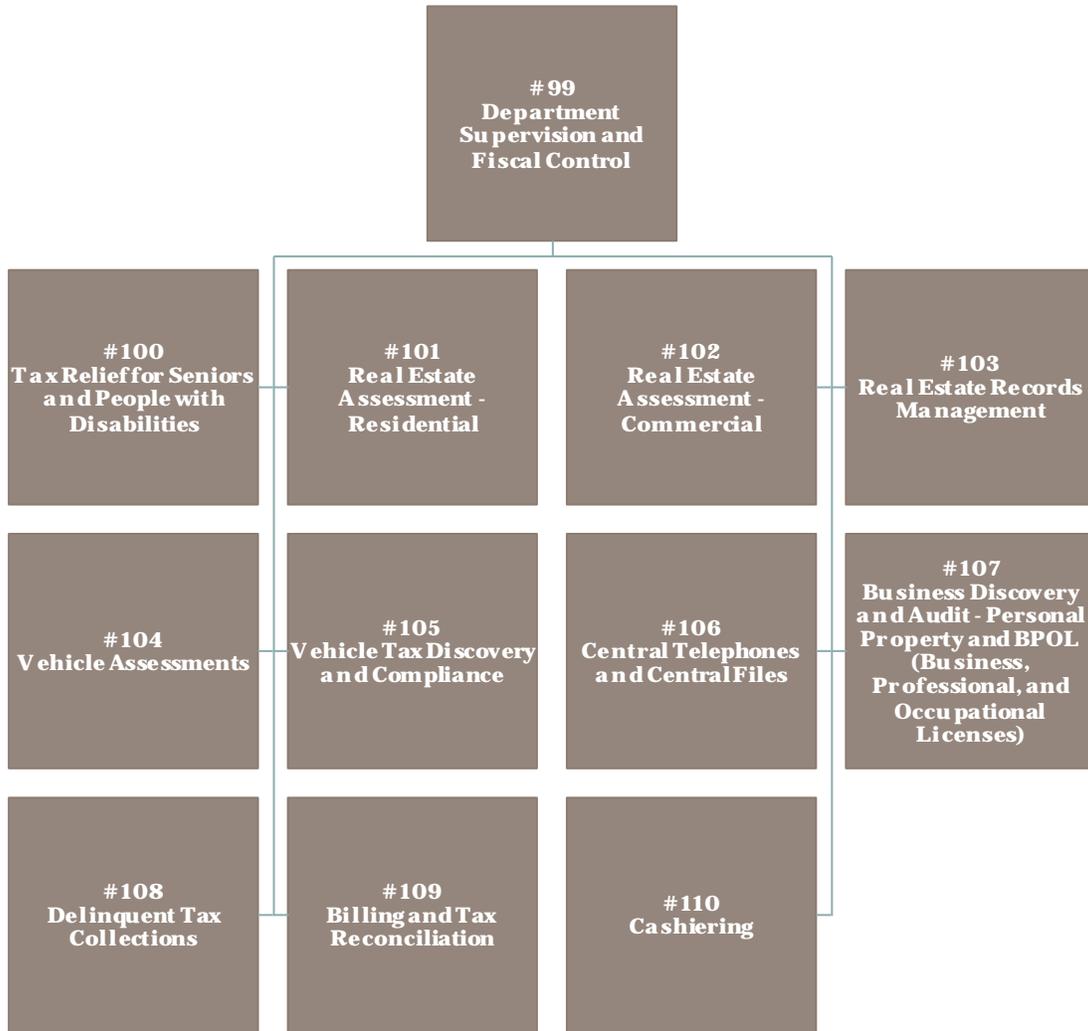


# Department of Tax Administration

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## Department Overview

The mission of the Department of Tax Administration (DTA) is "To uniformly and efficiently assess and collect County revenue, provide high quality customer service and promote an empowered, well-informed community." DTA is composed of four main cost centers: Department Supervision; Real Estate; Personal Property and Business License; and Revenue Collection.

The **Department Supervision Cost Center** oversees all DTA operations and takes the lead in the department's strategic planning and implementation process. The department director serves as the County Assessor and Tax Collector and has statutory oversight over all assessment and collection matters. The department's fiscal and personnel responsibilities with respect to budgeting, purchasing, payroll and personnel administration are handled by staff in the Supervision Division. DTA staff are cross-trained and reallocated across cost center boundaries as workload demands to ensure that taxes are properly billed, collection rates remain strong and taxpayers receive responsive customer service. This is consistent with the driving goal in the creation of DTA in 1995 to promote "One-Stop Shopping" in local taxation.

The **Real Estate Cost Center** handles the assessment of all real estate taxes due to annual property value changes associated with appreciation/depreciation and value increases due to normal "growth" or construction. Virginia law requires that assessments be uniform and based on fair market value.

The **Personal Property and Business License Cost Center** is responsible for the assessment of personal property taxes (including vehicles and business equipment), business license taxes, and a variety of other local taxes such as transient occupancy tax, short term daily rental tax and bank franchise tax. In addition, this cost center includes the department's main call center that provides customer service support across cost center boundaries.

The **Revenue Collection Cost Center** is responsible for all billing, collection and account reconciliation activities for more than 1.9 million transactions per year.

By enhancing the community's direct access to information through technology and communication efforts, DTA supports the County's vision element of Connecting People and Places. Additionally, the County's vision element of Exercising Corporate Stewardship is a cornerstone of DTA's mission. The department works diligently to be accessible, responsive, and accountable to the community. This ensures accurate tax assessments, billing of accounts, and the efficient collection of revenues.

DTA strives to provide exceptional customer service to the residents of Fairfax County. This is based on the department's vision of "Generating revenue fairly, to help the County protect and enrich the quality of life for people, neighborhoods, and diverse communities of Fairfax County."

# Department of Tax Administration

## Department Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>FUNDING</b>			
<b>Expenditures:</b>			
Compensation	\$16,668,410	\$17,106,369	\$17,954,235
Operating Expenses	6,147,616	5,981,136	5,665,489
<b>Total Expenditures</b>	<b>\$22,816,026</b>	<b>\$23,087,505</b>	<b>\$23,619,724</b>
General Fund Revenue	\$3,822,144	\$3,830,313	\$3,849,185
Net Cost/(Savings) to General Fund	\$18,993,882	\$19,257,192	\$19,770,539
<b>POSITIONS</b>			
<i>Authorized Positions/Full-Time Equivalents (FTEs)</i>			
<b>Positions:</b>			
Regular	283 / 283	283 / 283	283 / 283
<b>Total Positions</b>	<b>283 / 283</b>	<b>283 / 283</b>	<b>283 / 283</b>

## Lines of Business Summary

LOB #	LOB Title	FY 2016 Adopted	
		Disbursements	Positions
99	Department Supervision and Fiscal Control	\$497,665	5
100	Tax Relief for Seniors and People with Disabilities	485,170	5
101	Real Estate Assessment - Residential	4,408,451	55
102	Real Estate Assessment - Commercial	2,448,243	28
103	Real Estate Records Management	1,690,420	27
104	Vehicle Assessments	2,321,933	23
105	Vehicle Tax Discovery and Compliance	725,979	13
106	Central Telephones and Central Files	1,659,551	23
107	Business Discovery and Audit - Personal Property and BPOL (Business, Professional, and Occupational Licenses)	3,202,201	43
108	Delinquent Tax Collections	1,550,639	26
109	Billing and Tax Reconciliation	3,379,038	21
110	Cashiering	1,250,434	14
<b>Total</b>		<b>\$23,619,724</b>	<b>283</b>

## Lines of Business

LOB #99:

### **DEPARTMENT SUPERVISION AND FISCAL CONTROL**

#### **Purpose**

LOB #99, Department Supervision and Fiscal Control, is headed by the department director who provides oversight and management of all DTA programs. This LOB reflects the DTA director's constitutional duties as the County Assessor and Tax Collector, responsible for ensuring proper administration and adjudication of all local assessment and tax collection matters. Governed by state and County codes, the director's final determination in tax matters can only be appealed to the Fairfax County Circuit Court, and in some instances to the Virginia Department of Taxation, or to the Virginia Department of Veterans' Affairs. In pursuing DTA's vision of "Generating Revenue Fairly", this LOB is concerned with promoting an efficient and effective tax system that focuses on accurately applying the law, following fair professional standards and maximizing collections. The department was recently awarded the Certificate of Excellence in Assessment Administration (CEAA) by the International Association of Assessing Officers, demonstrating the department's commitment to best practices in assessment administration and delivering high quality customer service.

Additionally, staff assigned to this LOB administer the DTA budget, the State Compensation Board budget, personnel, and payroll/procurement functions.

#### **Description**

Oversight, fiscal administration, personnel management, and leadership are the underlying duties within LOB #99, Department Supervision and Fiscal Control. Service is provided directly by the DTA director and other staff assigned to the Department Supervision division. As noted previously, this LOB reflects the director's constitutional duties as the County Assessor and Tax Collector. This represents approximately \$3 billion in General Fund revenue per year. This LOB also provides direct constituent services, staff support and programmatic, policy and legislative analysis to the Board of Supervisors and senior County management. The Director also oversees DTA's revenue forecasting duties in support of the County Executive's budget development and monitoring. From an internal services perspective, this LOB handles all budgetary, procurement/payroll and personnel requirements for the department.

LOB #99, Department Supervision and Fiscal Control, is the driving force behind DTA's service delivery. DTA places great emphasis on providing quality customer service in all aspects of operations. This LOB also takes the lead in promoting e-commerce throughout the other DTA LOBs in order to increase transparency and empower the public in conducting tax business online.

# Department of Tax Administration

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## Benefits

DTA was created by the Board of Supervisors in 1995 by merging the Office of Assessments with the Revenue Collection arm of the Department of Finance. This was done in response to citizen complaints about being bounced around between multiple tax agencies with different agendas. The merger created a “One Stop Shopping” experience where citizens could address all of their tax issues. The success of DTA has seen a tremendous improvement in customer service, communication, responsiveness and agility in support of County taxpayers. The agency focuses on cross-training and empowerment to meet taxpayer needs. LOB #99, Department Supervision and Fiscal Control, provides direct oversight and leadership in marshalling and reallocating departmental resources as needed in order to meet shifting workload demands. Department leadership developed the award-winning Smiles program which radically improved service delivery to thousands of taxpayers each year in the payment of car taxes.

This LOB provides services directly to Fairfax County taxpayers, businesses and prospective businesses, the Board of Supervisors, and senior County management. Compliance reports are also provided to the state as required by law. The community’s ability to conveniently access resources online, over the phone or through email, helps promote the County vision element of Connecting People and Places. Being able to conveniently and securely access information 24 x 7 and conduct business in an efficient manner is of paramount importance to Fairfax County residents. DTA’s ability to provide this service is of great value to the community. Furthermore, providing first-rate customer service while ensuring the accurate assessment, billing, and collection of taxes embodies the County vision element of Exercising Corporate Stewardship. Exercising Corporate Stewardship in revenue oversight and administration is particularly critical inasmuch as the department is responsible for assessing, billing, collecting and accounting for more than 80 percent of all General Fund revenue.

In addition, this LOB provides critical internal services (budget, payroll, State Compensation Board, procurement, and personnel management) to the entire department required for ongoing day-to-day functioning in service to the public.

## Mandates

This LOB is fully mandated and reflects the director’s mandated constitutional duties as the County Assessor and Tax Collector. Sources of mandate are Article X of the Virginia Constitution, Virginia Code § 46.2-752, Virginia Code § 58.1-30 through § 58.1-39, and Virginia Code § 15.2. The Director of DTA oversees all ad valorem assessment and all property tax collection programs governed by state and County law. The Director adjudicates taxpayer appeals concerning both assessments and collections. An appointed administrator, this position otherwise serves in the equivalent role of the Constitutional Office of Commissioner of the Revenue; and, for tax collection purposes, serves as Tax Collector analogous to the Constitutional Office of Treasurer (Virginia Code §§ 58.1-3100 and 58.1-3123; and Virginia Code § 15.2-823). Given these Constitutional duties, 81 percent of the Director’s salary is reimbursed to the County’s General Fund by the State Compensation Board.

The fiscal administration and personnel management responsibilities of this LOB are done in compliance with County personnel regulations, procedural memorandums, financial reporting requirements, and generally accepted accounting practices.

## Trends and Challenges

Doing “more with less” while upholding a high standard of customer service is a strategic challenge faced by all DTA LOB initiatives. In recent years, the changes in demographics have challenged staff to become exceptionally efficient in serving a diverse community. Since FY 2013, Fairfax County has experienced a significant population growth in citizens over the age of 65. In addition to the growth in the senior population, citizens who are foreign born and/or speak a language other than English at home, now make up a larger segment of the County population. Retaining transparency and explaining complicated tax processes in simple terms is challenging.

The urbanization of the County also poses challenges to staff. With the development of the Route 28 corridor, further urbanization of Tyson’s Corner, Reston Town Center, Springfield Mall, Mosaic District, and the expansion of the Metro rail in Fairfax County, comes additional workload and responsibilities. More commercial buildings, additional retail structures, as well as residential dwelling units must be appraised, billed and taxes collected. Expanded business presence in these areas also dictates the need for business tax reviews to ensure all businesses are licensed and paying the appropriate taxes. Under current budget and staffing levels, the challenge of meeting statutory workload requirements and deadlines as well as the expectations of the constituency for quality customer service remains.

The application of new technologies and service delivery methods has aided DTA in keeping pace with the ever-changing landscape of citizens and development. The tremendous growth in the use of technology has resulted in significant efficiencies for both the public and DTA staff. Service trends remain focused on technology which promotes convenience, security, and ease of customer transactions. DTA remains focused on the technological environment, to ensure the most suitable and user-friendly technology is available to the public. A good example of this is the partnership between DTA and the Department of Information Technology (DIT) in launching the new secure web portal, [MyFairfax](#), in FY 2016. However, the use of technology comes with its own funding challenges as DTA absorbs the cost of licensing fees, maintenance contracts, updated software versions, and new innovative products.

Succession planning will also continue to be a challenge facing DTA for the next several years. Fortunately, each division within DTA is currently led by very capable and experienced experts in their operations who are working to train others in the department.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #99: Department Supervision and Fiscal Control</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$424,603	\$436,594	\$453,226
Operating Expenses	48,399	50,016	44,439
<b>Total Expenditures</b>	<b>\$473,002</b>	<b>\$486,610</b>	<b>\$497,665</b>
General Fund Revenue	\$139,270	\$138,217	\$138,576
Net Cost/(Savings) to General Fund	\$333,732	\$348,393	\$359,089
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	5 / 5	5 / 5	5 / 5
<b>Total Positions</b>	<b>5 / 5</b>	<b>5 / 5</b>	<b>5 / 5</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Requests/Inquiries (emails, letters, forms)	166,244	187,175	185,868	187,000	187,000
E-Commerce Transactions	407,256	420,509	438,848	461,000	485,000
Average customer rating of DTA service (4.0 scale)	3.8	3.9	3.9	3.9	4.0

The metrics for this LOB indicate that the front-line taxpayer service to citizens is being effectively administered. Information inquiries and requests for assistance from the public continue to rise. This increase over time is primarily due to the increased use of email. E-commerce transactions continue to trend upward as more and more citizens use electronic devices to conduct their business transactions online. As technology continues to evolve and additional devices and apps which facilitate e-commerce are developed, this number should continue to grow. Being able to serve the public through e-commerce, online transactions, and electronic correspondence, has helped DTA remain efficient during times of shrinking budgets and reduced staffing levels. DTA's customer service rating at our cashier counters is one indication of a high level of efficiency and customer satisfaction among those surveyed.

Customer Service initiatives have included the ability to conduct numerous online transactions, use of Quick Response (QR) Codes for mobile phone apps, use of electronic notebooks in support of the Board of Equalization, and most recently the development with DIT of a new secure web portal, MyFairfax. MyFairfax allows citizens to create a secure user ID and password in order to link their tax accounts into a single profile and enable them to see not only their assessment data but historical payment information as well. The portal also allows them to make appropriate account changes or to pay accounts. This latest application was launched in FY 2016 and is accessible at [www.fairfaxcounty.gov/dta](http://www.fairfaxcounty.gov/dta). In future phases, DTA hopes to also provide secure access to individual dog license records and parking ticket records. More importantly, the portal positions DTA to begin offering electronic billing in late FY 2016 or early FY 2017.

While DTA is currently the only agency offering portal access, DIT plans to widely expand the functionality to include other agencies and programs as well.

# Department of Tax Administration

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LOB #100

## **TAX RELIEF FOR SENIORS AND PEOPLE WITH DISABILITIES**

### **Purpose**

Virginia law permits the local governing body to adopt tax relief programs for certain individuals 65 years of age or older or who are permanently and totally disabled. The Board of Supervisors has had this program in place for decades. The Board has made a number of changes to the tax relief real estate program over the years – the last amendment being in FY 2006 at which time the allowable net asset limit was increased from \$240,000 to \$340,000 and the allowable gross income level was increased from \$52,000 to \$72,000. There are no longer any state caps mandated for the tax relief income and asset levels. These are now determined locally by the governing body.

The Tax Relief Section reports directly to the DTA director and functions as an essential part of DTA's service delivery and financial control in the audit and review of tax relief applications and determines eligibility based on current program requirements. Tax Relief staff are tasked with ensuring citizens are well educated on matters of tax relief and are provided the highest level of customer service. By providing high quality customer service and promoting an empowered, well-informed community, DTA continues to meet its mission.

### **Description**

The Tax Relief Section assists citizens who are 65 years or older or permanently and totally disabled to obtain relief from real estate and personal property taxes. In addition to homeowners, this office administers a program to provide tax relief for residents who rent rather than own a home. All tax relief applicants must meet certain income and asset eligibility requirements.

Tax Relief staff are trained to understand the tax relief program requirements and process all tax relief applications. The Tax Relief Outreach Program is an integral part of DTA's customer service delivery providing County residents with on-site assistance with the application process and eligibility information regarding tax relief. Staff in the Tax Relief Section have intensified efforts to educate eligible residents about the program through public outreach initiatives, such as scheduling personal appointments (home visits), sending staff to speak at community meetings, workshops hosted by members of the Board of Supervisors, assisted living and senior centers, and places of worship throughout the County. Interpreters are also provided for residents with limited English as well as hearing-impaired residents.

DTA's goal is to administer the tax relief program in a manner which ensures all eligible residents receive proper benefits in accordance with the law.

# Department of Tax Administration

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## Benefits

The Tax Relief program provides a safety-net that strengthens and helps prevent certain elderly or disabled citizens on fixed incomes from facing a disproportionately onerous tax burden. The Board of Supervisors gives consideration to the Tax Relief program each year as part of its deliberation on the budget. The current program serves approximately 8,000 applicants.

Tax Relief staff operate an Outreach Program that enables staff to become accessible to County residents, many of whom may face mobility challenges, by providing on-site education and assistance regarding tax relief eligibility and requirements. During scheduled outreach visits, staff have assisted up to 90 individuals at a time who might otherwise submit incomplete applications or visit the Government Center for assistance. Another highlight of the program is that seniors have the opportunity to sit down and ask questions and discuss their own situations.

DTA contributes to the County's vision element of Maintaining Safe and Caring Communities by offering real estate tax relief to a vulnerable segment of the community. The financial auditing of applications embodies the County's vision element of Exercising Corporate Stewardship. Staff's efforts to reach the senior and disabled population by electronic means, mail, in person and through community outreach efforts support the County's vision element of Connecting People and Places. DTA is committed to outstanding communication, and promoting an empowered and well-informed community.

## Mandates

This Line of Business is not mandated.

Tax Relief is a local option program. Authority for this program is found in Virginia Code § 58.1-32 and Chapter 4 of the [Fairfax County Code](#). The Board of Supervisors has the authority to expand, cancel or scale back this program if it so desires. To that extent, the program is not mandated. However, as long as this program remains established by local ordinance, DTA has the mandate to provide appropriate financial stewardship and administration of the program that impacts General Fund revenue by approximately \$26 million annually.

## Trends and Challenges

In addition to the growth of the senior population, citizens who are foreign born and/or speak a language other than English at home, make up a significant percent of the County population. In recent years, the changes in demographics have challenged staff to become better equipped in serving a diverse community. The growth in these two segments, coupled with the overall population growth over the past five years, poses a continual challenge to provide exceptional service to the public as well as maintaining best practices for tax relief application processing. Moreover, given the present income and net asset limits, the complexity of financial documentation that staff must audit has increased significantly.

The Tax Relief Section works closely with DIT to take full advantage of emerging technologies. The recent implementation of a new Tax Relief computer system provides DTA with enhanced ability to support some of the County's most important residents, the elderly and disabled. The new computer application replaced an old mainframe system with web-enabled functionality. Programmed in-house using open system architecture, the Tax Relief system is integrated with the County's Real Estate and Personal Property Tax systems. The new system helps staff ensure that these citizens are assessed accurately and receive the proper levels of tax relief.

The application of new technologies and service delivery methods has aided DTA in keeping pace with the ever-changing landscape of citizen needs. The tremendous growth in the use of technology has resulted in significant efficiencies for both the public and DTA staff. Service trends remain focused on technology which promotes convenience, security and ease of customer relations. DTA remains focused on the technological environment to ensure the most suitable, user-friendly, and secure technology is employed.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #100: Tax Relief for Seniors and People with Disabilities</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$418,088	\$427,693	\$440,731
Operating Expenses	38,719	50,016	44,439
<b>Total Expenditures</b>	<b>\$456,807</b>	<b>\$477,709</b>	<b>\$485,170</b>
General Fund Revenue	\$28,100	\$27,259	\$27,636
<b>Net Cost/(Savings) to General Fund</b>	<b>\$428,707</b>	<b>\$450,450</b>	<b>\$457,534</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	5 / 5	5 / 5	5 / 5
<b>Total Positions</b>	<b>5 / 5</b>	<b>5 / 5</b>	<b>5 / 5</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Tax Relief Applications Processed	9,475	8,922	9,353	9,400	9,400
Requests/Inquiries pertaining to Tax Relief (emails, letters, forms)	22,990	22,003	23,003	23,600	23,600
In-person Service (walk-ins, outreach, home visits)	2,964	5,892	5,258	5,400	5,400
Average customer rating of DTA services (4.0 scale)	3.8	4.0	4.0	4.0	4.0

Information inquiries and requests for assistance from the public continue to rise. Population growth, coupled with DTA's mass media advertising efforts and the increased use of email by the senior and disabled population, all contribute to the increased demand for services. Being able to assist the public through the Outreach Program and electronic correspondence has helped DTA remain efficient during times of constrained budgets. DTA's customer service rating of 4.0 indicates a high level of efficiency and customer satisfaction among those surveyed.

# Department of Tax Administration

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LOB #101

## **REAL ESTATE ASSESSMENT - RESIDENTIAL**

### **Purpose**

This LOB reflects the valuation of residential properties as mandated by Virginia Code §§ 15.2 and 58.1; Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X. In pursuing DTA's Vision of "Generating Revenue Fairly", the Residential Team is committed to ensuring that the valuation and taxation of residential properties is completed in an accurate and uniform manner throughout the County while adhering to professional standards.

### **Description**

The Residential Team of the Real Estate Division annually assesses approximately 342,000 residential parcels, valued at more than \$171 billion. Real estate assessments generate approximately \$2.4 billion dollars in General Fund revenue, and approximately 75 percent of that revenue is generated by residential properties. The principal responsibilities under this LOB include the following duties:

- Verification of all residential sales data
- Maintenance of residential property records
- Discovery of new construction
- Annual revaluation of all residential property
- Appeals and litigation defense.

Assessments must reflect fair market value and comply with legal mandates set forth in the Constitution of Virginia, the Code of Virginia and the Fairfax County Code.

### **Benefits**

The Real Estate Division provides revenue forecasts for the Department of Management and Budget (DMB) and senior County management. Real estate taxation provides approximately 64 percent of the County's General Fund revenue, which is used to fund education, public safety and all other General Fund agencies and programs. Of this amount, this LOB contributes approximately \$1.8 billion in revenue to the annual General Fund budget.

Additionally, homeowners, mortgage companies and other real estate professionals, including agents, fee appraisers, title examiners and settlement attorneys depend on the accuracy and availability of real estate assessment data.

### **Mandates**

This LOB is fully mandated. The assessment of real property, both commercial and residential, is mandated by Virginia Code §§ 15.2 and 58.1; the Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X.

## Trends and Challenges

A significant portion of the County's housing, especially in those areas inside the beltway, is over 50 years old. Much of the County's residential new construction is replacement for or extensive renovation of older housing. Unlike tract homes built in the 50s and 60s, these homes are often built with unique features that present special challenges for the mass appraisal process. Urbanization of the County affects residential markets, as more people now wish to live near their workplace or in close proximity to mass transit. This is true not only for Tysons, Mosaic and Reston, but also for older, established communities located near these areas. These factors can increase the complexity of the assessment process, such as determining comparability of sales.

Technology presents both a challenge and an opportunity. Taxpayers are able to access an abundance of valuation information from DTA's website, including information on their own homes as well as the sales that were used to determine their assessment. Business people, such as real estate agents, appraisers and lenders, depend heavily on County data available on the web. Accordingly, DTA is challenged to provide a wealth of accurate and timely information readily available to the public.

As part of prior budget reductions, the Real Estate Assessment - Residential LOB no longer staffs a team of Exempt Limited Term employees to conduct routine site visits checking property characteristics against DTA records. Instead, DTA replaced these employees with a more efficient automation process that compares GIS Aerial Photography to property sketches within DTA's assessment data base. Properties with footprint differences are written to a separate work list for closer review by appraisal staff. This process helps staff keep track of property characteristic changes in an efficient manner and overcomes property inaccessibility issues. This FY 2010 LOB reduction eliminated 11 Exempt Limited Term positions, saving the County approximately \$340,000 per year.

Staff also reviews County building permits and Realtor multiple listing service information. This presents a workload challenge which must be balanced as part of the overall assessment process, but also helps staff comply with professional standards and maintain accurate assessment records.

Another challenge is succession planning. A number of senior appraisers will be retiring before the end of FY 2017, and the learning curve for new employees can be significant. Fortunately, DTA has been able to groom a solid cadre of appraisers and has also used underfill agreements as training opportunities in the past; at the same time, DTA also actively recruits qualified appraisers from the private sector. This is expected to continue to be a balancing act for the near future.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #101: Real Estate Assessment - Residential</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$3,504,767	\$3,534,174	\$3,694,380
Operating Expenses	776,076	775,416	714,071
<b>Total Expenditures</b>	<b>\$4,280,843</b>	<b>\$4,309,590</b>	<b>\$4,408,451</b>
General Fund Revenue	\$254,397	\$248,175	\$251,139
Net Cost/(Savings) to General Fund	\$4,026,446	\$4,061,415	\$4,157,312
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	55 / 55	55 / 55	55 / 55
<b>Total Positions</b>	<b>55 / 55</b>	<b>55 / 55</b>	<b>55 / 55</b>

# Department of Tax Administration

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Residential Properties Valued	341,225	341,101	341,513	341,788	342,000
Residential Sales Verified	14,918	15,315	16,938	15,184	17,000
Residential Permits Worked	8,692	9,026	9,070	7,490	8,000
Residential Appeals/BOE Worked	819	724	963	900	900
Residential Base-Equalization (Assessed Value)	\$145,307,300,000	\$150,807,072,410	\$161,394,060,020	\$166,770,364,710	TBD
Residential Base-Growth (Assessed Value)	\$2,989,131,200	\$3,297,590,040	\$3,583,185,770	\$4,639,332,730	TBD
Residential Assessment to Sale Ratio (ASR)	92.67%	93.54%	93.59%	93.88%	95.00%
Residential Coefficient of Dispersion (COD)	4.27%	4.01%	3.84%	3.54%	3.54%

Although the number of residential properties valued has not changed significantly from FY 2013 to FY 2016, there have been a significant number of changes to those properties as evidenced by the number of permits worked by staff during that time, as well as the upward changes in value for both equalization and growth (new construction). Appeal volume tends to increase when there have been significant value changes. From FY 2013 to FY 2016, the residential market has been stable, with moderate increases overall. Two key statistics used by the assessment industry to measure effectiveness are the Assessment to Sale Ratio (ASR) and the Coefficient of Dispersion (COD). The ASR measures assessment level. The Constitution of Virginia mandates that all property should be assessed at fair market value. Given the diversity and size of the County, an ASR in the low to mid-90 percentile is deemed to be highly reflective of fair market value without over-assessing properties. DTA's ASR is well within professional standards. It is also important to note that this measure is against a sales volume of only about 3 percent of all taxable properties.

The Coefficient of Dispersion (COD) is a statistic that measures the uniformity of all assessment-to-sale ratios among all residential properties within the County. The Residential Coefficient of Dispersion for FY 2016 was 3.54 percent. By comparison, an index of 15 percent is considered good by professional assessing standards. The index for Fairfax County falls in the excellent category, indicating a high degree of assessment uniformity.

Trends for both the ASR and the COD have been positive. Factors contributing to positive performance include staff stability (low turnover), careful quality review and a stable market.

# Department of Tax Administration

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LOB #102

## **REAL ESTATE ASSESSMENT - COMMERCIAL**

### **Purpose**

This LOB reflects the valuation of commercial properties as mandated by Virginia Code §§ 15.2 and 58.1; Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X. In pursuing DTA's vision of "Generating Revenue Fairly", the Commercial Branch of the Real Estate Division is committed to ensuring that the valuation and taxation of commercial properties is completed in a timely, accurate and uniform manner throughout the County while adhering to professional standards.

### **Description**

The Commercial Team within DTA's Real Estate Division is responsible for the annual assessment of all commercial real estate for the purpose of ad valorem taxation. Real estate assessments generate approximately \$2.4 billion dollars in General Fund revenue, and almost 25 percent of that revenue (including Commercial/Industrial property at 18.67 percent and 5.69 percent for apartments in FY 2016) is generated by commercial properties. The principal responsibilities under this LOB include the following duties:

- Verification of all commercial sales data
- Maintenance of commercial property records
- Discovery of new commercial construction
- Analyzing the impact on commercial value created by land rezonings and breakdowns
- Annual revaluation of all commercial property
- Appeal (both administrative to DTA and Board of Equalization) and litigation defense

Assessments must be at fair market value and comply with legal mandates set forth in the Constitution of Virginia, the Code of Virginia and the Fairfax County Code.

### **Benefits**

The Real Estate Division annually assesses over 11,100 commercial parcels, valued at more than \$55 billion. The Real Estate Division also provides revenue forecasts for DMB and senior County management. Fully supporting the County vision element of Exercising Corporate Stewardship, real estate taxation provides approximately 64 percent of the County's General Fund revenue, which is used to fund education, public safety and all other General Fund programs. Of this amount, this LOB contributes approximately \$602 million in General Fund revenue annually.

Additionally, homeowners, mortgage companies and other real estate professionals, including agents, fee appraisers, title examiners and settlement attorneys depend on the accuracy and availability of real estate assessment data.

# Department of Tax Administration

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## Mandates

This LOB is fully mandated. The assessment of real property, both commercial and residential, is mandated by Virginia Code §§ 15.2 and 58.1; the Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X.

## Trends and Challenges

Office properties make up the largest part of the commercial tax base in the County. Currently, office vacancy is higher than it has been since the early 1990's. A significant portion of the County's office stock was built in the 1980's or earlier. The Fairfax County office market has been very dependent in the past on federal procurement spending, particularly in the defense arena. The effects of sequestration and cuts in defense spending, coupled with the federal government reducing the amount of office space leased per employee, has had a significant impact on office vacancy in the County. This contributes to the number of commercial Board of Equalization appeals and litigation filed with the Fairfax Circuit Court.

The last commercial real estate bubble led to a significant spike in commercial tax litigation. The number of court cases soared from a typical handful of cases per year to nearly 100. DTA's Commercial Team was able to work with the County's Office of the County Attorney to defend these court cases over the last couple of years with minimal impact to County tax revenue. Given the significant values involved, and litigious nature of tax representation, this area always remains a potential challenge in the commercial arena.

Urbanization of the County is leading to redevelopment of areas newly served by Metro rail (Tysons and Reston). These areas are seeing new office and complex mixed use development. This type of new development can lead to a flight to quality, with tenants leaving older, lesser quality buildings for newer, higher quality buildings. These new buildings are more energy efficient, have fresher design, and have floor plates that are more desirable in the current market. With tenants taking less space per employee, buildings with less space per floor are generally more desirable than buildings with more space per floor.

The challenges of valuing the office market in Fairfax County present a distinct dichotomy. On the one hand, there is the development of Tysons transitioning from an area of disjointed office parks to a walkable urban core. This will present new challenges to the Commercial Team to forecast revenue, capture the value of high density rezonings and new construction, and defend the values of what will be very complex and valuable property. On the other hand, there is the challenge of valuing older office properties in other areas which may have high levels of vacancy.

The Commercial Team also defends the bulk of the Board of Equalization appeals filed in Fairfax County. The vast majority of these appeals are filed by a handful of firms that specialize in filing real estate tax appeals. The Commercial Team typically works about four to five months per year defending Board of Equalization appeals against these sophisticated firms of attorneys, appraisers, and accountants. This requires Commercial staff to attend hearings, principally at night, that are held three times per week from August through November/December.

These tax representatives are firmly entrenched in the marketplace. It is expected that a significant number of appeals per year will continue to be filed.

Another challenge is succession planning. A number of senior appraisers will be retiring before the end of FY 2017, and the learning curve for new employees can be significant. Fortunately, DTA has been able to groom a solid cadre of appraisers and has also used underfill agreements as training opportunities in the past; at the same time, DTA also actively recruits qualified appraisers from the private sector. This is expected to continue to be a balancing act for the near future.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #102: Real Estate Assessment - Commercial</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$2,065,197	\$2,088,018	\$2,182,060
Operating Expenses	289,778	297,414	266,183
<b>Total Expenditures</b>	<b>\$2,354,975</b>	<b>\$2,385,432</b>	<b>\$2,448,243</b>
General Fund Revenue	\$171,351	\$166,759	\$168,805
<b>Net Cost/(Savings) to General Fund</b>	<b>\$2,183,624</b>	<b>\$2,218,673</b>	<b>\$2,279,438</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	28 / 28	28 / 28	28 / 28
<b>Total Positions</b>	<b>28 / 28</b>	<b>28 / 28</b>	<b>28 / 28</b>

# Department of Tax Administration

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## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Commercial Properties Valued	11,139	11,133	11,125	11,122	11,200
Commercial Sales Verified	444	467	433	302	300
Commercial Permits Worked	2,297	3,797	2,905	3,320	3,800
Commercial Appeals Worked	506	461	491	502	525
Commercial Base-Equalization (Assessed Value)	\$47,331,523,650	\$49,146,319,040	\$49,059,054,760	\$48,609,273,560	TBD
Commercial Base – Growth (Assessed Value)	\$4,635,389,060	\$3,822,163,310	\$4,984,972,900	\$6,590,015,400	TBD
Commercial Assessment/Sale Ratio	93.36%	92.14%	92.90%	92.41%	95.00%
Commercial Coefficient of Dispersion	7.49%	9.47%	8.03%	6.22%	7.00%

Although the number of commercial properties valued has not changed significantly from FY 2013 to FY 2016, there have been a significant number of changes to those properties as evidenced by the number of permits worked by staff during that time, as well as the upward changes in value for both equalization and growth (new construction).

Two key statistics used by the assessment industry to measure effectiveness are the Assessment to Sale Ratio (ASR) and the Coefficient of Dispersion (COD). The ASR measures assessment level. The Constitution of Virginia mandates that all property should be assessed at fair market value. The dynamic and heterogeneous commercial market increases the complexity of the appraisal process for commercial property. For income producing properties, DTA staff uses an income capitalization approach which takes into account numerous factors, to include rents, operating expenses, capitalization rates and building vacancy.

Given the statutory emphasis on uniformity in assessing, it is a balancing act for commercial staff to not undervalue newer properties in urban core locations while not exceeding fair market value in older properties, particularly office building with high levels of vacancy.

Based on these factors, an ASR in the low to mid-90 percentile is deemed to be highly reflective of fair market value without over-assessing properties. DTA’s ASR is well within professional standards. It is also important to note that this measure is against a sales volume of only about 150 sales per year, or just over 1 percent of all taxable properties.

The Coefficient of Dispersion (COD) is a statistic that measures the uniformity of all assessment-to-sale ratios among all commercial properties within the County. The Commercial Coefficient of Dispersion for FY 2016 was 6.22 percent. By comparison, an index of 15 percent is considered good by professional assessing standards. The index for Fairfax County falls in the excellent category, indicating a high degree of assessment uniformity.

Factors that contribute to a high level of performance are staff stability (low turnover), careful quality review, and a stable market.

# Department of Tax Administration

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LOB #103

## **REAL ESTATE RECORDS MANAGEMENT**

### **Purpose**

This LOB reflects the supervision and oversight of the Records Management Branch of the Real Estate Division as mandated by Virginia Code §§ 15.2 and 58.1; Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X. In pursuing DTA's vision of "Generating Revenue Fairly", the Records Management Branch is committed to ensuring that the administration associated with the assessment of all real estate properties is accurately processed to allow for proper taxation of ad valorem real estate taxes.

### **Description**

The Records Management Branch is responsible for handling the data entry associated with all assessments of real estate properties for the purpose of ad valorem taxation. Real estate assessments generate approximately \$2.4 billion in General Fund revenue. This LOB provides critical support to the Real Estate Assessment-Residential and Real Estate Assessment-Commercial Lines of Business. The principal responsibilities under this LOB include the following duties:

- Data entry of all real estate property ownership transfers
- Data entry of all new subdivisions and parcel breakdowns
- Data entry of all probate and foreclosure data
- Data entry of all exempt, disabled veteran and surviving spouses, solar and abatement parcels
- Data entry of real estate property assessments by DTA and the State Corporation Commission (SCC)
- Data entry of all appeals (both administrative to DTA and Board of Equalization) and litigation cases filed with the circuit court
- Data entry of all new construction permits
- Maintenance of property cards and assessment records
- Communicating (verbally, by phone and in writing) internally and externally regarding assessment inquiries and parcel descriptor requests
- Processing all manual Notice of Assessment Change letters (NOAC, supplementals, appeals, certificates)
- Processing all Income and Expense surveys for commercial parcels (mailing and input)
- Processing all real estate address change requests
- Preparation of annual Commonwealth reports of real estate information
- Verification of all data entry for annual file roll
- Creation of Annual Landbooks

# Department of Tax Administration

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## Benefits

The Records Management team handles more than 350,000 taxable residential and commercial real estate parcels, plus another 6,600 tax exempt properties. Staff assists business representatives, mortgage companies, attorneys, elderly and disabled citizens, disabled veterans and surviving spouses, tax exempt entities and numerous County and state agencies, each of which depend on the accuracy and availability of DTA's real estate data. The efficiency and effectiveness of this LOB is essential to ensuring that all real estate taxes are assessed and billed properly. The Real Estate Division also provides revenue forecasts for DMB and senior County management based on the information entered into the real estate data base by the Records Management team.

## Mandates

This LOB is fully mandated. The assessment administration of real property, both commercial and residential, is mandated by Virginia Code §§ 15.2 and 58.1; the Fairfax County Code, Chapter 4; and the Constitution of Virginia, Article X. Records management is a critical component of the assessment program.

## Trends and Challenges

The workload associated with the assessment of real estate parcels has remained consistent over the last several years. At the same time, staff often need to “wear multiple hats” and assist in areas outside their normal assignment in order to best serve the public. To that end, the Records Management Team is always “on call” to assist as overflow backup to DTA's central telephone call center. This provides immediate expansion capacity on the phone to serve the public when call wait times become excessive. This enables DTA to provide responsive customer service but it does sometimes present a stressful challenge to balance competing workload demands within the Real Estate Records Management LOB. Balancing each workload will continue to be a challenge within DTA, but one which the agency has years of experience in successfully handling.

Due to employee retirements in the last year, the Abstract Team within the Records Management LOB has experienced a spike in turnover. This also creates challenges in handling workload due to the learning curve of new staff, but DTA has used this as an opportunity to better cross-train staff within the section for succession planning. Succession planning will continue to be a challenge in the near-term as additional staff approach retirement eligibility.

DTA is continually looking at new technologies to improve efficiencies. Staff's current goal is that many of the taxpayer inquiries for information from the Real Estate Records Management LOB may soon be diminished as taxpayers become empowered to access their information directly through the new secure web portal, MyFairfax, launched in FY 2016.

With the development that has occurred within the County, and future growth that is anticipated, comes an additional increase in the workload for the Records Management team. Management will be tasked with the challenge of continuing to meet deadlines while maintaining the current service level.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #103: Real Estate Records Management</b>			
<b>FUNDING</b>			
<b>Expenditures:</b>			
Compensation	\$1,251,087	\$1,292,755	\$1,346,492
Operating Expenses	373,825	374,045	343,928
<b>Total Expenditures</b>	<b>\$1,624,912</b>	<b>\$1,666,800</b>	<b>\$1,690,420</b>
General Fund Revenue	\$154,202	\$149,121	\$151,423
Net Cost/(Savings) to General Fund	\$1,470,710	\$1,517,679	\$1,538,997
<b>POSITIONS</b>			
<i>Authorized Positions/Full-Time Equivalents (FTEs)</i>			
<b>Positions:</b>			
Regular	27 / 27	27 / 27	27 / 27
<b>Total Positions</b>	<b>27 / 27</b>	<b>27 / 27</b>	<b>27 / 27</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Total Taxable Parcels Processed	352,364	352,234	352,638	352,910	353,200
Assessment Notices & Income/Expense Surveys Manually Processed	23,668	23,904	20,503	25,000	30,000
Sales Verified/Deeds & Wills Abstracted	85,754	69,387	59,464	61,699	66,000
Disabled Veteran Applications Processed	467	166	241	204	223
Address Changes Processed	44,279	43,240	38,492	40,866	40,000
Phone Calls Answered	10,119	9,208	9,175	9,172	9,082

The majority of the workload within the Real Estate Records Management Team has remained steady from FY 2013 to FY 2016. There have been a significant number of data changes to properties as evidenced by the number of permits worked by clerical staff as well as upward changes in value for growth (new construction).

Valuation reductions and accompanying refunds attributable to exemptions, abatements, appeals and Board of Equalization volume has remained consistent. There was a substantial increase of tax appeals to the Fairfax County Circuit Court and associated clerical workload in FY 2014; however, current workload has returned to normal levels.

Factors that contribute to high level of performance within the Real Estate Records Management Team are careful quality review and cross training within the individual sections. Workload statistics are also highly sensitive to the economic cycles within the private real estate market.

# Department of Tax Administration

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LOB #104:

## **VEHICLE ASSESSMENTS**

### **Purpose**

While providing the best customer service possible, the purpose of the Vehicle Assessments LOB is to make sure that all vehicles garaged in the County are registered with DTA and are accurately and fairly assessed for personal property taxation as required by law.

This LOB is also responsible for the Correspondence Team. This group handles taxpayer inquiries received via traditional mail and email, and handles vehicle emails sent via DTA's secure, encrypted, online communication tool.

In addition, this LOB is responsible for administering the assessment of the dog license program. All dogs four months of age or older must be licensed in Fairfax County.

### **Description**

The vehicle assessment process begins with County residents filing/registering their vehicles with DTA by phone, mail, in-person or online. DTA also obtains vehicle information directly from DMV via an automated file matching process to capture those vehicles that may not have been registered with DTA.

Once the vehicle is filed/registered with DTA, staff in this LOB assess and levy personal property taxes. This process is performed weekly using an automated matching process of each vehicle identification number (VIN) to the vehicle information in a recognized pricing guide as required by law. DTA uses the January edition of the National Automobile Dealers Association (NADA) pricing guide. In certain cases when the model is not readily available from the VIN pattern, staff uses backup valuation tables to manually assess vehicles.

Staff in this LOB handle the registration, valuation, proration, and account adjustments for approximately 1 million vehicles per year. Values typically represent the Average Trade-In value for cars in Clean Condition as represented in the Eastern Edition of the NADA Used Car Pricing Guide as of January 1. While values must always be as of January 1, the tax bills themselves are prorated based on the number of months the vehicle is located in the County. Local vehicle registration fees are also maintained and eventually billed through the same car tax data base.

This LOB also calculates the percentage of state car tax relief applicable in any given year. The County receives a fixed amount of \$211.3 million from the state and this must be allocated to all eligible personal use vehicles. The subsidy only applies to the first \$20,000 of assessed value and is currently at 62 percent in FY 2016. Local taxpayers pay the remainder of the tax. This LOB is actively engaged in the forecasting of revenue in support of the annual budget development.

The Correspondence Team responds to taxpayer inquiries received via traditional mail, email and through encrypted messages through DTA's secure communication tool online. Inquiries cover a wide gamut of issues, to include general personal property tax questions, name and address updates, high mileage appeals, requests for penalty waivers, and other changes such as vehicle sales, disposals, and moves in/out of the County.

# Department of Tax Administration

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The dog license program includes the processing of all new dog license applications, maintaining the dog license registration system, administering the annual dog license renewal process, ensuring that rabies certificates for all registered dogs are current, and validating that all license tags issued are properly recorded in the registration system. Additionally, the program includes manually updating dog records when residents report they no longer own dog. The program also involves processing veterinarian letters and processing more than 90,000 copies of the rabies vaccination certificates. Per state law, veterinarians are required to report to DTA all dogs that are vaccinated for rabies. DTA uses this information to ensure proper licensure.

## Benefits

In addition to legal mandates and generating approximately 11 percent of all General Fund revenue, this LOB enables DTA to assess nearly 1 million vehicles in Fairfax County every year using a fair and equitable process. Additionally, this LOB ensures that everyone is in compliance with local and state taxing laws and that everyone pays their fair share of taxes. This LOB also allows dog owners to register their dogs as required by law, to pay the annual license fee and to obtain a current dog license.

This LOB provides a mechanism for County residents to communicate with DTA about changes that may occur in their vehicle ownership.

## Mandates

This LOB is fully mandated. The assessment of personal property taxes is mandated by the Constitution of Virginia, Article X; Virginia Code §§ 46.2 and 58.1; and Fairfax County Ordinance, Chapter 4. Dog licensing is mandated by Virginia Code § 3.2, and Fairfax County Ordinance, 41.1-2-2.

## Trends and Challenges

There has been slow but steady growth in vehicle registrations in Fairfax County, and this trend is expected to continue. Growth in luxury or specialty vehicles like Tesla, Lamborghini, and high-performance Mercedes can make the valuation process more challenging and time consuming. The specialty vehicle valuation process is often complicated by limited market sales data. Given the number of vehicles to assess, exception processing will always present workload challenges.

Explaining the effect of time on assessments is also a continuing challenge, particularly in the purchase of new vehicles. Under state law, "Tax Day" is January 1. For uniformity purposes, all assessed values must be as of that date. However, a person who buys a car in August of the year will typically experience eight months of depreciation in price, and this may create a disconnect between the purchase price and the assessed value. DTA tries to anticipate these questions through frequent communication efforts using tax literature, cable and online information; however, it continues to be a frequent point of discussion with the public. While the value does not get prorated, the actual tax bill does get prorated to only reflect the specific number of months of tax liability in the County.

The volume of calls and emails from citizens reporting that they no longer own a dog also presents a workload challenge. In order to address this, DTA has been working with DIT to develop a web application that will allow dog owners to self-report online. In FY 2017, DTA hopes to provide the public with direct access to their dog license records through the new secure web portal, [MyFairfax](#).

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #104: Vehicle Assessments</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$1,284,961	\$1,325,249	\$1,380,355
Operating Expenses	1,020,165	967,231	941,578
<b>Total Expenditures</b>	<b>\$2,305,126</b>	<b>\$2,292,480</b>	<b>\$2,321,933</b>
General Fund Revenue	\$197,825	\$191,484	\$194,352
<b>Net Cost/(Savings) to General Fund</b>	<b>\$2,107,301</b>	<b>\$2,100,996</b>	<b>\$2,127,581</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	23 / 23	23 / 23	23 / 23
<b>Total Positions</b>	<b>23 / 23</b>	<b>23 / 23</b>	<b>23 / 23</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Number of Vehicles Assessed	1,040,936	1,043,768	1,048,244	1,053,000	1,057,000
Percentage of Vehicles Purchased/Sold/Moved	20.1%	20.7%	20.6%	20.6%	20.6%
Vehicle Tax Levy (millions)	\$398	\$405	\$418	\$423	TBD
Exonerations as % of assessments	3.5%	3.7%	4.0%	4.0%	4.0%
# of Dog Licenses Issued	89,487	89,309	88,364	88,864	88,864
Dog License fee revenue	\$916,195	\$914,408	\$912,247	\$913,140	\$913,140

The metrics for this LOB show a consistent year-to-year growth in vehicle assessments while maintaining a very high level of accuracy as measured by exonerated assessments as a percentage of total assessment.

In regards to the Dog License Program, DTA is experiencing a comparable number of dog license renewal notices from year to year.

# Department of Tax Administration

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LOB #105:

## **VEHICLE TAX DISCOVERY AND COMPLIANCE**

### **Purpose**

The Vehicle Tax Discovery (TARGET) aspect of this LOB works to identify and assess vehicles that are inappropriately displaying out-of-state license plates and are not currently registered with DTA and therefore, not properly paying the appropriate personal property tax. DTA is charged with accurately assessing all vehicles normally garaged in Fairfax County, and not otherwise exempt by law. Compliance with this legal mandate also helps maintain a more equitable tax burden by ensuring that all residents pay their fair share of taxes.

The Compliance aspect of this LOB represents an audit program to ensure that only qualified personal use vehicles are receiving the state car tax subsidy as required by law. This helps ensure that the County is collecting the proper amount of local taxes from residents.

### **Description**

Vehicle Tax Discovery is also known as DTA's TARGET program, a comprehensive process that involves the manual review and analysis of information reported to DTA from citizens, the Sheriff's Office, Police Department, or from DTA staff on potential tax evaders (vehicles spotted regularly in Fairfax County with out-of-state license plates).

After license plate tips are received, staff in this LOB manually researches information to identify the vehicle and vehicle ownership and determine whether or not a sufficient nexus to the County can be established to make and defend a car tax assessment. Under Virginia law, staff can make these assessments based on the "best information available" for the current and up to three prior years as may be appropriate.

Data that is used in the investigation may include records of the DMV from other states, online Virginia State Income taxes, the Virginia Employment Commission, County tax records, apartment tenant lists, and other proprietary data bases. DTA has access to this information under the Assessor's authority granted by Virginia Code § 58.1. All DTA employees are bound by strict confidentiality in accessing these records, subject to criminal penalties under Virginia Code § 58.1-3. If manual research shows enough evidence that a vehicle is normally garaged in Fairfax County, taxes are assessed and billed, to include the imposition of the No Plate Tax and penalty.

The Compliance program under this LOB represents audits conducted by DTA staff of Schedule C's provided by the Virginia Department of Taxation. Schedule C's are the business expense forms filed with state income tax records for individuals claiming certain business deductions, in this case mileage expenses. Virginia law stipulates that only personal use vehicles are eligible to receive the state car tax subsidy. Business vehicles are required to pay the full amount of local taxes. A person may have their vehicle registered in DMV as "personal use" and DTA's automated matching will flag such vehicle to receive the state car tax subsidy. At the same time, the owner may claim business deductions from the use of the same vehicle. If more than 50 percent of a vehicle's mileage is claimed for business use, the law requires that DTA deny the subsidy and collect full taxes from the vehicle owner. This ensures compliance with the law and maximizes the collection of local revenue.

### **Benefits**

In addition to making sure that all vehicles garaged in Fairfax County are properly registered and taxed, this LOB provides Fairfax County residents an effective channel to communicate with their tax office in reporting vehicles that may be evading personal property taxation. Residents become disillusioned at paying taxes when these out-of-state plate vehicles are perceived as dodging their liability. This LOB is an effective way for the public to participate in the governmental process to help ensure everyone living in

# Department of Tax Administration

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Fairfax County pays their fair share of taxes. DTA facilitates this process by providing a very simple online TARGET hotline where license plate tips can be received and the public can also receive status updates on the progress of investigations.

The additional revenue generated by this LOB provides Fairfax County funding which allows the County government to continue to effectively protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County.

The TARGET program assesses around 4,000 out-of-state vehicles each year, generating approximately \$1.9 million annually in General Fund revenue. Over the last three years, the Schedule C Compliance program has also added an average of \$450,000 per year in local car tax revenue.

## Mandates

This LOB is fully mandated by the Constitution of Virginia, Article X; the Virginia Code §§ 46.2 and 58.1; and Fairfax County Ordinance Chapter 4.

## Trends and Challenges

Fairfax County economics, demographics and reputation combine to attract people from all over the United States who make the County their home. Additionally, some neighboring states, such as Maryland, do not have an ad valorem car tax. As a result, there is a significant number of vehicles in the County with out-of-state plates. Most are just visiting, or have some statutory exception such as military or diplomatic status, but others are vehicles that are normally garaged and parked in Fairfax County. Under Virginia law, this makes them subject to the County's local car tax.

One challenge in the County's TARGET program is that the task of discovery, identification and substantiation of tax liability requires a considerable amount of manual research and documentation, and the audit trail is often inferential rather than unequivocally dispositive as to tax liability. It is not sufficient to merely report a license plate to DTA for taxation. In order to tax it, DTA must first identify the vehicle make, model, and owner, and then reasonably establish that the vehicle is present in the County on a regular basis.

An out-of-state vehicle can certainly be present within the County with no local tax liability. In fact, given the requirements of law, DTA only assesses for taxation about 15 percent of the vehicles actually tipped to the department each year. While all tips are researched, only about one-third have a reasonable and documented nexus to Fairfax County.

Aside from the challenge of handling the manual research, this LOB also faces a challenge of public misperception. Despite reporting a plate for taxation, there are many cases where the owner may not be liable, such as military personnel domiciled in another state but here on military orders. Likewise, college students from other states attending school locally are commonly exempt from taxation. Additionally, there is a transient population simply visiting from out of state. This often leads the public to incorrectly assume all of these vehicles are tax evaders.

Furthermore, in many cases despite having their vehicle assessed, vehicle owners at times choose to continue to display out-of-state plates. This also presents a challenge of public misperception. If a flagged vehicle continues to display out-of-state plates, the assumption is that DTA has taken no action, and this of course can cause frustration for the citizen making the initial report. The reality is that DTA does not have the legal authority to compel an owner to display Virginia license plates. Nevertheless, DTA will still assess such vehicles for local taxation once research establishes a nexus. To help combat this challenge, the Board of Supervisors adopted the No Plate Tax and Penalty authorized by state code. This means that out-of-state vehicles are assessed additional surcharges in addition to the local car tax as an inducement to the owner to properly obtain Virginia license plates.

# Department of Tax Administration

In the Car Tax Compliance program, DTA identifies residents erroneously claiming a business mileage deduction on their state income tax return, while also receiving the state car tax subsidy. This also presents a challenge of manual research, re-billing accounts imposing additional tax and then explaining the action to the taxpayer. This can result in lengthy and contentious discussions with individual taxpayers. With the growing popularity of Uber, a car sharing service, DTA may in the future experience an increase in the Car Tax Compliance program audit workload.

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #105: Vehicle Tax Discovery and Compliance</b>			
<b>FUNDING</b>			
<b>Expenditures:</b>			
Compensation	\$331,860	\$397,769	\$610,438
Operating Expenses	77,438	80,025	115,541
<b>Total Expenditures</b>	<b>\$409,298</b>	<b>\$477,794</b>	<b>\$725,979</b>
General Fund Revenue	\$41,350	\$40,086	\$40,656
<b>Net Cost/(Savings) to General Fund</b>	<b>\$367,948</b>	<b>\$437,708</b>	<b>\$685,323</b>
<b>POSITIONS</b>			
<i>Authorized Positions/Full-Time Equivalents (FTEs)</i>			
<b>Positions:</b>			
Regular	8 / 8	8 / 8	13 / 13
<b>Total Positions</b>	<b>8 / 8</b>	<b>8 / 8</b>	<b>13 / 13</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
# of Tax Evader Vehicles Assessed	4,562	3,332	3,901	4,200	4,500
TARGET Tax Levy and Penalties (Tax Evaders)	\$1,309,385	\$1,005,730	\$1,902,029	\$1,700,000	\$1,800,000
# of Vehicles Audited (State Car Tax Subsidy)	799	1,360	4,013	3,500	3,500
Total Amount of Additional Car Tax Levy Assessed	\$188,464	\$275,936	\$865,168	\$600,000	\$600,000

This LOB assesses about one-third of the total tips reported to DTA. Efficiencies have been gained in reducing tip backlogs for research in part due to an internal reorganization that shifted additional staff from the Customer Service Call Center to assist in TARGET research. This has helped DTA better manage workload and reduce investigation backlogs. This is particularly important given new partnerships established with the Sheriff's Office and the Fairfax County Police Department to identify vehicles. At the same time, this staff retains expansion capacity to serve as overflow backup to DTA's Call Center.

With the state car tax subsidy compliance portion of this LOB, DTA has also reallocated personnel resources within the Personal Property Division. This is reflected in the surge in the FY 2015 program metrics. To further improve program efficiency, DTA is partnering with DIT to explore automation enhancements with the goal of streamlining the audit process.

# Department of Tax Administration

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LOB #106:

## **CENTRAL TELEPHONES AND CENTRAL FILES**

### **Purpose**

This LOB is responsible for the DTA Customer Service Call Center handling the bulk of calls coming in to DTA. This is often the first contact taxpayers have with DTA and calls include request for information and assistance with personal property, BPOL, real estate, dog licenses, parking tickets, and certain collection matters. Types of calls range from assessment matters, billing questions, payment information, requests for waivers of penalty and interest charges, and more.

This LOB is also responsible for the DTA Mail Room which handles all incoming mail. Further, this LOB is also tasked with the files and records management, principally for personal property records. Given that DTA assesses approximately 1 million vehicles per year and maintains files for a six-year period, file management is not inconsequential.

### **Description**

DTA's main telephone Call Center handles all incoming calls between 8:00am-4:30pm daily. In addition to having excellent customer service skills, staff must be able to answer questions on all tax types (real estate, personal property and BPOL) as well as parking tickets and dog licenses. Situations that are handled include assessments, payments, penalty and interest charges and more. Knowledge of state and local tax laws is important in order to be able to properly assist callers with their questions.

Other sections of DTA assist in handling overflow call volume as workload demands. This includes expansion capacity in the Real Estate Records Management Section and the Revenue Collection Division, along with other parts of the Personal Property Division.

Central Files handles all incoming mail. Staff is responsible for sorting and delivering mail to the various divisions in DTA. Staff is also responsible for collecting and handling mail from the various divisions in DTA. Staff is also responsible for the careful handling of all payments that come in the mail and promptly delivering them to DTA's vault for processing. Central Files is also responsible for the sorting and filing of all documents that need to be kept in accordance with the Library of Virginia archiving statutes.

### **Benefits**

DTA's main Call Center serves as one of the most visible public faces of DTA. The impressions taxpayers get from the experience are likely to have a lasting impact in terms of their view of DTA and their County government.

Although DTA strives to empower taxpayers to use online services which are available 24/7, DTA's main Call Center is designed to give Fairfax County taxpayers a way to get in personal touch with County staff. Citizens are able to speak directly with a staff member to receive answers to their tax related questions. This also helps improve the accuracy of tax records as DTA routinely adjusts accounts based on interactions with the public.

Central Files provides critical mail handling capabilities that allow DTA to keep track of important tax documents and the arrival of tax payments. This is especially critical around the tax payment due dates.

# Department of Tax Administration

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## Mandates

This Line of Business is partially mandated.

File retention of tax documents is mandated by the Library of Virginia retention rules. This requires DTA to maintain organized and easily accessible tax documents. Such documents must also be stored in a secured location with limited staff access for a specific number of years.

Although the Call Center is not directly mandated by law, to fulfill the County vision elements of Connecting People and Places and Exercising Corporate Stewardship, DTA must be accessible and responsive to the public. This is also essential to ensuring accurate billing records. Nonetheless, the Board of Supervisors did make staff reductions to the Call Center as part of the FY 2010 LOB process. DTA accommodates this reduction through the expansion capacity in other sections of DTA and through the promotion of e-commerce.

## Trends and Challenges

Providing great customer service to Fairfax County taxpayers continues to evolve as more and more County citizens do business with DTA using online services on their own schedule. With technology becoming increasingly critical in daily lives, taxpayers expect to be able to go online and take care of business at the time and day of their choosing. DTA's challenge will continue to be meeting and exceeding the ever changing demands of citizens. The launching of the [MyFairfax](#) secure web portal has helped DTA to stay in line with citizens' expectations. For the first time ever, citizens have more control over the information they can access online. A good example is getting tax payment information for income tax purposes. In the past, taxpayers' only choice was to call or email DTA requesting that information. With [MyFairfax](#), taxpayers are able to go online and get that information without having to call or send emails. Having additional online capabilities may also reduce call volume in the main Call Center.

DTA is always challenged trying to minimize call wait time. At present, the average wait time is three minutes, but this can spike quickly to exceed 10 minutes or more. At such times, staff from other sections throughout DTA are added in a moment's notice as expansion capacity to DTA's main Call Center. This immediately relieves the excessive wait time. Using technology, staff in other sections throughout DTA join the Call Center from their desk through the press of a button. While this flexible expansion capacity is critical to DTA providing quality customer service, it does create workload stress in those sections that must stop what they are doing and assist with the overflow call volume. This is a continual balancing challenge to DTA, but it is more efficient and economical than trying to staff to maximum peak workload (a cycle which fluctuates throughout the year).

Fairfax County is a very diverse jurisdiction. This diversity, combined with the County's enormous population, also presents significant challenges in the delivery of customer service. For example, DTA offers a Spanish hotline where Spanish speaking staff are available to assist citizens for whom English presents a challenge, especially when discussing complicated tax matters. As the County becomes more culturally diverse, DTA's challenge will be to provide customer service in other languages. Fortunately, DTA itself is a diverse organization with employees fluent in many different languages.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #106: Central Telephones and Central Files</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$1,507,003	\$1,554,925	\$1,455,132
Operating Expenses	271,033	280,088	204,419
<b>Total Expenditures</b>	<b>\$1,778,036</b>	<b>\$1,835,013</b>	<b>\$1,659,551</b>
General Fund Revenue	\$129,751	\$125,069	\$127,205
<b>Net Cost/(Savings) to General Fund</b>	<b>\$1,648,285</b>	<b>\$1,709,944</b>	<b>\$1,532,346</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	28 / 28	28 / 28	23 / 23
<b>Total Positions</b>	<b>28 / 28</b>	<b>28 / 28</b>	<b>23 / 23</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Phone Calls Answered in DTA's main Call Center	291,897	265,628	264,675	264,587	261,984
Cost per Phone Call Answered	\$2.35	\$2.61	\$2.69	\$2.69	\$2.69
Average Wait Time on Phone (minutes:seconds)	4:09	3:42	3:12	3:10	3:05

The metrics in this LOB show stable call volume and a slight decrease in average wait times. When combined with the expansion capacity in other sections, DTA receives almost 345,000 calls per year through the department's main number, 703-222-8234, of which approximately 89 percent are answered with an average wait time of approximately three minutes. Of the calls answered in FY 2015, approximately 87 percent, or 264,675 were answered by staff in the main Call Center of this LOB. Calls that go unanswered (i.e., "dropped" calls) may occur for various reasons, but particularly spike when the call wait times become excessive.

When such spikes occur, the main Call Center contacts staff who provide expansion capacity in other DTA sections and they immediately join into the main Call Center system to bring the call wait time down. Customer service agents in the main Call Center of this LOB are recorded in their telephone calls so that management can investigate taxpayer complaints and provide additional training as necessary.

DTA is hopeful that continuing use of technology will help manage call volume and continue the trend of shorter wait times. A good example of this is the launching of the secure web portal, [MyFairfax](#) in FY 2016. For example, [MyFairfax](#) enables citizens to obtain for themselves a history of taxes paid in the prior year, which is often the subject of telephone inquiries around income tax time. Given the large and diverse population of Fairfax County, there will always be a significant segment that prefers to address tax matters by speaking directly with a staff member over the phone. Improving technology offers this LOB a means of addressing the eventual workload increases associated with a growing population.

# Department of Tax Administration

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LOB #107:

## **BUSINESS DISCOVERY AND AUDIT - PERSONAL PROPERTY AND BPOL (BUSINESS, PROFESSIONAL, AND OCCUPATIONAL LICENSES)**

### **Purpose**

The purpose of the Business Discovery and Audit LOB is to identify new and existing businesses in Fairfax County that have not filed/registered in Fairfax County. The purpose of the audit component of the LOB is to make sure that those businesses that filed, did so correctly, reporting gross receipts, computer equipment and furniture and fixtures accurately; and, to analyze and respond accordingly to complex assessment appeals.

This LOB is also responsible for other miscellaneous taxes such as transient occupancy tax (TOT), short term daily rental tax and bank franchise tax.

### **Description**

LOB #107, Business Discovery and Audit, is comprised of Business Tax Specialist (BTS) field staff, each assigned a geographical territory within the County. Each BTS is responsible for canvassing all commercial areas in their assigned territory looking for new businesses that have not yet registered with the County. While in the field canvassing their areas, the BTS visits businesses that have not registered and discusses with them local licensing and personal property requirements. The business processing clerical staff are responsible for inputting all new business filing forms that the BTS staff collect, as well as all annual filing forms received from more than 40,000 businesses in Fairfax County. Additionally, the business processing staff is tasked with answering the business customer telephone calls.

BTS staff also audit annual business returns to ensure complete and accurate reporting. This is supplemented by staff auditors who conduct more detailed financial compliance audits to identify and resolve discrepancies between self-reporting data and information obtained during field surveys. Audit staff performs annual sampling audits of business personal property tax filings and engage businesses in record examinations to verify data and identify missing or erroneous property in the assessment records.

Additionally, auditors are randomly assigned business taxpayer appeal cases which are examined in great detail with the taxpayer to ensure the accurate assessment of their gross receipts and personal property. Appeal case determinations and corrected assessments are fully documented and peer reviewed. All audits are subject to appeal to the County Assessor, the State Tax Commissioner, and to the Fairfax County Circuit Court.

Administering the transient occupancy tax (hotel/motel tax), bank franchise tax and short term daily rental tax are also responsibilities of this LOB.

### **Benefits**

In addition to legal mandates, this LOB allows DTA to educate the business community on local and state tax laws, to ensure that everyone is in compliance with all legal requirements and to ensure that everyone pays their fair share of taxes. This LOB also provides a mechanism for the business community to seek clarity on taxes assessed.

The revenue generated by this LOB provides Fairfax County funding so that the County can continue to effectively protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County.

# Department of Tax Administration

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This LOB contributes approximately \$335 million annually or almost 9 percent of all General Fund revenue. As a budget initiative in FY 2014, DTA abolished four vacant clerical positions and established them instead as Business Tax Specialists, with the four additional positions generating more than \$700,000 in additional revenue per year.

Internally, staff is also actively engaged in providing senior County management with frequent revenue forecasts to assist in the development and quarterly monitoring of the annual budget.

## Mandates

This LOB is partially mandated.

The assessment of personal property tax is mandated by the Constitution of Virginia, Article X; the Code of Virginia, Section 58.1, Article 1, Chapter 31, Chapter 35, and Articles 1 & 5, Chapter 39; and Fairfax County Ordinance, Chapter 4 Article 17.1.

The assessment of the Bank Franchise Tax is mandated by the Code of Virginia, Section 58.1, Chapter 12, and Fairfax County Ordinance, Chapter 4, Article 8.

The assessment of BPOL is a Local Option tax adopted by the Board under Chapter 4, Article 7.2 of the Fairfax County Code; pursuant to Chapter 37 of the Code of Virginia.

The assessment of the Transient Occupancy Tax is a Local Option tax adopted by the Board under Chapter 4, Article 13 of the Fairfax County Code; pursuant to Chapter 38 of the Code of Virginia.

The assessment of the Short-term Daily Rental Tax is a Local Option tax adopted by the Board under Chapter 4, Article 21 of the Fairfax County Code; pursuant to Section 58.1-3510.1 of the Code of Virginia.

## Trends and Challenges

Staff in DTA is still assessing the impact of a recent Virginia Supreme Court BPOL tax decision pertaining to the methodology to determine the BPOL tax basis. While the precise fiscal impact is uncertain, over the next several years the County may incur a significant refund liability depending on the number of businesses that file refund requests based on the new methodology. Under Virginia law, tax appeals can be filed for the current and three prior years. This issue was addressed in the Q&A Package for the FY 2016 Advertised Budget Plan. Additional information is available in the FY 2016 Q&A #20, [http://www.fairfaxcounty.gov/dmb/fy2016/budget\\_questions/bos/bos\\_q.htm](http://www.fairfaxcounty.gov/dmb/fy2016/budget_questions/bos/bos_q.htm). In a tight economy and litigious world, the complexity and frequency of appeals in general continues to be a workload challenge which DTA must handle.

Metrorail expansion and development of areas in Fairfax County such as Tysons Corner, Reston Town Center, Springfield Mall and Mosaic District will likely increase workload for this LOB. Additional commercial and retail spaces creating expanded business presence in Fairfax County will require this LOB to increase area canvassing to ensure all businesses moving to these areas are properly licensed and paying their fair share of taxes. The challenge remains to continue to provide the best customer service possible while continuing to meet all statutory requirements and deadlines.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #107: Business Discovery and Audit - Personal Property and BPOL (Business, Professional, and Occupational Licenses)</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$2,521,838	\$2,587,002	\$2,738,121
Operating Expenses	504,843	512,040	464,080
<b>Total Expenditures</b>	<b>\$3,026,681</b>	<b>\$3,099,042</b>	<b>\$3,202,201</b>
General Fund Revenue	\$249,702	\$242,121	\$245,535
Net Cost/(Savings) to General Fund	\$2,776,979	\$2,856,921	\$2,956,666
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	43 / 43	43 / 43	43 / 43
<b>Total Positions</b>	<b>43 / 43</b>	<b>43 / 43</b>	<b>43 / 43</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
# of new business discoveries	2,711	4,445	2,085	2,400	2,400
Total Amount of Discovery Assessments	\$6,935,095	\$9,905,649	\$7,628,481	\$7,800,000	\$7,800,000
% of business returns audited	13.90%	13.75%	12.12%	13.26%	13.26%

The metrics for this LOB show a surge in FY 2014 compared to the other fiscal years. Although the number of discoveries was considerably higher, the revenue jump in FY 2014 was attributed to a single large discovery that resulted in a high-dollar tax assessment. Based on performance in FY 2013 and FY 2015, this LOB should be able to yield approximately 2,400 new discoveries averaging more than \$7 million in revenue per year. DTA is also exploring a new case management tracking system in order to help improve the efficiency of staff case tracking and management reporting capabilities.

# Department of Tax Administration

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LOB #108:

## **DELINQUENT TAX COLLECTIONS**

### **Purpose**

The Revenue Collection Division's Delinquent Section serves an integral function in pursuing collection of delinquent tax and non-tax revenue owed to the County. Using a variety of collection remedies afforded to DTA under state law, DTA's collections staff along with its third-party collection vendors aggressively pursue this debt.

### **Description**

The Delinquent Collections Section, utilizing assistance from third party collection vendors, oversees administration and proper utilization of DTA's collection tools provided under state law. These tools include delinquent billing, dunning letters, phone calls, bank and wage liens, booting, towing, DMV registration holds, and seizure of state income tax returns. Private collection agents working under DTA oversight issue legal actions in accordance with appropriate laws and regulations. Although much of the collection work has been outsourced, DTA remains ultimately responsible for the review and approval of all legal action recommendations.

In addition to oversight, account research and reconciliation, DTA handles the billing of all current taxes; balance due bills immediately following the due date; and late bills in the first 90 days of delinquency. Pursuant to state law, DTA places tax accounts with its private collection agents once they become more than 90 days delinquent (more than 180 days delinquent for non-tax accounts). Immediately following the due date, DTA applies late payment penalties of \$10 or 10 percent, whichever is greater, plus interest. For personal property taxes, the late payment penalty increases to 25 percent once an account becomes more than 30 days delinquent. Additional charges include a \$30 administrative collection fee authorized by state code, and a \$20 fee paid to the Virginia DMV when an account has a DMV hold released (paid by the delinquent taxpayer).

DTA staff may also take direct collection actions at any time prior to a delinquent account being placed with its agents. This LOB also routinely provides support to both DTA's Central Call Center and Cashiering Section when call volumes or in-person traffic dictate.

The Non-Tax Collection Group within the Delinquent Collections Section is responsible for collecting outstanding County receivables such as mowing fees, School Age Child Care (SACC) fees, and Community Services Board (CSB) fees. Non-tax collection is a relatively new function for DTA, beginning in FY 2012 at the direction of the County's Chief Financial Officer. To ensure compliance with County policy, this group is charged with oversight responsibility for billing and reporting. The same collection tools as noted above are also used to collect these debts.

# Department of Tax Administration

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## Benefits

This LOB is intended to maximize collection of all delinquent revenue owed to the County. Use of a third party collection agency reflects an ongoing effort to reduce program expenditures and increase overall savings to the County. Outsourcing came about as an FY 2010 budget reduction, resulting in a staff reduction of 16 merit positions and 30 Exempt Limited Term positions for this LOB. Under the Code of Virginia, DTA is allowed to outsource to private collection agents, utilizing the same statutory collection tools, and without incurring any outsourcing costs. Pursuant to Virginia Code § 58.1-3958, the collection agents are instead allowed to impose a 20 percent fee in order to cover their costs. The County does not pay this fee. Rather, the collection fee is charged directly to the delinquent taxpayer. Since FY 2010, the elimination of the staff noted above has saved the County more than \$1.5 million per year. At the same time, the County has continued to maintain strong collection rates and strong collections of delinquent taxes. Third party collection agents are able to utilize the latest and most technologically advanced industry-standard collection tools at no additional cost to the County. The County also maintains control of the program in that DTA staff review and authorize the use of statutory collection actions. DTA also handles all account disputes and tax adjudications.

The Non-Tax Collection component of this LOB allows other agencies to focus on their mission objectives rather than expending resources on debt collections. DTA has collection oversight for fees charged by the Community Services Board (CSB); School Aged Child Care (SACC); Division of Solid Waste (Dump); Fire Inspections; Health Department (Clinic fees/immunizations); Department of Housing (rents, damage claims); Land Development Services (Elevator Inspections); Police Department (False Alarm fines); Department of Code Compliance (grass mowing); and certain Zoning Code violations. This helps ensure a standardization for billing and collection activities. Moreover, as a result of DTA's oversight the private collection agents are also able to charge their 20 percent collection fee directly to the debtors. Absent DTA's involvement, the other County agencies would be precluded by state law from using this billing mechanism and the County would instead have to pay the collection fees directly.

This LOB generates approximately \$30 million in General Fund revenue annually, plus about \$2.3 million per year in non-tax revenue. Staff also assists the DMB in forecasting of revenue for the annual budget.

## Mandates

This LOB is fully mandated. It reflects the agency's mandated duties in performance of revenue collection. The functions performed support the collection requirements for the Constitutional Office of the Treasurer. The collection mandates are found in Virginia Code § 58.1 and Chapter 4 of the Fairfax County Code.

The Non-Tax Collection mandate was established in DTA in FY 2012 at the direction of the County's Chief Financial Officer, pursuant to Virginia Code § 58.1-3919. Certain non-tax collections are outside the purview of DTA because of other governing statutes unique to those agencies (such as Fairfax County Libraries; General District and Circuit Courts; and Alcohol Safety Action Program).

# Department of Tax Administration

## Trends and Challenges

Balancing a high standard of customer service coupled with the challenges and sensitive nature of tax collections requires highly skilled and attentive staff. Considerable oversight of third party collection agent operations adds complexity to section supervisors and managers. A steadily-diversifying County resident population continues to be a constant challenge. Currently, citizens who are foreign born and/or speak a language other than English at home, make up a significant percentage of the County population. Such citizens may often require added assistance due to language barriers. In addition, Fairfax County is a very transient area of the country. DTA's efforts to educate and promote a well-informed community are therefore continual in nature.

With the ease of e-commerce, DTA is seeing an upward trend in the usage of online transactions to pay taxes and fees. Fairfax County citizens are highly educated and technologically savvy and expect a superior level of online functionality to conduct business with the County. DTA already has a significant online presence but this LOB will continue to face certain technological challenges. A key challenge is the lack of real-time connectivity between the County's tax systems and the proprietary systems used by DTA's collection agents. DTA and DIT will explore bridging this gap in FY 2017, in part due to the system modernization of the County's personal property and BPOL systems and perhaps through the use of the secure web portal, [MyFairfax](#).

With respect to DTA's Non-Tax Collections activities, the greatest challenge remains the nature of unsecured debt and the economic situation of many of these citizens. County residents utilizing these non-tax programs, such as CSB services, may face financial instability and have limited assets, making it difficult to collect or requiring prolonged payment plans. This situation becomes exacerbated in times of economic downturn as more services are utilized and the ability to pay diminishes. A secondary challenge is the incompatibility between each agency's system of record and the County's financial system FOCUS. The lack of interface results in a manual process for monitoring the aging of accounts receivables, billing and referral limitations, and makes it difficult to easily compile useful reports for program analysis. This latter issue was previously reviewed by the Auditor of the Board, and it was determined that the most cost effective response to this challenge would be to explore integration in the future as these individual systems are replaced, modernized or upgraded.

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #108: Delinquent Tax Collections</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$1,247,309	\$1,266,209	\$1,319,557
Operating Expenses	251,673	260,081	231,082
<b>Total Expenditures</b>	<b>\$1,498,982</b>	<b>\$1,526,290</b>	<b>\$1,550,639</b>
General Fund Revenue	\$2,186,393	\$2,240,660	\$2,238,686
<b>Net Cost/(Savings) to General Fund</b>	<b>(\$687,411)</b>	<b>(\$714,370)</b>	<b>(\$688,047)</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	26 / 26	26 / 26	26 / 26
<b>Total Positions</b>	<b>26 / 26</b>	<b>26 / 26</b>	<b>26 / 26</b>

# Department of Tax Administration

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Amount Collected – Delinquent Tax Collections	\$21,806,703	\$25,850,282	\$27,883,663	\$27,900,000	\$27,900,000
Amount Collected – Non-tax Collections	\$339,390	\$1,997,000	\$2,298,629	\$2,300,000	\$2,300,000
Current Year Collection Rate - Real Estate	99.71%	99.74%	99.77%	99.70%	99.70%
Current Year Collection Rate - Personal Property	98.35%	97.35%	98.35%	98.00%	98.00%
Current Year Collection Rate - BPOL	98.50%	95.64%	97.57%	98.50%	98.50%
Phone calls answered	9,213	8,384	8,354	8,351	8,269

Per state law, DTA presents an annual report to the Board of Supervisors on prior year collections each September. This principally reflects the collection of real estate, personal property, BPOL, parking tickets and non-tax revenue.

For perspective, the total amount of all unpaid current year taxes represents less than 1 percent of the levy for the current tax year. In addition to use of private collection agents, DTA also takes direct collection actions and provides all oversight, account reconciliation, dispute resolution and adjudication of all tax issues. DTA also receives support from the Office of the Sheriff in the execution of liens, and support from the Police Department in the towing of vehicles. The County Attorney's Office handles bankruptcy cases involving delinquent taxpayers.

DTA and its collection agents utilize a broad array of collection tools, to include computer-generated letters; telephone calls; statutory summons authority; payment plans; bank and wage liens; set-off against income tax refunds; booting and towing of vehicles; and the seizure of equipment.

In accordance with Virginia law, DTA also has an agreement with the Virginia DMV whereby vehicle registrations are withheld from citizens who have delinquent personal property taxes and/or parking tickets. This accounts for the collection of approximately 50,000 accounts per year.

In FY 2015, the robust collection program included more than 1.4 million telephone calls using automated outbound dialing technology; more than 103,000 dunning letters; approximately 24,000 bank and wage liens; more than 1,800 boot and tow orders; and judgments pursued in General District Court (judgments preserve collectability by extending the statute of limitations by an additional 10 years). Credit records are also flagged as may be necessary.

# Department of Tax Administration

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LOB #109:

## **BILLING AND TAX RECONCILIATION**

### **Purpose**

The Revenue Collection Division Billing and Tax Reconciliation Teams are integral to DTA's Exercising Corporate Stewardship by providing timely and accurate tax bills and reconciliation of accounts receivable to the County's financial system FOCUS.

### **Description**

The Revenue Collection Division's Billing Section is responsible for handling more than 1.9 million billing transactions per year. This is accomplished by the accurate production and delivery of tax bills and informational inserts to citizens and commercial taxpayers. Communications specific to assessment and tax changes are a critical part of this function. In addition, this section is also responsible for the posting of payments received from multiple sources such as DTA's secure online payment site and the County's banking contract lockbox which processes most of the payments sent by mail.

The Tax Reconciliation Section is responsible for account reconciliation activities. This group is tasked with balancing and financial reporting associated with accurate accounting of tax revenues into the County's financial system FOCUS. In addition, this group is charged with balancing bank deposits and producing records for periodic and year-end audits. This section also manages DTA's vault operations.

Together, these sections work diligently to ensure accuracy in billing and accountability of incoming revenue.

### **Benefits**

DTA is required to meet specific state and local code mandates for providing notices, delivering bills, and proper posting of tax dollars received to the correct accounts/funds. As a result of these legal mandates, more than 1.1 million citizens are provided timely and accurate bills containing the most up-to-date information available. This LOB ensures the financial integrity, reporting and controls over the public funds collected by DTA.

This LOB supports the County's vision element of Exercising Corporate Stewardship. This is certainly true with regard to the accounting, safe-guarding and depositing of funds collected from the public. It is also true internally as this LOB works closely with the Department of Finance in monthly account balancing and closing the County's annual financial records as part of the year-end audit. This LOB also assists the public in arranging for automatic payments debited from citizens' bank accounts.

### **Mandates**

This LOB is fully mandated. It reflects the agency's mandated responsibilities related to billing, collection and reconciliation of tax revenues. The functions performed support the requirements for the role of the Constitutional Office of the Treasurer concerning taxes. These mandates are found in Virginia Code § 58.1 and Chapter 4 of the Fairfax County Code.

Additional duties incorporated within this LOB are performed to support compliance with the County's financial policy requirements and generally accepted accounting principles (GAAP).

# Department of Tax Administration

## Trends and Challenges

The Billing and Tax Reconciliation Sections are highly impacted by the demand for convenience in transacting business and that of transparency in DTA's financial stewardship responsibilities. Through collaborative efforts with DIT, starting in FY 2016 citizens are now able to log into a new secure web portal, MyFairfax, which allows individuals to have direct access to their specific current and historical tax information. In a later phase, DTA's goal is to start offering the option for citizens to elect to receive their tax bills electronically through MyFairfax pursuant to Virginia Code § 58.1-3912(F). This initiative could improve customer service and help reduce DTA expenditures associated with forms, printing and postage.

With the successful implementation of the County's financial system FOCUS, the Tax Reconciliation Section has turned its attention to the challenge of improving efficiencies in its reconciliation processes. This will be achieved through the development of additional automated interfaces between FOCUS and DTA's tax systems. Furthermore, DTA will bring a new personal property tax system online by the end of FY 2016. With the enhanced web-based technology, DTA and DIT will also explore the potential for integration between the County's tax systems and those of its private collection agents. While these system changes do pose workload challenges (programming, testing, data validation, training), they also offer the potential to improve DTA's transparency, accountability and responsiveness to taxpayers.

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #109: Billing and Tax Reconciliation</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$1,112,329	\$1,158,733	\$1,207,738
Operating Expenses	2,350,471	2,194,720	2,171,300
<b>Total Expenditures</b>	<b>\$3,462,800</b>	<b>\$3,353,453</b>	<b>\$3,379,038</b>
General Fund Revenue	\$163,802	\$158,741	\$161,023
<b>Net Cost/(Savings) to General Fund</b>	<b>\$3,298,998</b>	<b>\$3,194,712</b>	<b>\$3,218,015</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	21 / 21	21 / 21	21 / 21
<b>Total Positions</b>	<b>21 / 21</b>	<b>21 / 21</b>	<b>21 / 21</b>

# Department of Tax Administration

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## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Tax Bills Delivered	1,904,231	1,881,416	1,901,740	1,901,740	1,901,740
E-Commerce Transactions	407,256	420,509	438,848	461,000	485,000
Transactions (FOCUS journal entries, account adjustments, transfers, refunds, etc.)	NA	NA	44,718	45,000	45,000

Billing staff produce and generate more than 1.9 million tax bills per year, and this LOB must account for approximately \$3 billion in payments. As part of the reconciliation process, staff must complete approximately 45,000 adjustments, transfers, chargebacks, and refund transactions per year. The metric for e-commerce transactions shows a continued trend upward as more and more citizens use electronic devices to conduct their business online. It is hoped that MyFairfax will further encourage this trend.

Numerous quality control measures are taken to ensure accuracy of all billing efforts. This includes, for example, a manual review of all bill samples prior to each mailing. With oversight from this LOB, the sampling actually involves a combined effort from multiple sections throughout DTA to ensure all the “subject matter experts” are included in the review. Bills are sampled to validate items such as data accuracy, billing calculations, assessed values and tax rates. Further, bills are reviewed to confirm the accuracy of all text changes pertinent to a specific billing. In addition to generating revenue, tax bills and bill inserts provide an excellent way to communicate with taxpayers and provide important information.

For quality review in Tax Reconciliation, that section uses daily reports generated from tax subsystems to identify and correct any errors in payment transactions. In addition, staff reconciles transactions to the general ledger as part of the monthly reconciliation process. This is performed to ensure accurate processing of financial transactions and timely reporting to the external auditors and in preparation for data requirements associated with the year-end Comprehensive Annual Financial Report (CAFR).

# Department of Tax Administration

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LOB #110:

## **CASHIERING**

### **Purpose**

The Revenue Collection Division Cashiering Section functions as an integral part of DTA's service delivery for the collection and accurate posting of taxes and other miscellaneous revenues. DTA places great emphasis on providing quality customer service in meeting the needs of Fairfax County citizens. Cashiering staff are tasked with ensuring citizens are provided the highest level of customer service and, further, that the revenue collected is handled in accordance with established secure cash management controls and correctly posted. DTA meets its mission to collect County revenue, provide high quality customer service and promote an empowered, well-informed community.

### **Description**

Cashiering staff are cross-trained to understand and explain the tax assessment requirements and process payments for real estate, personal property, and business taxes. They provide taxpayer assistance with tax accounts and are empowered to help citizens with tax assessment issues, such as proration and vehicle valuation matters, as well as payment and collection issues. This supports DTA's goal to provide a "One Stop Shopping" experience. In addition to processing taxes such as real estate and personal property, Cashiering staff process a host of other transactions such as the collection of fees for dog licenses and transient occupancy taxes. Staff assists citizens with state income tax questions and serves as expansion capacity for DTA's main Call Center to help reduce long wait times on the telephones as necessary.

The cashiering counter provides internal services to County agencies by processing petty cash reimbursement vouchers. In an effort to accommodate those citizens unable to visit during normal business hours, DTA extends its hours to 6:30 p.m. each Thursday.

Due to the various tax due dates, the volume of taxpayer traffic peaks several times throughout the year. Cashiering staff must ensure that customer service standards remain high during these periods. Due to increased volume in payment transactions during each peak, it is essential that great attention be given to the accurate and timely posting of payments.

For years, DTA has successfully administered its Smiles campaign to handle the significant increase in both the number of transactions and volume of citizens coming to pay as a result of the October 5 personal property tax due date. To accomplish this, temporary and express counters are created and staffed by other sections of DTA. Extended evening and Saturday hours are implemented during this time to assist citizens unable to come during normal business hours.

### **Benefits**

The Cashiering Counter operation is part of the Revenue Collection Division and provides County taxpayers with the option to receive in-person assistance. The counter is a full service operation which accepts all payment types, makes adjustments to tax accounts, provides state income tax assistance, issues dog tags, and processes other miscellaneous transactions. In the receipt of payments and adjustment of tax accounts, this LOB fully embodies the County vision elements of Exercising Corporate Stewardship.

This LOB is of particular importance to citizens with cash transactions, those in need of language assistance, seniors and people with disabilities who prefer and/or require personal assistance and individuals who wish to have face-to-face interaction. DTA's Cashiering Counter often provides a "face to Fairfax County" and as such supports the vision element of Connecting People and Places.

Petty cash handling and coordination with the Department of Finance relative to balancing and deposits also provides an important internal service.

# Department of Tax Administration

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## Mandates

This LOB is fully mandated. It reflects the agency's mandated duties in performance of revenue collection. The functions performed support the requirements for the role of the Constitutional Office of the Treasurer and the Assessor. These mandates are found in Virginia Code § 58.1 and in Chapter 4 of the Fairfax County Code.

A full service Cashiering Counter is one of several mechanisms used to fulfill this mandated activity. While the duties are mandated, the level of customer service is not. The current staffing structure is deemed to be the minimum necessary to provide quality customer service. Given past experience with customer service delays and complaints, the Board of Supervisors has prudently provided DTA with sufficient resources with which to serve the public. It should be noted that DTA's Cashier Counter operations and DTA's main Call Center were reduced as part of the FY 2010 Lines of Business process by eliminating 19 merit positions and 4 Exempt Limited Term positions.

## Trends and Challenges

In recent years, the changes in demographics have challenged staff to become better equipped in serving a diverse citizenry. Over the past three years, the most significant growth rate for a demographic group has occurred in the senior population. In addition to the growth of the senior population, citizens who are foreign born and/or speak a language other than English at home, make up an increasing percentage of the County population. Providing transparency, explaining complicated processes in simple terms on a mass scale is challenging in light of a growing population. The growth in these two segments, coupled with the overall population growth over the past five years, pose a continual challenge to provide exceptional service to the public as well as maintaining best business practices for payment processing and financial reporting activities.

The Cashiering Counter operation is highly impacted by demands for service from a diverse population. The transient nature of the population requires an ongoing educational effort. Management recognizes that the demographics of citizens coming to this office for assistance may need specialized support and must train staff to handle these situations.

Advancements in banking technology allow for the electronic deposit of monies resulting in quicker fund availability. This LOB works closely with the Department of Finance and DIT to ensure compliance with both banking and information security concerns related to banking activities. DTA will continue to work with those agencies to take full advantage of emerging technologies.

Trends in banking have been influenced by the use of electronic delivery channels for accepting payments. In an attempt to mitigate fraudulent credit card use, the US credit card payment industry is moving to the use of payment transaction encryption technology. As a result, in FY 2016 DTA is purchasing new hardware to accommodate this change.

The application of new technologies and service delivery methods has aided DTA in keeping pace with the ever-changing landscape of citizens and development. The tremendous growth in the use of technology has resulted in significant efficiencies for both the public and DTA staff. Service trends remain focused on technology which promotes convenience, security, and ease of customer transactions. DTA is tasked with staying focused on the technological environment, to ensure the most suitable, user-friendly, and secure technology is employed. However, the use of such technology can require significant investments. The cost of licensing fees, maintenance contracts, updated software versions, and new innovative products, are currently absorbed within DTA's budget. For a number of years, DTA has employed internal belt-tightening measures and when necessary, held vacant positions open to cover the cost of new technology. This will continue to be a challenge in the future.

# Department of Tax Administration

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #110: Cashiering</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$999,368	\$1,037,248	\$1,126,005
Operating Expenses	145,196	140,044	124,429
<b>Total Expenditures</b>	<b>\$1,144,564</b>	<b>\$1,177,292</b>	<b>\$1,250,434</b>
General Fund Revenue	\$106,001	\$102,621	\$104,149
<b>Net Cost/(Savings) to General Fund</b>	<b>\$1,038,563</b>	<b>\$1,074,671</b>	<b>\$1,146,285</b>
<b>POSITIONS</b>			
<i>Authorized Positions/Full-Time Equivalents (FTEs)</i>			
<u>Positions:</u>			
Regular	14 / 14	14 / 14	14 / 14
<b>Total Positions</b>	<b>14 / 14</b>	<b>14 / 14</b>	<b>14 / 14</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Walk-in transactions	74,748	73,078	75,363	75,400	75,400
Average customer rating of DTA Service (4.0 scale)	3.8	3.9	3.9	3.9	4.0
Mail payment transactions	253,724	232,767	169,268	169,300	169,300
Phone calls answered	25,253	22,980	22,898	22,890	22,665

During FY 2015, the Revenue Collection Division was able to reduce the number of backroom mail transactions processed by cashiering staff by shifting more workload to DTA's bank lockbox processor. Prior to FY 2015, the lockbox processor handled only straightforward payments sent by citizens through the mail. Payments not containing sufficient account information were returned to DTA for "exception processing." These payments had to be manually researched and processed by cashiering staff. Through the use of imaging technology, the cashiering staff are now able to conduct routine research and immediately transmit the check back to DTA's lockbox for processing. This has proven to be a much more efficient process, increasing the speed of deposits, smoothing staff workload peaks, and enabling greater capacity for cashiering staff to assist with other workload bottlenecks (such as with call volume).

Working with the Office of Public Affairs, DTA actively tries to promote e-commerce which also helps counteract workload increases elsewhere. Nonetheless, the results of taxpayer surveys from citizens served at DTA's cashiering counters show a high degree of customer satisfaction.