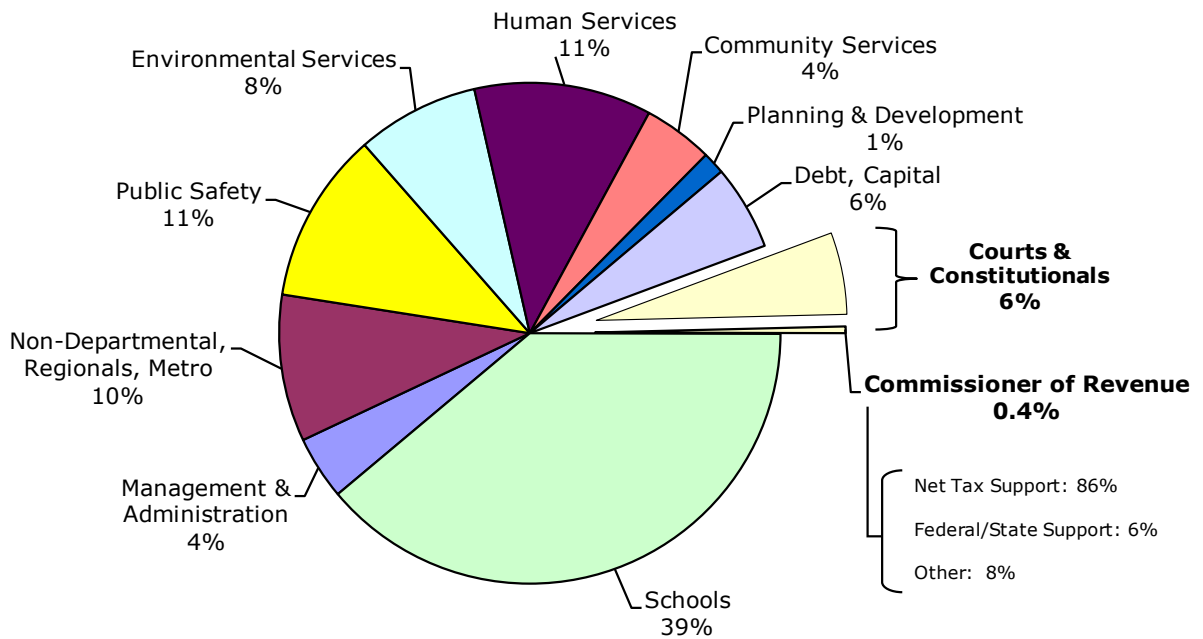


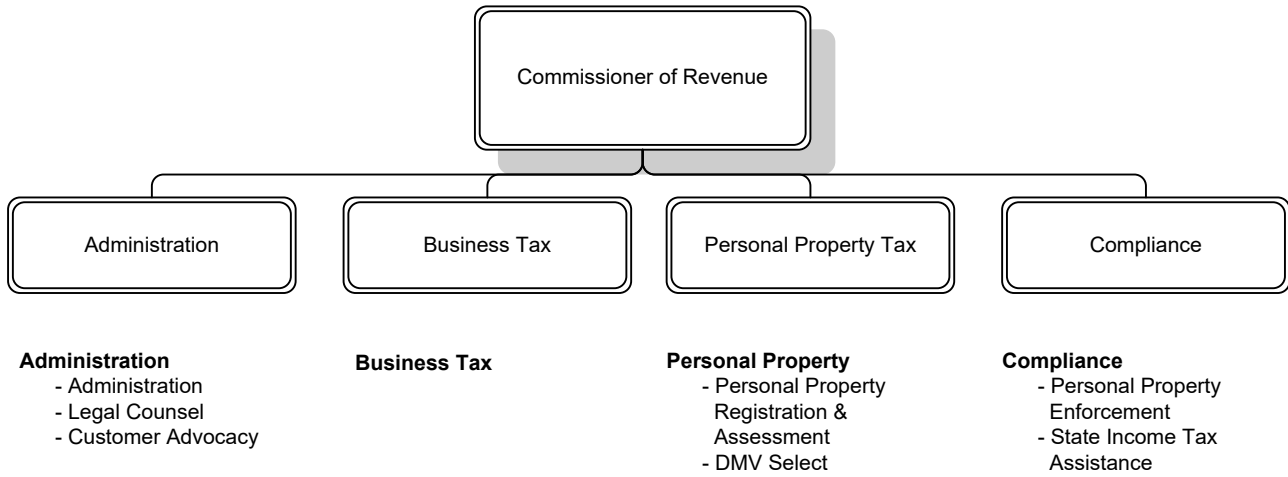
Our Mission: To provide Arlington County residents and businesses with high quality service in meeting their tax obligations.

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 2022 Proposed Budget - General Fund Expenditures



LINES OF BUSINESS



SIGNIFICANT BUDGET CHANGES

The FY 2022 proposed expenditure budget for the Commissioner of Revenue is \$5,859,471, a two percent decrease compared to the FY 2021 adopted budget. The FY 2022 budget reflects:

- ↓ Personnel decreases due to the reduction described below.
- ↓ Fee revenue decreases due to adjustments to license plate penalty fees (\$10,000) and DMV satellite office fees (\$10,000) based on prior year actuals.
- ↓ Grant revenue decreases based on anticipated State Compensation Board reimbursements (\$10,527).

FY 2022 Proposed Budget Reduction

Office of the Commissioner of Revenue

- ↓ Freeze a vacant Management Specialist position (\$125,022, 1.0 FTE).
IMPACT: This position supports all functional divisions, and duties will be absorbed by other staff within the office. Freezing this position will impact the Office’s ability to maintain service delivery levels in the variety of support functions it provides to the operations of the Commissioner of Revenue Office.

DEPARTMENT FINANCIAL SUMMARY

| | FY 2020 Actual | FY 2021 Adopted | FY 2022 Proposed | % Change '21 to '22 |
|-----------------------------------|---------------------------|----------------------------|-----------------------------|--------------------------------|
| Personnel | \$5,594,343 | \$5,712,921 | \$5,623,265 | -2% |
| Nonpersonnel | 309,028 | 236,202 | 236,206 | - |
| Total Expenditures | 5,903,371 | 5,949,123 | 5,859,471 | -2% |
| Fees | 316,418 | 340,000 | 320,000 | -6% |
| Grants | 477,604 | 487,995 | 477,468 | -2% |
| Total Revenues | 794,022 | 827,995 | 797,468 | -4% |
| Net Tax Support | \$5,109,349 | \$5,121,128 | \$5,062,003 | -1% |
| Permanent FTEs (Funded) | 53.00 | 53.00 | 52.00 | |
| Permanent FTEs (Frozen, Unfunded) | - | - | 1.00 | |
| Temporary FTEs | - | - | - | |
| Total Authorized FTEs | 53.00 | 53.00 | 53.00 | |

Expenses & Revenues by Line of Business

| | FY 2020 Actual Expense | FY 2021 Adopted Expense | FY 2022 Proposed Expense | % Change '21 to '22 | FY 2022 Proposed Revenue | FY 2022 Net Tax Support |
|-----------------------|---------------------------------------|--|---|--------------------------------|---|--|
| Administration | \$1,780,851 | \$1,699,147 | \$1,578,203 | -7% | \$797,468 | \$780,735 |
| Business Tax | 2,072,785 | 2,227,333 | 2,048,231 | -8% | - | 2,048,231 |
| Personal Property Tax | 1,744,930 | 1,496,143 | 1,722,050 | 15% | - | 1,722,050 |
| Compliance | 304,805 | 526,500 | 510,987 | -3% | - | 510,987 |
| Total | \$5,903,371 | \$5,949,123 | \$5,859,471 | -2% | \$797,468 | \$5,062,003 |

Authorized FTEs by Line of Business

| | FY 2021 FTEs Adopted | FY 2022 Permanent FTEs Proposed | FY 2022 Temporary FTEs Proposed | FY 2022 Total FTEs Proposed |
|-----------------------|---------------------------------|--|--|--|
| Administration | 11.00 | 11.00 | 0.00 | 11.00 |
| Business Tax | 20.00 | 20.00 | 0.00 | 20.00 |
| Personal Property Tax | 16.00 | 16.00 | 0.00 | 16.00 |
| Compliance | 6.00 | 6.00 | 0.00 | 6.00 |
| Total FTEs | 53.00 | 53.00 | 0.00 | 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

FY 2020 Performance Measures reflect COVID-19 impacts to services in the final months of the fiscal year while FY 2021 and FY 2022 estimates are based on current conditions and anticipated impacts on the performance measures. Additionally, FY 2022 estimates do not incorporate the impact of proposed budget reductions; the impact of those reductions are included in the impact statements shown in the Department Budget Summary.

| Critical Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 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% |

ADMINISTRATION

| Supporting Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 Estimate |
|--|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Number of customers served by Advocate | 1,298 | 1,478 | 1,536 | 770 | 800 | 1,000 |

- The number of customers served by the Advocate decreased due to the pandemic which resulted in fewer citizens being served through channels such as in-person program outreach to businesses, homeowner associations, and service organizations. In FY 2021 and FY 2022 the reopening of the economy may increase the number of customers that require advocacy assistance.

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.

PERFORMANCE MEASURES

FY 2020 Performance Measures reflect COVID-19 impacts to services in the final months of the fiscal year while FY 2021 and FY 2022 estimates are based on current conditions and anticipated impacts on the performance measures. Additionally, FY 2022 estimates do not incorporate the impact of proposed budget reductions; the impact of those reductions are included in the impact statements shown in the Department Budget Summary.

| Critical Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 Estimate |
|--|----------------|----------------|----------------|----------------|------------------|------------------|
| Percent business license statutory assessments to total business license returns | 5% | 7% | 7% | 6% | 10% | 8% |
| Percent business tangible statutory assessments to total business tangible returns | 12% | 11% | 11% | 15% | 19% | 17% |

| Supporting Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 Estimate |
|---|----------------|----------------|----------------|----------------|------------------|------------------|
| Number of business license tax returns processed | 19,308 | 20,515 | 20,152 | 19,235 | 20,000 | 20,000 |
| Number of business tangible tax returns processed | 11,098 | 11,548 | 11,635 | 11,575 | 11,500 | 11,500 |
| Number of custodial tax assessments | 12,309 | 13,218 | 14,128 | 14,322 | 12,200 | 12,200 |

BUSINESS TAX

| Supporting Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 Estimate |
|---|----------------|----------------|----------------|----------------|------------------|------------------|
| Number of days to respond to customer inquiries | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of establishments assessed for meals tax | 932 | 949 | 959 | 955 | 875 | 875 |

- When a business does not file an annual return with the County, a statutory assessment is made.
- FY 2020 reflects a decrease in business license statutory assessment returns due to Covid-19 business closures/shutdowns and the limitation of the canvassing compliance program resulting in fewer customers filing in a timely and compliant manner. This trend may improve near FY 2021 as the program resumes but dip slightly in FY 2022 as the economy recovers and businesses start filing more timely.
- The number of custodial and meals tax assessments is expected to decrease for FY 2021 and FY 2022 due to business closures and the implementation of the transient occupancy tax (TOT) Accessory Homestay filing frequency from monthly to quarterly.

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

FY 2020 Performance Measures reflect COVID-19 impacts to services in the final months of the fiscal year while FY 2021 and FY 2022 estimates are based on current conditions and anticipated impacts on the performance measures. Additionally, FY 2022 estimates do not incorporate the impact of proposed budget reductions; the impact of those reductions are included in the impact statements shown in the Department Budget Summary.

| Critical Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actuals | FY 2021 Estimate | FY 2022 Estimate |
|---|----------------|----------------|----------------|-----------------|------------------|------------------|
| Call abandon rate | 3% | 2% | 2% | 2% | 2% | 2% |
| Number of discrete pieces of personal property assessed (vehicles, boats, etc.) | 193,130 | 192,487 | 204,058 | 188,612 | 184,000 | 185,000 |
| 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 | 93% | 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 | 13% | 12% | 10% | 10% | 10% | 10% |
| Total value of assessments (in billions) | \$1.62 | \$1.61 | \$1.67 | \$1.68 | \$1.63 | \$1.64 |

| Supporting Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actuals | FY 2021 Estimate | FY 2022 Estimate |
|---------------------------|----------------|----------------|----------------|-----------------|------------------|------------------|
| Number of emails received | 12,576 | 10,611 | 6,831 | 4,005 | 5,000 | 5,000 |
| Number of tax adjustments | 24,220 | 23,500 | 19,718 | 17,998 | 19,000 | 18,500 |
| Total calls received | 31,034 | 30,504 | 30,670 | 28,607 | 31,000 | 31,000 |

PERSONAL PROPERTY

- The value of new vehicle assessments are expected to continue to rise while the value of used vehicles should also remain steady. A slowdown in new vehicle purchases in FY 2021 is expected to result in a drop in overall assessments. With interest rates remaining low and limited volatility in vehicle valuation by National Automobile Dealers Association (NADA), vehicle assessments should begin to increase in FY 2022.
- The number of emails received decreased in FY 2020 as more residents are using self-service resources. However, email traffic is expected to increase for FY 2021 and FY 2022 due to the indefinite closure of in-person service on March 17, 2020.
- In FY 2022 a decrease in tax adjustments is anticipated due to automated DMV account updating. The automated updates will allow Vehicle Personal Property staff to quickly provide tax relief (refunds) on a vehicle when it has been moved out of Arlington or disposed of. The FY 2020 actuals and FY 2021 estimates reflect early billing and tax adjustments.

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

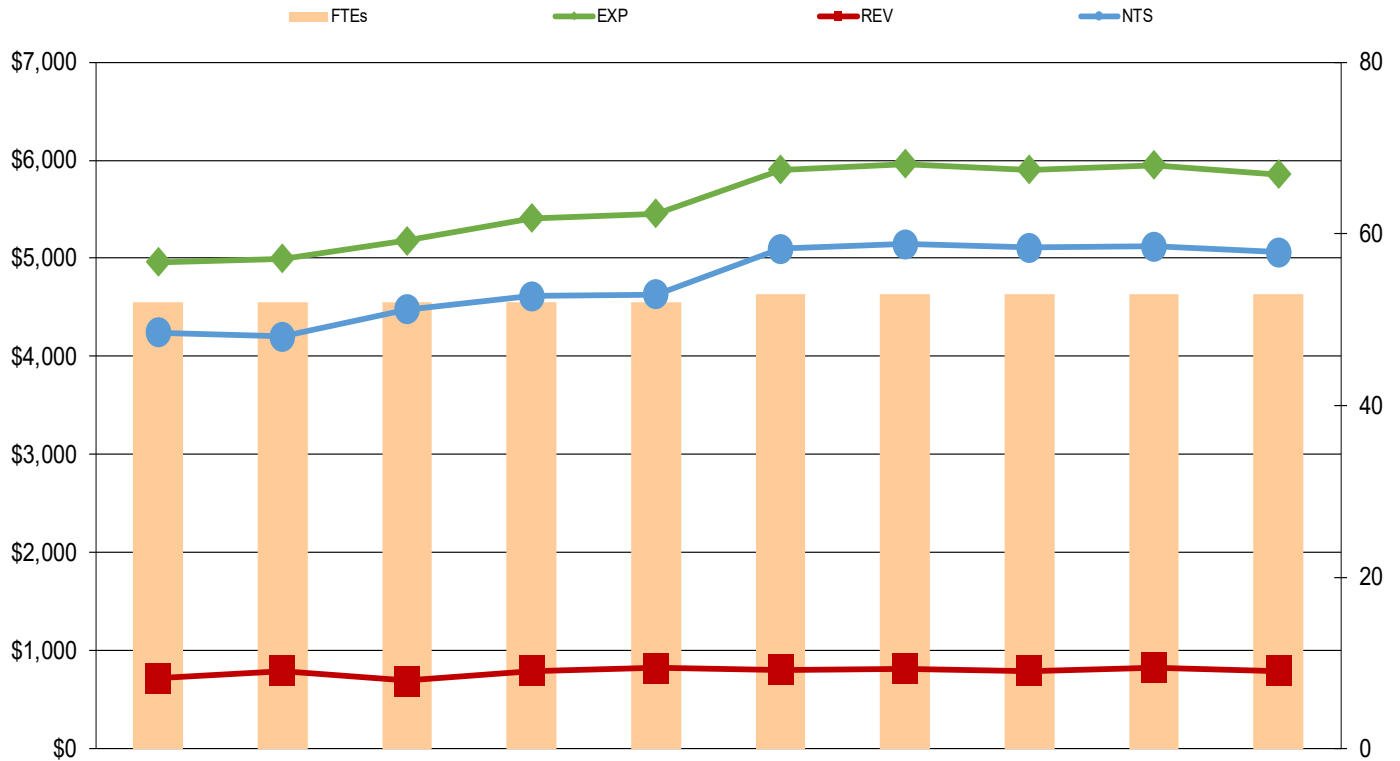
FY 2020 Performance Measures reflect COVID-19 impacts to services in the final months of the fiscal year while FY 2021 and FY 2022 estimates are based on current conditions and anticipated impacts on the performance measures. Additionally, FY 2022 estimates do not incorporate the impact of proposed budget reductions; the impact of those reductions are included in the impact statements shown in the Department Budget Summary.

| Critical Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 Estimate |
|---|----------------|----------------|----------------|----------------|------------------|------------------|
| Value of Personal Property assessments by Enforcement Program (in millions) | \$2.11 | \$1.87 | \$2.45 | \$1.35 | \$1.80 | \$1.85 |

| Supporting Measures | FY 2017 Actual | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Estimate | FY 2022 Estimate |
|----------------------------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Enforcement Program letters sent | 17,734 | 17,464 | 19,135 | 19,650 | 21,000 | 21,500 |
| Summonses issued | 1,212 | 972 | 1,267 | 618 | 700 | 1000 |

- The value of personal property assessments by the Enforcement Program dropped in FY 2020 with the temporary suspension of the field visit enforcement process resulting in fewer cases added and vehicles registered. As field collection efforts resume in FY 2021 with modified enforcement schedules, assessment values from the program should steadily increase through FY 2022 as it returns to normal operations.
- The number of enforcement letters sent is expected to increase in the second half of FY 2021 with the restart of a modified field visit schedule utilizing the License Plate Reader (LPR) data collection process. A moderate increase in letters sent is expected to continue into FY 2022 as the office resumes close-to-normal enforcement site visits and other enforcement activities generate initial and follow-up second notices.

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



| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|----------------|-----------------|
| \$ in 000s | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Adopted Budget | Proposed Budget |
| EXP | \$4,959 | \$4,995 | \$5,176 | \$5,410 | \$5,458 | \$5,902 | \$5,964 | \$5,903 | \$5,949 | \$5,859 |
| REV | \$718 | \$793 | \$697 | \$794 | \$826 | \$808 | \$819 | \$794 | \$828 | \$797 |
| NTS | \$4,241 | \$4,202 | \$4,479 | \$4,616 | \$4,632 | \$5,094 | \$5,145 | \$5,109 | \$5,121 | \$5,062 |
| FTEs | 52.00 | 52.00 | 52.00 | 52.00 | 52.00 | 53.00 | 53.00 | 53.00 | 53.00 | 53.00 |

| Fiscal Year | Description | FTEs |
|--------------------|---|-------------|
| FY 2013 | <ul style="list-style-type: none"> ▪ 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. | |
| 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). | 1.0 |
| 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, | |

| Fiscal Year | Description | FTEs |
|--------------------|--|-------------|
| | <p>and business license and business tangible communication and tax filing as well issuance of business tax license certificates (\$125,000).</p> <ul style="list-style-type: none"> ▪ Reduced annual expense for maintenance and replacement of County vehicles (\$82). ▪ 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). | |