

Executive Summary 2007 Iowa Tax Amnesty

During its 2007 session the General Assembly enacted Senate File 580, the Iowa Tax Amnesty Act of 2007. The legislation directed the Iowa Department of Revenue to offer individuals and businesses an opportunity to resolve past due tax obligations during the period from September 4 through October 31, 2007, without fear of prosecution. In addition, as an inducement to come forward the legislation allowed the Department to waive all penalties and half the interest normally due on delinquent tax payments. Iowa last offered a tax amnesty during the fall of 1986.

During the amnesty period the Department of Revenue received 7,467 payments totaling \$28,291,220. The breakdown of payments by tax type is as follows:

Tax Type	Number of Payments		Payment Amounts	
	Number	Percent	Amount	Percent
Corporate Income	365	4.89%	\$11,592,416.44	40.98%
Individual Income	4,513	60.44%	6,580,887.96	23.26%
Consumers Use	224	3.00%	6,102,615.23	21.57%
Sales	1,548	20.73%	2,680,871.31	9.48%
Withholding	595	7.97%	613,480.42	2.17%
Motor Vehicle Use	33	0.44%	211,192.81	0.75%
Motor Vehicle Fuel	3	0.04%	173,728.06	0.61%
Retailers Use	146	1.96%	172,501.08	0.61%
Inheritance	14	0.19%	130,631.50	0.46%
Drug	15	0.20%	29,894.10	0.11%
Fiduciary	10	0.13%	2,850.68	0.01%
Cigarette/ Tobacco	1	0.01%	150.76	0.00%
Totals	7,467	100.00%	\$28,291,220.35	100.00%

Other results of the tax amnesty program include:

- For administrative and tracking purposes payments accepted for the amnesty were also classified according to the following four sources: non-filers (\$7,820,518.30), amended returns (\$8,023,516.64), accounts receivable not in protest (\$7,385,596.21), and accounts receivable in protest (\$5,061,589.20).
- The Department received 4,335 amnesty applications. Of these 818 were rejected for reasons such as taxes owed were not paid in full or the taxes owed were due for a tax period after December 31, 2006.
- Of the \$710,000 appropriated for the amnesty program, \$561,314 was spent with \$509,491 (90.8%) of the total amount being spent on promotion and advertising.

Through existing contracts with the Iowa Lottery, the Department secured the services of The Integer Group and Strategic America, to develop promotional materials for the amnesty program and to develop an advertising campaign for the program. The theme chosen for the advertising campaign was "Pay the Tax and Relax."

**Iowa Department of Revenue
Collection Enterprise**

Summary

In Fiscal Year 2008 collections totaled \$172.4 million and costs totaled \$10.1 million. The cost to collect was 5.9 percent of the amount collected. Collection costs typically average between seven and ten percent of the amount collected. Fiscal Year 2008 collections included \$12.4 million in one-time revenue from Tax Amnesty. This additional revenue kept costs below average.

<u>Collections (\$ Millions)</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Tax	\$ 83.8	\$ 95.2	\$123.3	\$143.7
Court	14.5	15.8	18.7	21.2
Other	<u>3.6</u>	<u>5.2</u>	<u>6.7</u>	<u>7.5</u>
Total	\$101.9	\$116.2	\$148.7	\$172.4
Total w/o Tax Amnesty	\$101.9	\$116.2	\$148.7	\$160.0

Fiscal Year 2009

Tax collections are on target to meet or exceed FY 2008 results as adjusted for Tax Amnesty. The College Student Aid Commission discontinued using the Department's collection services in October 2008 resulting in a decrease in "Other" collections.

FY 2009 collections are expected to total \$162 million at a cost of \$9.2 million for a cost to collect of 5.7 percent. Tax collections will generate \$138 million of this total.

<u>Collections (\$ Millions)</u>	<u>July-Dec 2005</u>	<u>July-Dec 2006</u>	<u>July-Dec 2007</u>	<u>July-Dec 2008</u>
Tax	\$ 48.2	\$ 62.1	\$ 56.6	\$64.1
Tax Amnesty			12.4	-0-
Court	7.0	7.8	9.4	9.4
Other	<u>2.1</u>	<u>2.8</u>	<u>4.1</u>	<u>1.7</u>
Total	\$ 57.3	\$ 72.7	\$ 82.5	\$75.2

Fiscal Year 2010

The Department is preparing for a major collection system software upgrade to begin late in FY 2009. The upgrade was authorized by 2008 Acts Chapter 1172 Sec.31. This upgrade will take 17 months to implement but is expected to more than pay for itself in the first year of operation.

The Department has submitted legislation to require an automated match of obligors with financial institutions in the state. This legislation is similar to the authority already granted to the Child Support Recovery Unit. If approved, this legislation is expected to generate \$2 to \$4 million in increased collections.

IOWA DEPARTMENT OF MANAGEMENT APPROPRIATIONS
Budget FY 2009 - FY 2010

			<u>FY 09 Estimated</u>	<u>FY 10 Dept. Request</u>	<u>FY 10 Governor Rec.</u>
General Office Operations	GF Appropriation	D01	\$3,321,546	\$3,372,388	\$3,372,388
Continue 1.5% across the board cut					(\$50,842)
Additional 6.5% across the board cut					(\$211,485)
Administrative Savings					(\$67,926)
FY 10 Governor's Recommendation					<u>\$3,042,135</u>
	Authorized FTE Level		37.50	37.50	37.50
RUTF Operations	RUTF Appropriation	D23	\$56,000	\$56,000	\$56,000
	Authorized FTE Level		0.00	0.00	0.00
Property Tax Credit Fund	GF Appropriation	D35	\$43,734,000	\$44,400,000	\$44,400,000
Increased funding					\$61,773,400
FY 10 Governor's Recommendation					<u>\$106,173,400</u>
	Authorized FTE Level		0.00	0.00	0.00
Special Olympics Fund (Standing)	GF Appropriation	809	\$50,000	\$50,000	\$50,000
Continue 1.5% across the board cut					(\$750)
Additional 6.5% across the board cut					(\$3,201)
FY 10 Governor's Recommendation					<u>\$46,049</u>
	Authorized FTE Level		0.00	0.00	0.00
Indian Settlement Officer (Standing)	GF Appropriation	817	\$24,625	\$25,000	\$25,000
Continue 1.5% across the board cut					(\$375)
Additional 6.5% across the board cut					(\$1,601)
FY 10 Governor's Recommendation					<u>\$23,024</u>
	Authorized FTE Level		0.00	0.00	0.00
Appeal Board Claims (Standing)	GF Appropriation	890	\$4,321,687	\$4,387,500	\$4,387,500
Continue 1.5% across the board cut					(\$65,813)
Additional 6.5% across the board cut					(\$280,910)
FY 10 Governor's Recommendation					<u>\$4,040,777</u>
	Authorized FTE Level		0.00	0.00	0.00