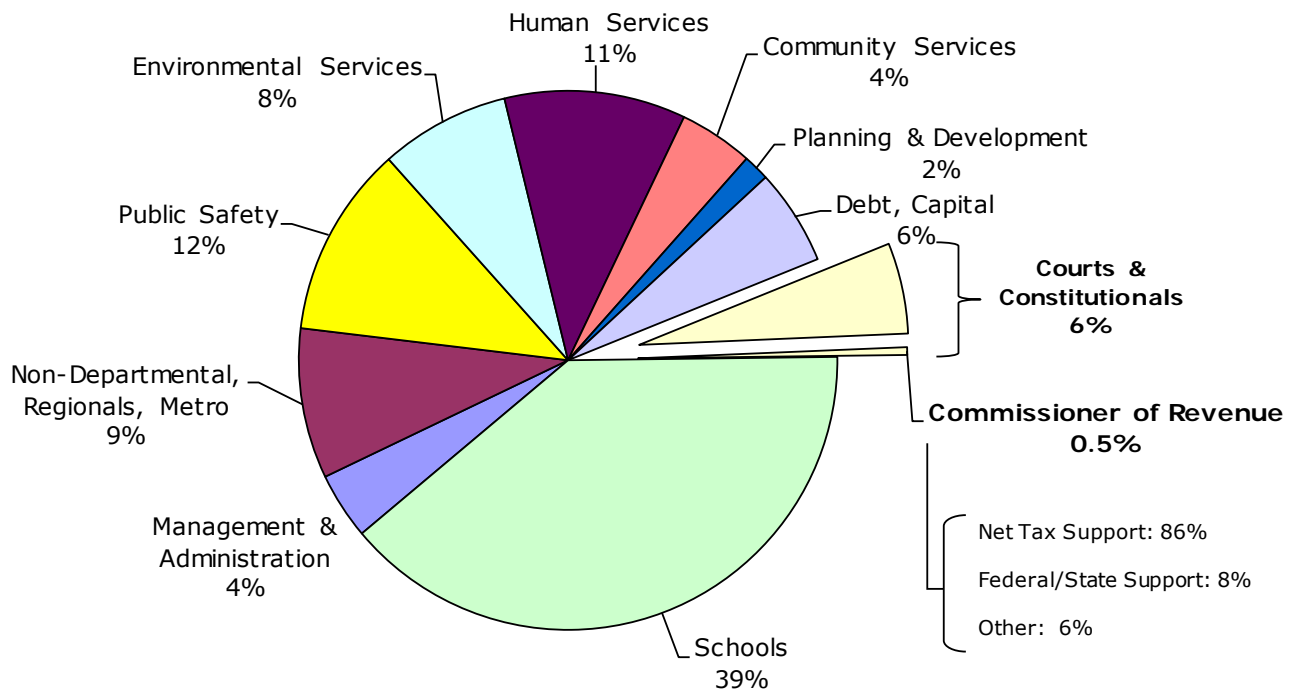


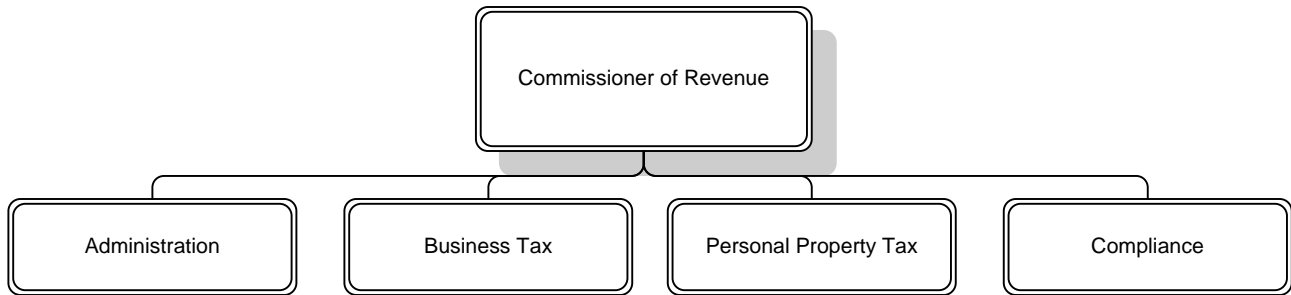
*Our Mission: To provide Arlington County residents and businesses with high quality service in meeting their tax obligations.*

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 2019 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 2019 proposed expenditure budget for the Commissioner of Revenue is \$5,945,103, a two percent increase from the FY 2018 adopted budget. The FY 2019 proposed budget reflects:

- ↑ Personnel increases due to employee salary increases, an increase in the County’s cost for employee health insurance, and retirement contributions based on current actuarial projections.
- ↑ Revenues increase due to an increase in license plate penalty fee revenue (\$20,000).

**DEPARTMENT FINANCIAL SUMMARY**

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Proposed	% Change '18 to '19
Personnel	\$5,023,317	\$5,446,540	\$5,582,213	2%
Non-Personnel	434,643	362,843	362,890	-
<b>Total Expenditures</b>	<b>5,457,960</b>	<b>5,809,383</b>	<b>5,945,103</b>	<b>2%</b>
Fees	373,994	320,000	340,000	6%
Grants	452,902	462,802	462,802	-
<b>Total Revenues</b>	<b>826,896</b>	<b>782,802</b>	<b>802,802</b>	<b>3%</b>
<b>Net Tax Support</b>	<b>\$4,631,064</b>	<b>\$5,026,581</b>	<b>\$5,142,301</b>	<b>2%</b>
Permanent FTEs	52.00	53.00	53.00	
Temporary FTEs	-	-	-	
<b>Total Authorized FTEs</b>	<b>52.00</b>	<b>53.00</b>	<b>53.00</b>	

## 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.

## SIGNIFICANT BUDGET CHANGES

- ↑ Personnel increases due to employee salary increases, an increase in the County's cost for employee health insurance, and retirement contributions based on current actuarial projections.
- ↓ Non-personnel decreases primarily due to the reallocation of funding to Business Tax (\$12,000) and Personal Property (\$43,250) to better reflect where spending occurs including publications and contracts specific to these lines of business.
- ↑ Revenues increase due to an increase in license plate penalty fee revenue (\$20,000).
- In each division, non-personnel is shown as revised FY 2018 to reflect a reallocation of budget to better reflect where spending occurs.

**ADMINISTRATION**

**PROGRAM FINANCIAL SUMMARY**

	FY 2017 Actual	FY 2018 Revised	FY 2019 Proposed	% Change '18 to '19
Personnel	\$1,359,583	\$1,432,380	\$1,477,698	3%
Non-Personnel	412,274	362,843	307,640	-15%
<b>Total Expenditures</b>	<b>1,771,857</b>	<b>1,795,223</b>	<b>1,785,338</b>	<b>-1%</b>
Fees	373,174	320,000	340,000	6%
Grants	452,902	462,802	462,802	-
<b>Total Revenues</b>	<b>826,076</b>	<b>782,802</b>	<b>802,802</b>	<b>3%</b>
<b>Net Tax Support</b>	<b>\$945,781</b>	<b>\$1,012,421</b>	<b>\$982,536</b>	<b>-3%</b>
Permanent FTEs	11.00	11.00	11.00	
Temporary FTEs	-	-	-	
<b>Total Authorized FTEs</b>	<b>11.00</b>	<b>11.00</b>	<b>11.00</b>	

**PERFORMANCE MEASURES**

Critical Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percent of customer requests fulfilled by established timeframes	75%	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 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of customers served by Advocate	705	797	1,097	1,298	1,400	1,500

- The number of customers served by the Advocate increased further in FY 2017 due to ongoing program outreach to businesses, homeowner associations, and service organizations. With continued improved internal processes and databases, including inter-division collaboration efforts, the number of customers served by the Advocate is expected to continue at a steady rate for FY 2018 and FY 2019.

**BUSINESS TAX**

**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.

**SIGNIFICANT BUDGET CHANGES**

- ↑ Personnel increases due to employee salary increases, an increase in the County's cost for employee health insurance, and retirement contributions based on current actuarial projections.
- ↑ Non-personnel increases due to the reallocation of funding from Administration (\$12,000).
  - In each division, non-personnel is shown as revised FY 2018 to reflect a reallocation of budget to better reflect where spending occurs.

**PROGRAM FINANCIAL SUMMARY**

	FY 2017 Actual	FY 2018 Revised	FY 2019 Proposed	% Change '18 to '19
Personnel	\$1,657,667	\$2,072,623	\$2,104,735	2%
Non-Personnel	11,985	-	12,000	-
<b>Total Expenditures</b>	<b>1,669,652</b>	<b>2,072,623</b>	<b>2,116,735</b>	<b>2%</b>
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Tax Support</b>	<b>\$1,669,652</b>	<b>\$2,072,623</b>	<b>\$2,116,735</b>	<b>2%</b>
Permanent FTEs	19.00	20.00	20.00	
Temporary FTEs	-	-	-	
<b>Total Authorized FTEs</b>	<b>19.00</b>	<b>20.00</b>	<b>20.00</b>	

**PERFORMANCE MEASURES**

Critical Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Percent business license statutory assessments to total business license returns	4%	4%	5%	5%	6%	6%
Percent business tangible statutory assessments to total business tangible returns	11%	11%	11%	12%	12%	13%

Supporting Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of business license tax returns processed	17,667	17,071	18,076	19,308	19,800	20,300
Number of business tangible tax returns processed	11,131	10,810	10,909	11,098	11,300	11,300
Number of custodial tax assessments	11,504	11,872	12,204	12,309	12,800	13,300
Number of days to respond to customer inquiries	1	1	1	1	1	1
Number of establishments assessed for meals tax	908	928	933	932	938	955

- When a business does not file an annual return with the County, a statutory assessment is made.
- The percent of business tangible statutory assessments to total business tangible returns increased slightly in FY 2017 due to the addition of more customers to the tax rolls as a result of the Accessory Homestays (e.g., Airbnbs) and Residential Rental Programs. This increase is expected to continue in FY 2018 and FY 2019.
- Transportation Network companies (TNCs) such as Uber and Lyft contributed to the increase in the number of business license tax returns processed in FY 2017. The implementation of the registration of Accessory Homestay businesses (e.g., Airbnbs) began on January 1, 2017, causing a slight increase in the number of business license returns. Continued efforts to actively search for unauthorized Accessory Homestays and Residential Rentals is expected to generate increases in tax returns for FY 2018 and FY 2019.
- Custodial Tax Assessments increased in FY 2017 due to an increase in TOT accounts generated with the Accessory Homestay program. This trend is expected to continue in FY 2018 and FY 2019.
- In FY 2019, a slight increase is anticipated in the number of establishments assessed for meals tax accounts due to the opening of Ballston Quarter. In addition, more businesses are being educated and proactive in collecting and reporting the meals tax accounts' gross receipts through outreach efforts on behalf of the county.

**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.

**SIGNIFICANT BUDGET CHANGES**

- ↑ Personnel increases due to employee salary increases, an increase in the County’s cost for employee health insurance, and retirement contributions based on current actuarial projections.
- ↑ Non-personnel increases due to the reallocation of funding from Administration (\$43,250).
- In each division, non-personnel is shown as revised FY 2018 to reflect a reallocation of budget to better reflect where spending occurs.

**PROGRAM FINANCIAL SUMMARY**

	FY 2017 Actual	FY 2018 Revised	FY 2019 Proposed	% Change '18 to '19
Personnel	\$1,438,493	\$1,358,106	\$1,425,525	5%
Non-Personnel	10,374	-	43,250	-
<b>Total Expenditures</b>	<b>1,448,867</b>	<b>1,358,106</b>	<b>1,468,775</b>	<b>8%</b>
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Tax Support</b>	<b>\$1,448,867</b>	<b>\$1,358,106</b>	<b>\$1,468,775</b>	<b>8%</b>
Permanent FTEs	16.00	16.00	16.00	
Temporary FTEs	-	-	-	
<b>Total Authorized FTEs</b>	<b>16.00</b>	<b>16.00</b>	<b>16.00</b>	

**PERSONAL PROPERTY**

**PERFORMANCE MEASURES**

Critical Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Call abandon rate	2.0%	2.0%	4.0%	3.0%	3.0%	3.0%
Number of discrete pieces of personal property assessed (vehicles, boats, etc.)	195,948	193,666	194,092	193,130	191,000	190,000
Percent of assessments in compliance with the Code of Virginia	100%	100%	100%	100%	100%	100%
Percent of e-mail inquiries resolved within a three-day timeframe	96%	86%	90%	93%	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	16%	13%	13%	13%	13%	13%
Total value of assessments (in billions)	\$1.59	\$1.57	\$1.59	\$1.62	\$1.58	\$1.58

Supporting Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Number of e-mails received	12,704	16,531	13,036	12,576	12,000	11,000
Number of tax adjustments	25,194	24,328	25,250	24,220	24,000	24,000
Total calls received	36,261	33,889	34,916	31,034	31,000	31,000

- The call abandon rate decreased in FY 2017 due to a reduction in call volume.
- A decline in new vehicle registrations contributed to the decrease in the number of discreet pieces of personal property assessed in FY 2017. This downward trend is expected to continue in FY 2018 and FY 2019 due to decreased demand in the marketplace.
- The total value of assessments for FY 2018 and FY 2019 are expected to decrease slightly. Although vehicle demand has peaked, NADA vehicle values are experiencing a gradual decline which is expected to continue over the next few years.
- The number of emails received decreased in FY 2017 with improved automation processes and improvements to the online service to enable customers to update their accounts. This trend is expected to continue in FY 2018 and FY 2019.



**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.

**SIGNIFICANT BUDGET CHANGES**

- ↓ Personnel decreases due to staff turnover, partially offset by employee salary increases, an increase in the County’s cost for employee health insurance, and retirement contributions based on current actuarial projections.
- In each division, non-personnel is shown as revised FY 2018 to reflect a reallocation of budget to better reflect where spending occurs.

**PROGRAM FINANCIAL SUMMARY**

	FY 2017 Actual	FY 2018 Revised	FY 2019 Proposed	% Change '18 to '19
Personnel	\$567,573	\$583,431	\$574,255	-2%
Non-Personnel	10	-	-	-
<b>Total Expenditures</b>	<b>567,583</b>	<b>583,431</b>	<b>574,255</b>	<b>-2%</b>
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Tax Support</b>	<b>\$567,583</b>	<b>\$583,431</b>	<b>\$574,255</b>	<b>-2%</b>
Permanent FTEs	6.00	6.00	6.00	
Temporary FTEs	-	-	-	
<b>Total Authorized FTEs</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>	

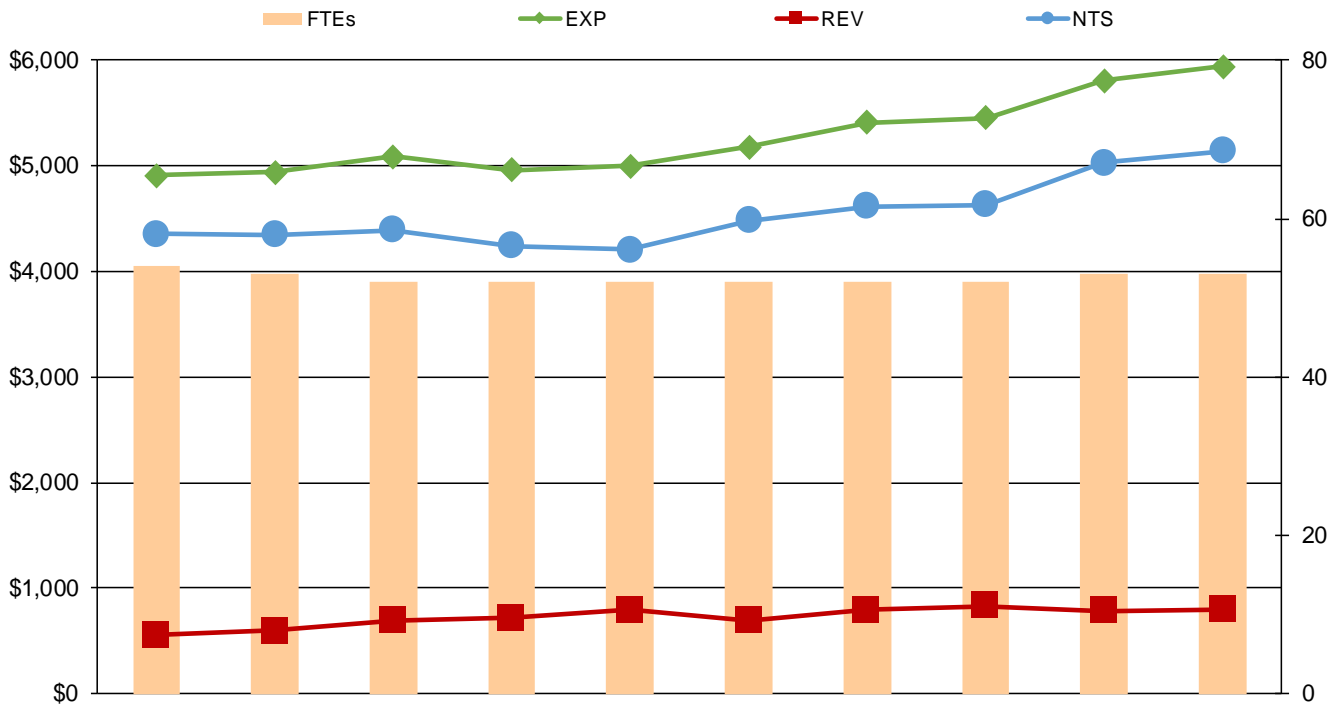
**PERFORMANCE MEASURES**

Critical Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Value of Personal Property assessments by Enforcement Program (in millions)	\$1.72	\$1.63	\$2.15	\$2.11	\$2.15	\$2.25

Supporting Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Estimate	FY 2019 Estimate
Enforcement Program letters sent	12,875	14,855	15,213	17,734	18,000	19,000
Summonses issued	944	1,037	959	1,212	1,200	1,200

- The value of Personal Property tax assessments saw a slight decrease in FY 2017 due to personnel vacancies which reduced the number of field visits conducted by the Compliance staff. The value for FY 2018 and FY 2019 is expected to increase since the Compliance Division is fully staffed.
- In FY 2017, the number of enforcement program letters sent increased due to the implementation of the monthly utility report, which pulls information from the utility database of new utility accounts and is cross referenced against the personal property database, highlighting customers who do not have an existing vehicle personal property tax account. A letter is mailed informing the customers of the personal property registration requirement. Similarly, with the automation of the apartment and condominium process, the apartment/condo lists are cross referenced against the personal property tax database. Letters are mailed to customers informing them of the personal property registration requirements. With over 600 properties in Arlington, more lists will be worked; therefore, the number of letters sent is expected to increase in FY 2018 and FY 2019.
- Summonses issued increased in FY 2017 due to anonymous tip reporting. FY 2018 and FY 2019 are expected to level off based on customer responses to the initial inquiry letter and second notice. Summonses are primarily issued on field visits, anonymous tips, and apartment list cases where potential personal property has been discovered. As we continue to automate processes, we may see an increase in years to come.

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



	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
\$ in 000s	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Adopted Budget	Proposed Budget
<b>EXP</b>	\$4,907	\$4,940	\$5,085	\$4,959	\$4,995	\$5,176	\$5,410	\$5,458	\$5,809	\$5,945
<b>REV</b>	\$554	\$595	\$691	\$718	\$793	\$697	\$794	\$826	\$783	\$803
<b>NTS</b>	4,353	4,345	4,394	4,241	4,202	4,479	4,616	4,632	5,026	5,142
<b>FTEs</b>	54.00	53.00	52.00	52.00	52.00	52.00	52.00	52.00	53.00	53.00

Fiscal Year	Description	FTEs
FY 2010	<ul style="list-style-type: none"> <li>▪ Eliminated an Assistant Deputy Commissioner of Revenue position (1.0 FTE, \$119,609) and a Word Processing Operator I position (1.0 FTE, \$64,852).</li> <li>▪ Funding added for a one-time lump-sum payment of \$500 for employees (\$30,980).</li> </ul>	(2.0)
FY 2011	<ul style="list-style-type: none"> <li>▪ Eliminated a Tax Assessor position (1.0 FTE, \$71,174).</li> <li>▪ Funding reduced for travel (\$925), public outreach (\$3,000), repair of equipment (\$700), employee training (\$2,200), telephones (\$90) and gasoline (\$243).</li> <li>▪ Decreased personnel expenses (\$2,842) in anticipation of higher staff turnover.</li> </ul>	(1.0)
FY 2012	<ul style="list-style-type: none"> <li>▪ Eliminated an Information System Analyst III position (1.0 FTE, \$120,483).</li> <li>▪ Small decrease in non-personnel expenses due to the adjustments to the annual expense for the maintenance and replacement of County vehicles (\$663).</li> </ul>	(1.0)
FY 2013	<ul style="list-style-type: none"> <li>▪ Fee revenue increased (\$25,000) to more closely align with previous years' actual revenue for out-of-state license plate fees for vehicles garaged in the County.</li> </ul>	
FY 2014	<ul style="list-style-type: none"> <li>▪ Fee revenue increased (\$15,000) to more closely align with previous years' actual revenue for various service fees.</li> <li>▪ 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).</li> <li>▪ Hold Assistant Deputy of Business Tax position vacant for six months (\$59,971).</li> </ul>	
FY 2015	<ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Grant revenues decrease to realign State Compensation Board reimbursements with actual levels (\$1,647).</li> </ul>	
FY 2016	<ul style="list-style-type: none"> <li>▪ Fee revenues increase 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.</li> <li>▪ Grant revenues increase due to an increase in State Compensation Board reimbursements (\$22,350).</li> </ul>	
FY 2017	<ul style="list-style-type: none"> <li>▪ Fee revenue increases due to increased revenue from the Department of Motor Vehicles for satellite office services provided by the Commissioner of Revenue (\$15,000).</li> </ul>	

Fiscal Year	Description	FTEs
FY 2018	<ul style="list-style-type: none"><li data-bbox="302 296 1325 359">▪ Grant revenue increases due to an increase in State Compensation Board reimbursements (\$3,423).</li><li data-bbox="302 407 1325 470">▪ Added a limited term Business Tax auditor position that is offset by an increase in tax audit revenue (\$95,091).</li><li data-bbox="302 478 1325 541">▪ Increased fee revenue from the Department of Motor Vehicles for satellite office services provided by the Commissioner of Revenue (\$10,000).</li><li data-bbox="302 550 1325 615">▪ Increased grant revenue due to an adjustment to the State Compensation Board reimbursements (\$2,677).</li></ul>	1.0

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