A bill for an act
relating to state government; requiring the Department of Revenue to issue a request for proposals for a tax analytics and business intelligence contract; appropriating money.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **DEPARTMENT OF REVENUE; REQUEST FOR PROPOSALS.**

(a) The commissioner of revenue shall issue a request for proposals for a contract to implement a system of tax analytics and business intelligence tools to enhance the state's tax collection process and revenues by improving the means of identifying candidates for audit and collection activities and prioritizing those activities to provide the highest returns on auditors' and collection agents' time. The request for proposals must require that the system recommended and implemented by the contractor:

(1) leverage the Department of Revenue's existing data and other available data sources to build models that more effectively and efficiently identify accounts for audit review and collections;

(2) leverage advanced analytical techniques and technology such as pattern detection, predictive modeling, clustering, outlier detection and link analysis to identify suspect accounts for audit review and collections;

(3) leverage a variety of approaches and analytical techniques to rank accounts and improve the success rate and the return on investment of department employees engaged in audit activities;

(4) leverage technology to make the audit process more sustainable and stable, even with turnover of department auditing staff;

(5) provide optimization capabilities to more effectively prioritize collections and increase the efficiency of employees engaged in collections activities; and

(6) incorporate mechanisms to decrease wrongful auditing and reduce interference with Minnesota taxpayers who are fully complying with the laws.

(b) Based on reasonable responses to the request for proposals, the commissioner shall enter into a contract for the services specified in paragraph (a) by October 1, 2011.

(c) Incorporating the system of tax analytics and business intelligence tools under the contract in this section, the commissioner of revenue shall identify and collect tax liabilities from individuals and businesses that currently do not pay all taxes owed. The commissioner may enter into additional contracts and retain up to five percent administrative costs as necessary to implement this section. A contract may incorporate a vendor financing option. A contract shall not compensate the vendor based on a percentage of taxes assessed or collected.

(d) $11,504,000 for the fiscal year ending June 30, 2012, and $23,269,000 for the fiscal year ending June 30, 2013, are appropriated from the general fund to the commissioner of revenue for purposes of this section. This initiative is expected to result in new general fund revenues of $133,000,000 for the biennium ending June 30, 2013.

(e) The commissioner of revenue must report to the chairs of the house of representatives Ways and Means and senate Finance Committees by March 1, 2012, and January 15, 2013, on collection of additional revenue under this section.

(f)(1) If the commissioner of revenue determines that the initiative under this section will result in new general fund revenues of less than $133,000,000 for the biennium ending June 30, 2013, the commissioner must notify the commissioner of management and budget of the amount of new general fund revenues anticipated under this section.

(2) Upon receiving a notice from the commissioner of revenue under clause (1), the commissioner of management and budget must reduce general fund appropriations to executive agencies for agency operations for the biennium ending June 30, 2013, by an amount equal to the difference between $133,000,000 and the amount of new general fund revenues anticipated by the commissioner of revenue under the notice in clause (1).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. **APPROPRIATIONS MADE ONLY ONCE.**

If the appropriations made in this bill are enacted more than once in the 2011 regular session, these appropriations must be given effect only once.

EFFECTIVE DATE. This section is effective the day following final enactment.