

# Investing in Revenue

**How Wisconsin can profit by using the  
Minnesota model for closing the tax gap**

*Institute for Wisconsin's Future*

*January 2009*

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## How Wisconsin can profit by using the Minnesota model for closing the tax gap

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Wisconsin citizens want strong communities, reasonable state and local taxes and a revenue system in which all individuals, businesses and organizations pay a fair share. IWF's Fair and Adequate series of reports examines how the current tax system works and what changes are needed to create a fair system that adequately funds the services needed for the common good.

## Introduction

In these times of financial distress for state government, every dollar is precious.

The Governor and Legislature have a historically difficult task in creating a budget for 2009-2011 with a looming deficit that may exceed \$5 billion for the biennium. The state's next budget must be fiscally sound while maintaining the effectiveness of public sector services and infrastructure vital to restore the state economy.

The primary strategies for finding a path toward these twin goals are generally reducing the availability of services and increasing revenue through tax changes. However, an additional strategy, implemented successfully earlier this decade in Minnesota, can generate revenue without cutting services or increasing taxes.

Wisconsin, like every other state, has what is known as a "tax gap." The gap is the difference between the amount of tax legally owed and the amount actually collected on a timely basis. Judging from studies performed by the federal government and by other states, Wisconsin's gap is certainly well over \$1 billion.<sup>1</sup> How can the state close this gap and expand the revenue base?

One thing that is crucial is upgrading the state's Department of Revenue (DOR), the agency that collects almost all state taxes as well as some local ones. More effective tax collection—closing some of the tax gap—can complement other ways of addressing budget challenges. This can happen by increasing resources in two major areas of work: auditing, which identifies income and sales that are not reported and thus not taxed; and collecting delinquent taxes which are owed but have not been paid.

This investment in additional tax enforcement resources would not solve the fiscal crisis, but it would help substantially. This approach could potentially generate more than eight dollars in revenue for every dollar devoted to increased DOR capacity.

By directing a budget investment in DOR for targeted improvements, the state could increase revenue collections without creating new taxes, raising tax rates or expanding user fees. Bolstering DOR enforcement would not only generate additional revenue, it would make the tax system fairer for those who already pay their taxes.

This report is not critical of DOR. On the contrary, the evidence suggests that the department is effective and efficient. But with a moderate infusion of funds, DOR could produce a substantial jump in financial resources at a time when they are much needed.

The proposal to strengthen DOR capacity through budget action is based on policies enacted in Minnesota, policies which have reaped significant profits for that state in the past eight years. In 2003, the Government Performance Project gave Minnesota its highest ranking for the management of its tax system. As *Governing* magazine reported in 2003:

The not-so-well kept secret of state tax administration is that their efforts to ensure compliance tend to be underfinanced, weak on staffing and technology, and thus hard put to catch many cheaters...Under the old system, [Minnesota] used to catch about 4,000 scofflaws a year...The first year of the new compliance program, the DOR uncovered about 20,000 individuals who owed \$73 million. Since then, another 24,000 cases have been placed under investigation.<sup>2</sup>

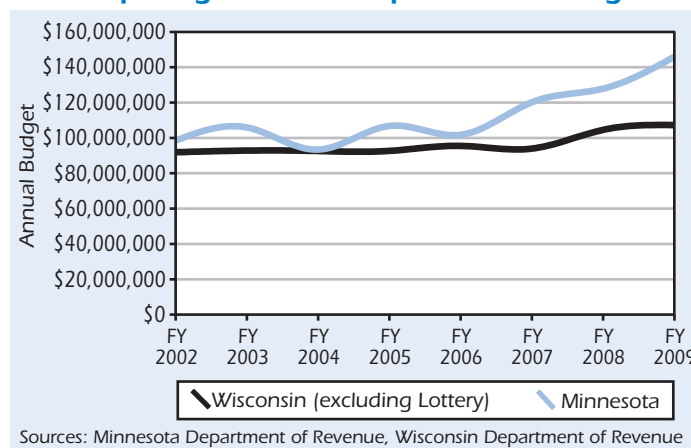
By the middle of 2008, the Minnesota DOR had collected over \$900 million from increased audit and enforcement activities that began in the 2001-2003 biennium.

Any compliance effort is part of an overall initiative to improve the quality of the tax system in terms of adequacy, fairness and responsiveness to citizens. Making everyone pay a full share of taxes is one way to make a tax system fairer for the large majority who pay what they owe in a timely manner.

## Minnesota and Wisconsin DOR investment

Since 2002, the state budgets in Wisconsin and Minnesota have laid out sharply contrasting paths for their respective revenue departments. In 2002, the two were roughly the same size in budget, staffing and overall size relative to the state's population. By 2008, Minnesota's department had outgrown Wisconsin's by all measures. [See Charts 1, 2, and 3.]

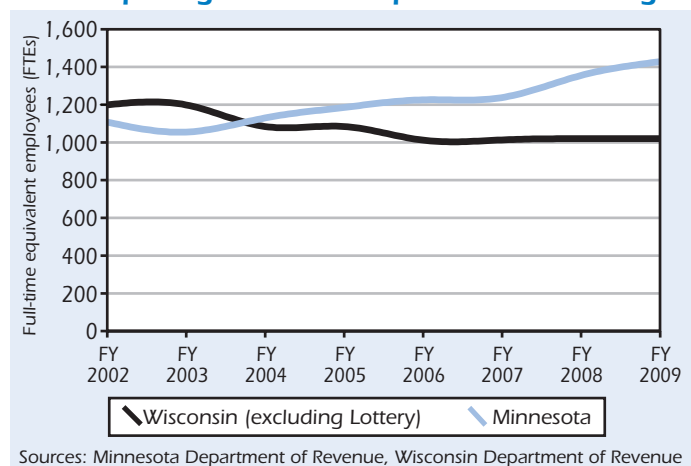
**Chart 1**  
Comparing Revenue Departments' budgets



**Since 2002, the budget for Minnesota's Department of Revenue has grown from \$99 million to \$146 million. Wisconsin's grew from \$92 million to only \$107 million.**

In Fiscal Year 2002 (FY2002), the size of the respective revenue departments for Wisconsin and Minnesota were remarkably similar. Wisconsin's annual budget was \$92 million and Minnesota's was \$99 million. Wisconsin had 1,200 full-time equivalent employees (FTEs), while Minnesota had 1,108. In proportion to state population, the two departments were identical in staffing, with 222 FTEs for each one million in population.<sup>3</sup>

**Chart 2**  
Comparing Revenue Departments' staffing



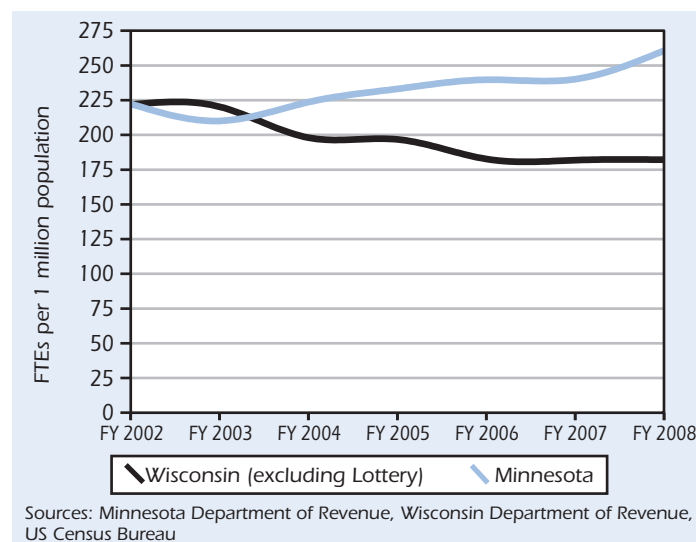
**Minnesota's Revenue staff grew from 1,108 in 2002 to 1,429. During the same time, Wisconsin's fell from 1,200 to 1,020.**

These and all subsequent statistics about Wisconsin have subtracted out data about its lottery operations. While Wisconsin's revenue department administers the state lottery, Minnesota's does not. Removing lottery operations allows the two departments to be compared on their primary mission of collecting state taxes.

By FY2009, Minnesota's department had grown substantially compared with Wisconsin's. In that seven-year span, the budget for Minnesota's Department of Revenue (MN DOR) grew 48%, to \$146 million. During the same period, the budget for Wisconsin's DOR grew only 17%, not even keeping pace with the Consumer Price Index.

During that period, MN DOR's authorized staffing grew 29%, with the addition of 320 FTEs. Wisconsin's shrank by 15%, with the elimination of 179 FTEs. MN DOR's size relative to population jumped from 222 per million people to 261; WI DOR's fell from 222 to 181. Clearly, there were decisions by Minnesota policy-makers to invest in a growing revenue department. And there were decisions by Wisconsin policy-makers to hold down the size and budget of its tax agency.

**Chart 3**  
**Minnesota and Wisconsin DOR investment**

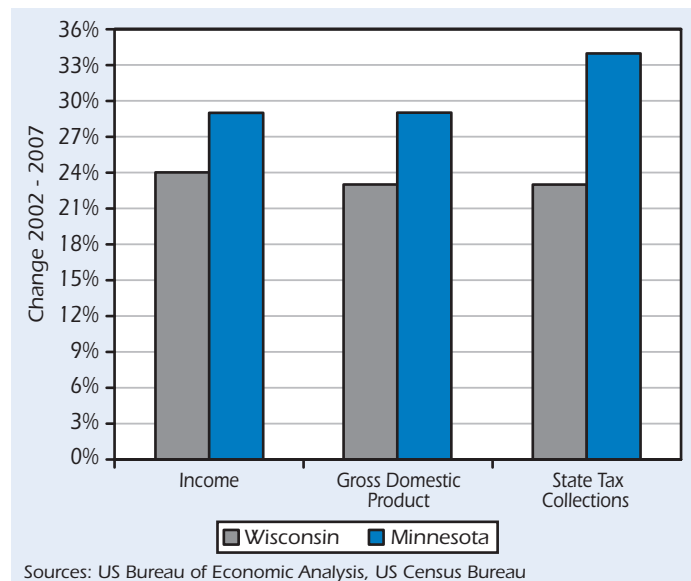


**In 2002, both revenue departments had 222 staff for each million of state population. By 2008, Minnesota had grown to 261 while Wisconsin dropped to 182.**

## Minnesota's investment pays significant dividends

The strategy of investing in its revenue department paid off for Minnesota. State tax revenues grew in amounts that far exceeded the investment. In Wisconsin, state tax collections kept pace with growth in the underlying state economy. But in Minnesota, collections grew faster than did the state's economy. [See Chart 4.]

**Chart 4**  
**Growth in economies and tax collections**



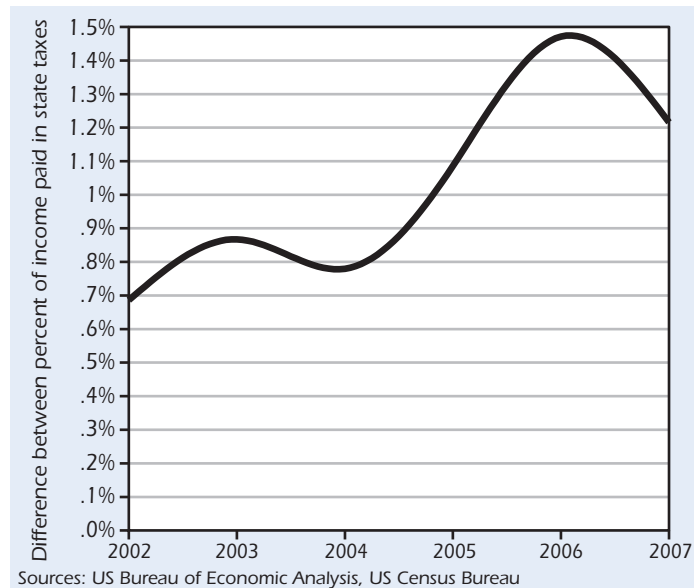
**From 2002 to 2007, Minnesota's economy grew faster than Wisconsin's. Total income rose 28% in Minnesota, 24% in Wisconsin. State gross domestic product rose 28% in Minnesota and 23% in Wisconsin. But Minnesota's state tax collections soared compared with Wisconsin's, 34% to 23%.**

During the period 2002-2007, personal income growth in Minnesota exceeded Wisconsin's, 27.5% to 24.3%. The same was true for each state's Gross Domestic Product, the basic measure of overall economic activity: Minnesota's grew 28.4%, Wisconsin's 23.2%. But when it came to collecting state taxes, the difference was much greater. Minnesota's state tax collections jumped 34.5%, compared with Wisconsin's 22.6%.<sup>4</sup>

Expressing the facts in a different way, Wisconsin's income grew at 88% of Minnesota's pace and its Gross Domestic Product grew at 82% of Minnesota's. But state tax collections grew at only 66% of Minnesota's.

The result is a growing gap between Minnesota's collection of state taxes and Wisconsin's. Since 2002, Minnesota's state taxes have risen from about 8.0% of the state's total income to about 8.5%. During the same period, Wisconsin's share of state taxes has been relatively constant at about 7.2%. The gap between the share of income going to state taxes in Minnesota and the share in Wisconsin has widened substantially. Minnesota is collecting significantly more state revenue than is Wisconsin. [See Chart 5.]

**Chart 5**  
**Difference in revenue collection**  
**between Minnesota and Wisconsin**



**In Minnesota, state taxes are a greater share of income than in Wisconsin. With Minnesota's aggressive tax enforcement, the gap has grown by half a percentage point, from 0.7% to 1.2%. Each one-tenth of a percentage point translates into more than \$170 million.**

Minnesota did not raise tax rates in order to get the additional revenue. Minnesota did not create new taxes or significantly increase fees. Minnesota did it by improving its ability to collect the taxes that were already owed.

Throughout this period, neither state made changes in its rates in the three taxes that dominate state revenues: personal income tax, sales tax and corporate income tax. Wisconsin did create some new income tax exemptions and eliminated its estate tax, but raised its cigarette tax rate to recoup the loss.

### **Minnesota model focused on tax collection enforcement**

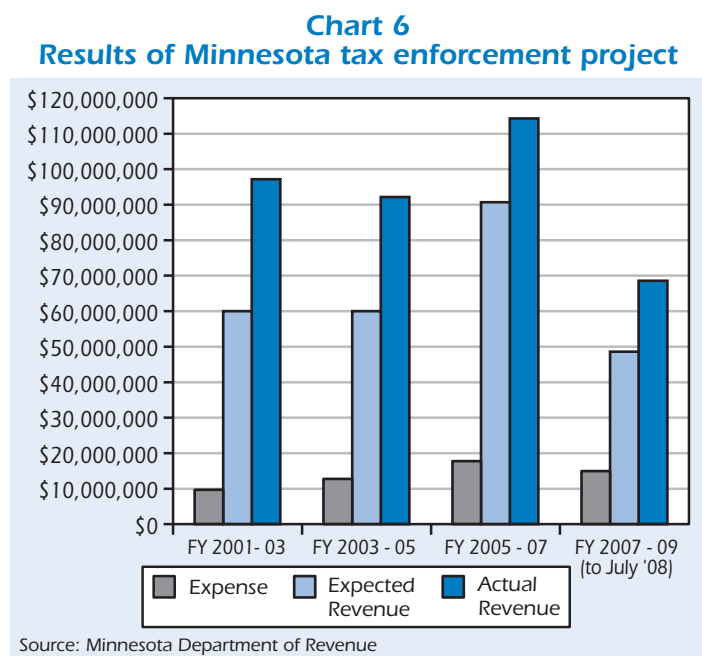
The reason Minnesota invested so heavily in its revenue department was in order to dramatically increase its tax enforcement efforts. This was done at first to help with budget deficits resulting from the national recession in 2001-2002. The budget for fiscal years 2002 and 2003 contained \$10 million in special appropriations to support what was labeled "Non-filer and Tax Compliance Initiatives." That funding has been sustained in every budget since then, and has been augmented each time a new budget has been passed.

In addition, Minnesota's Department of Revenue conducted two studies to measure the state's tax gap—the difference between the amount of taxes that should have been paid and the amount actually paid. The first study, in 2002, showed an annual gap in sales tax collections of about \$500 million. The second study, in 2004, showed an annual gap in individual income taxes of about \$600 million (for 1999).<sup>5</sup>

It was in the context of this focus on closing the tax gap that Minnesota embarked on its increased investment in tax enforcement. As stated in the revenue department's 2003 report on the new effort: "Although the vast majority of the taxpayers voluntarily comply with the tax laws, the focus on the non-filer and tax compliance initiatives is on taxpayers that do not voluntarily file, pay or comply with the tax laws."<sup>6</sup>

Since the program began, at least 37,557 non-compliant individual income tax cases have been resolved, according to the program annual reports. In addition, at least 1,762 non-compliant corporate taxpayers have been identified, and at least 2,850 non-compliant payers of sales taxes have been identified.<sup>7</sup>

Those annual reports show that the tax enforcement program returned increased state revenues at a rate more than seven times the amount of new investment, and that returns have regularly exceeded expectations. [See Chart 6.]



**Revenue through Minnesota tax enforcement exceeds expenses and expectations. In 2001-'03, expenses of \$10 million were dwarfed by \$97 million in revenue, far greater than the \$60 million expected. The trend continues.**

Each year's appropriation has been built into subsequent budgets, rather than being one-time only projects. As the Commissioner of Revenue has noted in successive budget recommendations: "This tax compliance initiative will have much greater impact than traditional one-time compliance activities by providing a permanent increase in revenues to the General Fund."<sup>8</sup>

Since the program's inception in the 2001-2003<sup>9</sup> biennium, Minnesota has spent about \$100 million on the tax enforcement effort. It anticipated additional revenues of about \$600 million. Actual additional revenues have exceeded \$900 million (through July 31, 2008).

Increased investment in tax enforcement was not entirely funded out of the state's revenue stream. Some of it was funded by cuts in other parts of the revenue department's operations. In particular, while

tax enforcement activities grew, other areas shrank. Specifically, the budgets for two enforcement activities, Tax Compliance and Debt Collection, rose 92% or \$46 million, while spending in all other operations grew only 2% or \$1 million. Tax Compliance and Debt Collection added 388 positions, while all other areas lost 14%, or 67 of their positions.<sup>10</sup>

In effect, the MN DOR was somewhat restructured in order to emphasize tax enforcement. From FY2002 to FY2009, the share of MN DOR's budget that went to Tax Compliance and Debt Collection grew from 51% to 66%.

Auditing was central to the tax enforcement effort. The department's annual reports on the project noted that "a significant portion of the compliance initiative work involves the audit process... Audits of taxpayers' filings to correct errors and detect abuse ... and identifying non-filers and unreported taxable activity. These activities directly related to one of the department's strategic goals, which is to focus on taxpayers that are furthest from compliance."<sup>11</sup>

This work required the increase in staffing that has already been noted, since "revenue production from compliance efforts is a function of the number of filled positions in the revenue tax specialist and revenue collection officer classifications."<sup>12</sup>

Additional audits by themselves were not enough, especially in the face of increasing sophistication by some tax evaders. Minnesota long ago adopted combined reporting, a method for assessing corporate income tax which makes it more difficult for large corporations to avoid state income taxes. In addition, Minnesota is among the states that have signed onto the Streamlined Sales and Use Tax Agreement, which simplifies sales tax compliance for all retailers and encourages Internet sellers and catalog companies to collect the tax on sales to customers in states where they do not have a physical presence. Despite all this, as the 2007 report noted: "Non-compliant taxpayers with debts owed continue to become savvier in hiding assets and evading compliance."<sup>13</sup>

Complementary tools included more sophisticated data warehouses and tax system software, greater exchange of data with the federal Internal Revenue Service and with other states, and "review of newspapers, periodicals, websites and annual reports to identify unreported business activity."<sup>14</sup> As the 2007 report said: "Increasing audits on both individuals and businesses is an effective tool in closing the tax gap. But audits alone will not shrink the tax gap significantly. Closing the tax gap requires a more comprehensive strategy. According to the federal General Accountability Office, these strategies will include getting better data on the extent of and reasons for non-compliance, simplifying tax laws, providing quality service to taxpayers, enhancing enforcement of tax laws, improving enforcement tools, creating better forms of information reporting and making better use of technology tools."<sup>15</sup>

Other complementary strategies, noted by the Washington, D.C.-based Center on Budget and Policy Priorities, include: increasing reporting requirements on taxpayers; expanding mandatory third-party tax withholding; increased data matching and data mining; public shaming; targeted amnesties and public education.<sup>16</sup>

### Wisconsin DOR cuts lead to revenue collection stalemate

During the time when Minnesota was investing in the tax-collecting capacity of its revenue department, Wisconsin was going in the opposite direction. From FY2002 through FY2009, the authorized staff capacity of the department dropped 15%, from 1200 to 1020.<sup>17</sup> During the same period, MN DOR added 320 positions, or 29%.<sup>18</sup>

As noted above, Minnesota eliminated some jobs to help pay for the staffing needed for the tax enforcement project. The cuts already made in WI DOR may make it more difficult to help pay for an increased tax-enforcement effort by cutting jobs elsewhere in the department. [See Chart 7.]

**Chart 7**  
**Wisconsin DOR staffing**

Year	Positions	
	Number (FTE)	% Change
FY 2002	1,199.55	–
FY 2003	1,199.55	0.0%
FY 2004	1,084.35	-9.6%
FY 2005	1,084.35	0.0%
FY 2006	1,012.18	-6.7%
FY 2007	1,013.18	0.1%
FY 2008	1,020.18	0.7%
FY 2009	1,020.18	0.0%
Change 2002 - 2009	-179.37	-15.0%

\* Does not include positions in the state Lottery.  
Sources: Wisconsin Department of Revenue; Wisconsin Legislative Fiscal Bureau

**Wisconsin’s Department of Revenue has cut 15% of its positions since 2002, more than 179 full-time equivalent jobs.**

WI DOR includes three tax administration programs: collection of taxes, which includes the processing of tax returns and payments, along with audit and delinquent tax collection; state and local finance, responsible for oversight of the property tax and distribution of state aids to local governments; and administrative services and space rental.

Based on budget documents from the Wisconsin Department of Administration and the Legislative Fiscal Bureau, WI DOR has lost about 134 jobs in collection of taxes, a decline of nearly 16%, and about 60 in state and local finance, a 32% drop. Administrative services have gained about 18 positions, an 11% increase.

But the decline in authorized positions does not tell the full story. One of every nine positions authorized by the 2007-'09 budget for DOR is currently vacant, according to the state’s Department of Administration.<sup>19</sup> Combining the 15% drop in authorized positions since 2002 with the 11% vacancy rate, means that since 2002, one out of every four jobs in the Department of Revenue has either been eliminated or left vacant.

New vacancies in DOR are part of an overall staff-reduction project in Wisconsin state government. The *Milwaukee Journal Sentinel* reported: “Every unfilled state job saves about \$75,000 in salary and fringe benefits, said state Budget Director David Schmiedicke. It also helps the governor achieve his 2002 campaign promise to try to eliminate 10,000 state jobs by 2010.”<sup>20</sup>

Some of these current vacancies are the result of the 2008 budget-repair mandate throughout state government to “lapse” funds—that is, to leave unspent funds that had been authorized in the state budget. DOR will save \$2 million during the last half of the biennium by leaving positions vacant, according to the department’s Fiscal Year 2009 Lapse Plan. The positions being left vacant include staffers whose jobs would have involved collecting business taxes, sales taxes, motor fuel taxes, alcohol taxes, as well as collecting debts and assessing manufacturing property.<sup>21</sup>

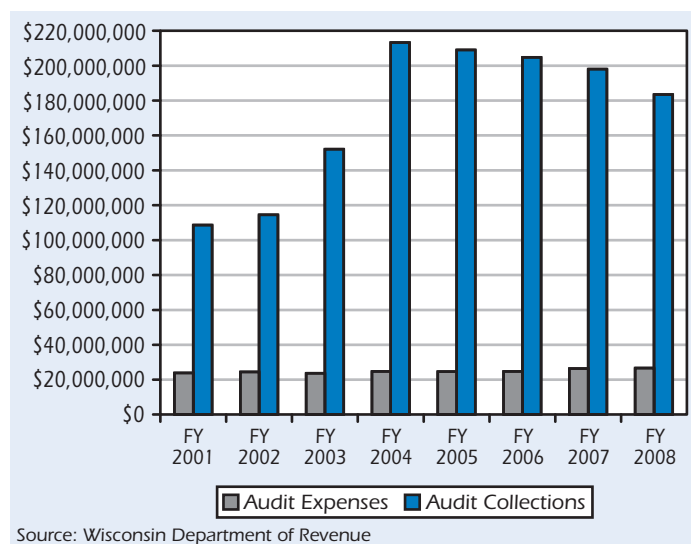
The ongoing decline in DOR staffing could explain an apparent increase in overtime payments in the department. Overtime payments doubled from 2005 to 2006 and then more than doubled again in 2007, according to the Legislative Audit Bureau. Overtime payments went from \$19,462 in 2005 to \$88,192 in 2007, the largest proportional increase in Wisconsin state government.<sup>22</sup> More recent overtime data are not available.

The declines in staffing appear to be having their impact on the department’s ability to enforce tax laws. Tax enforcement in DOR is divided between two functions: audit and compliance. The Audit Bureau is responsible for auditing returns and identifying non-filers. The Compliance Bureau is responsible for collection of delinquent taxes.

Both audit and compliance operations returned substantially more in collections than they cost. In the most recent years for which data are available, the Compliance Bureau collected \$10.45 for each dollar spent and the Audit Bureau collected \$6.87.<sup>23</sup>

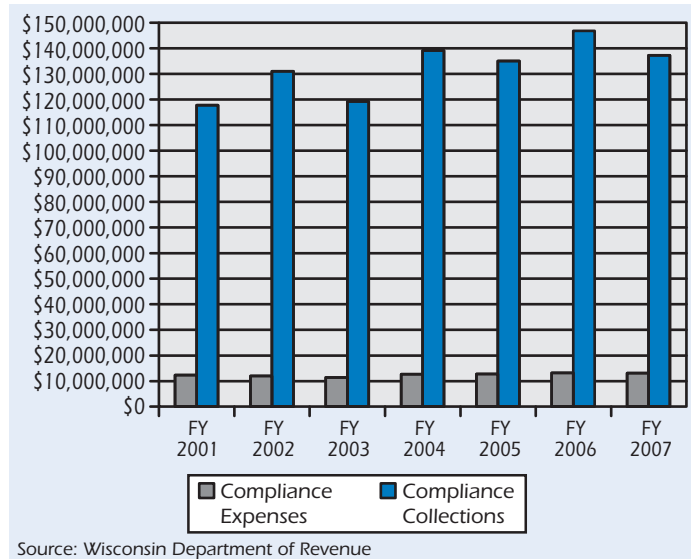
However, both bureaus have failed to register growth since 2004. Audit collections peaked that year and have declined each year since. Compliance collections have held steady at their 2004 levels. But combined collections for both Compliance and Audit have actually declined in recent years, once inflation is taken into account. [See Charts 8, 9 and 10.]

**Chart 8**  
**Revenue from Wisconsin tax audits**



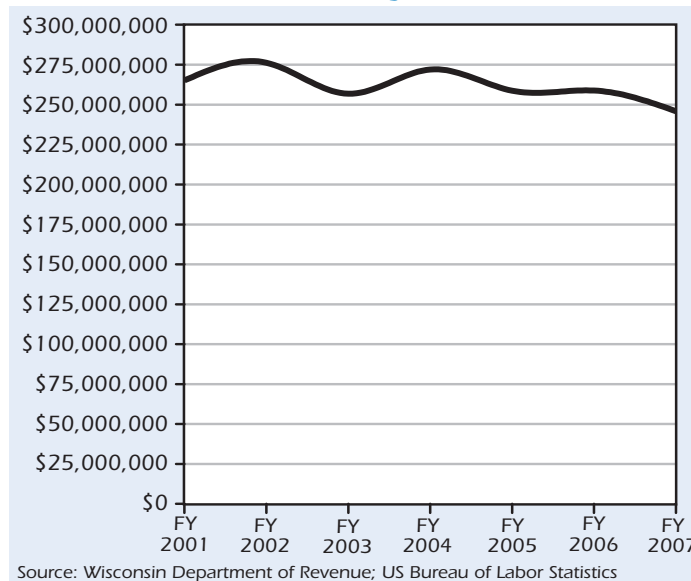
**Collections from audits of Wisconsin taxes peaked at \$213 million in FY2004 and have dropped to \$183 million since then. Even so, collections far exceed expenses, which grew from \$24 million in FY2001 to nearly \$27 million in FY2008.**

**Chart 9**  
Revenue from delinquency collections



**Collections of delinquent Wisconsin taxes flattened since 2004, ranging from \$135 million to \$143 million. Collections still far exceed expenses, which ranged between \$11 million and \$13 million.**

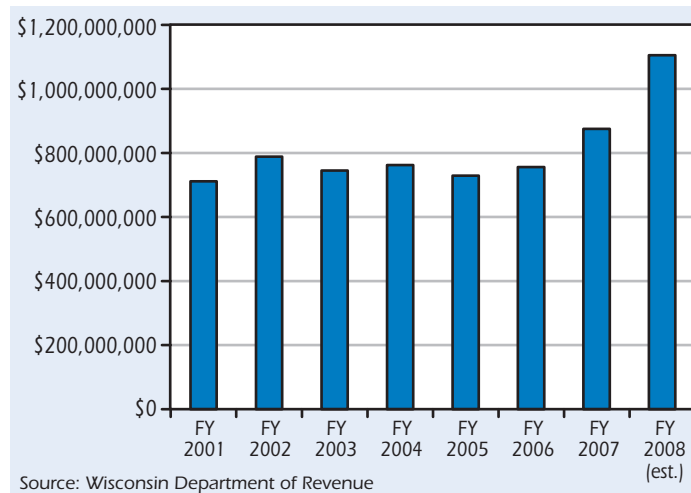
**Chart 10**  
Total revenue from Wisconsin tax enforcement (inflation-adjusted)



**Total tax enforcement activities—audit and delinquent collections combined—have fallen gradually in recent years with reduced staffs, once inflation is taken into account. Using 2007 dollars, total collections dropped from \$265 million in FY2001 to \$246 million in FY2007.**

The backlog of total billed but uncollected taxes remained constant during most of the period at roughly \$700 million to \$800 million, as new debt was registered in roughly the same proportion as old debt was collected or written off. However, the balance rose to \$875 million at the end of FY2007 and preliminary reports indicate that it exceeded \$1.1 billion at the end of FY2008. [See Chart 11.]

**Chart 11**  
Back taxes owed by Wisconsin taxpayers



**The backlog of delinquent taxes has grown as Department of Revenue staffs have shrunk. A year-end balance of \$729 million in FY2005 jumped to \$1.1 billion three years later.**

The lagging collections from tax audits are also reflected in the average collections per employee. Among other things, staffing declines mean that positions left vacant as experienced auditors retire or go elsewhere are not likely to be filled, leaving an overall less-experienced staff. Even though field auditors, for example—those who go on-site to audit business taxes—are still collecting on average about \$2 million in annual revenue, average collections across a variety of audit positions have generally fallen in recent years. [See Chart 12.]

**Chart 12**  
Average annual collections by Wisconsin auditors

	FY 2005	FY 2006	FY 2007	FY 2008
Large Case Field Auditor	\$2,041,580	\$2,280,287	\$2,269,404	\$1,983,633
District Field Auditor	\$423,655	\$460,034	\$499,936	\$345,976
Office Auditors	\$555,018	\$653,498	\$604,650	\$537,141
Discovery/Nexus	\$1,230,805	\$869,623	\$1,428,764	\$1,373,175

Source: Wisconsin Department of Revenue

**The Department of Revenue has various kinds of tax auditors, depending on where they work and the kind of review they perform. Average collections in each category dropped in recent years.**

## Obstacles to the Minnesota model

Increasing tax enforcement activity is not easy, nor does it produce absolutely immediate payback. As conducted by Minnesota, it required hiring, considerable training of newly hired staff and patience as new tax cases are discovered and processed, which in some cases takes years. Still, Minnesota was able to see payback in the first biennium, as noted earlier.

In his budget request for FY2007-2009, Minnesota's revenue commissioner summarized obstacles to increased enforcement, even as those efforts generate additional revenues:<sup>24</sup>

- Greater use of electronic transactions and record keeping by businesses, which requires tax administrators to understand and access electronic systems;
- Greater use of electronic records also reduces the information available to auditors who are auditing taxpayers;
- Consolidations and mergers among businesses; as companies merge their records and computer systems, identifying taxable transactions and the entity responsible for paying the tax becomes more complicated;
- Globalization of the economy, increasing the number of transactions occurring across state and national borders, which are more difficult to tax than transactions occurring solely with a state;
- And growth in the economy, particularly in the retail sector, which constrains shifting resources from taxpayer service and tax return and payment processing to direct tax enforcement activities.

## Summary

As the entire nation struggles through economic crisis, the state of Wisconsin faces a possible budget deficit of over \$5 billion for the 2009-2011 biennium. This deficit puts state and local services and infrastructure at significant risk due to projected cuts in state funding at every level of government. Some tax hikes appear inevitable. But, there is also a pool of untapped fiscal resources trapped in the "tax gap," the difference between the amount of tax legally owed and the amount actually collected. This pool of dollars in Wisconsin likely exceeds \$1 billion. Minnesota has created a model for accessing some of these dollars that could benefit Wisconsin.

In recent years, neighboring states Wisconsin and Minnesota have followed starkly different strategies to implement state tax policy through their respective revenue departments. In 2002, both states had similar DOR budgets and staffing levels. By 2008, Minnesota's decision to invest heavily in its DOR capacity had resulted in a far larger and better resourced tax collection system.

Beginning with its 2001-2003 budget and in each budget since, Minnesota's DOR has received additional funding to hire revenue tax specialists (auditors) and revenue collection officers. These compliance initiatives are generating more than \$400 million per biennium in additional tax collections. Since its inception, Minnesota has spent about \$100 million on the tax enforcement effort. It anticipated additional revenues of about \$600 million. Actual additional revenues have exceeded \$900 million (through July 31, 2008).

The MN DOR budget has grown 48%, to \$146 million, with an increase of 320 staff positions. During the same period, the budget for Wisconsin's DOR grew only 17%, not even keeping pace with the Consumer Price Index and resulting in a loss of 179 authorized revenue workers and an additional 128 positions currently vacant. The combined impact is that in 2008, one out of every four jobs authorized in the 2001 Department of Revenue budget has either been eliminated or left vacant.

The decline in staffing has weakened DOR's capacity to enforce tax laws. Until recently, the department was able to maintain audit and delinquent tax collections, but now they are dropping off because of the decline in resources. Total collections declined in recent years, once inflation is taken into account. Uncollected tax debt rose from \$700 million in 2001 to over \$1.1 billion in 2008.

Eliminating or holding vacant positions that produce substantially more revenue than they cost is not good budget policy, particularly at a time when revenues to fund state government are substantially below what was anticipated. The case has been made here that adding more of these revenue-generating positions—a budget commitment to building DOR's tax-enforcement program—would provide a significant net profit for Wisconsin taxpayers.

Not only will new auditors and revenue agents generate substantial new revenues, they will also make the state's tax system fairer for those who already file and pay their taxes voluntarily. More auditors and revenue agents also reduce the likelihood that taxpayers can get away with not reporting or paying the right amount of taxes, and that will serve as an incentive to voluntary compliance with state tax laws. Needed are both more revenue agents, who can have a relatively quick impact on state revenues, and more auditors, essential for long-term narrowing of the tax gap. Modest investments—beginning with WI DOR's 2009-2011 budget and continuing in subsequent budgets—will have favorable impacts in terms of revenue generated, fairness and incentives for voluntary compliance.

For example, hiring 125 new revenue agents to collect delinquent taxes and 30 new auditors to review tax returns and discover businesses and individuals that are failing to file returns and pay taxes in the 2009-2011 biennium could generate \$200 million, or \$175 million more than the estimated \$25 million it would cost to fund those positions. That is \$175 million that state budget makers would not have to find through spending cuts or tax increases when they address the state's deficit. It can be part of a multifaceted approach to addressing Wisconsin's current budget deficit and establishing budget stability in the future.

This cost-benefit ratio indicates that investing in the DOR is in the best interest of Wisconsin's citizens. The strategy has served Minnesota well. Wisconsin leaders would be wise to follow their lead.

## Notes

1. For Minnesota's tax gap, see: American Economics Group, Inc., *Minnesota Sales and Use Tax Gap Project: Final* and Minnesota Department of Revenue, *Individual Income Tax Gap, Tax Year 1999*. For California's, see California Legislative Analyst's Office, *California's Tax Gap*. For federal tax gap, see U.S. Internal Revenue Service, *IRS Updates Tax Gap Estimates*.
2. Barrett et al, *Governing*
3. Data in this section are from: Minnesota Department of Management and Budget, *Governor's Operating Budget, FY 2002-2003 and FY 2008-2009*; Wisconsin Department of Administration, Division of Executive Budget and Finance, *Executive Budget, 2001-2003 and Executive Budget, 2007-2009*. FTEs per population calculated using data from U.S. Bureau of the Census, *Annual Population Estimates 2000-2008*.
4. U.S. Bureau of Economic Analysis, *State Annual Personal Income and Gross Domestic Product by State*.
5. American Economics Group, Inc., *Minnesota Sales and Use Tax Gap Project: Final* and Minnesota Department of Revenue, *Individual Income Tax Gap, Tax Year 1999*.
6. Minnesota Department of Revenue, *Expanded Tax Compliance Initiatives*.
7. *Ibid.*
8. Minnesota Department of Management and Budget, *2010-2011 Budget Background Information, Department of Revenue Agency Narrative*.
9. Minnesota budget biennia are referred to using Wisconsin format rather than Minnesota format. For example, for the fiscal years from July 1, 2001-June 30, 2003, Minnesota format is FY2002-2003 and Wisconsin format is FY2001-2003.
10. Minnesota Department of Management and Budget, *Governor's Operating Budget for Fiscal Years 2002-2003 through 2008-2009*, and *Full Time Equivalent (FTE) Workforce Reports for 2003-2008*.
11. Minnesota Department of Revenue, *Expanded Tax Compliance Initiatives*.
12. *Ibid.*
13. *Ibid.*
14. *Ibid.*
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16. Center on Budget and Policy Priorities, Furman and Mazerov.
17. Wisconsin Department of Administration, Division of Executive Budget and Finance, *Executive Budget* for 2001-2003 through 2007-2009 and *Agency Budget Requests and Revenue Estimates, FY 2010 – FY 2011*.
18. Minnesota Department of Management and Budget, *Governor's Operating Budget, Fiscal Years 2002-2003 and 2008-2009*.
19. Walters, Steven, "Key state agencies have 10% of jobs vacant," *Milwaukee Journal Sentinel*. Wisconsin Department of Administration, *Vacancy Report*.
20. *Ibid.*
21. Wisconsin Department of Revenue, *Draft Fiscal Year 2009 Lapse Plan*, November 17, 2008.
22. Wisconsin Legislative Audit Bureau, *Overtime in State Agencies: June 2008*.
23. Wisconsin Department of Revenue, *Audit Bureau Annual Report and Delinquent Tax Collection Report*, various years; supplemental information provided by Department of Revenue staff.
24. Minnesota Department of Management and Budget, *2010-2011 Budget Background Information, Department of Revenue Agency Narrative*.

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