

Response to Questions on the FY 2007 Advertised Budget Plan

Request By: Supervisors Hyland, Frey and Smyth

Question: Provide a summary of the impact of the proposed elimination of the personal property decal including funding loss, staffing adjustments, enforcement issues, impact on neighborhood watch program, etc.

Response:

Funding Loss: The FY 2007 Advertised Budget Plan reflects the sale of around 800,000 vehicle decals, generating an estimated \$20,655,316. This is the funding loss associated with the elimination of decals as of July 1, 2006. In addition, the County currently generates about \$444,000 in parking ticket fines per year because a valid decal is not displayed. The loss of this revenue however will be partially offset by approximately \$300,000 in DTA expenditures associated with decal inventory and ancillary costs.

Staffing Adjustments: Staffing reductions are not anticipated stemming from the elimination of decals. Much of the workload associated with decal administration was previously automated or streamlined when the County switched to the Advance Decal program in 2003. Any direct administrative benefits are expected to be marginal or diffused throughout DTA. While this may not free up positions to be abolished, it may help enhance existing service delivery to County taxpayers. For example, every year, to the extent possible, large sections of employees within DTA are cross-trained and called into service wherever workload is most pressing. This might mean, for example, that certain real estate appraisers or management help sell decals during the fall; or that delinquent tax collectors open additional cashiering stations to help handle the volume of citizens. Equally, many employees get pressed into service from time to time to help handle telephone calls. Along with advancing technology, this staffing process of “robbing Peter to pay Paul” has been an effective way of trying to handle growing workload using existing resources. It is hoped that any potential workload decrease associated with the elimination of decals might help ease the need to pull staff from their primary duties. At the same time, staff is cautious that the true workload impact will not be known until the program is implemented. Though a public education effort is anticipated, experience suggests that citizens will still have questions that need to be addressed by phone, e-mails, correspondence and at the cashiering counters. Staff is also mindful that whereas citizens will be able to exclude the \$25 decal fee, the same number of tax payments will need to be processed. Many citizens still visit the cashier counters in the fall to get account adjustments, pay in cash, seek language assistance and to purchase decals (such as for new cars). It is expected that the fall workload should diminish to some extent because of the decal elimination. Finally, staff is mindful that the collection rate is a preeminent issue and any staffing flexibility that may result from the elimination of decals will also provide flexibility to help ensure adequate resources are brought to bear in the collection of taxes.

Enforcement Issues: The decal is in fact one tool in the collection of personal property taxes and, overall, FY 2005 was indeed an excellent year, with a current collection rate of 97.9 percent. Because of the transient nature of personal property, some level of delinquency is always to be expected. While staff always tries to maximize collections, a natural variance does already exist. For example, over the last 14 years actual collections have ranged from a low of 94.4 percent to last year’s high of 97.9 percent. On average this fluctuating rate was 96.7 percent over the entire period, and 97.0 percent over the last five years. It would be impossible to isolate with certainty that any future collection rate variance within this range was due to the elimination of decals.

While there is no firm data to say with certainty that no slippage will occur, staff is cautiously optimistic, for several reasons, that the elimination of decals can be accomplished without a significant or lasting impact on the collection rate. The first reason is the experience of the Advance Decal program. Immediately prior to the Advance Decal initiative, the collection rate in FY 2003 was 96.8 percent. In FY 2004, the first year under Advance Decals, the collection rate was 96.9 percent. In this instance, most citizens received their decal in advance of paying their taxes. If the receipt of a decal was the sole determining factor in paying taxes, one would have expected the collection rate to plummet. It did not.

This points to the fact that there are other reasons why people pay their taxes. First and foremost, as the Board motion notes, “the overwhelming majority of citizens are honest and most citizens understand that the price of democracy is the consent of the governed to pay their taxes.” As most people are honest and law-abiding, most people will also pay their tax bill when received whether a decal is at issue or not.

Beyond this, the Department of Tax Administration (DTA) has significant legal authority under state law to collect taxes. Most people realize that the cost of not paying taxes is substantial and that the price of evasion is simply not worth the risk. DTA is not dependent on the purchase of a decal to know whether or not an individual has delinquent personal property taxes. In fact, DTA will be able to begin collection efforts about a month earlier, because at present, collection efforts do not begin in earnest until after the November 15th decal display date. With the elimination of decals, DTA will begin collection work soon after October 5th.

The direct risk of not having a valid decal today is the chance of getting a \$40 parking ticket. The direct risk of not paying your personal property taxes however includes the imposition of a 10 percent late payment penalty, plus a \$30 collection fee. If the delinquent account is referred to a private collection agent, the delinquent taxpayer is subject to additional collection fees.

In addition to telephone calls and dunning letters, DTA directly issues liens ordering banks to pay funds of delinquent taxpayers over to the County. Similarly, liens are issued to employers ordering wages of delinquent taxpayers to instead be paid to the County. Automated, mass collection efforts are also pursued by notifying the State of Virginia of delinquent accounts for the state Set-Off Debt program whereby any income tax refunds that may be slated for delinquent taxpayers are otherwise diverted to the County. Another tremendously successful collection program involves placing a “hold” on the state registration in DMV for delinquent taxpayers. This program alone in FY 2005 generated approximately \$5.3 million from more than 53,000 holds placed. While some registrations span a two year period, many citizens will pay upon receiving notice that their registration has already been encumbered. Both the Set-Off Debt program and the DMV hold program also result in added costs to the delinquent taxpayer, to say nothing of the ‘hassle’ factor. Other tools involve Sheriff Deputies placing a “boot” or “boot sticker” on vehicles, or involve the Police Department towing vehicles to an impoundment lot. Property that is not redeemed for the taxes and costs can be sold at auction. Through the County Attorney’s Office, the County can also seek court judgments which affect one’s credit record.

Currently, you cannot purchase a vehicle decal if you have unpaid parking tickets. While decals also present a collection tool in this regard, DTA also uses all of the same collection tools referenced above in the collection of tickets.

Impact on Neighborhood Watch Programs: Staff’s understanding is that neighborhood watch programs sometimes key on the decal display to help identify suspicious cars. Staff has no data to indicate the prevalence of this effort; however decals would seem to offer limited benefit in this regard. For example, if a citizen called DTA with a decal number in order to check on the ownership of a vehicle, staff would not provide this information due to confidentiality provisions of state law. Equally, the Police would not

need a decal number in order to check the status of any given vehicle. Vehicle ownership can be determined simply by use of a vehicle's license plate or Vehicle Identification Number (VIN). As an aside, at least in the near term, it might now be even more obvious that a vehicle is from another jurisdiction inasmuch as it may display the decal of another jurisdiction.

Entrance to Parks: According to the FCPA, the County decal does get vehicles "waived" into certain parks. However, simply showing one's driver's license when necessary will also provide easy access.

Decals and Vehicle Registration: At present, citizens who purchase vehicles or who move into the County must register their vehicle and purchase a decal within 60 days. Without the decal, citizens will still be required to register their vehicles for taxation. The elimination is not expected to impede this process. Staff will continue to advertise the legal requirements and there is a 10 percent late filing fee if citizens neglect to register their vehicle, or do so beyond the 60 day limit. In support of this requirement, DTA receives weekly data files from the Virginia DMV that lists all new registrations with a Fairfax County jurisdiction code. DTA sends automated letters reminding these citizens of the need to register with the County. If a registration is not forthcoming, DTA will automatically assess and bill the vehicle at the appropriate time.

At present, citizens who are concerned that certain vehicles may be evading County taxes can report this information to DTA for research. They may assume a vehicle is not in compliance because a decal is not displayed. However, this may or may not be the case. Regardless, a decal number is neither requested nor required for DTA to research vehicle complaints. If someone is concerned that a vehicle might be evading taxes, the person need only to report the license plate number and state to DTA online at www.fairfaxcounty.gov/dta and staff will research the ownership and potential liability to the full extent possible. While not all reports result in an assessment, for many reasons, validated cases do result in tax assessments. Staff assumes that out-of-state vehicles will continue to be reported given the obvious nature of these plates. Out-of-state plate research is labor intensive, but conducted to the extent possible. In state plates can also be reported, though there may be less cause to do so. In reality however, many Virginia plates that get reported are either already assessed, or are within the 60 day grace period relative to registration. In any case, DTA will continue to research information provided and make assessments based on the best information available. Researching in-state registrations was automated several years ago based on a staffing reduction and an IT initiative. This is already being handled via automated matching to DMV.

Tickets in Other Jurisdictions: When Virginia Beach eliminated their decal display requirement, some city residents complained of getting occasional parking tickets from other jurisdictions. Subsequent to Board action, DTA will coordinate with the Office of Public Affairs and other local jurisdictions to ensure proper notification that Fairfax County no longer requires the display of a decal. Any officer writing a ticket would first check the license plate in DMV and would be able to see if a vehicle was registered in Fairfax County. Should any tickets be erroneously issued, DTA will be happy to assist the taxpayer in communicating with specific jurisdictions. Staff anticipates this should only be a transitional issue, if at all. Any such issue would presumably dissipate further should other localities begin to eliminate their decal.