

Revenue Report 2015

Working together to fund Washington's future.

Vikki Smith, Director

The Department of Revenue (Revenue) oversees more than 60 different taxes and collected \$20.8 billion in Fiscal Year 2015 — the majority of the state General Fund tax revenue that funds essential public services for Washingtonians.

We strive to provide excellent service to our taxpayers while carrying out our responsibilities:

- ▶ Providing taxpayer assistance, information and education
- ▶ Assisting the Governor and legislators to develop fair tax legislation
- ▶ Issuing and renewing business licenses
- ▶ Auditing and collecting delinquent taxes
- ▶ Administering special programs affecting timber, cigarette, real estate, leasehold and estate taxes

Mission:

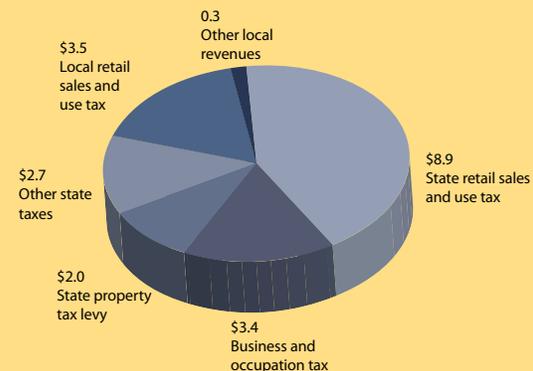
To fairly and efficiently collect revenues and administer programs to fund public services and advocate sound tax policy.

Vision:

To achieve the highest level of voluntary compliance and customer service through collaboration and innovation.

Revenue's five key goals together serve as a compass to help us carry out our mission and vision. We strive to achieve these goals by using Lean management practices to improve our day-to-day processes, upgrade our internal systems, implement new ideas, and foster a respectful, inclusive workplace. This report shows our accomplishments during Fiscal Year 2015.

Where the money comes from (in billions):



- \$8.9 State retail sales and use tax
- \$3.4 Business and occupation tax
- \$2.0 State property tax levy
- \$2.7 Other state taxes
- \$3.5 Local retail sales and use tax
- \$0.3 Other local revenues

\$20.8 Total state taxes

By the numbers:

- 514,112** Businesses we serve
- 2.23 million** Tax returns processed
- 68 cents** Cost per \$100 collected by Revenue
- 1,151** Full-time employees

Follow us on Twitter @WASStateDOR

Deliver customer-focused service

Revenue works hard to meet its customers' needs and make doing business with the agency easy and efficient. Results of recent customer satisfaction surveys show that we're succeeding: 87 percent of respondents say they are satisfied with the service Revenue provides.

Online reseller permits

Revenue simplified the process for businesses to view or print their reseller permit, which allows approved retailers and wholesalers to purchase items for resale without paying sales tax. The simplified process lets taxpayers access their reseller permit immediately through their online "My Account" instead of waiting for Revenue to mail them a copy.

Unclaimed Property returned

Revenue returned to the rightful owners \$65 million in unclaimed property that had been turned over to the state by banks, retailers, credit unions, utilities and others. In addition, the agency oversaw the biennial Unclaimed Property auction. The auction brought in \$584,200 from more than 1,700 items that had been left in safe deposit boxes for five years without the bank having any contact with the box owner. The auction proceeds are held by Revenue for the owners or their heirs to recover.

You may be richer than you think



ClaimYourCash.org

Legislative support

When it comes to laws that affect taxes, the Legislature relies on Revenue's technical expertise to provide well-researched analysis and information. During the 2015 legislative session, the agency provided assistance by:

- ▶ Responding to 523 draft fiscal note requests
- ▶ Analyzing 980 bills and bill drafts
- ▶ Working with the Legislature to identify issues and find solutions that led to a balanced budget:
 - Drafted a significant tax-related provision of the transportation revenue bill, which proposed new fees, suggestions for local funding options and tax credits and exemptions, all relating to transportation revenue
 - Drafted portions of the state's operating budget to stimulate economic development through the use of tax preferences and streamlined tax administration

Online business license renewal

Revenue made significant changes that boosted the percentage of online business license renewals to 90 percent. The online option simplifies the process and reduces paper handling and errors. In Fiscal Year 2015, there were 393,747 online license renewals.

Simple and efficient collection of taxes and program administration

At Revenue, we continually look for ways to be more effective, efficient and accountable. One measure we track is the cost of collection. Currently, the cost for \$100 Revenue collects is 68 cents – down from 71 cents in 2011.

Expanding e-notifications

In October 2014, Revenue began sending delinquent and balance due notices electronically instead of mailing them to quarterly tax filers. The change saved just over \$46,300 in Fiscal Year 2015 and helped taxpayers receive notices more quickly.



Tax and licensing systems replacement project

Revenue took important steps toward replacing its aging core tax and licensing computer systems. The agency chose an off-the-shelf system as its replacement and hired a vendor to help configure it to meet the agency's business needs. In addition to being the backbone of the tax collection process, the new system will continue to provide essential business licensing services to the state, businesses and local governments.

Easier reporting for local governments

In January 2015, Revenue launched a new online portal for cities and counties to access their sales tax reports. The new portal provides detailed information about local sales tax revenues in a format that's easy for cities and counties to access and use. So far, about 180 cities and counties access the portal.

Modeling Lean

Revenue strives to continuously improve its operations using Lean principles. We've developed an extensive and award-winning Lean training program and have 35 certified Lean practitioners to guide improvements, including:

- ▶ Transferring the processing of paper business license renewals from a bank to the agency's Treasury Management unit, saving \$1,200 a month and reducing time spent on reconciliation work
- ▶ Eliminating paper processing and the cost of printing paper when purchasing equipment for the agency, and speeding up the ordering process for that equipment
- ▶ Streamlining the Business Licensing Application process



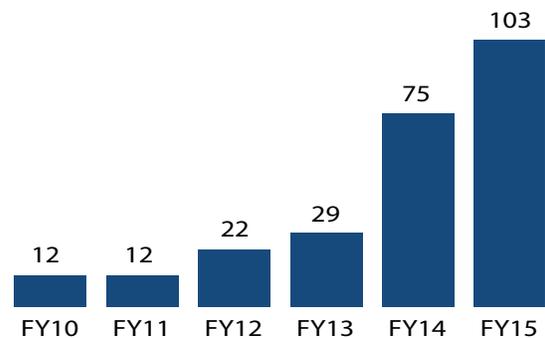
Fair and consistent tax policy administration

Revenue's dedication to promoting correct reporting and advocating for fair and consistent tax policy development plays a critical role in achieving a 97 percent level of voluntary compliance.

Increasing transparency

Tax determinations and letter rulings are specific to individual taxpayers and confidential, but publishing tax determinations provides valuable guidance about how laws are interpreted, while protecting taxpayer confidentiality. Revenue published more than 100 tax determinations — a 37 percent increase over Fiscal Year 2014 — providing more transparency.

Tax determinations published



Clarifying taxes on amusement and recreation

Revenue requested a law passed by the Legislature in spring 2015 that clarifies the taxes that apply to recreational activities and activities provided at fitness facilities. House Bill 1550 clearly defines which activities are subject to retail sales tax and which are not, levels the playing field between organizations that in the past have interpreted their tax liabilities differently from one another, and improves voluntary compliance.

Develop, retain and value a high-quality diverse workforce

Our workforce is our most valuable asset. We continually explore new options to recruit and maintain a diverse, well-trained and dedicated team to bring the best service possible to our customers. Revenue's latest Employee Satisfaction Survey shows that 85 percent of its employees are satisfied with their employment.

Recruitment and hiring process

To enhance our hiring process and attract job applicants, Revenue added consultations between hiring managers and senior Human Resources consultants. These consultations help better define expectations for jobs and offer hiring managers more assistance with recruitment. The result: a better pool of applicants who are best suited for the job and a quicker hiring process.

Veterans efforts

Throughout their military career, our veterans receive valuable job training and have developed into strong leaders and team players. Veterans also offer a talented pool of candidates. Revenue has developed a plan that has helped increase the number of veterans in our workforce — from 6.6 percent in Fiscal Year 2013 to 7.7 percent in Fiscal Year 2015. We've partnered with state veterans organizations and other state agencies, attended hiring events targeting veterans, and hosted three veteran fellows through the state Veterans Fellowship Program to help increase our veteran workforce.

Revenue resources

Revenue provides 12 local offices across the state to assist taxpayers in filling out returns, perform audits and appeals, process payments and more.

Bellingham	(360) 594-4840	Richland	(509) 987-1201	Tumwater	(800) 647-7706
Bothell	(425) 984-6400	Seattle	(206) 727-5300	Vancouver	(360) 256-2060
Kent	(425) 656-5100	Spokane	(509) 327-0200	Wenatchee	(509) 885-9825
Port Angeles	(360) 417-9900	Tacoma	(253) 382-2000	Yakima	(509) 454-5160

General tax questions: Telephone Information Center: **1-800-647-7706**
Website: **dor.wa.gov**

Promote correct and timely reporting and payment of taxes

Exceeded cash collection commitment

Through continued taxpayer education, investigations and enforcements, Revenue brought in \$119 million more than the \$540 million projected. Revenue has exceeded its cash commitment every year for the past three years.

Tax refund team

In February 2015, Revenue established a team to help taxpayers more quickly receive refunds of their overpaid taxes. This resulted in the agency completing more than 90 percent of refund requests within 90 days of verifying taxpayer information. More than \$148.2 million in refunds was requested and processed in Fiscal Year 2015.

Award-winning agency

Revenue consistently earns top honors for its achievements and innovation. In 2015, Revenue's efforts garnered plenty of attention:

- ▶ The Federation of Tax Administrators (FTA) honored Revenue for its approach to Lean training that teaches employees how to solve problems and look for ways to make the agency more efficient and customer-focused.
- ▶ Revenue partnered with the Washington State Department of Licensing to streamline Licensing's process for complex valuations on used vehicles, earning both agencies the Excellence in Government Partnership Award from the Association of Motor Vehicle Administrators.