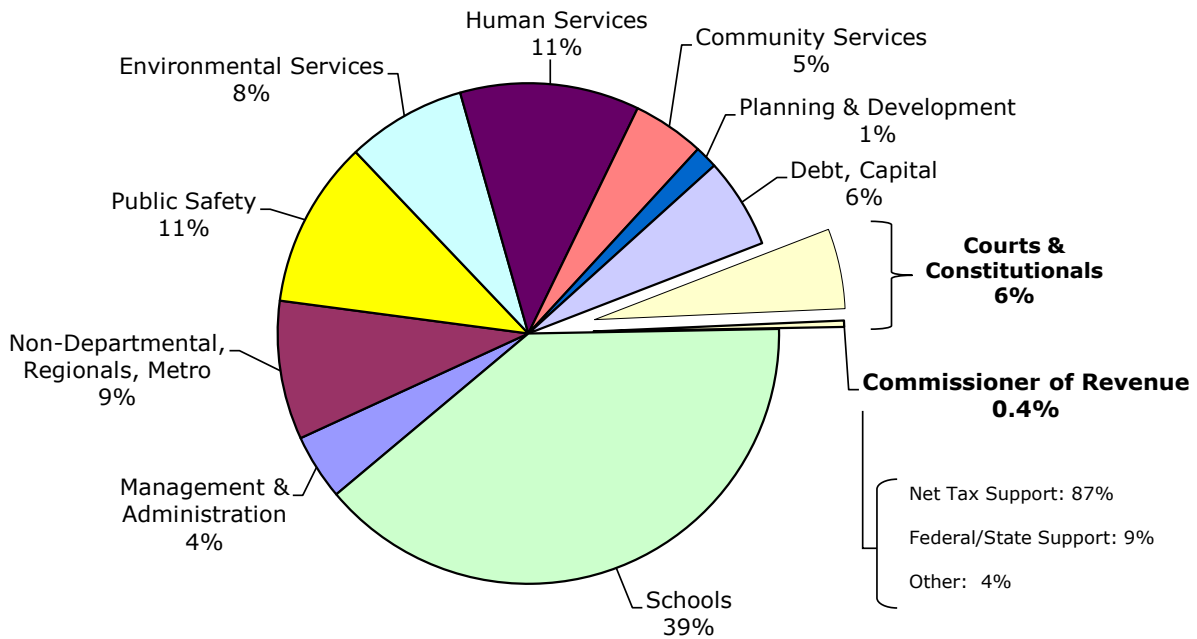


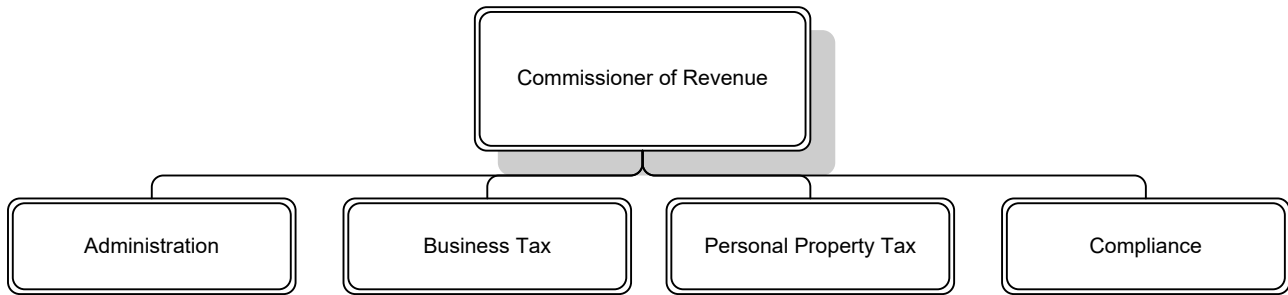
Our Mission: To provide Arlington County residents and businesses with high quality service in meeting their tax obligations.

The Office of the Commissioner of Revenue provides Arlington County residents and businesses with high-quality service in meeting their tax obligations by applying Virginia State and Arlington County tax laws with uniformity, fairness, and integrity. The Office is committed to providing customer advocacy to protect the rights of individual and business taxpayers and resolving those issues not satisfactorily addressed through normal channels.

FY 2023 Proposed Budget - General Fund Expenditures



LINES OF BUSINESS



Administration

- Administration
- Legal Counsel
- Customer Advocacy

Business Tax

Personal Property

- Personal Property
Registration &
Assessment
- DMV Select

Compliance

- Personal Property
Enforcement
- State Income Tax
Assistance

SIGNIFICANT BUDGET CHANGES

The FY 2023 proposed expenditure budget for the Commissioner of Revenue is \$6,020,539, a one percent increase compared to the FY 2022 adopted budget. The FY 2023 budget reflects:

- ↑ Personnel increases due to employee salary increases, adjustments to salaries resulting from Administrative job family studies (\$18,562), and slightly higher retirement contributions based on actuarial projections.
- ↑ Grant revenue increases due to an increase in State Compensation Board reimbursements primarily due to the State's five percent increase for state employees (\$49,632).
- ↓ Fee revenue decreases due to adjustments to DMV satellite office fees (\$45,000) based on prior year actuals.

OFFICE OF THE COMMISSIONER OF REVENUE
DEPARTMENT BUDGET SUMMARY

DEPARTMENT FINANCIAL SUMMARY

	FY 2021 Actual	FY 2022 Adopted	FY 2023 Proposed	% Change '22 to '23
Personnel	\$5,412,723	\$5,722,273	\$5,783,973	1%
Non-Personnel	293,116	236,206	236,566	-
Total Expenditures	5,705,839	5,958,479	6,020,539	1%
Fees	214,030	320,000	275,000	-14%
Grants	477,610	477,468	527,100	10%
Total Revenues	691,640	797,468	802,100	1%
Net Tax Support	\$5,014,199	\$5,161,011	\$5,218,439	1%
Permanent FTEs (Funded)	53.00	52.00	52.00	
Permanent FTEs (Frozen, Unfunded)	-	1.00	1.00	
Temporary FTEs	-	-	-	
Total Authorized FTEs	53.00	53.00	53.00	

Expenses & Revenues by Line of Business

	FY 2021 Actual Expense	FY 2022 Adopted Expense	FY 2023 Proposed Expense	% Change '22 to '23	FY 2023 Proposed Revenue	FY 2023 Net Tax Support
Administration	\$1,714,565	\$1,600,407	\$1,618,419	1%	\$802,100	\$816,319
Business Tax	1,881,358	2,087,349	2,295,271	10%	-	2,295,271
Personal Property Tax	1,764,656	1,749,793	1,576,520	-10%	-	1,576,520
Compliance	345,260	520,930	530,329	2%	-	530,329
Total	\$5,705,839	\$5,958,479	\$6,020,539	1%	\$802,100	\$5,218,439

Authorized FTEs by Line of Business

	FY 2022 FTEs Adopted	FY 2023 Permanent FTEs Proposed	FY 2023 Temporary FTEs Proposed	FY 2023 Total FTEs Proposed
Administration	11.00	11.00	-	11.00
Business Tax	20.00	20.00	-	20.00
Personal Property Tax	16.00	16.00	-	16.00
Compliance	6.00	6.00	-	6.00
Total FTEs	53.00	53.00	-	53.00

ADMINISTRATION

PROGRAM MISSION

To direct and support all programs administered by the Office of the Commissioner of Revenue by preparing and managing the budget, administering human resources, providing legal counsel to the staff and customers, and providing administrative support required to meet the Commissioner’s mission. There are three distinctive functions in the division: administration, legal counsel, and customer advocacy.

Administration

- Prepares, monitors, and analyzes budget development and execution.
- Oversees the recruitment and hiring process.
- Provides information systems and technology support.

Legal Counsel

- Advises the Commissioner and her staff regarding legal issues.
- Assists the Commissioner’s office in developing clear and consistent policies and standards for assessing property.
- Communicates and negotiates with taxpayers and their legal counsel.
- Responds on behalf of the Commissioner in taxpayer appeals to the State Tax Commissioner.
- Resolves issues regarding exemptions from taxation.

Customer Advocacy

- Ensures that the rights of individuals and business customers are protected and that issues that have not been satisfactorily addressed through regular channels are resolved.
- Provides an independent review of customers’ tax situations and recommends administrative solutions and changes.

PERFORMANCE MEASURES

Critical Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Percent of customer requests fulfilled by established timeframes	100%	100%	100%	100%	100%	100%
Percent of financial transactions satisfactorily processed within established timeframes	100%	100%	100%	100%	100%	100%
Percent of personnel transactions processed satisfactorily within guidelines	100%	100%	100%	100%	100%	100%

Supporting Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Number of customers served by Advocate	1,478	1,536	770	779	800	800

ADMINISTRATION

- In FY 2021, the number of customers served by the Advocate remained steady as more citizens are being assisted by phone and electronic communication. This trend is expected to continue for FY 2022 and into FY 2023.

PROGRAM MISSION

To ensure uncompromising standards of fairness for all businesses that conduct business in Arlington by ensuring that they are properly assessed.

Business Tax

- Coordinates the assessment of the business, professional, and occupational license (BPOL) tax in Arlington County.
- Assesses custodial taxes, including meals tax and transient occupancy tax.
- Assesses a business tangible personal property tax on all furniture, fixtures, machinery, and tools used in Arlington County.
- Manages and administers an aggressive field canvass program to discover businesses that are conducting business in Arlington County without filing required tax returns.
- Provides exceptional customer service through improvements in training, technology, and by continuous personal interaction with the business community.
- Coordinates a sales tax audit program to more closely monitor sales tax payments received from the State compared with local retailers’ business license filings.
- Conducts an in-depth annual audit program, which reviews customer documents related to the business license, business tangible, and custodial taxes of 200-240 businesses, and makes adjustments as needed.

PERFORMANCE MEASURES

Critical Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Percent business license statutory assessments to total business license returns	7%	7%	6%	7%	8%	8%
Percent business tangible statutory assessments to total business tangible returns	11%	11%	15%	14%	15%	15%

Supporting Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Number of business license tax returns processed	20,515	20,152	19,235	19,500	20,000	21,000
Number of business tangible tax returns processed	11,548	11,635	11,575	11,669	11,500	12,000
Number of custodial tax assessments	13,218	14,128	14,322	13,526	12,200	12,500

BUSINESS TAX

Supporting Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Number of days to respond to customer inquiries	1	1	1	1	1	1
Number of establishments assessed for meals tax	949	959	955	919	925	950

- Although the pandemic caused some business sectors to close, these closures also created opportunities for other businesses to thrive such as tech startups, online retail, real estate, builder and developers, and construction leading to an unexpected increase in the number of business license returns processed in FY 2021. An increase in home-based businesses is also expected.
- Business tangible returns processed increased slightly in FY 2021, may decrease in FY 2022, then continue trending upward in FY 2023. Although it is expected some businesses would close during pandemic, many were able to continue operations by adapting and operating remotely, as well as with the assistance of federal, state, county loans and grants.
- In FY 2021 Transient Occupancy Tax (TOT) remained low, and this trend is expected to continue in FY 2022 and FY 2023 as the Hotel industry was impacted by the reduced number of business and corporate travelers since business operations have become mostly virtual during the pandemic. The reduction of TOT accounts because of accessory homestays increased quarterly filers and taxes soon to be collected by intermediary facilitators as a result of recent state legislation changes.
- Despite the expectation of a more significant impact to the number of establishments assessed for meals tax, the restaurant industry adapted to the pandemic by increasing its contact free operations through the proliferation of takeout services, use of third-party delivery services, outdoor dining, and eventual indoor dining re-openings. In FY 2022 and FY 2023, continued growth is expected resulting from increasing rates of vaccination, business re-openings, adapted post pandemic services, and new investments in areas zoned for restaurants where prior restaurants closed during pandemic.

PERSONAL PROPERTY

PROGRAM MISSION

To ensure fair and uniform assessments of all vehicle personal property.

This division has two major functions: registering and assessing personal property and operating a satellite office of the Department of Motor Vehicles (DMV Select).

Personal Property Registration and Assessment

- Coordinates the registration and assessment of personal property, such as motor vehicles, trailers, and boats; vehicle status modifications; tax liability adjustments; and tax code interpretation and application.
- Conducts monthly analyses of new vehicle registrations to ensure that all vehicles are assessed and billed in accordance with state and local code.

DMV Select

- Provides a limited number of DMV services, such as processing applications for obtaining titles and registering motor vehicles, issuing motor vehicle license plates and decals, and issuing disabled placards and driver transcripts.

PERFORMANCE MEASURES

Critical Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Call abandon rate	2%	2%	2%	2%	2%	2%
Number of discrete pieces of personal property assessed (vehicles, boats, etc.)	192,487	204,058	188,612	187,576	189,000	189,000
Percent of assessments in compliance with the Code of Virginia	100%	100%	100%	100%	100%	100%
Percent of email inquiries resolved within a three-day timeframe	95%	95%	95%	95%	95%	95%
Percent of Personal Property Tax Reliefs (PPTR) that meets the PPTR Act compliance guidelines	100%	100%	100%	100%	100%	100%
Percent of total accounts adjusted	12%	10%	10%	10%	10%	10%
Total value of assessments (in billions)	\$1.61	\$1.67	\$1.68	\$1.65	\$1.7	\$1.7

Supporting Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actuals	FY 2022 Estimate	FY 2023 Estimate
Number of emails received	10,611	6,831	4,005	5,992	5,500	5,500
Number of tax adjustments	23,500	19,718	17,998	17,470	18,500	18,500
Total calls received	30,504	30,670	28,607	30,827	31,000	31,000

- The number of discreet pieces of personal property assessed decreased in FY 2021, however the FY 2022 and 2023 estimates increased as new and used vehicle values remain at all-time highs with many vehicles not only retaining their value from the previous year but seeing increases in value. These higher valuations for FY 2022 are anomalous in that vehicle values typically decrease from the previous year's values. COVID-19 and the chip shortage continue

PERSONAL PROPERTY

to increase demand in the vehicle markets and drive up prices for both new and used vehicles as observed in FY 2022 and as is expected for FY 2023. As a result, while vehicle volume is not particularly strong, personal property tax revenues are still expected to increase due to the increased values of vehicles.

- The number of emails received for FY 2021 were higher than expected with the impact of the COVID-19 pandemic and closure of in-person assistance. The email estimates for FY 2022 and FY 2023 are projected to be higher than the estimate from last year in consideration of increased volume from vehicle inquires regarding higher than usual valuations posted in FY 2022 and expected for FY 2023.
- The number of tax adjustments in FY 2021 decreased because the office processed fewer Vehicle Personal Property Tax reliefs than expected, largely due to COVID-19 keeping people from turning over their vehicles. While FY 2022 is not free from COVID-19's impact, the numbers look to rebound with more vehicle turnover than the limited amount in FY 2021. FY 2023 is also expected to see more turnover.

PROGRAM MISSION

To achieve uncompromising standards of fairness for all customers in Arlington County by ensuring that all eligible property subject to taxation in Arlington is properly assessed. The division is responsible for the personal property enforcement program and state income tax assistance.

Personal Property Enforcement

- Discovers vehicles regularly garaged in Arlington County that are not registered with the Commissioner of Revenue.

State Income Tax Assistance

- Provides customer service to Arlington residents on individual Virginia state income tax matters.

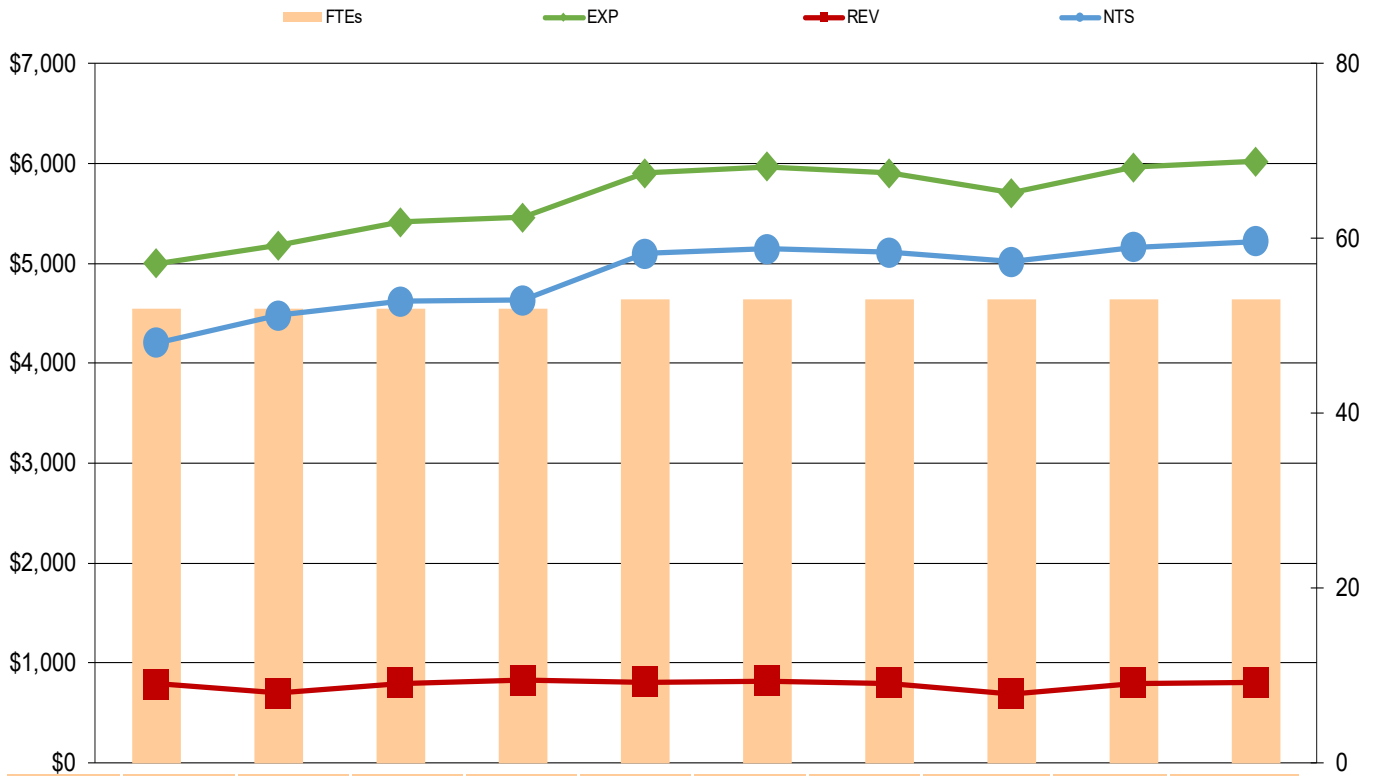
PERFORMANCE MEASURES

Critical Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Value of Personal Property assessments by Enforcement Program (in millions)	\$1.87	\$2.45	\$1.35	\$0.70	\$0.75	\$0.80

Supporting Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Estimate	FY 2023 Estimate
Enforcement Program letters sent	17,464	19,135	19,650	11,767	14,000	15,000
Summonses issued	972	1,267	618	0	0	0

- Resuming the field visit program was delayed due to staff shortages and technical issues with the Automatic License Plate Reader (ALPR) equipment. In the second half of FY 2022, the team will begin targeting large properties which should increase the number of non-compliance vehicles discovered. With the increase in National Automobile Dealers Association (NADA) values, a slight increase in revenue is expected in FY 2022 and FY 2023.
- Due to the delayed restart of the field visit investigations in FY 2021, fewer non-vehicles were discovered/cases created, and in turn enforcement letters sent decreased. Due to the COVID-19 pandemic, the office has ceased sending Second Notices-Legal Action and other follow-up letters. Moving into the second half of FY 2022, the team will increase the number of field visits resulting in an increase in letters sent in FY 2022 and anticipates a continued steady increase into FY 2023.
- The office has minimized the in-office operations for summons issued as a result of the pandemic and will not be issuing any summons in FY 2022. In FY 2023, if COVID-19 cases and new variants decrease and the economy returns to a sense of normalcy, then the office will revisit the issuing of summons.

EXPENDITURE, REVENUE, NET TAX SUPPORT, AND FULL-TIME EQUIVALENT TRENDS



	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
\$ in 000s	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted Budget	Proposed Budget
EXP	\$4,995	\$5,176	\$5,410	\$5,458	\$5,902	\$5,964	\$5,903	\$5,706	\$5,958	\$6,021
REV	\$793	\$697	\$794	\$826	\$808	\$819	\$794	\$692	\$797	\$802
NTS	\$4,202	\$4,479	\$4,616	\$4,632	\$5,094	\$5,145	\$5,109	\$5,014	\$5,161	\$5,218
FTEs	52.00	52.00	52.00	52.00	53.00	53.00	53.00	53.00	53.00	53.00

Fiscal Year	Description	FTEs
FY 2014	<ul style="list-style-type: none"> ▪ Fee revenue increased (\$15,000) to more closely align with previous years' actual revenue for various service fees. ▪ Grant revenues increased due to a partial restoration of cuts in local aid from the State (\$18,300) and an increase in State Compensation Board reimbursements (\$12,699). ▪ Held Assistant Deputy of Business Tax position vacant for six months (\$59,971). 	
FY 2015	<ul style="list-style-type: none"> ▪ Fee revenue increased (\$80,000) to more closely align with previous years' actual revenue for out-of-state license plate fees for vehicles garaged in the County. ▪ Grant revenues decreased to realign State Compensation Board reimbursements with actual levels (\$1,647). 	
FY 2016	<ul style="list-style-type: none"> ▪ Fee revenue increased due to an increase in the license plate penalty fee revenue based on recent actual receipts (\$50,000) and the transfer of and an increase in DMV select revenue from the Treasurer's Office (\$25,000). The DMV Select is now solely operated by the Commissioner's Office. ▪ Grant revenue increased due to an increase in State Compensation Board reimbursements (\$22,350). 	
FY 2017	<ul style="list-style-type: none"> ▪ Fee revenue increased due to increased revenue from the Department of Motor Vehicles for satellite office services provided by the Commissioner of Revenue (\$15,000). ▪ Grant revenue increased due to an increase in State Compensation Board reimbursements (\$3,423). 	
FY 2018	<ul style="list-style-type: none"> ▪ Added a limited term Business Tax auditor position that is offset by an increase in tax audit revenue (\$95,091). ▪ Increased fee revenue from the Department of Motor Vehicles for satellite office services provided by the Commissioner of Revenue (\$10,000). ▪ Increased grant revenue due to an adjustment to the State Compensation Board reimbursements (\$2,677). 	1.00
FY 2019	<ul style="list-style-type: none"> ▪ Increased fee revenue due to an increase in license plate penalty fee revenue (\$20,000). 	
FY 2020	<ul style="list-style-type: none"> ▪ Reduced wireless service charges as part of a County-wide review of wireless service providers (\$1,729). ▪ Reduced postage and print-shop charges by using electronic mail for vehicle assessment letters, meals tax and transient occupancy tax filings, and business license and business tangible communication and tax filing as well issuance of business tax license certificates (\$125,000). ▪ Reduced annual expense for maintenance and replacement of County vehicles (\$82). 	

Fiscal Year	Description	FTEs
	<ul style="list-style-type: none"> ▪ Increased grant revenue for State Compensation Board reimbursements as a result of the State’s two percent increase for state employees (\$10,618). ▪ <i>In FY 2019 Closeout, the County Board converted a limited term FTE to permanent full-time to support meals tax audits in the Business Tax Division.</i> 	
FY 2021	<ul style="list-style-type: none"> ▪ Grant revenue increased due to an increase in State Compensation Board reimbursements (\$14,575). 	
FY 2022	<ul style="list-style-type: none"> ▪ The County Board added funding for a one percent merit pay adjustment, a five percent increase in the range, and an increase to the one-time bonus for staff from \$500 to approximately \$900. ▪ Held the Customer Advocate Management Specialist position vacant for the year (\$125,022, 1.0 FTE). ▪ Fee revenue decreased based on prior year actuals (\$20,000) and grant revenue decreased due to a decrease in State Compensation Board reimbursements (\$10,527). ▪ <i>In FY 2021 closeout, funding was added for a one percent merit pay adjustment (\$22,424) and a one-time bonus for staff of \$450 (\$26,201).</i> 	