

POLICY BRIEF

Invest Resources to Collect Taxes Owed

Wisconsin should devote additional resources to collecting unpaid taxes that are owed to the state. Increasing the amount of money and staff devoted to enforcing state tax laws would increase the amount of revenue available to fund vital public services and also reduce the unfair burden on citizens who already pay the taxes they legally owe.

If Wisconsin were able to collect a substantial share of uncollected taxes, the additional money would go a long ways towards making it possible to restore recent budget cuts. In 2011, taxes owed but not paid to the state totaled \$934 million, according to the Institute for Wisconsin's Future (IWF). That's nearly as much as the state spent on the entire University of Wisconsin system.

Build on Recent Progress

Wisconsin has already shown that it is possible to increase collection of taxes owed. In 2009, the Legislature invested \$12 million for additional tax-collection staff, with dramatic results: During the 2009-11 budget period, tax collections by the Department of Revenue's Audit and Compliance bureaus increased by \$281 million over the previous budget period. While not all of that increase in collections was due to higher staffing, it seems clear that adding tax enforcement staff helps the bottom line.

Since 2009, Wisconsin has stalled in efforts to fully collect money owed in taxes. Under the 2011-13 budget, the Department of Revenue lost 52 staffers, and additional lapses since then have further decreased DOR's ability to collect taxes. A high number of unfilled positions also weaken DOR's ability to collect taxes owed.

Looking to Minnesota for a Model

Minnesota has already shown how it is possible for a state to significantly increase the collection of unpaid taxes by making a small investment in staff resources.

Ten years ago, Wisconsin's Department of Revenue had slightly more full-time equivalent (FTE) tax-related staff than Minnesota's did. Since then, Minnesota's staffing level has climbed and Wisconsin's has decreased, to the point where today Minnesota's department has over 500 more FTE tax-related employees than Wisconsin's DOR.

The result is that Minnesota's tax collections have increased much faster than Wisconsin's have over the last ten years, even after controlling for the fact that Minnesota's economy grew faster.

A Cost-Effective Way of Enforcing the Laws on the Books

In the upcoming budget, policymakers should devote additional money and staffing to enforcing state tax laws in order to reduce the amount of unpaid taxes. A targeted investment of \$12.5 million in audit and compliance activities at the Department of Revenue would generate \$100 million in additional revenue over the biennium, according to IWF – a net gain of \$87.5 million.

Such an investment could help maintain adequate funding of programs important for children and families. Increasing enforcement activity would also help ensure that all taxpayers pay their fair share.