



840636

STATE OF MINNESOTA

DEPARTMENT OF REVENUE
CENTENNIAL OFFICE BUILDING
SAINT PAUL, MINNESOTA 55145
PHONE: (612) 296-3401

January 16, 1984

Senator Gerald L. Willet, Chairman
Finance Committee
and
Representative James Rice, Chairman
Appropriations Committee

In Re: Revenue Recapture Act - Program Administration Cost Report

This report is being filed pursuant to the requirements of Laws of 1983, Chapter 301, Section 20.

The issue is whether it is feasible to establish a fee or retain a percentage of each debt recaptured pursuant to the Revenue Recapture Act, M.S. 270A.07, to cover the costs of administering the program.

The Revenue Department can readily charge a cost, whether it be a flat fee per certification or a percentage of each debt recaptured, that covers the administration of the program.

The cost recovery method we prefer is the flat fee charge for each certification submitted by claimant agencies. There are several factors which dictate this preference.

- A. Accounting and Administrative procedures would be far simpler and less costly. All certifications, except for court orders, must be received by December 15th of each year. It would be a simple matter of totalling these certifications and billing each claimant agency or petitioner under court orders a fixed amount to be determined annually, based upon the program costs. Another method would be to notify each prospective claimant agency by September 15th of each year of the certification fee to be submitted with each certification. This would eliminate any billing process.

Using the percentage method would require far more elaborate accounting, procedural and recordkeeping activities resulting in increased administration and systems costs.

- B. We have to handle each certification, whether or not money is recaptured. Approximately 10% of the certifications submitted are rejected when we attempt to match them against our taxpayer file. We currently expend considerable effort in reviewing these rejected

AN EQUAL OPPORTUNITY EMPLOYER

Pursuant to 1983 Laws, chapter 301
section 20

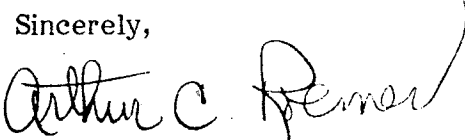
certifications and verifying Social Security numbers, adding uniqueness codes unknown to the agency, and informing the agencies of our findings, including a current address. We also attempt to locate Social Security numbers for agencies which cannot.

Also, approximately 50% of certifications received result in a set-off of a refund. Consequently, much of our efforts are directed to certification claims that do not result in the capturing of a refund amount.

- C. The law requires the claimant agency to notify the debtor that they have filed a certification claim with the Revenue Department. Often this simple act of notifying a taxpayer that they have filed a claim against his or her refund prompts the individual to pay in full or make arrangements to pay the debt. In the meantime, we have received the certification, processed it, and then may have to process the decertification request.
- D. The fee method may discourage agencies from submitting certifications on individuals whom they know have not resided in the state for a number of years. Almost invariably these certifications are rejected and we have to review them, even if we ultimately decide not to add a record to the taxpayer file for those cases. Whereas, the percentage method would not provide an incentive to the claimant agency to file certifications where recapture of a refund may be highly improbable.

I am enclosing some statistical data for your review. Please contact me for any questions, concerns or where further elaboration might be helpful.

Sincerely,



ARTHUR C. ROEMER
Commissioner of Revenue

ACR:JPS:Ajq

cc: J. P. Schaefer
C. Atchison
D. M. Louis
D. McClung
G. W. Winter

DEPARTMENT of Revenue

Office Memorandum

TO : Jon P. Schaefer, Director
Administrative Services

DATE: January 4, 1984

FROM : D.M. Louis, Assistant Director
Administrative Services

PHONE: 296-1709

SUBJECT: Revenue Recapture Costs - Fiscal Year 1983.

Below is a summary of the costs of administering the Revenue Recapture Act during the fiscal year ending June 30, 1983.

Personnel	6,888.25 Hrs	\$ 48,607.16
Postage		2,068.00
Forms		218.00
System Cost:		
Production	\$ 10,200.00	
Modifications	13,700.00	
Teleprocessing	500.00	
Total		<u>24,400.00</u>
Total Costs:		\$ 75,293.16

DML:CKA:ca

cc: C. Atchison

Office Memorandum

DEPARTMENT of Revenue

TO : Jon Schaefer, Director
 Administrative Services

DATE: January 6, 1984

FROM : Cynthia Atchison, Supervisor
 Refund Section

PHONE: 296-1505

SUBJECT: REVENUE RECAPTURE ACTIVITY - 1983

During the calendar year 1983, the following activity took place in the Revenue Recapture program.

Certifications in File:	<u>49,998</u>
Refund Returns Processed:	<u>1,866,504</u>
Potential Set-Offs:	<u>25,065</u>
Set-Offs Made:	<u>19,779</u>
Amount of Set-Offs:	<u>\$ 3,917,233.87</u>
Average Set-Off:	<u>\$ 198.00</u>

Court Ordered Revenue Recapture - figures included above.

Number of Court Orders:	<u>130</u>
Set-Offs Made:	<u>51</u>
Amount of Set-Offs:	<u>\$ 12,236.62</u>
Average Set-Off:	<u>\$ 240.00</u>

Refunds to Individuals:	<u>4,522</u>
Amount Refunded:	<u>\$ 1,213,449.31</u>

CKA

cc: D.M. Louis

DEPARTMENT OF REVENUE

Office Memorandum

TO : Jon Schmitt, Director
Administrative Services

DATE: May 5, 1983

FROM : Cynthia [unclear],
Refund Unit

PHONE: 296-1505

SUBJECT: Revenue Recovery - 1982

During the calendar year 1982, the following activity took place in the Revenue Recovery program:

Certificates mailed:	39,443
Returns processed:	2,157,638
Potential set-offs:	19,873
Set-offs made:	16,229
Amount of Set-offs:	\$3,486,819.92
Average Set-off:	\$ 214.85
Refunds to individuals:	3,318
Amount Refunded:	\$ 872,147.29

cc: B.P. [unclear]

CKA

DEPARTMENT of Revenue

Office Memorandum

TO : Jon Schaefer, Director
Administration Services

DATE: May 5, 1983

FROM : Cynthia Atchison, Supervisor
Refund Unit

PHONE: 296-1505

SUBJECT: Revenue Receipts for 1981

During the calendar year 1981, the following activity took place in the revenue receipt program.

Certifications on file:	<u>24,793</u>
Returns processed:	<u>1,838,114</u>
Potential Set-Offs:	<u>14,841</u>
Set-Offs Made:	<u>12,726</u>
Amount of Set-Offs:	<u>\$3,008,922.61</u>
Average Set-Off:	<u>\$ 241.15</u>
Refunds to Individuals:	<u>2,454</u>
Amount Refunded:	<u>\$ 656,847.97</u>

cc: D.A. Lewis
CKA