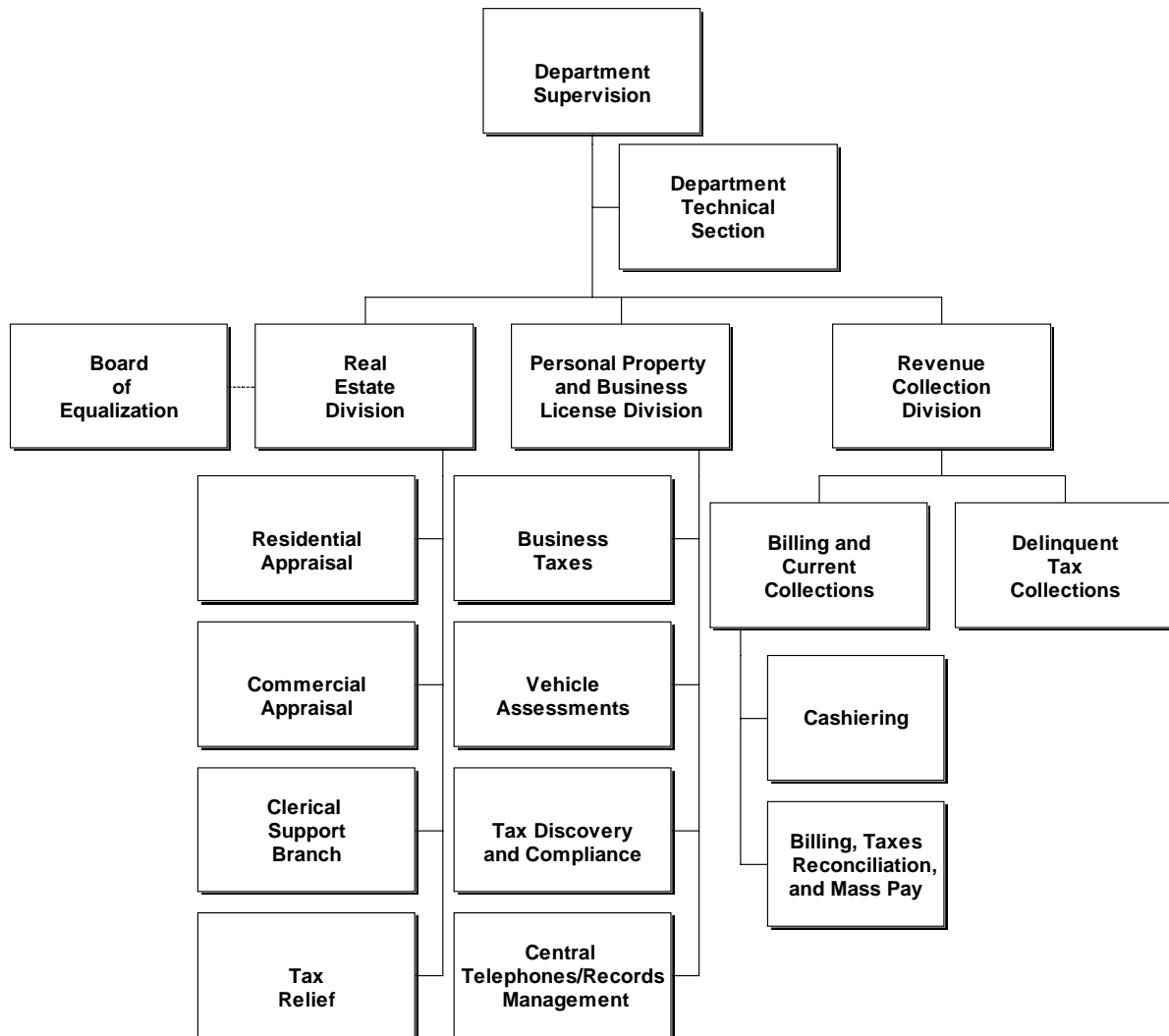


Department of Tax Administration



Department of Tax Administration

Mission

To uniformly and efficiently assess and collect County revenue, provide high quality customer service and promote an empowered, well-informed community.

Focus

The Department of Tax Administration (DTA) assesses and collects taxes fairly and in accordance with relevant County and state codes. The department is comprised of four main divisions: Department Supervision; Real Estate; Personal Property and Business Licenses; and Revenue Collection.

The Supervision Division oversees all DTA operations and takes the lead in the department's strategic planning and implementation process. As necessary, resources are reallocated across division boundaries to ensure that taxes are properly billed, collection rates remain strong and taxpayers receive responsive customer service. Increased automation and streamlining of operations have been implemented wherever possible to address the needs of County citizens with fewer staff and budgetary resources. In FY 2007, through the actions of the Board of Supervisors, the department was the first jurisdiction in the state of Virginia to eliminate both the local vehicle decal and associated fee. This new program will increase efficiencies and generate cost savings with respect to the purchase and mailing of vehicle decals. Under this new program, citizens will continue to be required to pay vehicle personal property taxes on time but the extra cost of purchasing decals and the laborious task of scraping and replacing them each year has been eliminated.

More efficiency will prevail as this new program becomes the recognized standard way of doing business.

The Division continues to focus on efforts to increase secure access to pertinent tax information. Such efforts will include public access to the Personal Property and Accounts Receivable databases online. These initiatives will better empower citizens to conduct business in a 24/7 environment and enable DTA to continue to do more with less.

The Real Estate Division 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. DTA appraisers handle residential and commercial properties, the real estate taxes for which account for nearly 60 percent of all General Fund revenue. Like the rest of Northern Virginia, Fairfax County has experienced a continued softening of residential real estate properties over the past year. From FY 2002 through FY 2007, robust value increases, along with numerous property sales, translated into significant workload. Refinancing, remodeling and construction work also presented a significant challenge to staff in that a visit to the property is often necessary to ensure accurate property descriptions and assessment. Similar to the workload created during a hot real estate market, a downturn in the market also proves challenging for staff. Residential values

THINKING STRATEGICALLY

Strategic issues for the department include:

- Reliably forecast, assess and collect current and delinquent County revenue;
- Maintain high quality customer service;
- Maintain average assessment-to-sales ratio in the low 90s as of January 1 each year;
- Increase availability and acceptance of ways to conduct business in a 24/7 environment; and
- Maintain a highly skilled and knowledgeable workforce.

Department of Tax Administration

went from double digit appreciation to a flat market in FY 2008 and it is anticipated that values will fall in FY 2009. When the market shifts in such dramatic ways, it is of utmost importance that the County has the best and most up-to-date information to base real estate assessments. This division began a long-term project in FY 2006 to enhance data accuracy of property characteristics. This project involves physically visiting and reviewing all residential properties in the County using exempt limited term data collectors to supplement existing appraisal staff. Data accuracy is paramount to fair and equitable property assessment and taxation. This division completed a major computer replacement project in recent years, working with a private vendor to replace the County's 1970s-era mainframe assessment system. Further enhancements are planned during FY 2008 to increase secure access to tax information and to provide staff additional data resources to address the ever-changing real estate market. Real estate payment information may be available online using the new system.

In FY 2006, the Board of Supervisors expanded the Real Estate Tax Relief Program for the Elderly and Disabled. Staff has intensified its efforts to educate eligible citizens about the program through public outreach initiatives such as sending staff to speak at community meetings throughout the County. As a result, additional applicants are expected to file for Real Estate Tax Relief in FY 2007 and FY 2008. Staff will work to accommodate all additional requests for information and process all applications without an increase to the level of permanent staffing and will continue to absorb all additional work and costs associated with the expansion of the program parameters.

The Personal Property and Business License Division assesses all vehicle and business personal property taxes and administers the Business, Professional and Occupational License (BPOL) tax. Workload in this division is driven predominantly by continued population increases over the past decade, as well as the condition of the automobile sales market. The transient nature of Northern Virginia also impacts workload, as all vehicle changes (i.e., moves, sales, purchases) must be recorded to ensure an accurate vehicle tax file. Greater use of Department of Motor Vehicles (DMV) record matching provides some help in quality control over the vehicle tax file. Quality control efforts concerning the vehicle database will continue to be a high priority in FY 2007 and FY 2008, along with efforts required by state law under the Personal Property Tax Relief Act (PPTRA), commonly referred to as the state "Car Tax" legislation. The Personal Property and Business License Division will enhance efforts to ensure all vehicles are properly registered with the County. This includes an aggressive effort to research and identify potential tax evaders with out state license plates.

While much of the valuation process is automated, and records are matched to the Virginia DMV, this division still has an enormous volume of customer contacts. The division also staffs DTA's main telephone call center, which receives approximately 500,000 phone calls a year. It should also be noted that calls coming into the call center cross internal division boundaries. Overlap in customer service also extends to a certain amount of taxpayer correspondence, although DTA has been promoting an increasing shift to e-mail contact, which is handled more proportionately by each appropriate division.

E-commerce transactions increased 5 percent from FY 2005 to FY 2006 and with continued outreach efforts; such transactions are projected to increase at this 5 percent rate in FY 2007 and FY 2008. In FY 2006, approximately 350,000 e-commerce transactions were processed; this number is estimated to be nearly 400,000 by FY 2008. The volume of business tax workload remains constant, except that the complexity of tax administration has increased in the last few years due to various court cases, state tax department rulings and economic conditions.

Department of Tax Administration

The Revenue Collection Division is responsible for all billing, collection and account reconciliation activities. Staff is split between current year cashiering, deposit operations, and delinquent tax collection, and handles well over 1.5 million billing transactions per year. The workload in this division is also influenced significantly by population and economic conditions. Staff works to ensure that current year collection rates are maintained, as this provides necessary revenue and helps minimize the amount of unpaid receivables accumulated over time. Each year, outstanding receivables are collected as delinquent revenue. Collection work is a function of data accuracy (i.e., finding and contacting the property owner), as well as the economy. As the economy falters, collecting can become more difficult. For example, bankruptcies complicate collection efforts can impact collection rates. Conversely, a strong real estate market, coupled with low interest rates, typically stimulates a wave of mortgage refinancing, helping to boost real estate collections. Along with other collection tools, some delinquent accounts are outsourced to private collection agents. Assistance is also provided by the County Attorney's Office and the Office of the Sheriff. The Fairfax County Police Department also tows vehicles with outstanding parking tickets.

Additionally, the Revenue Collection Division staffs the full service counters at the Government Center and forwards the relevant paperwork to the appropriate division for processing. When customer traffic at the Government Center is extremely heavy, employees are redeployed to front-line cashiering service, irrespective of division, in an effort to provide responsive customer service. Similar efforts are made to staff DTA telephones. Efforts to reduce walk-in traffic include the promotion of online registration of new vehicles and the elimination of vehicle decals. This division has also enhanced customer service and increased cash accountability through implementation of a new cashiering system which was fully integrated with the new real estate computer system in FY 2006. In FY 2006, the division began developing an automated real estate delinquent collection tracking system implemented in FY 2007. This new system tracks delinquencies and allows timely follow-up, improving the collection rate. Additionally, a software enhancement in FY 2007 that improved the posting of parking ticket receipts has helped streamline the process and provide real-time account information. This division will face additional challenges in FY 2008 as a result of changes in the state Car Tax program. Typically, personally owned and used vehicles are eligible for the state Car Tax subsidy, and as the delinquent 'personal use' taxes are collected, the state would reimburse the County the associated Car Tax amount. However, due to state budget changes made over the last two years, the state Car Tax funding for delinquent tax years 2005 and prior expired as of September 1, 2006. As of September 1, 2006, delinquent taxpayers that still owed their local share of Personal Property Taxes became liable not only for their local share, but also became liable for 100 percent of the amount previously reimbursed by the state. This change only pertains to delinquent tax years 2005 and prior. It does not affect future Car Tax reimbursements that will continue to be paid by the state for tax year 2006 and beyond. This change expands the need for clear communication with the taxpayer, as well as, increases the amount of delinquent taxes to collect.

Department of Tax Administration

Budget and Staff Resources

Agency Summary		
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan
Authorized Positions/Staff Years		
Regular	310/ 310	310/ 310
Expenditures:		
Personnel Services	\$16,510,635	\$17,511,918
Operating Expenses	6,546,635	6,058,285
Capital Equipment	33,425	0
Total Expenditures	\$23,090,695	\$23,570,203
Income:		
Land Use Assessment Application Fees	\$634	\$600
Administrative Collection Fees for Delinquent Taxes	1,177,706	570,361
state Shared DTA Expenses	2,144,589	2,149,566
state Shared Retirement - DTA	65,888	66,498
Total Income	\$3,388,817	\$2,787,025
Net Cost to the County	\$19,701,878	\$20,783,178

SUMMARY OF ALL AGENCY LOBS (FY 2008 Adopted Budget Data)

Number	LOB Title	Net LOB Cost	Number of Positions	LOB SYE
57-01	Agency Supervision	\$636,732	8	8.0
57-02	Real Estate Taxes	\$9,024,647	122	122.0
57-03	Vehicle Taxes	\$7,224,535	119	119.0
57-04	Business & Other Taxes	\$3,897,264	61	61.0
TOTAL		\$20,783,178	310	310.0

Department of Tax Administration

LOBS SUMMARY

57-01: AGENCY SUPERVISION

<i>Fund/Agency: 001/57</i>	<i>Department of Tax Administration</i>
<i>LOB #: 57-01</i>	<i>Agency Supervision</i>
Personnel Services	\$604,336
Operating Expenses	\$117,782
Recovered Costs	\$0
Capital Equipment	\$0
Total LOB Cost:	\$722,118
Federal Revenue	\$0
State Revenue	\$85,386
User Fee Revenue	\$0
Other Revenue	\$0
Total Revenue:	\$85,386
Net LOB Cost:	\$636,732
Positions/SYE involved in the delivery of this LOB	8 / 8.0

► LOB Summary

Agency Supervision provides oversight and management of all programs and budget administered by DTA. This division includes management oversight, systems and security administration and payroll/procurement functions. This LOB reflects the DTA director's constitutional duties as the chief assessor and tax collector, responsible for ensuring proper administration and adjudication of all assessment and tax collection matters for the County. This represents over \$2.6 billion in FY 2008 General Fund revenue from Real Estate, Personal Property, and Business Licenses alone. This LOB also provides direct constituent services, staff support and programmatic analysis to the Board of Supervisors and senior County management. In pursuing DTA's vision of "Generating Revenue Fairly", this LOB is concerned with ensuring an efficient and effective tax system that focuses on accurately applying the law, following professional standards and maximizing collections. This LOB is also the driving force behind DTA's service delivery. DTA places great emphasis on providing Quality Customer Service in all aspects of operations. Pursuant to DTA's Strategic Plan, this LOB oversees the revenue forecasting function to provide reliable information to County decision-makers. 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 on-line. Finally, this LOB has oversight responsibility for the financial integrity, reporting and controls of the public taxes assessed and collected by DTA.

► Method of Service Provision

Service is provided directly by the DTA director and other technical and clerical employees within Agency Supervision. In addition to internal services, 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.

Department of Tax Administration

► Mandate Information

This LOB is federally or state mandated. The percentage of this LOB's resources utilized to satisfy the mandate is 76-100 percent. See the January 2007 Mandate Study, reference page 10 for the specific federal or state code and a brief description.

57-02: Real Estate Taxes

<i>Fund/Agency: 001/57</i>	<i>Department of Tax Administration</i>
LOB #: 57-02	Real Estate Taxes
Personnel Services	\$7,573,791
Operating Expenses	\$2,661,062
Recovered Costs	\$0
Capital Equipment	\$0
Total LOB Cost:	\$10,234,853
Federal Revenue	\$0
State Revenue	\$1,149,696
User Fee Revenue	\$0
Other Revenue	\$60,510
Total Revenue:	\$1,210,206
Net LOB Cost:	\$9,024,647
Positions/SYE involved in the delivery of this LOB	122 / 122.0

► LOB Summary

DTA's Real Estate Taxes LOB reflects the assessment and collection of all ad valorem real estate taxes in the County. Of the resources shown above, roughly 80 percent are associated with assessing activities and about 20 percent are associated with collection activity.

Real Estate Taxes are assessed by professional staff in accordance with the Code of Virginia, the Virginia Constitution and based on standard mass appraisal practices. The assessment process includes a review of all market sales and benchmarking these against the mass of unsold properties. DTA heavily relies on statistical analysis for large groups of relatively comparable properties due to more than 350,000 real estate parcels in the County. Staff analyzes these sales to ensure comparability and measures the accuracy of assessments by use of various statistical measures, such as the Assessment-to-Sales Ratio and the Coefficient of Dispersion. Given the complexity, size, and heterogeneity of the County's real estate market, along with the timing of sales throughout the year, assessments approximate fair market value if the Assessment-to-Sales Ratio is in the low 90s. Professional standards cite the acceptable range to be from 90 percent to 110 percent. For tax year 2008, the County's range is expected to be around 94 percent. The Coefficient of Dispersion is a statistical measure of uniformity. Therefore, a low Coefficient of Dispersion indicates greater uniformity. Professional standards state that a coefficient of 15 or below is good uniformity. DTA's coefficient for FY 2008 of 6.0 is classified as excellent.

Department of Tax Administration

DTA supplements the sales or market review, with a cost analysis, in which a capitalized income approach to valuation is used, especially for commercial properties. This approach considers the ability of the property to earn income through rents, taking into account the operating expenses and allowing for vacancy and collection losses. The resulting net operating income is then capitalized into value with an appropriate rate to achieve a fair market value estimate.

A challenge in mass assessing is data accuracy. In order to comply with professional standards of making a site visit to each property at least once every six years, this LOB has employed a cadre of Exempt Limited Term (seasonal) Data Collectors to make regular field visits in order to validate property characteristics. These temporary employees visit approximately one-sixth of residential parcels each year.

Commercial appraisers handle a smaller number of commercial parcels as opposed to a greater number of residential parcels. In addition to field visits, staff annually examines building permits and compares the physical characteristics of properties found in the REALTORS multiple listing services. Appraisers have on-line access to the deed recordation system, computerized by the Circuit Court Clerk's Office. This LOB also makes extensive use of the County's GIS system and "fly-over" pictures purchased from the vendor, Pictometry, to perform its duties.

A misperception over the years has been that assessments are established based on the needs of the budget. The opposite is actually true - the budget follows and is dependent upon the revenue generated by the assessments. The local tax burden is always a function of the assessed value plus the tax rate. The Board of Supervisors determines the actual budget revenue based on the tax rate it approves each spring, applied to the January 1 assessments established under this LOB. Real Estate taxes represent nearly 60 percent of General Fund revenue, with approximately 77 percent coming from residential property and 23 percent coming from non-residential property. Assessments are based on the calendar year so, assessments as of January 1, 2008 will generate revenue for FY 2009 (billed and collected in two installments on July 28, 2008 and December 5, 2008). The Board of Supervisors adopted a new classification for non-residential property beginning in FY 2009 that allows a separate and additional tax rate to be applied to non-residential assessments. The rate for this add-on commercial tax cannot exceed \$0.25 per \$100 of assessment, and the additional funding must be used for Fairfax County transportation needs. This new taxing power was authorized by the Virginia General Assembly in 2007 as part of the omnibus transportation bill, HB 3202.

Tax Relief for Elderly and Disabled Citizens

This LOB also includes the Revitalization Tax Abatement Program and Tax Relief for Elderly and Disabled citizens. Tax Relief in particular has grown over the last several years based on increases in the income and asset limits approved by the Board of Supervisors. As of FY 2008, the amount of tax relief is graduated based on the applicant's income, up to a maximum allowable income of \$72,000, and up to \$340,000 in net financial assets. The amount of real estate taxes estimated to be relieved in FY 2008 is approximately \$28 million for nearly 8,000 applicants.

Appealing Assessments

While the Board of Supervisors is not authorized by law to change assessments or apply assessment ratios, assessments can be appealed to the Board of Equalization, an independent body appointed by the Board of Supervisors. Based on state law, assessments reflect market value as of January 1 each year. Staff appraisers analyze sales, new construction, and other market factors throughout the year and combine this with statistical analysis to produce the assessment roll each spring which is

Department of Tax Administration

included in the County Executive's Advertised Budget. Board members are briefed on the annual assessment results as part of the County Executive's budget presentation. Also upon release of the County Executive's Advertised Budget, real estate assessment notices are mailed to all taxpayers whether there is an assessment change or not. Property owners are requested to file any administrative appeals they may have with DTA within a specific time frame close to the first part of April. This time frame allows DTA time to internally process the appeal prior to the statutory deadline of June 1st for Board of Equalization (BOE) appeals. Citizens can appeal their current year assessments to the BOE by June 1st, regardless of whether or not an administrative appeal has been filed. BOE cases are heard in panels or by the BOE as a whole throughout the remainder of the year and decisions are binding upon DTA. To enhance communication with citizens during the annual assessment, Real Estate appraisers meet with interested citizens throughout the year, but particularly during the appeal period. Management also attends public meetings and citizen forums to discuss the assessment process upon request.

Collection Rate

This LOB also crosses Cost Center boundaries by combining assessing functions with collection activity. Working with the County Attorney's Office, DTA consistently achieves strong collection rates in excess of 99 percent. The estimated collection rate for FY 2008 is 99.61 percent. DTA utilizes a wide array of seizure authority as necessary to collect delinquent taxes. Delinquent real estate taxes are a priority lien that run with the land and remain collectible for a period of 20 years. The County Attorney's Office is authorized by law to pursue collection by tax auction as may be necessary. DTA also establishes installment payment plans for delinquencies where viable in cases of financial hardship.

► Method of Service Provision

Direct service delivery is provided by professional staff appraisers, customer service representatives and DTA tax collectors. Normal hours of operation are 8 a.m. to 4:30 p.m. Monday through Friday, with extended counter hours on Thursdays. Internet enhancements provide real estate assessment information on specific properties 24 hours a day, seven days a week. Assessment information can also be obtained via an Automated Voice Response System during and after regular business hours. Tax Relief staff make outreach visits upon request to Board member offices, nursing homes and senior centers to help serve elderly and disabled applicants.

► Mandate Information

This LOB is federally or state mandated. The percentage of this LOB's resources utilized to satisfy the mandate is 76-100 percent. See the January 2007 Mandate Study, reference page 11 for the specific federal or state code and a brief description.

Department of Tax Administration

57-03: Vehicle Taxes

<i>Fund/Agency: 001/57</i>	<i>Department of Tax Administration</i>
LOB #: 57-03	Vehicle Taxes
Personnel Services	\$6,063,075
Operating Expenses	\$2,130,270
Recovered Costs	\$0
Capital Equipment	\$0
Total LOB Cost:	\$8,193,345
Federal Revenue	\$0
State Revenue	\$301,535
User Fee Revenue	\$0
Other Revenue	\$667,275
Total Revenue:	\$968,810
Net LOB Cost:	\$7,224,535
Positions/SYE involved in the delivery of this LOB	119 / 119.0

► LOB Summary

Vehicle taxes represent a major LOB for DTA. This LOB includes the assessment, proration, and collection of taxes. Of the resources shown above, approximately half are associated with assessing activities and half are associated with collection activity.

This ad valorem tax on the value of cars, trucks, trailers and motorcycles has been the subject of intense scrutiny since the advent of the Personal Property Tax Relief Act of 1998 (PPTRA). Commonly referred to as the “No Car Tax” legislation, PPTRA required the state to reimburse localities a percentage subsidy of the Personal Property tax on personal use vehicles. At its height, the state reimbursed localities 70 percent of the tax based on the first \$20,000 of assessed value, with the taxpayers paying the difference. However, the cost of this reimbursement to the state far exceeded state budget estimates. As a result, beginning in FY 2007, the state froze the level of local reimbursements. Since that time, Fairfax County receives a fixed annual payment of \$211,313,944 from the state; and, because the tax base continues to grow, the relative percentage of subsidy to individual taxpayers will continue to diminish over time. In FY 2007 and FY 2008, the effective subsidy decreased to 67 percent, rather than 70 percent. DTA provides an estimate of the subsidy percentage and publishes this each year as part of the budget advertisement. Qualifying taxpayers are credited with their share of the effective subsidy. Approximately 900,000 vehicles are assessed annually under this LOB and roughly 92 percent of these are ‘personal use’ vehicles subject to state reimbursement under the PPTRA.

Customer Service

As in other parts of DTA, this LOB focuses on providing quality customer service. Business operations have been streamlined to maximize automation and access 24 hours a day, seven days a week for the public to allow citizens to file new registrations on-line, adjust their accounts, and change billing addresses on-line. The on-line feature also allows citizens to see the amount of personal property taxes they may owe and pay these on-line by credit card or by e-check through a secure payment application with unique identifiers. Payment by credit card is an option, not a requirement. Using the Internet, DTA also offers monthly payment plans in order to pay this tax

Department of Tax Administration

(analogous to monthly taxes paid via mortgage companies). Based on the County Code and credit card company by-laws, DTA must use a third-party processor to handle credit card payments at a processing fee of approximately 2.5 percent which is paid by the taxpayer and is received by the vendor. The Board has considered changing the ordinance in the past to allow DTA to absorb this fee, but has declined to do so as the General Fund cost would be in excess of \$600,000 per year and would eliminate free on-line payments.

This LOB also manages a central telephone call center which handles a wide variety of tax questions that may span other DTA LOBs. In FY 2008, it is estimated that the call center will handle over 400,000 citizen inquiries with an average maximum wait time of less than 2 minutes.

Another customer service initiative pertains to the annual vehicle renewal process. Beginning in FY 2007, the Board of Supervisors eliminated the requirement for citizens to purchase and display vehicle decals. The decreased annual revenue of approximately \$20 million was adopted by the Board as a measure of additional tax relief for citizens. This also reduced the burden on citizens in complying with tax requirements each year and eased the strain on customer service each year during the peak tax deadline for this LOB of October 5th. For the vast majority of vehicles, DTA mails out an annual statement listing vehicles of which we have record for validation by taxpayers. This is the Filing By Exception (FBE) process and has significantly lessened the registration burden for taxpayers. As long as the information is correct, taxpayers only need to contact DTA for new registrations and for exception processing (data corrections, sales, moves, address changes).

Program TARGET

Program TARGET, a highly successful program that allows staff to research vehicle leads to identify, verify, assess and collect on vehicles that appear to be evading taxation, has been responsive to citizen complaints and allows citizens to report possible evasion to DTA on-line. Staff makes extensive use of in-house research tools, such as on-line access to the Department of Motor Vehicles (DMV), state income tax records and Virginia Employment Commission (VEC) files. Tax Collectors also use a full array of collection tools, to include multiple billing and letter programs, bank liens, wage liens, vehicle boots and towing, and other property seizures when necessary. A particularly successful collection tool is the ability to restrict DMV registrations for vehicle owners who owe delinquent personal property taxes. This LOB also seizes income tax refunds for payment of delinquent taxes, under the state's Set-Off Debt program. Credit records may also be flagged and delinquencies may be published on the County's cable channel.

This LOB supplements its collection activity through the use of private collection firms. DTA receives able assistance from the County Attorney's Office to obtain judgments and for property tax sales as necessary. In accordance with state law, the Sheriff's Office executes boot and seizure orders on behalf of DTA, and the Police Department will impound vehicles.

Collection Rate

Personal Property taxes, including business property, business vehicles and personal use vehicles, amount to over \$500 million in FY 2008 General Fund revenue. Of this amount, approximately 74 percent is from vehicle taxes. Vehicle taxes can be difficult to collect, especially given the transient nature of the Northern Virginia area. Nonetheless, this LOB has historically achieved strong collection rates, with an estimated collection rate of 97.4 percent in FY 2008.

► Method of Service Provision

Department of Tax Administration

In addition to the e-commerce initiatives, service is provided directly to County taxpayers by DTA staff, many of whom are cross-trained in assessing and collecting. Normal hours of operation are 8 a.m. to 4:30 p.m., Monday through Friday with extended hours until 6:30 p.m. on Thursdays. Saturday and extended evening hours are available during the peak workload around the October 5th payment deadline.

► Mandate Information

This LOB is federally or state mandated. The percentage of this LOB's resources utilized to satisfy the mandate is 76-100 percent. See the January 2007 Mandate Study, reference pages 8-9 for the specific federal or state code and a brief description.

57-04: Business & Other Taxes

<i>Fund/Agency: 001/57</i>	<i>Department of Tax Administration</i>
LOB #: 57-04	Business & Other Taxes
Personnel Services	\$3,270,716
Operating Expenses	\$1,149,171
Recovered Costs	\$0
Capital Equipment	\$0
Total LOB Cost:	\$4,419,887
Federal Revenue	\$0
State Revenue	\$271,864
User Fee Revenue	\$0
Other Revenue	\$250,759
Total Revenue:	\$522,623
Net LOB Cost:	\$3,897,264
Positions/SYE involved in the delivery of this LOB	61 / 61.0

► LOB Summary

Business & Other Taxes (non-real estate) combines assessing functions along with collection activity on this array of taxes, spanning Cost Center boundaries found in the DTA budget. Of the resources shown above, roughly 60 percent are associated with assessing activities and about 40 percent are associated with collection activities. Under this LOB, assistance is also provided to citizens in the completion of their state income tax returns as required by state law.

This LOB is a catch-all LOB to include Business Personal Property taxes; Business, Professional & Occupational License (BPOL) taxes, Transient Occupancy taxes, miscellaneous taxes such as Bank Franchise and Short Term Daily Rental taxes, Parking Tickets (individuals as well as business) and issuance of licenses for Mixed Drink Establishments. The major components of this LOB and the associated FY 2008 revenue include Business Personal Property (\$125 million) and BPOL taxes (\$140 million), followed by Transient Occupancy taxes (\$20.9 million), Bank Franchise taxes (\$7 million) and Parking Tickets (\$2.7 million). Overall, the Business & Other Taxes (non-real estate;

Department of Tax Administration

non-vehicles) generated under this LOB account for around \$300 million in FY 2008 General Fund revenue.

Business Personal Property taxes include computer equipment and furniture and fixtures, but excludes vehicles (see Vehicle Taxes LOB). BPOL tax administration has been based on a Statewide Uniform Model Ordinance since FY 1997. Along with BPOL taxes, certain Business Personal Property tax disputes can be appealed to the state Tax Commissioner, as well as to the Circuit Court.

Parking Ticket enforcement has been strengthened over the years through contract support from a parking ticket agent, Citation Management. This partnership provides DTA with better automation and reporting capabilities and supplements in-house collection activity. However, the collection of Parking Tickets is still labor intensive. In addition to wage and bank liens, and vehicle seizures, certain DMV registrations can be restricted because of unpaid parking tickets. Based on these enhancements over the last five years, the collection rate has increased from about 65 percent to approximately 85 percent.

Beginning in FY 2008, and in accordance with a Memorandum of Understanding authorized by the Board of Supervisors, DTA also serves as the collection agent for Transient Occupancy taxes levied by the Northern Virginia Transportation Authority (NVTA). These funds will be collected and deposited directly to NVTA's bank account. This new tax is part of the omnibus transportation bill authorized by the Virginia General Assembly in 2007, HB 3202. Also beginning in FY 2008, greater emphasis will be placed on the collection of dog licenses though this is a minor revenue category only totaling approximately \$260,000. Based on legislation passed by the General Assembly in 2007, veterinarians are now required to provide DTA with notice of all dogs that receive rabies vaccinations.

Collection Rate

Along with assessing functions, this LOB includes tax collectors who use a wide array of tools to ensure strong collection rates in the major tax areas. For example, the collection rate for Personal Property is slightly over 97 percent, and BPOL taxes are approximately 98 percent. Parking Tickets are about 85 percent, which reflects an industry norm. Finally, this LOB also has customer service staff answering telephones, correspondence and e-mail.

► Method of Service Provision

DTA staff in this LOB provide direct service delivery to Fairfax County taxpayers. This line of business includes assessment discovery staff, such as auditors and field staff. These employees help ensure that all businesses are properly reporting and paying business taxes. These employees also handle tax appeals and various classification issues, and assist in the review of complex financial documentation. All such information is maintained under strict confidentiality rules under state law.

Most Parking Ticket interactions are managed by DTA's agent, Citation Management, with support from a senior manager in DTA. Citation Management schedules General District Court hearings for citizens who wish to contest parking tickets. By law, DTA does not have authority to adjudicate or waive parking tickets, though staff will coordinate with law enforcement personnel in this regard where possible.

In addition to information always available via the Internet, normal operating hours are 8 a.m. to 4:30 p.m. Monday through Friday, with extended counter hours to 6:30 p.m. on Thursday.

Department of Tax Administration

► Mandate Information

This LOB is federally or state mandated. The percentage of this LOB's resources utilized to satisfy the mandate is 76-100 percent. See the January 2007 Mandate Study, reference pages 7-9 for the specific federal or state code and a brief description.

AGENCY PERFORMANCE MEASURES

Objectives

- To enhance taxpayer convenience by supporting an increase of at least 5 percent per year in 24/7 e-commerce transactions.
- To accurately forecast current real estate, personal property, and Business, Professional and Occupational License taxes to achieve a variance of 0.5 percent or less between estimated and actual revenues.
- To provide high quality customer service as measured by an average maximum wait time of no more than 1:30 minutes on the phone and at least a 3.5 point satisfaction rating (on a 4-point scale) by DTA customers.
- To assess property at fair market value as measured by an average assessment-to-sales ratio in the low 90s.
- To equitably assess properties by maintaining a maximum coefficient of dispersion of 7.5 with a target coefficient of dispersion of 6.0.
- To maintain the cost per Personal Property and BPOL dollar levied at or below \$0.01 with no degradation in accuracy as measured by exonerated assessments as a percent of total assessments.
- To achieve the highest degree of accuracy in personal property and business license assessment such that exonerations do not exceed 4.0 percent of annual levy.
- To maintain a minimum collection rate of 99.61 percent in real estate tax collections toward a target collection rate of 99.65 percent for current year real estate taxes; 98.86 percent for current year personal property taxes; and 98.5 percent for Business, Professional, and Occupational License (BPOL) taxes.
- To maintain at least 51 percent collection of accounts receivable (i.e., unpaid taxes from prior years), while maintaining a cost per delinquent dollar collected of no more than \$0.13.

Department of Tax Administration

Indicator	Prior Year Actuals		Current Estimate	Future Estimate	LOB Reference Number
	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009	
Output:					
24/7 e-commerce transactions	350,017	367,518 / 264,033	277,270	291,133	57-03
Real Estate, Personal Property, and BPOL Tax Revenues (in billions)	\$2.379	\$2.513 / \$2.526	\$2.602	\$2.617	
Phone calls received	483,666	500,000 / 386,154	405,461	405,461	
Parcels assessed	349,995	354,000 / 354,830	359,000	364,000	57-02
Total tax levy for Personal Property and BPOL	\$622,573,013	\$648,023,704 / \$648,478,065	\$654,943,417	\$659,179,640	
Value of Personal Property and BPOL tax bills adjusted	\$26,271,704	\$26,435,054 / \$25,772,195	\$25,902,943	\$25,826,970	
Current year taxes collected: Real Estate (in millions)	\$1,772.1	\$1,884.8 / \$1,884.7	\$1,956.7	\$1,966.7	57-02
Current year taxes collected: Personal Property (in millions)	\$481.7	\$496.9 / \$508.3	\$506.2	\$504.8	57-03
Current year taxes collected: BPOL (in millions)	\$125.2	\$131.4 / \$132.5	\$138.9	\$145.2	57-04
Delinquent taxes collected: Real Estate	\$11,715,456	\$11,715,456 / \$11,324,812	\$11,898,189	\$11,898,024	57-02
Delinquent taxes collected: Personal Property (1)	\$15,808,127	\$13,887,924 / \$14,033,618	\$8,854,189	\$8,854,189	57-03
Delinquent taxes collected: BPOL (2)	\$2,009,588	\$2,372,475 / \$3,931,528	\$421,618	\$3,040,375	57-04
Efficiency:					
Cost per \$1,000 collected	\$9.19	\$9.54 / \$9.16	\$8.89	\$8.84	
Cost per phone call	\$2.56	\$2.33 / \$2.77	\$2.46	\$2.51	
Cost per parcel assessed	\$22.78	\$22.98 / \$22.98	\$23.29	\$24.05	57-02
Residential parcels per appraiser (3)	6,604	6,679 / 6,695	6,411	5,778	57-02
Cost per tax dollar levied	\$0.01	\$0.01 / \$0.01	\$0.01	\$0.01	
Cost per current dollar collected	\$0.004	\$0.004 / \$0.001	\$0.001	\$0.001	
Cost per delinquent dollar collected	\$0.10	\$0.10 / \$0.09	\$0.13	\$0.12	
Service Quality:					
Average maximum wait time on phone in minutes.seconds (4)	2.59	2.30 / 0.45	1.30	1.30	
Average rating of DTA services by customers	3.5	3.5 / 3.5	3.5	3.5	
Assessment/Sales ratio	92.7%	92.0% / 91.5%	94.0%	94.0%	57-02
Percent of bills deliverable	97.0%	97.0% / 97.0%	97.0%	97.0%	

Department of Tax Administration

Indicator	Prior Year Actuals		Current Estimate	Future Estimate	LOB Reference Number
	FY 2006 Actual	FY 2007 Estimate/Actual	FY 2008	FY 2009	
Outcome:					
Percent change in 24/7 e-commerce transactions (5)	4.6%	5.0% / (25.0%)	5.0%	5.0%	
Percent variance between estimated and actual revenues	0.1%	0.4% / 0.5%	0.1%	0.1%	
Percentage of phone calls answered	81.5%	84.0% / 95.8%	90.0%	90.0%	
Coefficient of Dispersion	7.5	5.9 / 4.4	6.0	6.0	57-02
Exonerations as a percent of total assessments	4.2%	4.1% / 4.0%	4.0%	3.9%	57-02
Percent of current year taxes collected: Real Estate	99.62%	99.61% / 99.64%	99.62%	99.62%	57-02
Percent of current year taxes collected: Personal Property	98.11%	97.40% / 99.71%	98.86%	98.95%	57-03
Percent of current year taxes collected: BPOL	98.27%	98.31% / 98.45%	98.50%	98.50%	57-04
Percent of accounts receivable collected	41%	42% / 57%	51%	51%	

1) Delinquent personal property tax collections are projected to decline in FY 2008 as no portion of the delinquent tax will be paid by the state as a result of the capping of Personal Property Tax Relief reimbursements.

2) Net delinquent BPOL collections are expected to decline in FY 2008 due to a refund as a result of a court settlement.

3) Number of parcels per appraiser will decline in FY 2009 due to the hiring of 10 new appraisers.

4) The efficiencies of technology is being seen in the decrease in phone calls. More and more citizens use the internet and our DTA web site for information rather than calling the department. The decrease in calls has allowed us to greatly reduce our telephone call wait time from over 2 minutes to less than 1 minute. We are also not as rushed on calls and can take more time with citizens, especially those who speak English as a second language.

5) E-commerce transactions were down in FY 2007 primarily because of the change in the vehicle decal requirement.