



Stopping Fraud and Enforcing Compliance

Mission/Vision/Values



Mission

Working together to fund the future for all of Minnesota.

Vision

Everyone reports, pays, and receives the right amount: no more, no less.

(The foundation of our focus on stopping fraud and doing voluntary compliance enforcement.)

Values

Accountability, Excellence, Inclusion, Integrity, Partnership, and Service

Stopping Fraud and Protecting Taxpayers

To prevent tax fraud and protect taxpayer dollars:

- Revenue continuously engages in voluntary compliance education efforts.
- Compliance enforcement may be taken after a taxpayer's return has been filed and received by Revenue if fraudulent activity is found.
- Fraud prevention measures are taken before Revenue receives a taxpayer's filed return.
- Revenue stops fraud after we receive a filed return.



Voluntary Compliance

Voluntary Compliance

While paying taxes is required by law, Revenue relies on each individual taxpayer to honestly and accurately report their income, file returns and pay amount due.

Roles Supporting the Tax System

Taxpayers

- Individuals
- Businesses
 - Small Business
 - Partnerships
 - Corporations
- Estates and Trusts

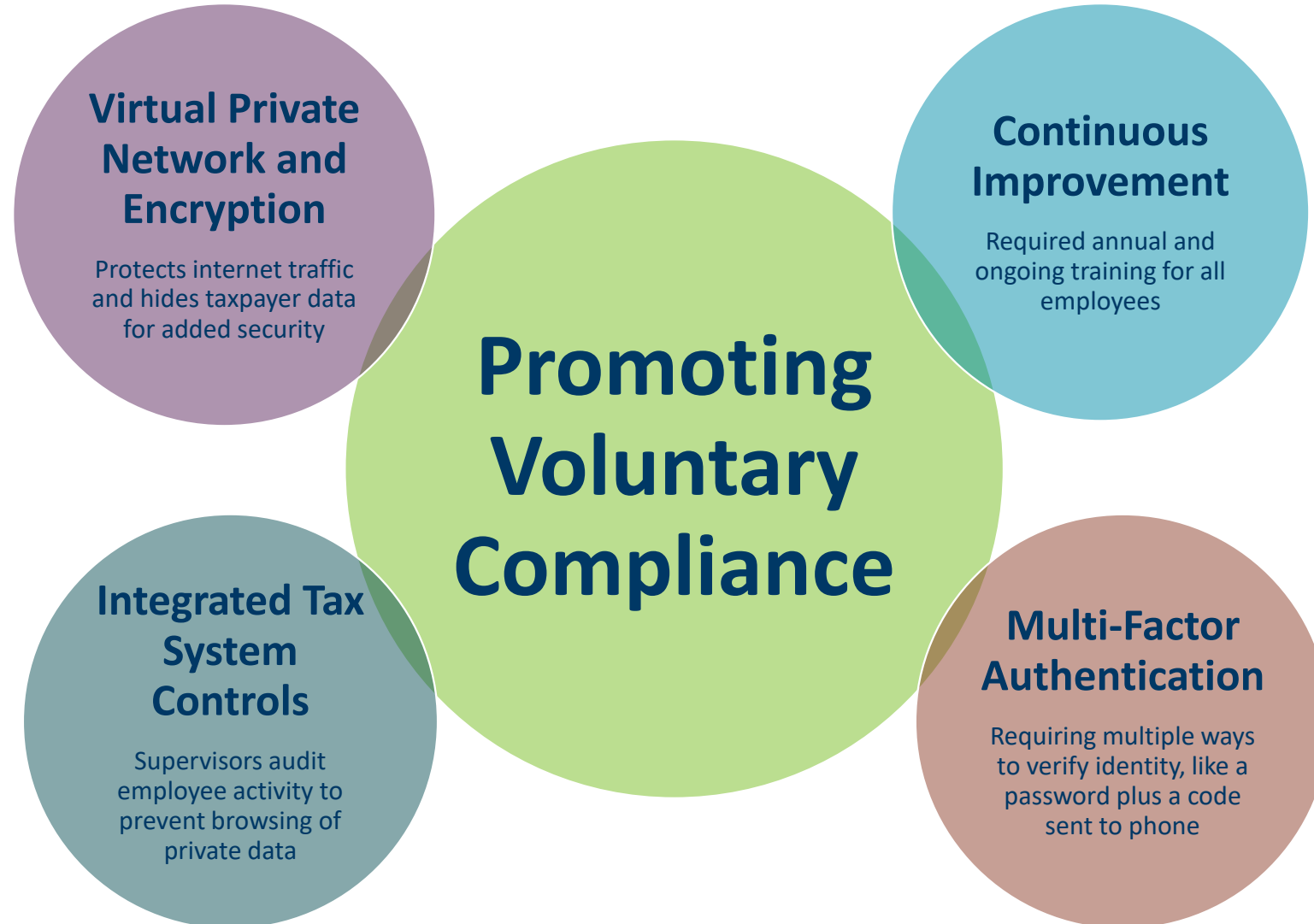
Tax Services

- Tax Professionals and preparers
- Tax filing software providers
- Internal Revenue Service
- U.S. Postal Service

Promoting Voluntary Compliance Through Education

- A large part of the department's role is helping customers understand their tax obligation and working to get – and keep – them in compliance.
- To do that, we provide education and outreach to customers through:
 - Training and Outreach events
 - Videos
 - Website content
 - Phone, emails, letters, and in-person customer contact
 - Media – press releases, interviews, social media
 - State Fair booth
 - Fraud Awareness Week in mid-November each year

Promoting Compliance by Protecting Taxpayer Information





Compliance Enforcement

Voluntary Compliance Enforcement

Voluntary compliance relies on the security and integrity of Revenue's systems

- Association of Certified Fraud Examiner (CFE) Training
 - Employees across the Corporate, Income Tax and Withholding, Sales Tax, and Criminal Investigation divisions have this certification
- Revenue identifies potential fraud and compliance issues through a combination of internal analytics, audit activity, investigative work, and third-party tools

Revenue is continually improving its processes to promote voluntary compliance and enforce noncompliance

Compliance Enforcement - Collections

- When inadvertent errors, unintentional mistakes and oversights occur, Revenue resolves them through civil enforcement within the Collections division.
- Civil enforcement collects pass-due taxes, identifies non-filers, and includes everyone else who didn't file their returns or couldn't afford to pay their taxes.
- Efforts include:
 - Forced filing on behalf of non-filers
 - Payment plans for those with financial burdens

Compliance Enforcement 2022 - 2025

Year	Past Due Taxes	Other Agency Debt	Totals
2022	\$406.7 million	\$38.1 million	\$444.8 million
2023	\$438.0 million	\$47.9 million	\$486.0 million
2024	\$434.2 million	\$50.1 million	\$484.3 million
2025	\$512.9 million	\$49.9 million	\$562.8 million

Past Due Taxes

- Revenue employees collect these past due tax dollars owed to the state through audit, collections, and enforcement activities.

Other Agency Debt

- Revenue employees collect debt for other state agencies, local governments, state colleges/universities, or courts.

Compliance Enforcement – Criminal Investigation Division (CID)

- CID receives cases in one of three ways:
 - Referrals from internal Minnesota Revenue compliance divisions
 - Referrals from external Federal and State agencies, such as local police, Sheriff's offices and county attorneys
 - Tips from the public through the fraud tipline on Revenue's website
- Enforces Minn. Stat. §§289A.63, 297F.20 & various criminal tax statutes
- Court Ordered Restitution:
 - Revenue employees collected these tax dollars through court-ordered restitution from tax fraud cases
- Final tier of intervention for the most serious instances of noncompliance
 - Must meet criteria to justify escalation from civil enforcement to criminal prosecution

Compliance Enforcement – Criminal Division (cont.)

Year	Cases Charged	Court Ordered Restitution
2022	28	\$1.1 million
2023	44	\$4.2 million
2024	42	\$4.9 million
2025	36	\$1.9 million

- With Executive Order 25-10, CID also receives all tips of potential fraud that go to the BCA to screen for any potential tax fraud
- All charged cases can be found on Revenue's website: [Newsroom | Minnesota Department of Revenue](#)



Stopping Fraud

Types of Tax Fraud

Tax fraud can come in many forms including:

- Identity theft
- Falsified claims and returns
- Unreported income
- Underreporting of tax
- Taxpayer misuse of taxes collected on behalf of the state
- Hiding assets
- False Dependents
- Tax Preparer Fraud

Stopping Tax Fraud – Systems and Processes

To stop tax fraud and protect taxpayer dollars:

Before Filing: Fraud prevention measures

After Filing: Detect and stop fraud

Ongoing: Voluntary compliance education

If Issues Found: Compliance enforcement

Tax Fraud vs. Program Fraud

- Tax Fraud
 - Concerns tax code violations
 - Primarily the type Revenue investigates
 - Referred to Revenue's Criminal Investigation Division when warranted
 - EO 25-10 requires all agencies to report potential tax fraud to us
- Program Fraud
 - Identified through Revenue activity
 - Referred to Internal Audit which triages and determines course of action
 - EO 25-10 prioritizes information sharing with other agencies/OLA/partners
 - Subject to legal and disclosure requirements

Governor Walz's Executive Orders

- In response to Governor Walz's Executive Orders 25-01 & 25-10, Revenue took several specific actions to enhance the fraud reporting process.
 - Revenue's Office of Internal Audit evaluated and improved the effectiveness of risk management, control, and governance processes.
 - Instructed all Revenue employees describing how to detect evidence of public program fraud and how to report it.
 - Designated a department lawyer to advise on suspected fraud issues and reporting.
 - Created a fraud issues team that is led by the Revenue Internal Auditor and is comprised of relevant division personnel to ensure consistent standards are used to identify and report fraud to the OLA, Bureau of Criminal Apprehension, and applicable state agencies.

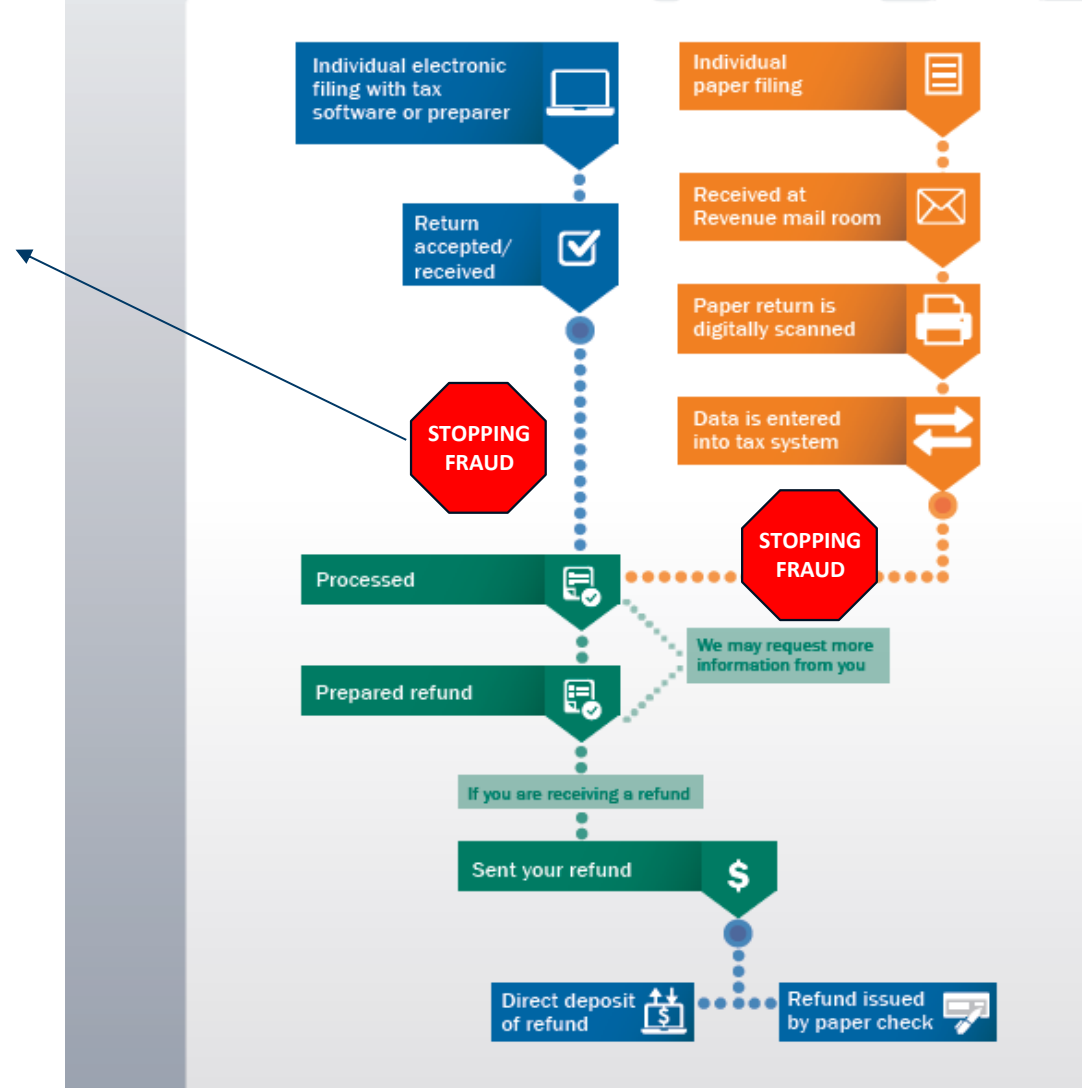
Stopped \$270 Million in Fraud from 2022-2025

- From 2022 to 2025, Revenue prevented 117,119 fraudulent returns from being processed; stopping \$270 million in refunds from going out to people claiming to be someone they are not.
 - The number of fraudulent returns filed each year and how they're filed varies as fraud schemes and attacks are constantly changing.
- In 2025, Revenue identified two preparer data breaches and informed those preparers.

Stopping Fraud

Individual Income Tax Return Process

- Internal fraud risk analysis
- Audit activity
- Third-party identity verification tools
- Collaboration with other tax agencies/industry partners



- Lost, stolen, or forged refund checks
 - Assist in collecting information, reaching out to financial institutions and their fraud teams
- Altered refund checks
 - Processes to record and reject checks that are created/altered to look like a state refund check or a payroll check
 - Not honored as they do not pass required verification matches
- Revenue blocks approximately 20 million attempted cyber attacks annually (~56,000 malicious requests per day)

Stopping Fraud and Protecting State Resources from 2022-2025



Revenue's actions have protected over **\$550 million per year** from 2022 to 2025 through **stopping fraud** and **compliance enforcement**



Thank you!
Questions?