

STATE OF WISCONSIN DEPARTMENT OF REVENUE

AGENCY PRIMER: “WHAT YOU NEED TO KNOW”

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INSTITUTE FOR
REFORMING GOVERNMENT



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FROM THE DESK OF CJ SZAFIR

Freedom and Opportunity. Those are ideals that bind us together as a state. Unfortunately, the size and scope of state government too often gets in the way of individuals and families being able to achieve their full potential as they build their share of the American Dream.

We can do better, and we must do better. We all should ask, – “Is the mission of state government, — of each and every agency, bureau, and division —, aligned with the vision that everyday Wisconsinites have for Wisconsin? Is state government set up to help citizens succeed, or is it a roadblock to success? We need a conservative vision for state government, indeed for each and every agency.

Last spring, with support from our donors and Board of Directors, the Institute for Reforming Government started an ambitious project to help answer those questions about the biggest state agencies to help answer those questions because we believe the best way to enhance liberty is to improve transparency. This project was the work of eight experts in Wisconsin state government, including three senior-level cabinet officials, a budget director, and subject matter experts. In addition, our team had regular meetings with former top officials in state government as well as business leaders and other experts outside of government. We looked at past revenue and spending trends. The findings are not surprising.

State agencies are massive. They spend record amounts of taxpayer dollars year over year. They too often get in the way of individual success and are set up as enforcement agents instead of partners in creating a better Wisconsin. They need reform. We need leaders to bring forward conservative visions to the agencies.

In these briefings, we shine light onto state agencies to help all citizens diagnose what is broken. Later, based on these and discussions with people all over Wisconsin, we'll offer government reform ideas and detailed budget analysis to help chart a new course for Wisconsin, - one where each and every individual in our state has the freedom and opportunity to succeed.

Sincerely,

CJ Szafir

President

Institute for Reforming Government

“Light and liberty go together”

Thomas Jefferson, In a letter to Tench Coxe, 1795

This document prepared by the Institute for Reforming Government (IRG) is intended to inform policy makers and the public of the full scope of the Wisconsin Department of Revenue (DOR). Our partners at the IRG Action Fund will release conservative, free market, and liberty minded policy reforms specifically for the DOR in a separate document.

For the general public, the executive branch of Wisconsin state government can be a mystery. There are countless agencies with billions of tax dollars flowing through them. Although some may have an understanding of an agency because of their daily work or real world experience, few people in Wisconsin have a handle on the entirety of the executive branch. Each agency has its own mission, functions, and programs. Some agencies generate their own revenue, some rely on state tax dollars and many of them take some sort of federal funding. Each agency has unique powers and authorities. The goal of this briefing document is to pull back the veil and show Wisconsinites how their government taxes, spends, and regulates.

Over the course of months, a team of policy experts at IRG poured through all of the information on Wisconsin's biggest agencies. In this briefing document, you will see agency functions, budget trends, a list of past appointees, and policy concerns. These items create a basis for understanding the scope and history of each agency in an effort to inform policy makers in Madison as they carry out their work in the coming legislative session. By doing this, we hope to inspire the next generation of policy makers and cast a conservative vision for Wisconsin.

The Department of Revenue was created in 1967. Its primary functions are collecting taxes, assisting in property tax assessments, estimating state revenues, administering the state lottery and the unclaimed property programs. Headquartered in Madison, there are also locations throughout the state including Milwaukee, Appleton, Eau Claire, Green Bay, and Wausau. At these locations, the department provides tax assistance on a daily basis. The agency has 1,178 employees with biennial budget of over \$477 million.



According to historical documents, the Department of Revenue dates back to 1868 when the state created the State Board of Assessors. The Board of Assessors, which was composed of the Secretary of State and the entire State Senate, was charged with executing the state's taxing functions. At the time, property tax collections were the state's primary source of revenue. Today, the state derives zero dollars from the property tax thanks to the elimination of the state's share during Governor Walker's term in office.

In 1899, the legislature created the Office of the Tax Commissioner to oversee the State Board of Assessors. Overtime, the composition of the State Board of Assessors changed with the addition of other constitutional officers including the State Treasurer and Attorney General. In 1905 the legislature eliminated the State Board of Assessors and created a three-member Tax Commission. This structure lasted until 1939, when the members were reduced to just one commissioner. When the executive branch was reorganized in 1967, the Tax Commission became the Department of Revenue. The new department would be headed by a secretary, appointed by the Governor, just as in other executive agencies. Today the names and the titles are the same, but the Department of Revenue does more than just oversee tax collection. Some of the other duties now include auditing local governments, administering the lottery, and the unclaimed property programs.

AGENCY DESCRIPTION, MISSION, & FUNCTION

Information in this section was pulled directly from public sources on the Department of Administration and Department of Revenue websites.

Agency Descriptions

The department is headed by a secretary who is appointed by the Governor with the advice and consent of the Senate. The department advises the Governor and Legislature on tax policy; administers the state's tax laws, lottery and unclaimed property program; distributes property tax relief and local unrestricted aid payments; and oversees general administration of the property tax system. The department's activities are organized into the following four major program areas:

- The Division of Income, Sales and Excise Tax collects taxes through accepting tax payments and processing tax returns, enforces tax laws and collects taxes through audit and compliance activities, provides taxpayer assistance, conducts criminal investigations, and administers the state's debt collection and unclaimed property programs;
- The Division of State and Local Finance administers state policy and programs affecting local government finance and the state's property tax system, including establishing equalized values, supervising general administration of the local property tax, and assessing the value of manufacturing property statewide;
- The Lottery Division administers the lottery program that provides funding for the property tax credit; and
- The administrative services area includes the Secretary's Office, Office of General Counsel, Division of Enterprise Services, Division of Technology Services, and Division of Research and Policy, and provides the Executive Office and Legislature with detailed analyses of revenue and tax policy options.

The tax programs administered by the department provide revenue for the state's general fund and other segregated funds. In addition, programs administered by the department provide revenue to counties and local tax districts. The department also administers the homestead, farmland preservation, earned income and other credits, which are paid to eligible applicants from the general fund.



Mission

The department administers Wisconsin's tax system to provide revenue to fund state and local government services. While operation of the Wisconsin Lottery and Unclaimed Property programs provides financial relief to eligible taxpayers.

Function

The functions and responsibilities of the Department of Revenue are carried out through its six divisions. A brief explanation of each division is listed below:

Division of Enterprise

The division oversees the administrative functions of the department, including budget, finance, printing, records management, and human resources.

Division of Income, Sales and Excise tax

The Division of Income, Sales and Excise Tax generally administers the department's (and the state's) tax programs. The division oversees the collection of personal income, corporate income, state and county sales, estate, and excise taxes. They are also responsible for tax compliance and addressing noncompliance. The division has approximately 825 employees.

Division of Lottery

The Division of Lottery is responsible for the administration of the state's Lottery program.

Division of Research and Policy

The Division of Research and Policy provides economic analysis to the Secretary and the Governor. They also model outcomes for changes in tax law and develop the state's general fund tax revenue estimates which are used in the preparation of the state budget.

Division of State and Local Finance

The division establishes equalized values and oversees the collection of the state's various taxes on utilities, railroads, airlines, and other targeted groups. They administer the state's shared revenue program and provide technical assistance to local municipal and county governments.

Division of Technology Services

The Division of Technology Services provides information technology services to the Department of Revenue.

AGENCY BUDGET TRENDS

The state budget process begins in September of every even year when each agency sends its budget requests to the Department of Administration. The Governor then has several months to put together the executive budget proposal that is forwarded to the Legislature. The Legislature, through the work of the Joint Finance Committee, then holds hearings and votes on the budget through the spring and summer of the odd year. This culminates with the signing of the budget document that summer. While technically due by July 1 of the budget year, often budget debates will drag into the Summer and sometimes the Fall. However, the government does not shut down in Wisconsin as it does at the federal level when there is a budget impasse - it simply continues on the current spending plan until a new budget is adopted.

The Department's 2021-2023 budget was set at approximately \$477 million and has seen an increase of over \$50 million over the past three budget cycles. In the same time period, the department has also received a \$108 million increase in general purpose revenue

Agency Budget Trend

Fund	2017 ACT 59	2019 ACT 9	2021 ACT 58
GPR	\$266,211,500	\$371,759,900	\$374,600,800
FED	\$0	\$0	\$0
PR	\$40,958,000	\$42,260,800	\$42,667,900
SEG	\$113,905,400	\$31,918,300	\$60,193,500
TOTAL	\$421,074,900	\$445,939,000	\$477,462,200

FTE Position Summary

Fund	2017 ACT 59	2019 ACT 9	2021 ACT 58
GPR	953.08	953.08	950.15
FED	0	0	0
PR	136.5	1336.5	136.4
SEG	92.45	92.45	92.45
TOTAL	1182.03	1182.03	1178



As the head of a cabinet agency, the Secretary is appointed by the Governor with the advice and consent of the Senate and serves at the pleasure of the Governor. The Secretary of each agency then must appoint the other members of their team to help them carry out the duties and responsibilities of the agency. Descriptions of each appointed position are listed below:

Secretary

Appointed by the Governor, the Secretary leads and represents the agency. The position is responsible for directing and managing the agency to execute the Governor's agenda while ensuring the efficient operation of the agency per state statute. The position is also responsible for reporting on the agency's matters to the Governor and Legislature.

Deputy Secretary

The Deputy Secretary serves at the pleasure of the Secretary and is primarily responsible for assisting the Secretary with carrying out the mission of the agency including but not limited to, personnel management, day-to-day operations, and external affairs.

Assistant Deputy Secretary

The Assistant Deputy Secretary also serves at the pleasure of the Secretary and is responsible for assisting both the Secretary and Deputy Secretary. Responsibilities may include but are not limited to day-to-day operations and external affairs aligned with the agency's mission.

Chief Legal Counsel

The Chief Legal Counsel serves at the pleasure of the Secretary and provides legal counsel and support involving the agency's affairs.

Legislative Liaison

The Legislative Liaison is primarily responsible for facilitating and managing relationships with the Legislature and external stakeholders to provide information as needed and requested. The position also helps develop the agency's legislative agenda to align with the Governor's priorities, current industry standards and respond to stakeholder concerns.

Communications Director

The Communications Director supports the Secretary's Office in strategic communications and responds to media inquiries. The position may also speak on behalf of the Secretary and represent the agency in the media.

Division Administrator

Division Administrators, appointed by the Secretary, are responsible for providing leadership, personnel management and guidance on day-to-day operations for their assigned division. These positions typically report to the Deputy Secretary, communicating activities and providing advice to ensure the division is in line with the agency's mission.

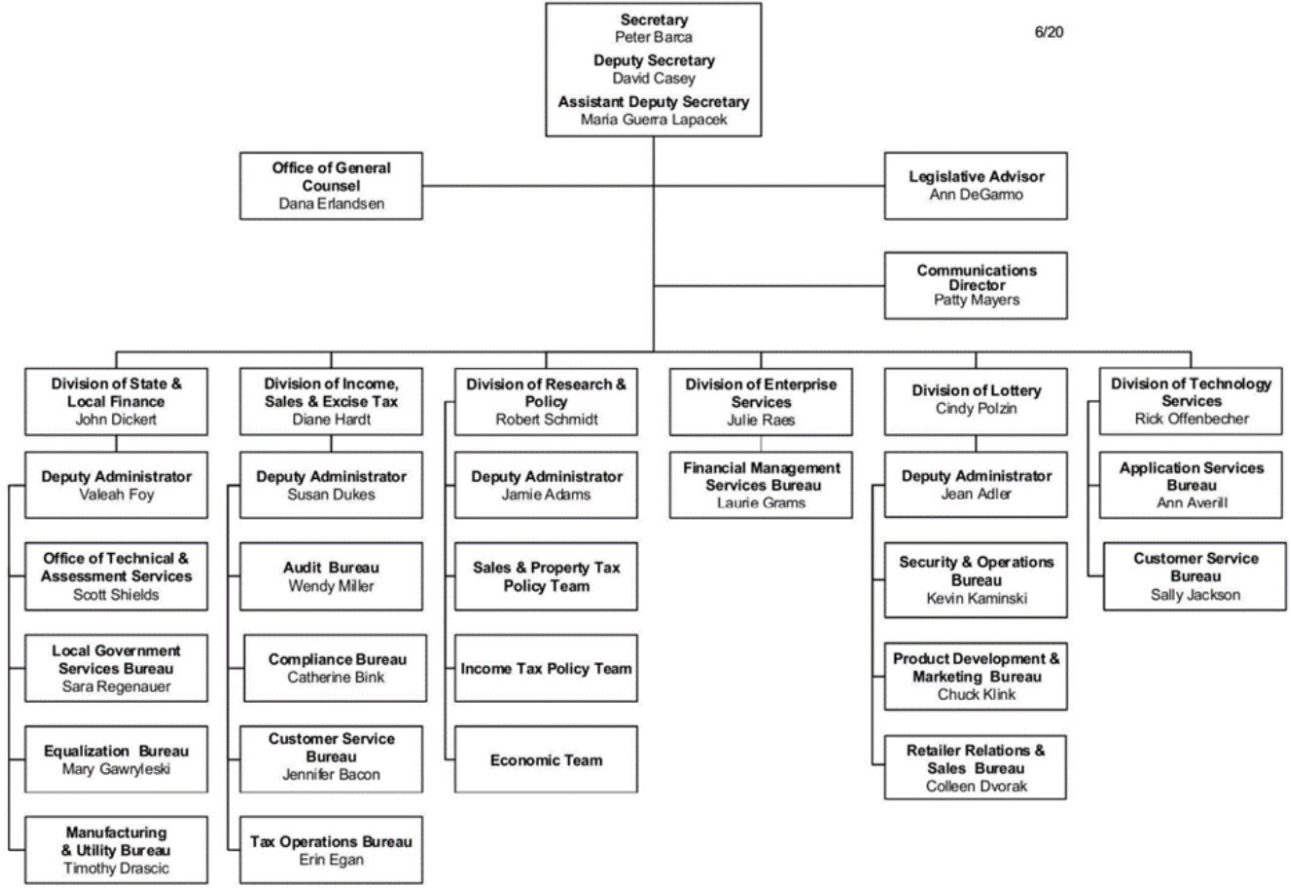
These appointments may change during the 4-year term of a governor. Listed here are the teams serving under Gov. Evers in mid-2022, as well as the team that served at the end of Gov. Walker's final term.

Agency Leadership

POSITION	EVERS	WALKER
SECRETARY	Peter Barca	Rick Chandler
DEPUTY SECRETARY	David Casey	Eileen O'Neill
ASSISTANT DEPUTY SECRETARY	Maria Guerra Lapacek	Michael Wagner
CHIEF LEGAL COUNSEL	Dana Erlandsen	Dana Erlandsen
COMMUNICATIONS DIRECTOR	Patty Mayers	Nicole Anspach
LEGISLATIVE DIRECTOR	Ann DeGarmo	Nate Ristow
DIVISION ADMINISTRATORS		
STATE AND LOCAL FINANCE	John Dickert	Claude Lois
INCOME, SALES AND EXCISE TAX	Diane Hardt	Diane Hardt
RESEARCH AND POLICY	Robert Schmidt	John Koskinen
ENTERPRISE SERVICES	Julie Raes	Jon Reneau
LOTTERY	Cindy Polzin	Cindy Polzin
TECHNOLOGY SERVICES	Rick Offenbecher	Rick Offenbecher



ORGANIZATION CHART



ATTACHED COUNCILS, TASK FORCES, & COMMITTEES

Like most agencies, the Department of Revenue has Boards and Councils that are charged with various responsibilities. Generally, these groups either give advice to the Secretary or they are part of the regulatory process itself.

State Board of Assessors

The State Board of Assessors hears objections filed by manufacturers and municipalities on the amount, and valuation of real and personal manufacturing property. It also hears objections on late-filing penalties.

Farmland Advisory Council

This council advises the Department of Revenue on assessing agricultural land. It also reports to the legislature on an annual basis on various topics regarding farmland and its impact on funding formulas to local units of government.

Investment and Local Impact Fund Board

This board is governed by state statute 15.435. Membership of the Investment and Local Impact Fund Board is composed of the WEDC Secretary, three public members, five local officials, and one Native American. The board is tasked with providing assistance to help municipalities alleviate costs associated with local mining. The Board has not convened since October 9, 2015.



MAJOR PAST INITIATIVES (2011-Present)

Most major policy initiatives happen during the budget process. The Governor, and sometimes the Legislature, will propose a major reduction or increase in spending for any number of programs. The major initiatives dating from 2011 to the present for the Department of Revenue are listed below:

Major Past Initiatives

INITIATIVE	GOVERNOR	ENACTED	NOTES
Deferral for Capital Gain Reinvested in Qualified Wisconsin Businesses	Walker	Yes	
Reducing the earned income tax credit for two, three children	Walker	Yes	
Eliminate tax checkoff to the Democracy Trust Fund and Wisconsin Election Campaign fund	Walker	Yes	
Combined Reporting elimination	Walker	Yes	
Deposit sales and use tax revenue generated from sales and motor vehicles into the transportation fund	Walker	No	
Creation of a sales and use tax exemption for manufactured homes	Walker	Yes	
Sales tax exemption for certain oil and fat converted into fuel	Walker	Yes	
Create sales and use tax exemption for advertising and promotional direct mail	Walker	Yes	
Income tax reductions for all tax brackets	Walker	Yes	Legislature modified to make reductions larger

Index the income phase out levels for tuition deduction to CPI	Walker	Yes	
Deduction for health insurance premiums	Walker	Yes	
Eliminate Angel Investment Tax Credit maximum limit	Walker	Yes	
Expand veterans property tax credit to include unmarried spouses	Walker	Yes	Legislature modified
Economic Development Credit expansion	Walker	Yes	Increase credits from \$128 to \$203 million
Enterprise Zone Tax Credit modifications	Walker	Yes	
Create sales and use tax exemption for veterinary services	Walker	Yes	
Increase threshold for when DOR can require monthly sales and use tax	Walker	Yes	
Eliminated residency requirements for local gov't employees	Walker	Yes	
Increase FTEs to reduce fraud on taxes	Walker	Yes	
Increase FTEs to collect delinquent taxes	Walker	Yes	
Eliminated ambulatory surgical center assessments	Walker	No	
Administration and enforcement of marijuana tax and regulation			



STAKEHOLDERS

Every agency has a number of organizations, professions, and industries that are uniquely interested in the policy or regulatory decisions that could affect their membership or industry. The groups are commonly organized into trade associations and are represented by registered lobbyists that stay in touch with agency leadership. These lobbyists keep their membership informed on current policy debates and use their expertise to educate policy makers on the issues important to their industries. Below is a non-exhaustive list of stakeholders that are interested in the Department of Revenue.

STAKEHOLDER	TYPICAL ISSUES
Wisconsin Taxpayers	Taxes in general
League of Municipalities	Levy cap and shared revenue
Wisconsin Counties Association	Levy cap and shared revenue
Wisconsin Towns Association	Levy cap and shared revenue
Tech College Districts	Levy cap and shared revenue
3rd party lottery administrators	Ten year contract to administer lottery
Americans for Prosperity	Taxes in general
WMC	Tax climate in Wisconsin

PAST EXECUTIVE ORDERS

Formal actions by the Governor are conveyed through executive order. These orders often direct state agencies to carry out the Governor's policy goals within their statutory authority. They can be used to create councils to explore public policy solutions, bring the state into compliance with federal requirements, direct agencies to take certain actions, and carry out powers granted to the Governor under Chapter 14 of the Wisconsin Statutes. Below is a list of executive orders that pertain to the Department of Revenue.

EXECUTIVE ORDERS

GOVERNOR	EO #	DATE	DESCRIPTION	STATUS
Walker	117	10/10/13	Provide property tax relief, historic preservation tax credit, and TIF	Expired
Walker	66	5/2/12	Establish a 'lean government' program within agencies	Expired
Walker	45	9/28/11	Create a special session in the legislature to take action on various programs within the Department of Revenue	Expired
Walker	288	5/1/18	Require the Department of Revenue to work with DOA on creating a dashboard for local government performance on taxing and spending	Expired
Walker	179	11/3/15	Creation of the Governor's Commission on Government Reform, Efficiency, and Performance	Expired
Evers	20	4/15/19	Creation of the Joint Enforcement Task Force on Payroll Fraud, and Worker Misclassification	Active



GOVERNMENT REFORM IDEAS

Wisconsin government has grown too big and too expensive. This has precipitated issues across the whole of the executive branch that have become a barrier to the success of Wisconsin residents and businesses alike. The Institute for Reforming Government endeavors to shine light on these issues as prime opportunities for bold reform. Below you will find a non-exhaustive list of policy concerns that we have highlighted for the Department of Revenue.

Income Tax

Wisconsin has a historic opportunity to enact once-in-a-generation transformational tax reform. The state is projected to have a surplus of \$6.6 billion, which will be sitting in state coffers when lawmakers begin deliberations on the 2023-2025 budget. Now is the time to eliminate the state income tax and unleash the state's economic potential.

Shared Revenue

Shared revenue payments have held steady since 2012 and some local governments are requesting authority to raise local sales taxes or change the shared revenue program. Lawmakers should consider moving away from the antiquated system of funding local government and giving municipalities and counties more control over their finances.

Personal Property Tax

The personal property tax imposes additional costs on Wisconsin businesses that are still required to pay the tax. This reduces competitiveness with other states. The bureaucratic process of calculating this tax requires more of the department's time and resources. In the 2021-2023 session, lawmakers attempted to eliminate personal property tax, now is the time to see it through to completion.

CONCLUSION

At the Institute for Reforming Government we know that the government isn't the way of the future - people are. And we believe that in order to empower people and ideas to flourish, our government needs to get out of the way.

This is nothing new for Wisconsinites- we have a long history as the standard bearer for government reform - we were the first state to implement unemployment insurance, Wisconsin Works (W-2), and we were on the cutting edge of major collective bargaining reform. But today the state we love is beginning to lag behind. Our executive branch has become bloated, slow, and expensive - a burden to the state's economy instead of a catalyst.

The solution to this problem isn't more government, it's less. What we need is a conservative vision for the state. This introductory document lays bare the issues and problems that are standing in the way for Wisconsin. In the next session, IRG will make the case to capitalize on the budget surplus as we continue the fight to eliminate the state personal income tax. Partnering with UW-CROWE, we will update the economic models that clearly show the economic prosperity possible in Wisconsin.

Now is the time to renew our faith in the people of Wisconsin, not the government.

