

A bill for an act
relating to state government; appropriating money to the commissioner of
revenue for additional activities to identify and collect tax liabilities; directing
the commissioner to issue a request for proposals for a contract to implement a
related system of tax analytics and business intelligence tools.

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

Section 1. **APPROPRIATION; DEPARTMENT OF REVENUE.**

Subdivision 1. Tax system management. (a) \$2,428,500 is appropriated to the
commissioner of revenue for additional activities to identify and collect tax liabilities from
individuals and businesses that currently do not pay all taxes owed. This initiative is
expected to result in new general fund revenues of \$6,532,500 for fiscal year 2011. This
initiative is in addition to any other initiative enacted in the 2010 legislative session.

(b) The department must report to the chairs of the house of representative Ways
and Means and senate Finance Committees by March 15, 2011, and January 15, 2012,
on the following performance indicators:

(1) the number of corporations noncompliant with the corporate tax system each
year and the percentage and dollar amounts of valid tax liabilities collected;

(2) the number of businesses noncompliant with the sales and use tax system and the
percentage and dollar amount of the valid tax liabilities collected; and

(3) the number of individual noncompliant cases resolved and the percentage and
dollar amount of valid tax liabilities collected.

(c) The reports must also identify base-level expenditures and staff positions related
to compliance and audit activities, including baseline information as of January 1, 2009.
The information must be provided at the budget activity level.

2.1 Subd. 2. **Debt collection management.** \$935,000 is for additional activities to
2.2 identify and collect tax liabilities from individuals and businesses that currently do not
2.3 pay all taxes owed. This initiative is expected to result in new general fund revenues of
2.4 \$6,900,000 for fiscal year 2011. This initiative is in addition to any other initiative enacted
2.5 in the 2010 legislative session.

2.6 Subd. 3. **Telecommuting.** To the extent possible, staff hired for the compliance
2.7 initiative under this section must telecommute.

2.8 **Sec. 2. REQUEST FOR PROPOSALS.**

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

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

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

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

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

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

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

2.30 (b) Based on acceptable responses to the request for proposals, the commissioner
2.31 shall enter into a contract for the services specified in paragraph (a) by July 1, 2012. The
2.32 contract must incorporate a performance-based vendor financing option whereby the
2.33 vendor shares in the risk of the project's success.

2.34 **EFFECTIVE DATE.** This section is effective July 1, 2011.