

# **Managing a Research Division**

**Presented to**

**FTA Tax Research and  
Revenue Estimating Conference  
Tempe, Arizona, September 30, 2002**

**by**

**Dick Gebhart  
Director, Tax Research Division  
Minnesota Department of Revenue**

## **Research Division Structure**

- 20 Employees
- Main Functional Areas:
  - ◆ State Tax System: Sales, Income, Excise
  - ◆ Property Tax
  - ◆ Database/Programming Support
  - ◆ Administrative Support
  - ◆ GIS
  - ◆ Management
- Main Areas of Responsibility:
  - ◆ Legislative/Administrative Tax Proposal Analysis
  - ◆ Revenue Forecasting/Economic Analysis
  - ◆ Mandated Studies
  - ◆ Special Studies

## Environment

- Political environment more unforgiving
- Higher Bar/More justification for sharing data
  - ◆ State to State
  - ◆ Feds to State
  - ◆ State Agency to State Agency
- Demand for more comprehensive analysis
- More confidential types of requests
- More requests from other agencies

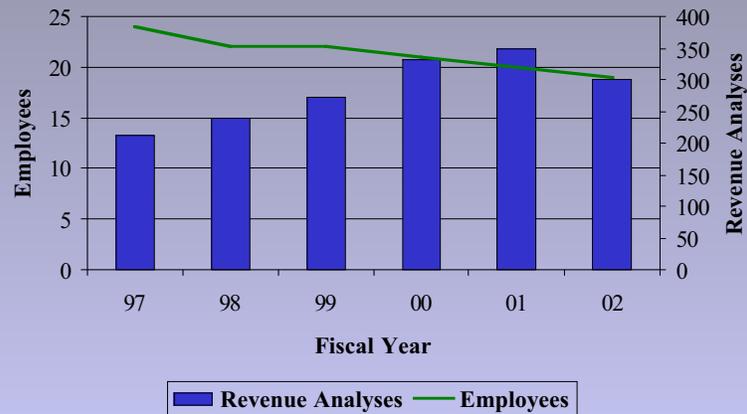
2

## Trends

- Operational efficiencies are not informationally friendly.
- Administrative practices that result from budget reductions create false “trends”.
- New requirements/studies are not adequately funded or not funded at all.
- Budget pressure creates a “short-run” perspective.
- Budget demands emphasize compliance activities over research.
- Demands up/staffing down.

3

### Staffing vs. Workload



4

### What Does Not Work

- Just saying No.
- Trying to keep pace with requests at the expense of quality.
- Not investing in staff training and tools.
- Trying to charge for services, especially within the Department of Revenue.

5

## What Does Work

- Fight for independence/objectivity
- Slowing down response times, negotiating priorities with requesters.
- Investing in cooperative efforts with other legislative staff and other parts of the department.
- Explore compliance activities - especially those that complement research.
- Do invest in staff, consider hiring/training hybrid analysts/programmers.
- Look at leveraging other types of techniques/technologies.
  - ◆ Data Mining - compliance and editing
  - ◆ GIS - Compliance and tax policy analysis
- Taking on more operational research activities
  - ◆ Sales tax gap

6

## Future Directions

- Migrate more towards programmer/analyst and away from analyst/programmer.
- Blending of analytical and compliance activities.
- Multi-state research efforts, perhaps two or more states conducting research to share costs.

Example: Sales Tax Gap - audits collect one data element per state

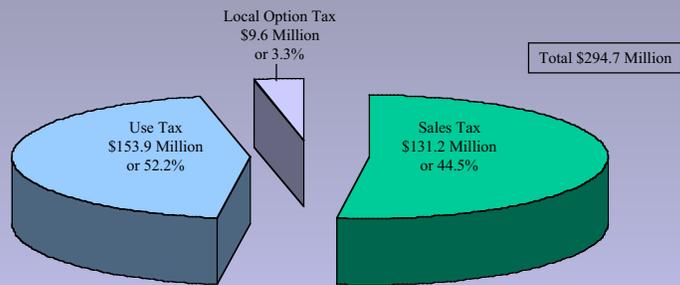
- Benefit funding
- Changing laws to allow more data sharing while protecting against disclosure.
- Organizational changes that combine resources between agencies and eliminate barriers.

7

# Sales Tax Gap Project Some Preliminary Results for Minnesota

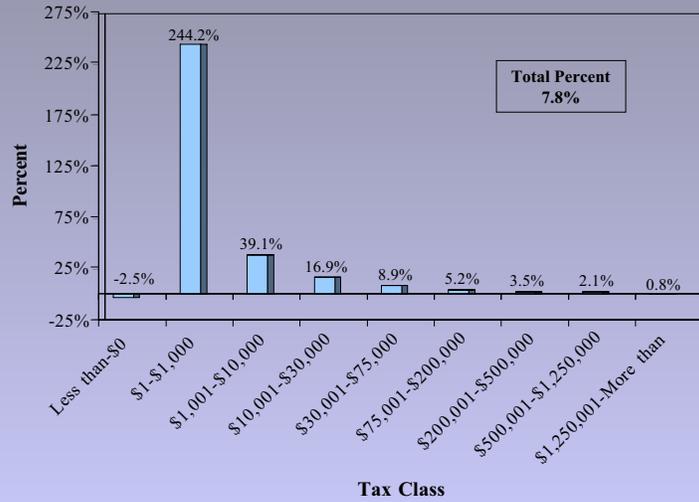
8

## Sales vs. Use Tax Audit Payments Preliminary 2000 Tax Gap Results Known Filers - Level II



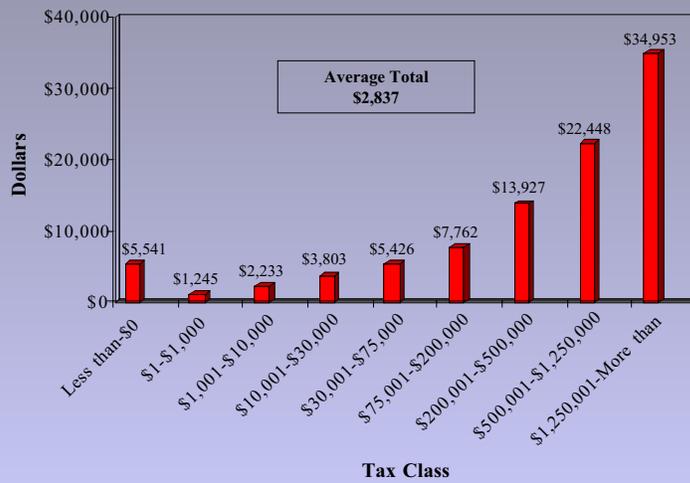
9

**Percent of Sales and Use Tax  
Preliminary 2000 Tax Gap Results  
Known Filers - Level II**



10

**Average Payment  
Preliminary 2000 Tax Gap Results  
Known Filers - Level II**



11