

STATE OF WISCONSIN
DEPARTMENT OF REVENUE

DOR



1993-95 BIENNIAL REPORT

Wisconsin

Department of Revenue 1993-95 Biennial Report

October 15, 1995

The Honorable Tommy G. Thompson
Governor, State of Wisconsin

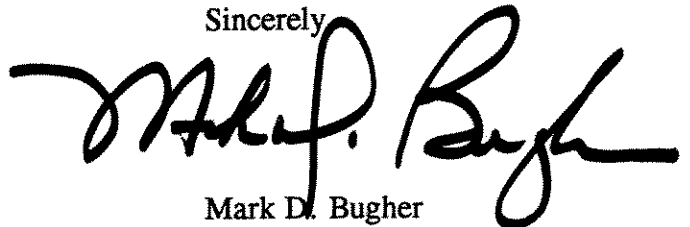
Members of the State Legislature

I am pleased to submit this report on the Department of Revenue's activities during the 1993-95 biennium, pursuant to s. 15.04(1)(d).

The report describes the organization of the department, highlights major accomplishments, offers a brief overview of legislation affecting the agency's duties, presents basic statistics on tax collections and describes the agency's goals for the 1995-97 biennium.

I particularly want to draw your attention to the discussion of the department's strategic planning efforts, which offer a blueprint for meeting current and future challenges.

Sincerely



Mark D. Bugher
Secretary of Revenue

The Wisconsin Department of Revenue

Mission Statement

Our mission at the Wisconsin Department of Revenue (DOR) is to promote voluntary tax compliance, to formulate state and local tax policies, and to effectively administer the state's tax systems in a manner that assures the highest degree of customer confidence in the department's integrity, efficiency, productivity, and fairness.

To achieve this mission, the department adopted a strategic plan during the 1991-93 biennium designed to give the agency the flexibility and resources needed to adapt to changing laws, technology, and customer expectations.

This plan was expanded during the 1993-95 biennium and now includes the following visions:

- Build and retain a quality workforce;
- Expand the use of technology;
- Proactively meet the needs of our customers;
- Conduct ongoing planning;
- Make quality improvement the driving force at DOR;
- Provide the highest quality work environment;
- Seek budgetary flexibility to support the mission of the agency;
- Develop a systematic understanding of how and what we are communicating.

History and Growth

The Department of Revenue's history can be traced back to the State Board of Assessments, a body of three constitutional officers established in 1868. At that time, the property tax accounted for almost all state tax revenue, and it was the board's responsibility to act as assessment advisor to state and local governments.

In 1910, the total staff was less than a dozen people, but, in 1911 the Wisconsin Legislature enacted the first income tax law in the United States. This was accompanied by the opening of 39 Assessor of Income offices staffed under civil service procedures. In succeeding years, inspection, enforcement, and tax collection duties were entrusted to the department. These additional programs and an expanding economy led to an increased workload since more taxes meant more taxpayers, more returns to process, and the provision of more governmental and taxpayer services. By 1950, a once small department had grown to include some 500 employees.

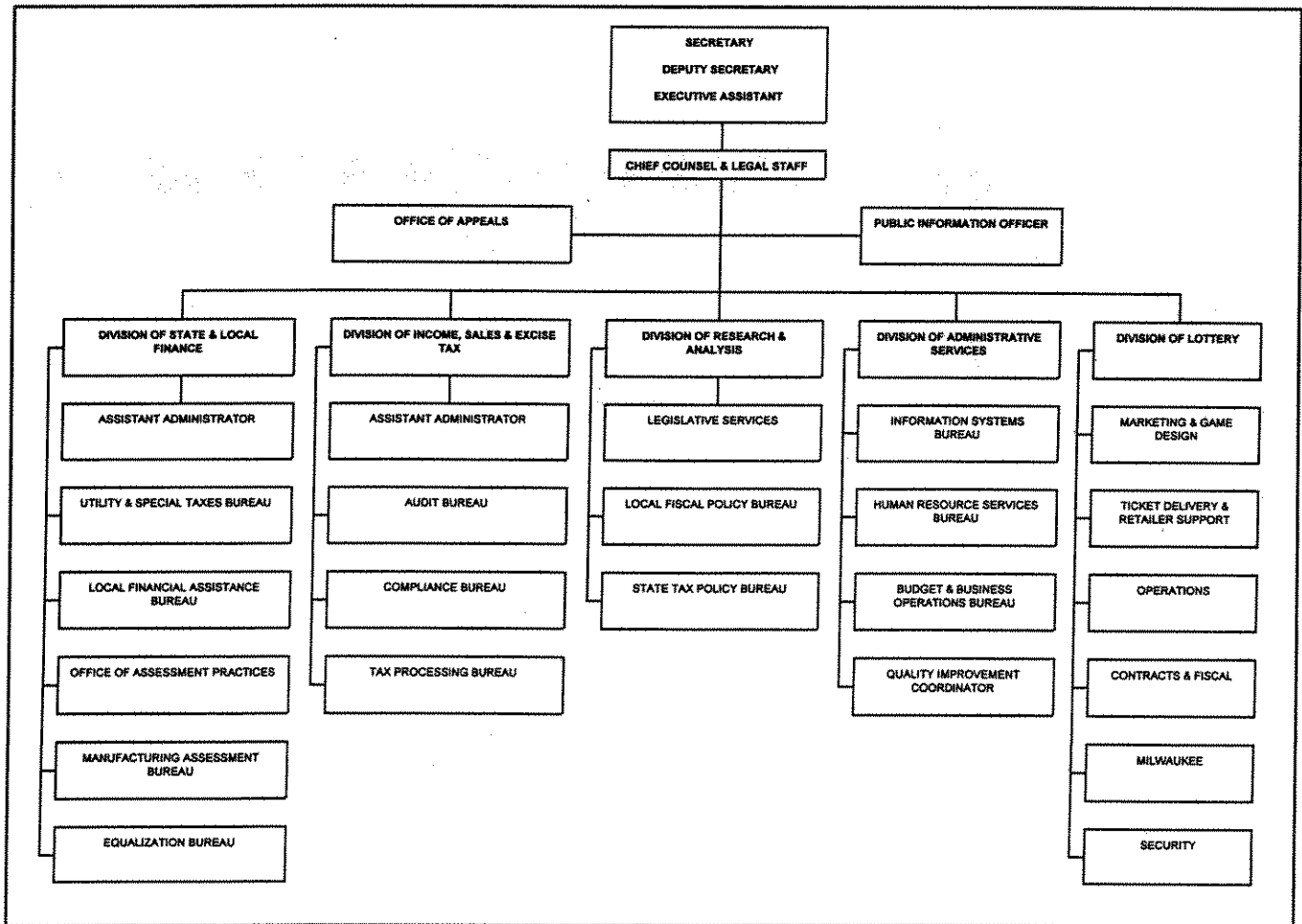
The workload was substantially increased in 1962 by the passage of the selective sales and use tax law and a provision for the withholding of income tax payments from wages. To cope with this increase the department was reorganized along functional lines. It had over 960 employees by the end of 1962.

Organization

Further reorganizations in 1968, 1973, 1977, 1985, 1992 and 1995 have produced the department's present structure with approximately 1,300 permanent positions authorized (including Lottery positions, which will formally become part of the department in July, 1996). Dozens of district and branch offices maintained throughout the state provide taxpayer assistance, establish the state's annual equalized value of real and personal property, assess manufacturing property and facilitate tax collection. Additionally, the department has four out-of-state branch offices located in New York, Minneapolis, Los Angeles, and Chicago.

Organizational Chart

The organizational structure of the Wisconsin Department of Revenue has changed over the years, including revisions adopted during the 1993-95 biennium. These alterations reflect the evolving needs of the department and the assignment of new responsibilities by the legislature. For example, the Property Tax Bureau has been reorganized into two bureaus and an office to reduce costs and clarify responsibilities. The 1995-97 state budget (1995 Act 27) transfers the Wisconsin Lottery to the department. This transfer will be formally implemented on July 1, 1996. The following organization chart includes the new Lottery Division.



**Office of the
Secretary of Revenue**

The agency's overall structure is designed to meet the department's primary responsibilities, which are to:

- administer state tax laws;
- establish the state's equalized property values;
- annually assess taxable manufacturing property in the state;
- supervise the general property tax laws; and
- provide advice and assistance to the governor, legislature, local units of government, and public.

The major components of the organizational structure of the department are shown on page 3. Although the department is quite large, every individual contributes to the successful performance of the organization as a whole.

The Secretary of Revenue is appointed by the governor, subject to confirmation by the Senate. As a cabinet member, the secretary is a policy advocate on issues of tax policy, state and local fiscal relations, and the state's economy. As the agency head, the secretary is responsible for fair, efficient and effective execution of the department's statutory responsibilities. This includes administration of state tax laws, general administration of the state's property tax system and local fiscal assistance programs, distribution of property tax relief and local aid payments, and research and development of tax policy. The secretary is assisted in these tasks by a deputy secretary, who focuses on internal management policies as well as federal and local relations, and an executive assistant, who deals primarily with policy development.

Office of Legal Services

The Office of Legal Services is also attached to the Secretary's Office. It provides counsel and opinions to the secretary and other department staff, drafts and reviews tax legislation and administrative rules, litigates cases before the Tax Appeals Commission, and works with the Office of the Attorney General on tax issues referred to the Justice Department.

Office of Appeals

The Office of Appeals is responsible for providing a prompt and impartial review of all assessments appealed by individuals, partnerships, trusts, and corporations relating to income, franchise, sales, use, withholding, and gift taxes and homestead credit. The staff consists of eleven conferees, three clerical positions, and a director. The director, seven conferees, and the clerical staff are located in Madison. Three conferees are located in Milwaukee and one is located in Eau Claire.

Income, Sales and Excise Tax Division

The Division of Income, Sales, and Excise Tax (IS&E) is the largest division in the Department of Revenue. It has approximately 800 permanent and 120 full-time equivalent (FTE) limited term employees. The division is responsible for administering individual income, employer withholding, corporate franchise and income, recycling, state and county sales/use, estate, local exposition district, alcohol beverage, cigarette, tobacco products, and vehicle fuel taxes. It also administers homestead, earned income, farmland tax relief and farmland preservation credits. Although the inheritance and gift taxes have been phased out, IS&E staff continue to collect taxes due from prior years.

The division has the continuing objectives of maintaining effective and efficient administration of tax programs, promoting accurate self-assessment by taxpayers and assuring collection of all taxes determined to be due and recoverable. The result is revenue for the state's general fund and the segregated transportation and recycling funds. IS&E is comprised of three bureaus and an administrative staff.

Administration

The primary responsibility of the office of the Administrator is to provide leadership and coordination of the activities of the division. With the approval of the Secretary of Revenue, this office sets policy and establishes guidelines and procedures for the administration of taxes administered by the division. It also coordinates division data processing and applications development activities, develops the division's biennial budget, monitors the operating budget, and performs various administrative functions (personnel, space management, union management interpretations, etc.).

The Alcohol & Tobacco Enforcement Section inspects licensed retail premises; enforces liquor credit and "tied-house laws"; detects efforts to avoid tax payment by smuggling, and prosecutes violations discovered. The section has employees located in the Appleton, Eau Claire, Madison and Milwaukee district offices as well as several branch offices.

The Special Investigation Section investigates and assists in the prosecution of criminal violations of state tax laws. Its chief and three agents are located in Madison; additional agents are stationed in Appleton, Eau Claire, and Milwaukee.

The Technical Services Section, located in Madison, provides technical research assistance, directs legislative and rule-making activity, answers technical inquiries from outside sources, designs tax returns and informational publications, and coordinates printing for the division.

Audit Bureau

The bureau consists of approximately 329 permanent employees and hires the equivalent of 27 FTE limited term employees each year. The bureau audits individual income, corporation franchise and income, sale/use, withholding, motor vehicle fuel excise tax returns, and homestead, earned income and farmland preservation tax credit returns. The bureau encourages taxpayer compliance through office and field audits and by issuing assessments and refunds as appropriate. The Audit and Compliance Bureaus share responsibility for direct taxpayer assistance throughout the tax filing season and conduct comprehensive taxpayer informational workshops and meetings. The Audit Bureau's main office is in Madison. District offices are located in Appleton, Eau Claire, Madison, and Milwaukee with branch offices in 28 other Wisconsin cities. The bureau also has four out-of-state offices in New York, Minneapolis, Los Angeles and Chicago. The Audit Bureau has four sections:

Central - Audits individual income, corporate franchise/income, partnership, homestead, earned income and farmland preservation returns. It also conducts nonfiler programs and provides taxpayer assistance.

Field - Field audits sole proprietorships, partnerships and corporations for individual income, corporate income/franchise, state and county sales/use and withholding taxes. It provides technical assistance for office and field audit staff, selects accounts for field audit, reviews completed audits, and provides taxpayer assistance.

Excise - Office and field audits beverage, cigarette, tobacco products and motor vehicle fuel taxes.

Office Services - Provides clerical and word processing functions for the Audit Bureau.

Compliance Bureau

The Compliance Bureau has approximately 270 permanent employees and the equivalent of 3 FTE limited term employees. It is responsible for collecting all delinquent taxes, issuing sales and use tax permits, and registering employers for the purpose of withholding Wisconsin income tax from employees. With the Audit Bureau, it assumes responsibility for the major share of the division's taxpayer information and assistance activity. The bureau is headquartered in Madison. District offices are located in Appleton, Eau Claire, Madison, and Milwaukee, with branch offices in 30 other Wisconsin cities. The bureau has three sections:

Business Tax Services - Registers and issues permits for sales/use tax,

withholding tax, motor vehicle fuel and excise taxes; provides office review, compliance, and collection functions for these taxes. It also maintains and controls the sales and withholding tax systems and provides taxpayer assistance.

Field Compliance - Collects delinquent taxes through personal contact with taxpayers or their representatives, obtains returns from nonfilers, and assists taxpayers by providing tax information and preparing returns. This section is also responsible for maintaining a computerized delinquent tax control system for recording delinquent accounts and processing delinquent tax payments and credits.

Central Collection - Issues, controls, and reviews cases sent to revenue agents located in the district and branch offices, contacts delinquent taxpayers by telephone and correspondence to obtain returns and payments of delinquent taxes, and collects state agency, county and municipal debts by offsetting tax refunds.

Tax Processing Bureau

The Tax Processing Bureau has approximately 132 permanent employees and the equivalent of approximately 93 staff years of limited term employees each year. It is responsible for processing over 5 million documents, collecting, depositing and accounting for all revenues, sorting, storing, retrieving, and routing returns, processing all incoming and outgoing mail, and providing support services. All employees are located in Madison. The bureau has four sections:

Central Files - Sorts and stores tax returns, and retrieves, and routes taxpayer files.

Shipping and Mailing - Processes incoming and outgoing mail, and provides general support services such as scanning, shipping, transportation, and labor services.

Revenue Accounting - Deposits and accounts for tax revenues collected; accounts for beverage and cigarette stamp sales; and microfilms tax documents.

Document Review - Processes over 5 million tax returns, and issues refunds for all taxes. A large number of limited term employees are hired by this section to process the seasonal workload of over 2.6 million income tax returns, and homestead and farmland preservation credit claims.

State and Local Finance Division

The mission of the Division of State and Local Finance is to promote the state and local relationship in the areas of general property tax administration and local financial management. Under the direction of the Division Administrator, the division: establishes the state's (full market) equalized values; exercises broad supervisory powers over administration of the state's property tax system in order to ensure equitable distribution of the property tax through assessment administration, professional development, education, consultation and prompt response to public inquiry; assesses all manufacturing property; assesses and collects taxes on utility and other special properties; provides financial management assistance and technical assistance to municipal and county government; and administers the state shared revenues, property tax relief and lottery credit programs.

Local Financial Assistance Bureau

This bureau is responsible for: distributing state-collected revenues through the shared revenue, expenditure restraint, school tax credit and lottery credit programs. It develops estimates of fair market values for property tax bills. The Bureau also certifies values for special purpose districts, and prescribes forms used to administer the general property tax. It administers the county tax rate freeze and collects, reviews, and verifies financial data reported by municipal and county governments (this data is used to distribute state aids and for analytic purposes).

In addition, the bureau prepares and conducts training presentations on financial management policies and practices at the request of local government and professional associations. The bureau also prepares and distributes technical guidebooks and bulletins to local officials aimed at improving their financial practices and techniques. Finally, it provides advisory services to county and municipal officials on ways to identify and correct deficiencies in their financial management systems and procedures.

Utility and Special Taxes Bureau

This bureau is responsible for administration of several tax programs. It values and assesses railroad, airline and pipeline properties. The bureau administers the gross revenue license fees on rural electric cooperatives, telephone, and electric and gas companies. It administers the net proceeds tax on mining of metallic minerals and assists local assessors in the administration of dual-use property and occupational taxes. The bureau reviews applications for exemption of waste treatment facilities and administers the provisions for municipal revenue sharing and tax credits for utility and mining companies. The bureau also administers an extensive audit program for omitted special property (real and personal) and correction of reported gross revenues, and audits real estate transfer fee returns.

**Research and
Analysis Division**

Office of Assessment Practices

This office is responsible for development and distribution of the *Wisconsin Property Assessment Manual* and oversight of local government property tax assessment activities, including researching appraisal methods and the certification of assessors at all levels of local government.

Manufacturing Assessment Bureau

This bureau determines what property in the state is classified as manufacturing and sets their annual market value assessments. It also administers State Board of Assessment actions on appeals and the state's property tax exemption for manufacturing machinery and equipment and industrial waste treatment facilities.

Equalization Bureau

This bureau annually determines the full market (equalized) value of taxable property in each county and municipality. It also certifies values for tax incremental districts and administers state laws requiring equitable assessment of taxable property classes.

The Division of Research and Analysis (R&A) is the smallest of the department's four divisions. It includes 19 professional and clerical personnel organized in two bureaus: the Bureau of State Tax Policy and the Bureau of Local Fiscal Policy. The Division also includes the Office of Legislative Services. R&A's major responsibility is to provide detailed analyses of fiscal and economic policies to the Secretary of Revenue, the Executive Office, and other state officials.

The division assesses the impact of current and proposed tax laws, prepares the official general fund tax collection estimates used to develop the executive budget, issues quarterly forecasts of the state's economy, and develops various statistical reports.

State Tax Policy Bureau

The Bureau of State Tax Policy conducts research on proposals affecting corporate and individual income, sales, recycling, estate and excise taxes, as well as earned income and the homestead credits. The bureau also prepares revenue estimates and economic forecasts. Among the research tools maintained by the bureau are a computer model of the Wisconsin economy and computer-based individual income and corporate franchise/income tax samples that permit simulations of the distribution and revenue effects of proposed tax law changes. The bureau often works with the technical staff in the Income, Sales, and Excise Tax Division.

**Administrative
Services Division**

Local Fiscal Policy Bureau

The Bureau of Local Fiscal Policy studies issues that affect local governments, including schools, counties and municipalities. Specific programs include the state shared revenue, school tax credit, lottery credit and expenditure restraint payment programs. It also considers proposals affecting mining taxes, utility taxes, and the farmland preservation tax credit. Bureau staff analyze changes in aid distribution formulas, the utility tax structure, and a wide range of other issues. The bureau works closely with State and Local Finance Division staff.

The two bureaus frequently collaborate on research projects such as the Summary of Tax Exemption Devices and revenue estimates.

Office of Legislative Services

The Office of Legislative Services monitors legislative developments of interest to the department and coordinates the development of tax legislation and fiscal notes.

The efficient internal operation of the Department of Revenue is the central goal of the Division of Administrative Services. The division provides centralized support services, helps formulate operating policies, and develops management procedures for the department.

Quality Improvement/Planning Coordinator

The department's quality improvement and strategic planning activities are coordinated through this position, although staff from all four divisions are involved in them. Throughout the department, teams of employees and managers strive daily to improve all operations of the department and to prepare detailed action plans to meet the agency's strategic goals.

Budget and Business Operations Bureau

The Bureau of Budget and Business Operations provides a broad range of financial and management services to department management. It is comprised of five sections:

Financial Operations Section - Responsible for administrative accounting; program revenue accounting; pre-audit of invoices, including travel vouchers; internal auditing; and accounting, GAAP and financial reporting.

Budget Management Section - Provides staff support to the Secretary's Office on department budget matters. The section is responsible for the analysis and development of biennial and annual operating budgets, budget status monitoring, establishing and maintaining the financial structure for the department. It coordinates administrative cost estimates for fiscal notes and participates on special projects/committees, as directed by the Secretary's Office. The section also administers the space, fleet, and safety programs for the department.

Lottery Accounting Section - Responsible for Wisconsin Lottery revenue accounting; prize money/winner annuity accounting; Lottery fund reconciliation; Lottery revenue statements, Lottery fund GAAP reporting; and Lottery financial systems. (Note: although the Wisconsin Lottery will not formally be merged into the department until July 1, 1996, an August, 1995 agreement between the department and the Gaming Commission transferred administrative oversight of the Lottery to DOR.)

Central Procurement Group - Responsible for procurement of all printing, permanent property, supplies and services for the department. The section is also responsible for records management, forms management, insurance, and property inventory control.

Support Services Section - Responsible for providing centralized mail and receptionist services to the department's personnel in the General Executive Facility (GEF 3) in Madison and providing word processing and other management support services to a number of organizational units located in GEF 3. The section also provides forms composition services to organizational units throughout the department.

Human Resource Services Bureau

The Bureau of Human Resource Services provides a broad scope of human resource management services to department managers and employees. The bureau is comprised of three sections:

Office of Affirmative Action/Employee Development and Training - Leads departmental affirmative action efforts under direction of the Secretary of Revenue, coordinates the department's employee development and training program (including agency-wide nontechnical training to managers and other employees). The bureau also administers the department's employee assistance program, provides career counseling, monitors alternative work patterns, develops new employee orientation, and publishes the department's internal newsletter.

Personnel Services Section - Classifies jobs, develops exams, conducts recruitment and selection processes and maintains a human resources management information system. It also develops and updates personnel policies, and manage related activities, such as performance evaluation, position control, and personnel policy and procedures directives for supervisors.

Payroll and Employment Relations Section - Processes bi-weekly payroll and leave accounting records, provides fringe benefit and worker's compensation administration, and trains payroll designees. It also conducts labor negotiations, provides contract training and interpretation and manages the employe grievance program.

Bureau of Information Systems

Provides information technology services to all areas of the department. The bureau is comprised of the following areas:

Development Services - Provides technical support to BIS staff in database, teleprocessing, and other areas. It also provides data administration, LAN (local area network) e-mail administration and Information Technology strategic planning for the agency.

Applications Development Responsible for developing and maintaining automated business systems for the division. The staff performs systems analysis and design; code computer programs; test, document, and implement new and modified systems which operate on mainframe, mini, and personal computers and LANs.

Technical Services - Provides data security, minicomputer systems administration, workstation support, personal computer analysis and support, computer software and hardware acquisition, research and development functions, and LAN implementation and support.

Data Center - Provides a variety of production support for departmental systems, including production scheduling, job submittal, quality control, output printing and distribution, and customer support. This section also provides equipment installation and maintenance, data communications network support, problem resolution and telecommunications support.

Data Control - Provides data capture, editing and error correction processes. These include all major agency processing systems, including state tax programs and municipal financial reporting systems.

Administration - This unit provides strategic planning for information technology, data base technical support, training support, budgeting, accounting, and bureau office support functions.

**Listing of DOR
Office Addresses**

Madison GEF-3, 125 S. Webster St., P.O. Box 8933 53708-8933

IS&E District Offices

Appleton 265 W. Northland Ave. 54911-2091
Eau Claire 718 W. Clairemont Ave. 54701-6121
Madison 4610 University Ave. 53705-2156
 4622 University Ave. 53702-0001
 4638 University Ave. 53702-0001
Milwaukee Rm. 408, 819 N. 6th St. 53203-1606

IS&E Branch Offices

Baraboo 1000 Log Lodge Ct., Box 89, 53913
Beaver Dam 211 S. Spring St. 53916-2341
Elkhorn 300 S. Lincoln St., Box 677 53121-0677
Fond du Lac 845 S. Main St., Suite 150 54935-6155
Grafton 1930 Wisconsin Ave., 53024-0407
Green Bay 200 N. Jefferson St., Suite 526 54301-5158
Hayward 100 Ranch Rd., Box 407 54843-0407
Hudson 1810 Crestview Dr., Suite 1-B 54016-6930
Janesville 101 E. Milwaukee, Rm. 525 53545-3056
Kenosha 5906 10th Ave., Room 106 53140-4011
La Crosse 620 Main St., Rm. 213 54601-4161
Lancaster 130 W. Elm St., Box 309 53813-1257
Manitowoc 914 Quay St., Box 125 54221-0125
Marinette Courthouse, 1926 Hall Ave. 54143-1728
Marshfield 300 S. Peach Ave., Suite 4 54449-4551
Monroe 1518 11th St., Suite #1-7 53566-2087
Oshkosh 300D S. Koeller St., 54901
Racine 616 Lake Ave. 53403-1206
Rhineland 203 Schiek Plaza 54501-3357
Rice Lake 101 N. Wilson Ave. 54868-1658
Shawano 1340 E. Green Bay St., Suite 2, 54166
Sheboygan 504 S. 14th St. 53081-4330
Superior Badger Buld., 1225 Tower Ave., Suite 315 54880
Tomah 1200 McLean Ave. 54660-2524
Watertown 600 E. Main St. 53094-3827
Waukesha 141 N.W. Barstow St. 53188-3789
Waupaca 644 Hillcrest Dr., Suite 2, 54981
Wausau One Wausau Center, 710 Third St., 54403
West Bend 120 N. Main St., Suite 170 53095-3353
Wisconsin Rapids 830 Airport Ave., Box 249, 54495-0249

State & Local Finance Division District Offices

Eau Claire 707 S. Barstow St. 54701-3894
Fond du Lac 845 S. Main, Suite 140 54935-6155
Green Bay 200 N. Jefferson St. 54301-5158
La Crosse 620 Main St., Room 209 54601-4161
Madison 5005 University Ave., Room 200, 53702
Milwaukee 819 N. 6th St. 53203-1606
Wausau 710 Third St. 54403-4700

Implementation of Strategic Plan Highlights DOR 1993-95 Biennial Accomplishments

During the 1991-93 biennium, DOR became one of the first state agencies to adopt a strategic business plan and an information technology (IT) plan. The original business plan has since been revised and the IT plan was integrated into the strategic business plan.

An IT Council was established to make specific recommendations regarding the information technology vision.

Strategic business planning

Strategic planning requires a climate for organizational change that is created by giving all employees a stake in the planning process. DOR employees from all levels and parts of the organization worked during the 1993-95 biennium to implement the visions and goals defined in the plan. Copies of the original plan and a summary of developments and changes were distributed to all employees to allow them to relate their activities to the department's overall mission and goals.

Employees were also encouraged to discuss the issues raised in the planning document and to offer suggestions for future changes through their supervisors. Responsibility for team activities was given to division administrators except in cases where teams cross divisional lines.

Forty team facilitators received training over the course of the biennium, including ten new facilitators. This gave facilitators an opportunity to share experiences and learn about new techniques.

Quality improvement

The department's quality improvement activities, underway for over a decade at DOR, were brought into alignment with the agency's strategic planning process. Training was provided to over forty managers, supervisors and other key staff.

Improved training for all department employees in a wide range of information technology applications became available during the 1993-95 biennium with the opening of a new IT training facility in Madison.

One new emphasis in the business plan is to develop new and more efficient ways to conduct business with the department's external customers. Two examples of this are electronic filing of income tax returns and electronic funds transfers.

Electronic filing

During the 1993-95 biennium, the state's electronic filing (ELF) program moved beyond the pilot stage to state-wide implementation. Wisconsin's program is piggy-backed on the federal electronic filing system. To file electronically, a state taxpayer must work with one of hundreds of tax preparers available throughout the state (usually on a fee basis). Advantages of ELF include: faster processing of tax returns because the data is already keyed for electronic processing; improved accuracy because the software used to file electronically includes checks for math and other errors; immediate acknowledgement of receipt of the return; and increased efficiency because the department does not have to manually process and store electronically filed returns.

Wisconsin's ELF program recorded a 36% increase over the previous year in the number of returns received during the 1995 tax filing season (for 1994 tax year returns). Volume increased from 92,459 to 126,133. Nearly 6% of all returns filed during the 1995 season were filed electronically. The department's ELF program also had the fastest refunds in the nation.

Electronic funds transfers

Beginning in October, 1993, employers were given the option of paying withholding taxes by electronic funds transfers (EFT). EFT is a commonly used method of paying business obligations by an electronic transaction that flows through an automated clearing house system. Advantages include immediate proof of filing, reduced costs and fewer errors.

Mandatory electronic funds transfer is a featured part of a comprehensive revision of motor vehicle fuel tax laws implemented during the 1993-95 biennium. DOR worked with other agencies and all tiers of the petroleum industry to conform motor fuel tax collection practices to changes in the industry. Another central aspect is a shift in the tax collection point to suppliers at the terminal/refinery level. This reduced the overall number of tax collection points from over 3,000 to about 300, resulting in cost savings for both the state and the industry.

Contact with local governments

The State and Local Finance Division explored new ways to share information with local units of government. The division annually exchanges a substantial volume of data and other information with county and municipal officials. Most of this information is exchanged on paper forms. The division took the first steps toward electronic information exchange by distributing tax incremental financing (TIF) worksheets to municipalities on computer disks. Local officials completed the worksheets on the disks and returned them to the department.

**Other
improvements**

They were generally enthusiastic about the new approach because it increased the efficiency of their operations. Work was begun during the biennium to create a direct data link with local officials using telephone modems, rather than disks. This program will be expanded in time to include other services.

Tax fairness remains a central goal of sound tax administration. During the biennium, the department improved tax equity by improving the department's capacity to collect delinquent taxes.

An enhanced automated telephone system to respond to questions about the status of individual income tax refunds and Homestead credits was installed during the biennium. This system allowed a several-fold increase in the volume of information inquiries that could be handled by the department and allowed reallocation of staff time to more productive activities.

The department also implemented new or revised automated systems for withholding taxes, the new Milwaukee exposition tax, the delinquent tax control system and other activities.

The agency's flexible-time work schedule program, including alternative work patterns and staggered work hours, was highly successful. 48% of DOR employees utilize staggered work schedules and 38% use an alternative schedule, including less than full time and job sharing.

Highlights of Legislation Passed During the 1993-95 Biennium

Non-Budget Legislation

Act 471 expands the list of properties and costs that qualify for the Historic Preservation Tax Credit.

Act 112 allows businesses to organize as Limited Liability Companies (LLCs), an entity that combines the limited liability protection available to corporate investors with the flow-through tax advantages of partnership and subchapter S corporations. Most other states have also adopted LLC legislation.

Act 199 extends the automatic state extension for filing income tax returns by corporations and insurance companies to 30 days after the extended federal due date.

Act 232 designates one area in the city of Beloit and one area in the city of West Allis as Development Opportunity Zones. Corporations locating or expanding business operations into these zones are eligible to claim development zone investment, location, jobs, sales and research tax credits. The Development Opportunity Zones last for three years, but may expire earlier if all available tax credits are allocated.

Act 275 changes certification procedures for the Development Zone Jobs Tax Credit by allowing local governing bodies to determine whether an exception should be made to prohibitions against zone certification in instances where jobs are shifted instead of newly created.

Act 332 extends the sales tax exemption for meals provided by nonprofit community-based residential facilities (CBRFs) to include some CBRFs that did not previously qualify for the exemption (primarily for-profit facilities).

Act 412 allows the disclosure of some information contained on real estate transfer fee returns.

Act 263 authorizes the creation of a Local Exposition District that can impose three types of taxes -- room tax, food and beverage tax, and rental car tax. These taxes are administered by the Department of Revenue. The act also creates several tax exemptions for an exposition district (property, corporate income/franchise, sales and real estate transfer fee) and it creates individual and corporate income/franchise tax exemptions for interest on bonds issued by such a district.

Act 82 modifies board of review hours.

Act 467 places limits on room tax rates in some municipalities and requires that certain proceeds be used to promote tourism.

Act 305 creates definitions and sets parameters by which local governments may levy impact fees on developers.

**Budget
Provisions
(1993 Act 16)**

The statutory reference to the Internal Revenue Code (IRC) for both individual income taxes and corporate income/franchise taxes is updated to include changes signed into federal law during 1992 (particularly, the Unemployment Compensation Amendments of 1992 and the Energy Policy Act of 1992.

The budget creates a head-of-household standard deduction for single persons with dependents and other persons qualifying for the federal head of household filing status.

Wisconsin's earned income credit (EIC) is reformulated as a stand alone credit effective for tax year 1994 (previously the state credit had been a sliding percentage of the federal EIC based on the number of qualifying children).

The health insurance income tax deduction for self employed persons and persons whose employers do not contribute toward the employee's health insurance cost is increased for tax year 1995 and thereafter from 25% to 100% for self employed persons and 50% for employed persons whose employer does not contribute to insurance costs.

The dividend received deduction for corporations is modified.

The amount of the gross receipts exclusion used to exempt sole proprietorships and partnerships from the temporary recycling surcharge is increased from \$1,000 to \$4,000.

A new state motor vehicle fuel (gasoline and diesel fuel) tax collection system is created that requires out-of-state shippers and terminal operators to pay the tax on the first sale of motor vehicle fuel in Wisconsin. Motor vehicle fuel shrinkage allowances and gasoline tax payment dates are also altered.

Act 16 increases the potential for collecting certain delinquent corporate taxes by amending laws regarding assessment of personal liability.

The tax rate disparity state payment program is renamed the expenditure restraint program and beginning with the 1994 distribution, the qualifying property tax rate is 5 mills, rather than the statewide average. The budget growth factor and funding level are also modified.

The budget funds the small municipalities improvement program at \$10 million annually, beginning in 1994.

Payments for municipal services are increased to approximately 95% of entitlements (\$16 million in 1993-94 and \$16.8 million in 1994-95).

Supplemental school aid payments to school districts with Tax Incremental Financing (TIF) districts within their borders are repealed and the funds for these aids are transferred to the general equalizing aid appropriation. The equalizing aid distribution formula is modified to exclude the incremental value of property within a TIF district from inclusion in the calculation of the school district's total value.

A county tax rate freeze is created, based on the December, 1992 county mill rate.

**Budget
Adjustment Bill
(1993 Act 437)**

Act 16 separates the shared revenue appropriation into two funds, one for municipalities and another for counties. It increases the total shared revenue appropriation for 1994 to \$915 million (the municipal share is \$746.5 million and the county share is \$169 million).

A county mandate relief fund is created to finance assistance for programs the state requires counties to implement. The payment is distributed to counties in proportion to population. 1994 payments are \$4.7 million, increasing to \$8.2 million for 1995.

Federal law changes resulting from the Omnibus Budget Resolution Act of 1993 are adopted, with the exception of the increase in the amount of social security taxes subject to taxation.

A school finance reform measure changes the way K-12 schools will be funded in two ways. First, it effectively freezes total property taxes levied by school districts for operations in 1994-95 and 1995-96 at the 1993-94 level. To achieve this freeze, school aid payments are increased about \$275 million for 1994-95 and another \$279 million for 1995-96. Beginning in 1996-97, the state will be required to provide school aids sufficient to fund two-thirds of basic school costs. The bill does not specify the source of the additional state funds that will be required to meet this commitment.

Goals for the 1995-97 Biennium

The department began development of its strategic business plan during the 1991-93 biennium. This plan creates a framework for the agency's 1995-97 biennial goals. Department-wide goals identified in the plan are organized under eight visions:

Building and retaining a quality workforce

Attract the best possible skills for the job.

Upgrade the skills of the existing workforce and provide opportunities and training for advancement.

Expand the use of technology to improve operations

Increase the number and rate of new development projects completed and implemented.

Improve existing systems on a planned and continuous basis.

Provide faster and higher quality development of new systems.

Provide departmental employees with the ability to make full use of automated systems and equipment.

Provide the department with the ability to meet future IT needs and keep its automated systems up to date with emerging technologies.

Improve and maintain the effectiveness of our automated systems and equipment.

Improve the effectiveness of departmental staff and automated systems.

Encourage proactive efforts to meet the needs of DOR customers

Reduce the complexity of the customers' contacts with the department.

Continuously improve customer service and anticipate customer needs.

Conduct ongoing planning to anticipate challenges

DOR will annually update the business plan.

Divisions and bureaus will create plans and annual updates that complement the departmental vision and plan.

The department will retain the flexibility to accommodate unexpected law changes and other developments.

Quality improvement will be made the driving force at DOR

The department will achieve 100% commitment to QI principles.

QI will be integrated with every-day management practices.

The agency will improve its knowledge of its customers and their expectations.

DOR will strive to provide a high quality work environment

Progress will be made toward a single Madison location.

A safe, comfortable, uncrowded and healthy workplace will be sought for all DOR employees.

The best location for placement of field resources will be determined.

Seek budgetary flexibility to support the agency's mission

Create flexibility through a simplified DOR fiscal structure.

Identify potential program revenue sources.

Identify potential areas for privatization.

Develop a systematic understanding of how and what we communicate

Provide useful and timely information to our internal and external customers

Statistical Appendix

MAJOR STATE AND LOCAL TAX COLLECTIONS FISCAL YEARS 1982-83 THROUGH 1994-95

Total General Fund Taxes*

Fiscal Year	Collections - Millions of Dollars	% Change
1983	3,774.0	10.0
1984	4,533.2	20.1
1985	4,451.7	-1.8
1986	4,781.7	7.4
1987	4,961.6	3.8
1988	5,180.7	4.4
1989	5,542.8	7.0
1990	5,658.6	2.1
1991	6,084.1	7.5
1992	6,351.0	4.4
1993	6,883.0	8.4
1994	7,297.5	6.0
1995	7,816.1	7.1

Sales and Use Taxes

Fiscal Year	Net Collections	% Change
1983	1,209,439,847	25.8*
1984	1,374,565,660	13.7
1985	1,453,525,383	5.7
1986	1,543,347,307	6.2
1987	1,651,906,627	7.0
1988	1,769,062,402	7.1
1989	1,888,249,890	6.7
1990	1,983,827,498	5.1
1991	2,026,683,859	2.2
1992	2,127,315,030	5.0
1993	2,260,562,784	6.3
1994	2,427,900,047	7.4
1995	2,571,212,098	5.9

*These totals are greater than the sum of general fund taxes listed on the accompanying tables, because they include miscellaneous general fund taxes collected by agencies other than the Department of Revenue.

*The growth rate for FY 1983 was affected by the tax rate increase, from 4% to 5%, implemented in May 1982

Individual Income and Corporate Franchise and Income Taxes

Fiscal Year	Individual	% Change	Corporate	% Change	Total	% Change
1983	1,734,056,474*	2.8	339,781,369 ^b	5.2	2,073,837,843	3.2
1984	2,181,912,919	25.8	393,480,708	15.8	2,575,393,627	24.2
1985	2,009,109,148	-7.9	413,645,057	5.1	2,422,754,205	-5.9
1986	2,239,066,750	11.4	407,590,170	-1.5	2,646,656,920	9.2
1987	2,224,052,513	-0.7	470,688,750	15.5	2,694,741,263	1.8
1988	2,319,966,974	4.3	461,369,037	-2.0	2,781,336,011	3.2
1989	2,576,111,742	11.0	448,366,562	-2.8	3,024,478,304	8.7
1990	2,624,896,164	1.9	436,562,106	-2.6	3,061,458,271	1.2
1991	3,003,380,725	14.4	440,917,447	1.0	3,444,298,172	12.5
1992	3,142,212,356	4.6	437,698,226	-0.7	3,579,901,582	3.9
1993	3,445,828,768	9.7	492,014,523	12.4	3,937,843,291	10.0
1994	3,638,710,264 ^c	5.6	541,284,287	10.0	4,179,994,533	6.1
1995	3,932,948,357 ^c	8.1	631,750,239	16.7	4,564,698,596	9.2

*10% surtax in effect for tax year 1983.

^b10% surtax in effect for tax years 1982 and 1983.

^cExcludes pension tax refunds.

Inheritance, Estate, and Gift Taxes*

Fiscal Year	Inheritance and Estate	% Change	Gift	% Change	Total	% Change
1983	64,044,317	13.3	3,213,022	9.6	67,257,339	13.1
1984	67,416,378	5.3	4,577,610	42.5	71,993,988	7.0
1985	75,681,064	12.3	4,758,560	4.0	80,439,624	11.7
1986	71,659,008	-5.3	3,585,072	-24.7	75,244,080	-6.5
1987	82,135,262	14.6	3,469,026	-3.2	85,604,288	13.8
1988	94,299,114	14.8	3,786,939	9.2	98,086,053	14.6
1989	93,838,129	-0.5	4,174,032	10.2	98,012,161	-0.1
1990	82,289,272	-9.1	6,904,726	64.5	92,202,998	-5.9
1991	71,512,391	-16.2	4,120,100	-40.3	75,632,491	-18.0
1992	55,932,324	-21.8	1,714,105	-58.4	57,646,428	-23.8
1993	53,071,287	-5.1	670,954	-60.9	53,742,241	-6.8
1994	52,244,305	-1.6	957,666	42.7	53,201,971	-1.0
1995	39,729,206	-24.0	1,054,495	10.1	40,783,701	-23.3

*The inheritance and gift taxes were phased out from 1988 to 1991 and were repealed as of January 1, 1992 (although collection activity will continue beyond that date). Wisconsin's only tax on transfers for deaths occurring on or after that date is an estate tax equal to the maximum amount of the federal estate tax credit for state death taxes. Gift tax collections after that date relate to transactions that occurred prior to elimination of the tax.

Excise and Occupational Taxes

Fiscal Year	Liquor and Wine ^a	Beer	Cigarette and Tobacco Products ^b	Motor Fuel ^c	Total
1983	32,406,721	10,150,466	127,930,787	286,843,896	457,331,870
1984	34,636,916	10,325,765	126,714,596	343,051,097	514,728,374
1985	34,061,915	9,801,924	129,383,914	369,117,384	542,365,137
1986	29,989,851	9,839,840	127,128,208	388,504,472	555,462,371
1987	34,720,680	9,866,980	129,083,060	417,159,717	590,830,437
1988	39,055,802	9,499,438	147,283,267	493,407,270	679,245,777
1989	30,279,163	9,433,761	145,603,414	521,337,882	706,654,220
1990	30,374,162	9,423,256	140,799,003	531,635,612	712,232,033
1991	30,569,511	9,216,587	141,452,264	550,213,860	731,452,222
1992	30,335,533	9,328,414	153,563,964	571,493,301	764,721,212
1993	31,327,061	9,013,763	172,631,989	592,577,841	805,550,654
1994	30,292,242	9,104,042	180,171,239	638,461,380	858,028,907
1995	30,623,787	8,960,252	183,835,499	655,522,138	878,941,676

^aAffected by change from liquor stamps to estimated payments in 1986.

^bCigarette tax rate increased to 20¢ per pack in 1982, to 22¢ in 1983, to 30¢ in 1988 and to 38¢ in 1992; tobacco products tax applied to a percentage of list price of non-cigarette tobacco products beginning in 1982.

^cNot a general fund tax. Motor fuel tax rate per gallon changed as follows: 13¢ in 1982, 15¢ in 1983, 16¢ in 1984, 16.5¢ in 1985, 17.5¢ in 1986, 18¢ in 1987, 20¢ on 8/1/87; 20.9¢ in 1988, 20.8¢ in 1989, 21.5¢ in 1990, 22.2¢ in 1991, 23.2¢ in 1993, 23.1¢ in 1994, and 23.4¢ in 1995.

Utility Taxes*

Fiscal Year	Ad Valorem Tax Collections	Gross Receipts Tax Collections	Total Collections
1982-83	85,701,755	112,043,954	197,674,207
1983-84	144,389,731	134,271,019	278,660,750
1984-85	17,825,096	239,109,256	256,934,352
1985-86	14,786,332	255,369,041	270,155,373
1986-87	14,042,051	250,973,108	265,015,158
1987-88	17,908,609	235,823,930	253,732,539
1988-89	18,718,387	234,791,910	253,510,297
1989-90	23,026,779	226,741,074	249,767,853
1990-91	20,310,690	236,638,339	256,949,029
1991-92	25,929,221	252,722,525	278,651,746
1992-93	25,882,332	268,288,835	294,171,167
1993-94	28,983,788	257,298,424	286,282,212
1994-95	33,309,532	261,013,875	294,323,407

*Includes some non-general fund tax collections.

^bIncreased collections resulting from law changes.

^cTax on light, heat and power companies was changed from ad valorem to gross receipts, beginning with the 1985 assessment.

Full Value of Taxable Property, Property Tax Levy and Average State Property Tax Rate

Year ^a	Full Value of Taxable Property	Total General Property Tax Levy	Total Property Tax Credits ^b	Net General Property Tax Levy	Average State Rate After Property Tax Credits ^c
1982-83	118,159,120,779	2,560,761,397	353,428,324	2,207,333,073	18.68
1983-84	119,751,383,830	2,762,001,103	280,999,080	2,481,002,023	20.72
1984-85	122,060,946,775	2,939,981,261	289,599,072	2,650,382,189	21.71
1985-86	123,021,487,280	3,203,487,573	459,099,983	2,744,387,590	22.30
1986-87	120,574,776,770	3,489,361,148	517,804,984	2,971,556,164	24.64
1987-88	121,883,655,590	3,499,211,213	319,305,000	3,179,906,213	26.08
1988-89	126,587,557,530	3,755,365,497	319,304,999	3,436,060,498	27.14
1989-90	133,206,184,580	4,078,930,415	319,305,000	3,759,625,415	28.22
1990-91	141,370,307,160	4,388,165,512	319,304,999	4,068,860,513	28.78
1991-92	150,927,756,160	4,732,676,626	319,305,000	4,413,371,626	29.24
1992-93	159,587,003,190	5,169,477,195	319,304,977	4,850,172,218	30.39
1993-94	171,677,163,530	5,437,963,972	319,305,007	5,118,658,965	29.81
1994-95	184,994,866,100	5,572,113,234	319,305,025	5,252,808,209	28.39

^aTaxes levied in December and payable in following year.

^bDoes not include lottery credits

^cRate per \$1,000 equalized valuation.