assessment Review Database:			
2. Property assessment review database- Percentage of jurisdictions with database complete.	100% of jurisdictions by 12/31/2011.	100%	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Appraisals:			
3. Percentage of appraisals completed in a timely manner.	100% by 01/01/2013 (576).	100%	

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Core Function: Local Government Assistance

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Data Management:			
4. Automate the collection of information from counties into a database.	75% automated by 06/30/2012.	Not Met.	This goal was deferred to allow for reallocation of resources to the eDOV project.
5. Electronic DOV (e-DOV)	100% e-DOV implementation by 12/31/2011.	Not Met.	In October 2011 a data entry screen for old DOV form was created and implemented as a stop gap measure prior to transitioning to the new DOV form. A new DOV form was promulgated and distributed to the general public in January 2012. The e-DOV project was redesigned to take into account technological and resource hurdles. Testing of the electronic processing for e-DOV began in September 2012. Testing of the electronic processing for e-DOV will began at the end of September 2012.
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Assessor Education:			
6. Number of assessment officials requiring continuing education.	100% notification (214) by 08/31/2011 and 01/31/2012.	100%	
7. Notify assessors of need for continuing education.	Notify by 11/31/2011 - 05/09/2012.	Notified Timely.	

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Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Credits/Exemptions, Transfer Tax:			
8. Percentage of timely responses.	Oral response <=2 working days Written Response<=5 Days.	Not Met.	With the retirement of key personnel, duties and responsibilities for credits/exemptions and transfer tax have been reassigned. During this period the research time for accurate responses has been increased and the response time is greater than the goals originally set. This will continue for the foreseeable future while existing staff gains appropriate level of knowledge and expertise.
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Central Assessments:			
1. Number of utility and railroad assessments completed.	273	273	100% of Targets met.
2. Number of replacement tax assessments completed.	189	189	100% of Targets met.

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Core Function: Local Government Assistance

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Property Assessment Appeal Board:			
1. Number of protests from Board of Review	350 protests in reassessment years and 50 protests in non-reassessments years.	1,603	
2. Processing time for appeal process.	90% of decisions prior to properties' second delinquency date.	93%	

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Core Function: Resource Management

Performance Measure			
Technology and Information Management	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of utilization of electronic filing program for individual income tax.	85%	88%	
2. Percent of utilization of the Iowa e-file services system (withholding/sales-returns).	97%	97%	
3. Percent of utilization of the Iowa e-file services system (withholding/sales-transactions).	60%	88%	
4. Percent of online system work time availability (IRIS, network, e-file).	99%	99%	
5. Percent of time CACS-G available for work.	95%	99%	

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Core Function: Resource Management

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Internal Services Division			
1. New Employee Orientation	100% of new employees will take orientation class within six months of hire.	100%	
2. Employee Awareness	Each employee every two years will receive training in diversity, sexual harassment, and violence in the workforce.	50%	Completing in Phases.
3. Employee satisfaction - average composite score on employee satisfaction survey.	4 or >	4.2	
4. Average number of sick days taken.	9.53	7.9	
5. Percent of employee evaluations complete.	100%	98%	
6. Percent of budget to expenditures.	% of expenditures that do not exceed 100% of budget.	99.0%	
7. I feel safe from physical injury at my work location.	4 or >	4.5	

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Core Function: Revenue Collections and Compliance

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Revenue Collections and Compliance			
1. Percent of tax revenues received by electronic transfer.	75%	78%	
2. Percent of paper filed individual income tax refunds issued within 60 days.	90%	98%	
3. Percent of electronic filed individual income tax refunds issued within 14 days	95%	96%	
4. Percent of billed accounts resolved within 180 days.	75%	67%	This performance target needs to be updated. New efforts to resolve accounts prior to beginning the 180 day period has made resolution of remaining accounts more difficult.
5. Ratio of costs to collections	10% or <	7.1%	
6. Dollars collected per audit enforcement dollar expended.	\$9.00	\$11.42	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Document Processing & Deposit			
1. Percent of dollars deposited same day as receipt.	85%	86%	
2. Percent of paper income tax returns imaged.	35%	39%	

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Core Function: Revenue Collections and Compliance

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Customer Accounts			
1. Percent of income tax returns requiring review worked within 60 days of starting the review process	65%	65%	
2. Percent of local option sales tax and school infrastructure local option sales tax distributed timely each year	95%	95%	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Collections - Accounts Receivables			
1. Percent of net debt collected within 90 days	40%	23%	The total amounts owed have more than doubled since this target was set. Resources available to collect have not increased.
2. Dollars of debt collected within 90 days.	\$50,000,000	\$57,600,000	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Collections - Central Collections			
1. Percent of net debt collected within 210 days	50%	35%	The total amounts owed have more than doubled since this target was set. Resources available to collect have not increased.
2. Dollars of debt collected within 210 days	\$60,000,000	\$87,100,000	
3. Dollars recovered for clients	\$50,000,000	\$62,200,000	

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Core Function: Revenue Collections and Compliance

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Collections - Advanced Collections			
1. Percent of net debt collected within 365 days	60%	44%	The total amounts owed have more than doubled since this target was set. Resources available to collect have not increased.
2. Dollars of debt collected within 365 days	\$75,000,000	\$111,600,000	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Examination			
1. Hours spent conducting exams	41,516	51,223	
2. Revenue Established	\$136,725,000	\$143,508,225	
3. Revenue Collected	\$52,175,000	\$62,975,129	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Audit Services - Instate Field Audit & Compliance			
1. Revenue Established	\$9,616,331	\$15,317,274	
2. Audit Hours	25,150	21,878	
3. Revenue Collected	\$6,500,000	\$4,316,934	
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Audit Services - Investigative Audit			
1. Revenue Established	\$140,181	\$2,900,384	
2. Audit Hours	1,869	1,733	
3. Revenue Collected	\$95,323	\$659,177	

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Core Function: Tax Research and Program Analysis

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Tax Gap Programs			
1. Revenue Established	\$95,000,000	\$78,854,227	The target was determined on Fiscal Year 2011 performance, which was 50% above normal. Fiscal Year 2012 performance represents a more normal year.
2. Audit Hours	18,900	18,506	
3. Revenue Collected	\$18,200,000	\$36,125,674	
Performance Measure			
Tax Policy	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of protests resolved within 12 months.	60%	39%	There were a number of older protests that required resolution before newer protests were addressed.
Performance Measure			
Taxpayer Services	Performance Target	Performance Actual	Performance Comments & Analysis
4. Percent of Taxpayer Services Calls Dropped	8% or <	9.1%	
5. Percent of Taxpayer Services calls answered in one minute	65% or >	62.0%	In Fiscal Year 2011 there were 15 FTEs on the Taxpayer Services team answering calls during the peak season. In Fiscal Year 2012 staff was reduced to 6 people on the phone and 2 people dedicated to email responses.
6. Percent of Taxpayer Services emails answered in one business day	90%	99.8%	There were 29,579 emails answered in Fiscal Year 2012.

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Core Function: Tax Research and Program Analysis

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Tax Research and Program Analysis			
1. Statistical Reports completed timely	Individual March & May, Sales Tax Quarterly & Annual.	All met.	Timely release allowed the Department of Education and school districts to prepare budgets and apply for federal grant money.
2. Receipts and Refunds Report Completed Timely	100% of Monthly reports by end of 2nd Business Day of Next month.	100%	
3. REC briefing papers.	Complete Reports in time for DOM-LSA briefing session.	3 Briefing reports by deadline.	
4. State Fiscal Impact Estimate	According to deadlines set by the Governor and Legislature.	86%	Requests are prioritized in coordination with the Legislative Services Agency (LSA). All 98 requests received in Fiscal Year 2012 were provided to the LSA for its timely analysis of legislation.
5. Federal Legislation Analysis	Percent of Federal legislation analysis published timely.	NA	There were no federal legislation analysis required in Fiscal Year 2012.
6. Local Option Estimates	Estimates Released Timely.	100%	
7. Special Tax and Policy Studies	As Requested.	100%	Work to enhance staff knowledge in all areas of federal and state tax policy.
8. Tax Credits Program	Two evaluation studies completed by 12/31/2011.	Met.	Provide basis for better decision making and better revenue estimates.

