

# 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.

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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).

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## 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>

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## 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.