



Iowa Department of  
**REVENUE**

**PERFORMANCE REPORT**  
for  
**Fiscal Year 2018**

**Courtney M. Kay-Decker**  
Director

## AGENCY OVERVIEW

### Mission

The mission of the Iowa Department of Revenue (IDR) is to serve Iowans and support state government by collecting all taxes required by law, but no more.

### Taxes Established by Iowa Code

#### Taxes and Fees Collected and/or Administered

<b>Individual Income Tax/Withholding</b>	<b>Sales Tax</b>	<b>Fuel Taxes</b>
<b>Corporation Income Tax</b>	<b>Retailer's Use Tax</b>	<b>Insurance Premium Tax</b>
<b>Franchise Tax</b>	<b>Hotel/Motel Tax</b>	<b>Inheritance Tax</b>
<b>Moneys and Credits Tax</b>	<b>Local Option Sales Tax</b>	<b>Cigarette/Tobacco Tax</b>
<b>Replacement Tax</b>	<b>E911 Surcharge Fee</b>	<b>Hazardous Materials Permit Fee</b>
<b>Property Tax</b>	<b>Consumer's Use Tax</b>	<b>Real Estate Transfer Tax</b>
<b>One-time Fee for New Vehicle Registration</b>	<b>Car Rental Tax &amp; Vehicle Title Surcharge</b>	<b>Miscellaneous Other Taxes</b>

### Vision and Guiding Principles

Governor Reynolds has outlined four goals for her administration:

- Creating a competitive business climate
- Developing the most innovative energy policy in the country
- Educating our children for a knowledge economy
- Training Iowans for the jobs of tomorrow

The Iowa Department of Revenue does its part to support and further those goals.

IDR established the following *vision, goals, and key strategies* in its 2018-2020 Strategic Plan:

### **Vision**

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

### **Goals**

- Provide clear and accurate information
- Deliver customer-focused tax administration

### **Key Strategies**

- We invest in technological advancements
- We create easy to use self-help options
- We refine processes to add value
- We promote voluntary compliance
- We strive to collect all known debt to the State of Iowa
- We reduce erroneous and improper refunds
- We invest in our human capital
- We collaborate with our internal and external partners

## **Core Functions**

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

### ***REVENUE COMPLIANCE AND COLLECTION***

The most visible aspect of the Department's operations is the administration of tax compliance and collection. This function includes educating taxpayers on tax laws and regulations, processing tax returns, and collecting taxes and other amounts due. It is in compliance with Iowa's tax laws that the Department conducts its taxpayer examination and audit programs and resolves disputed tax issues.

### ***LOCAL GOVERNMENT ASSISTANCE***

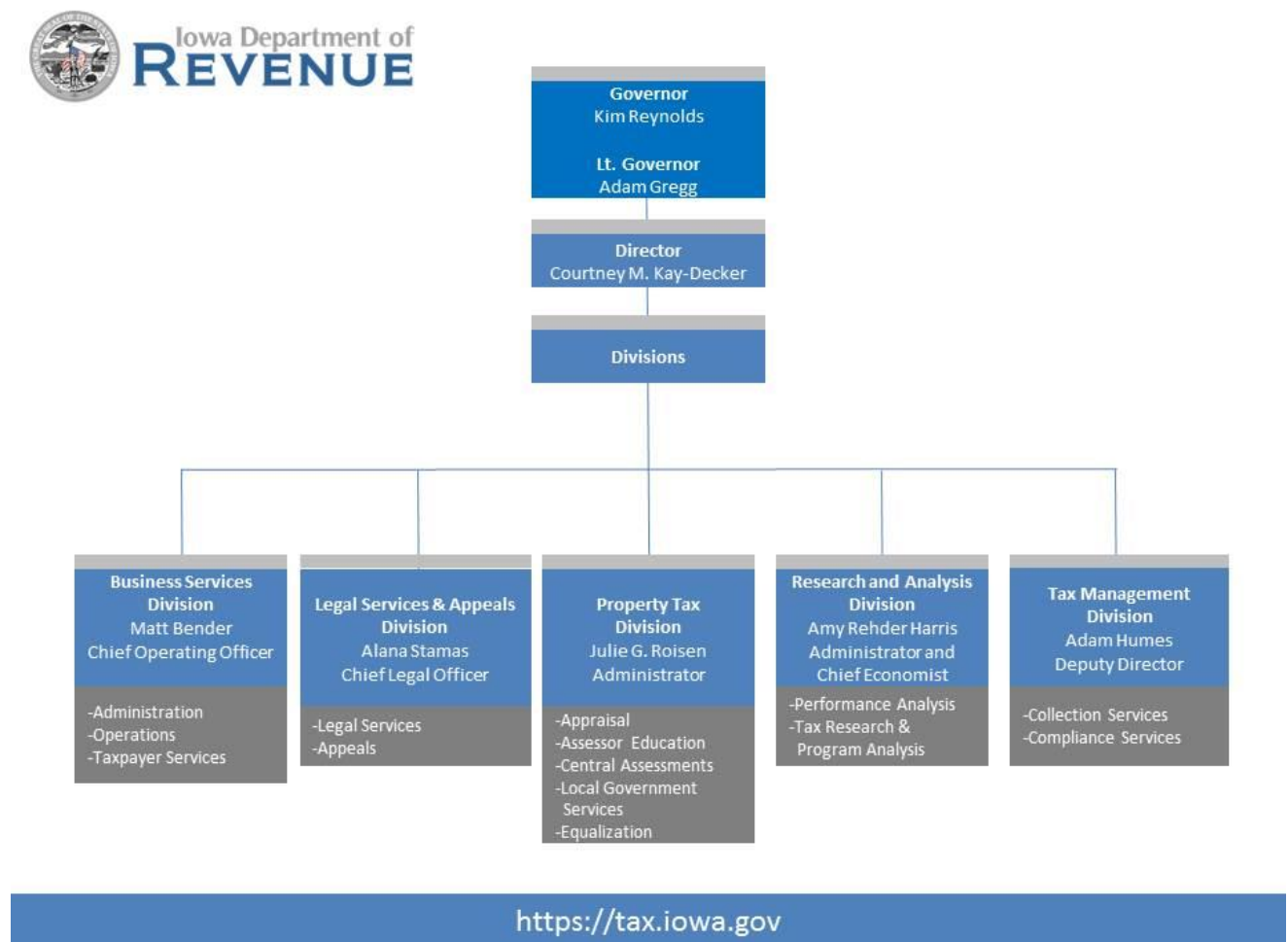
The Department provides support to local governments by administering just and uniform property assessments across the state. This function also administers programs for property tax relief including administration of the business property tax credit, local option taxes, school infrastructure taxes, and sales tax increment programs.

### ***RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT***

The Department performs tax policy analysis, fiscal impact estimation, statistical research, and economic analysis to help stakeholders understand the impact of Iowa tax laws and make informed decisions.

## Department Operational Divisions

IDR has five operational divisions. The following chart is an overview of its primary organizational entities and the services they provide.



The Department includes one board for budgetary purposes:  
The Property Assessment Appeal Board

## **Customers**

IDR's customer base is, by its very nature, one of the largest of Iowa State government agencies. In addition to all persons with tax responsibilities throughout the state and nation, IDR works with all levels of State, local, and federal governments, tax practitioners, business groups, State employees, the Legislature, and other state agencies.

IDR deposits over 95% 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, while protecting them against fraudulent claims. Taxpayers also expect an audit billing to be accurate and understandable.

Each customer expects Department information and outputs to be disseminated timely, accurately, and clearly. This expectation holds true for both analysis and reports in response to external inquiries and internal questions.

## **Staff**

The IDR Director is Courtney M. Kay-Decker. Director Kay-Decker was appointed by Governor Terry Branstad in January 2011. As of June 29, 2018, IDR had 277 full-time employees. There were 13 employees in the Cedar Rapids field office. There were 19 teleworkers and the remaining 245 employees were domiciled in Des Moines. All of IDR's contract-covered job classifications fall under the AFSCME bargaining agreement.

## **Goals, Measures, and Results**

IDR's strategic plan identified two goals and a number of strategies to achieve those goals. This performance report summarizes the measures used to assess IDR's efforts to achieve those goals. In the pages that follow, four noteworthy achievements are highlighted. The rest of the report summarizes the results of each measure identified in IDR's fiscal year 2018 performance plan.

## KEY RESULT

### Core Function: Revenue Compliance and Collection

#### Goal: Provide Clear and Accurate Information

**Description:** IDR processes over 1.6 million individual income tax returns each year. Not all taxpayers who file an individual income tax return voluntarily pay their tax liability, and some taxpayers make errors in completing their returns. It is IDR's responsibility to accurately process the returns of taxpayers who filed correctly and bill those who have not paid or who calculated their tax liability incorrectly.

**Why we are doing this:** IDR strives to collect all dollars owed to the State and to provide the right information to taxpayers in the most efficient and effective manner.

**What we are doing to achieve results:** IDR focuses on taxpayer education by using networking, webinars, and in-person classes. IDR contacts taxpayers, tax preparers, and industry groups prior to initiating audit programs.

### Results

#### Performance Measure:

Percent of individual income tax known due paid tax within the three-year statute of limitations

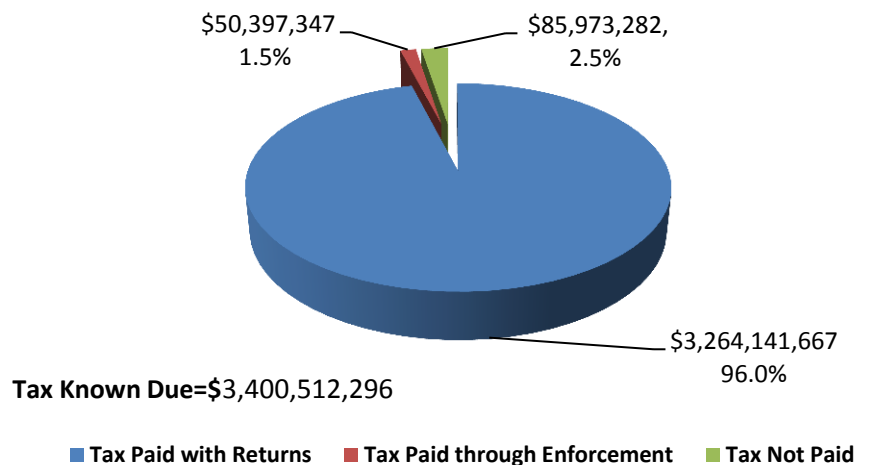
#### Performance Target:

At least 95% of individual income tax known due will be paid

#### What Was Achieved:

Within the three-year statute of limitations for tax year 2014 that closed during fiscal year 2018, 97.5% of tax known due was paid with returns and through enforcement. "Tax Not Paid" is tax owed, but not collected within the three-year statute of limitations.

#### Individual Income Tax Known Due Tax Year 2014



#### Sources:

IRIS individual return extracts, Collections Reports, and Business Objects queries of tax return data

## KEY RESULT

### Core Function: Revenue Compliance and Collection

#### Goal: Deliver Customer- Focused Tax Administration

**Description:** With State agencies depending on IDR to process State tax revenues, it is imperative tax payments are processed timely and accurately. IDR strives to deposit at least 85% of payments on the same day as received.

**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 for the citizens of Iowa.

**What we are doing to achieve results:** The Processing Services area of the Business Services Division deploys strategies to improve deposit of income tax, withholding, and sales tax during high-volume quarterly periods. IDR also provides easy access to electronic deposit of business taxes. In fiscal year 2018, 86.8% of receipts were deposited the same day as received. The majority of remaining receipts were paper checks. In fiscal year 2018, 99.6% of all receipts were deposited within 14 days.

### Results

#### Performance Measure:

Percent of payments deposited on the same day as received

#### Performance Target:

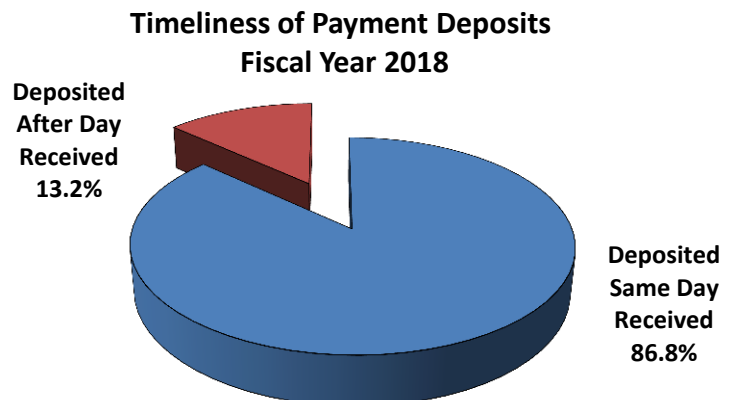
85% of payments received will be deposited on the same day as received

#### What Was Achieved:

86.8% of payments received by IDR were deposited on the same day as received

#### Data Sources:

Business Services Division reports and information systems





## KEY RESULT

### Core Function: Revenue Compliance and Collection

### Goal: Deliver Customer-Focused Tax Administration

**Description:** The Compliance Services area of the Tax Management Division reviews returns covering 14 major taxes established by Iowa law. The compliance team determines unpaid tax liabilities and bills taxpayers for the correct amount of tax.

**Why are we doing this:** Audits and collection efforts encourage voluntary compliance with Iowa's tax system. In order to reduce the need for future audits of the same taxpayer, audits are both educational and enlightening.

**What we are doing to achieve results:** The Tax Management Division integrates internal and external data to enhance compliance and enforcement.

### Results

#### Performance Measure:

Enforcement costs as percent of revenue collected by the Tax Gap and Compliance teams

#### Performance Target:

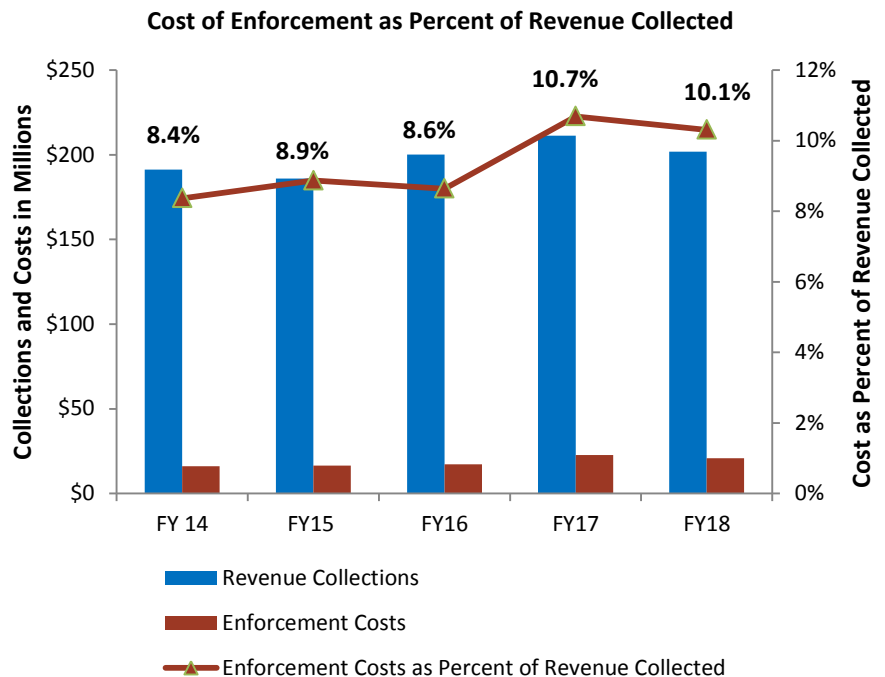
Cost of enforcement should be less than or equal to 10%

#### What Was Achieved:

Cost of enforcement equaled 10.1%

#### Data Sources:

Compliance Services return on investment and cost-benefit reports and Business Objects queries of tax return data



## KEY RESULT

**Core Function: Resource Management**

**Goal: Deliver Customer-Focused Tax Administration**

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

**Why we are doing this:** IDR views electronic filing of tax returns as an effective way to improve efficiency, while also facilitating more accurate returns for customers.

**What we are doing to achieve results:** For eligible taxpayers, IDR offers access to individual income tax return software with free filing. The various choices of individual income tax return software available for all taxpayers that can be accessed through the IDR website have been monitored to assure they are compatible with State tax forms and electronic filing systems. In addition, IDR promotes electronic filing to the general public and key customer groups, in cooperation with agencies and non-profit organizations throughout the state.

### Results

**Performance Measure:**

Percent of individual income tax returns filed electronically

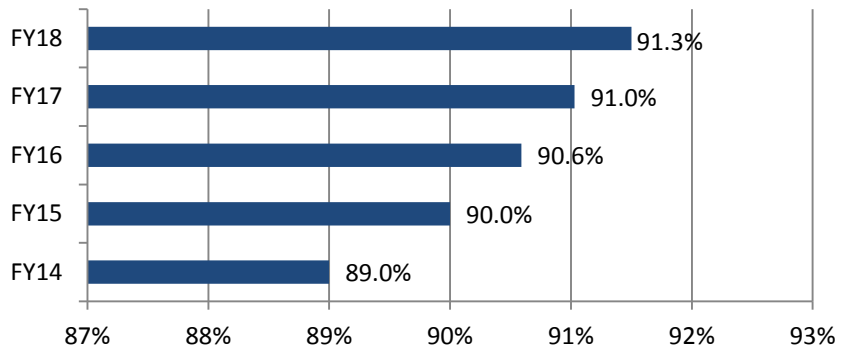
**Performance Target:**

Maintain 88% or more electronically filed individual income tax returns

**What Was Achieved:**

91.5% of current year individual income tax returns were filed electronically

**Percent of Individual Income Tax Returns Filed Electronically  
Fiscal Years 2014-2018**



**Data Sources:**

Business Services Division reports and information systems

**Agency Performance Plan Results  
FY 2018**

**Name of Agency: Iowa Department of Revenue**

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

**Core Function: Local Government Assistance**

<b>Property Tax Division:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Percent of jurisdictions within statutory assessment level tolerance	Equalization orders result in a median ratio of 95% to 105% for 100% of jurisdictions	100.0%	
2. Percent of timely responses to policy questions regarding property tax administration	98% of written policy letters and communication with taxpayers and/or local government officials issued within one week	100.0%	
3. Percent of central assessments completed by the due date	100% of central assessments completed by October 31, 2017	100.0%	
4. Percent of required appraisals completed timely	100% of required appraisals completed during fiscal year	100.0%	

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**Core Function: Local Government Assistance**

<b>Property Assessment Appeal Board:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Percent of all appeals closed timely	90% of all appeals closed prior to second-half tax payment delinquency deadline	2016: 94% of appeals closed by second-half tax delinquency date 2017: 74% of all appeals closed to date	
2. Final Agency Action Orders timely rendered following contested case hearing	Appeals valued at <\$2 million: 90% closed within 45 days Appeals valued at =>\$2 million 90% closed within 90 days	Appeals valued at <\$2 million: 90% closed within 45 days Appeals valued at =>\$2 million; 60% closed within 90 days	The Property Assessment Appeal Board was short one member for the first quarter of the fiscal year due to a retirement. Hearings and orders were delayed during this period. A transition period occurred once the new member was appointed. The Board has reexamined its goals and determined it more appropriate to base the goal on the value of the property at issue rather than the property's classification
3. Percent of appeals received electronically	75% of appeals will be filed electronically	76.0%	Taxpayers continue to adapt to the newly available electronic filing process.

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FY 2018**

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**Core Function: Revenue Compliance and Collection**

<b>Tax Management Division: SPA (Services, Products, or Activities)</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Percent of tax revenues received by electronic funds transfer	79%	80.9%	
2. Percent of billed accounts resolved within 180 days	70%	68.1%	
3. Percent of net debt (billings less adjustments) that did not get protested received within 365 days	60%	73.2%	
4. Costs as percent of revenue collected by the Centralized Collection Unit	Less than or equal to 10%	6.0%	
5. Enforcement costs as a percent of revenue collected by the Tax Gap and Compliance Services teams	Less than or equal to 10%	10.0%	
6. Percent of individual income tax returns filed electronically	Maintain at least 88% of individual income tax returns filed electronically	91.5%	

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FY 2018**

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**Core Function:** Revenue Compliance and Collection

<b>Tax Management Division:</b>			
<b>Compliance Services:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Percent of non-filer revenue established during the fiscal year that is collected	Collect 20% of non-filer revenue established during the same fiscal year	12.8%	
2. Percent of individual income tax known due paid within the three-year statute of limitations	At least 95% of individual income tax known due will be paid	97.5%	
<b>Tax Management Division:</b>			
<b>Collections Services:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Dollars recovered for collection partners	\$41 million recovered during FY18	\$37.8 million	
2. Dollars of debt collected from all sources within 365 days	Collect \$75 million of debt within 365 days	\$99.4 million	

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FY 2018**

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**Core Function:** Revenue Compliance and Collection

<b>Business Services Division:</b>			
<b>Processing Services:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Percent of payments deposited on same day as received	85% of payments received will be deposited on the same day as received	86.8%	
2. Percent of cancellations, change requests, and registrations processed in 15 days	85% of change requests, cancellations, and registrations will be processed within 15 days of receipt by the Department	91.1%	
3. Percent of paper payments processed in 5 days	85% of all paper payments will be processed within 5 days of receipt by the Department	77.0%	
<b>Business Services Division:</b>			
<b>Human Resources:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Employee turnover rate	Annual turnover rate below 9.0%	8.0%	

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**Core Function:** Revenue Compliance and Collection

<b>Business Services Division:</b>			
<b>Tax Management Division:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Taxpayer service specialist availability rate	100% of individual available rates greater than 75%	41.0%	
2. Percentage of calls resolved at first contact	85%	94.4%	
3. Overall customer satisfaction with call center	Score of 3.5 on a scale of 1 to 5	4.2	
4. Aggregate count of education outreach (Live presentations, GovDelivery posts, and count of viewers of webinars, You Tube videos)	19,925 contacts providing taxpayer education	34,176	
5. Number of tweet recipients, new Twitter followers, and Facebook likes to Department social media communications	50,900 recipients and followers	53,520	



**Agency Performance Plan Results  
FY 2018**

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**Core Function:** Research, Analysis, and Information Management

<b>Research and Analysis Division:</b>			
<b>Tax Research and Program Analysis Section:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Percent of tax credit awards administered by the IDR issued within 60 days of application	80% of tax credit awards issued within 60 days of complete application	34.7%	The Department continues to move paper processes to online processes that will create additional efficiencies in the awarding process. However, delays result when taxpayers fail to provide all necessary information and when Department resources are pulled to other projects.
2. Ratio of visualizations created and downloads of data sets created by the Department and posted on data.iowa.gov during the year	Ratio of visualizations and downloads per data sets posted on data.iowa.gov will exceed 250	1:260	
3. Percent of high priority fiscal estimates submitted to legislative Services Agency timely	75% of high priority fiscal estimates completed in five days	70.0%	Analysts dedicated significant time during the session responding to informal requests to estimate the impacts of various Iowa tax reform proposals.

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FY 2018**

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**Core Function:** Research, Analysis, and Information Management (continued)

<b>Research and Analysis Division:</b>			
<b>Tax Research and Performance Analysis Section:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
4. Percent of tax credit claims verified timely	100% of claims verified within 2 years of filing	95.2%	
5. Accuracy of the Iowa economic forecasts provided to the Revenue Estimating Conference	The mean absolute error for the economic forecasts provided to the Revenue Estimating Conference will be less than or equal to 5%	2.4%	
6. Local Option Sales Tax initial estimates	90% of initial jurisdictions' distribution estimates will be within 5% of target distributions (95% of actual collections)	93.0%	

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FY 2018**

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**Core Function:** Research, Analysis, and Information Management (continued)

<b>Research and Analysis Division:</b>			
<b>Tax Research and Performance Analysis Section:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
7. Accuracy of current fiscal year tax credit forecasts actual claims by tax credit type	The weighted mean absolute error for the current fiscal year tax credit March forecasts will be less than or equal to 10% of the actual claims measured the following	20.3%	The Department continues to refine forecasting techniques to provide more accurate forecasts of tax credit claims.
8. Accuracy of current fiscal year aggregate tax credit claim forecast to actual claims	March aggregate tax credit claims forecast within 10% of the actual claims measured the following March	16.3%	The Department continues to refine forecasting techniques to provide more accurate forecasts of tax credit claims.
<b>Research and Analysis Division:</b>			
<b>Performance Analysis Section:</b>			
<b>Performance Measure</b>	<b>Performance Target</b>	<b>Performance Actual</b>	<b>Performance Comments &amp; Analysis</b>
1. Implement key performance indicators (KPIs) to monitor the Department's current goals	100% of the Department divisions have KPIs in place that monitor the Department's current goals	100.0%	