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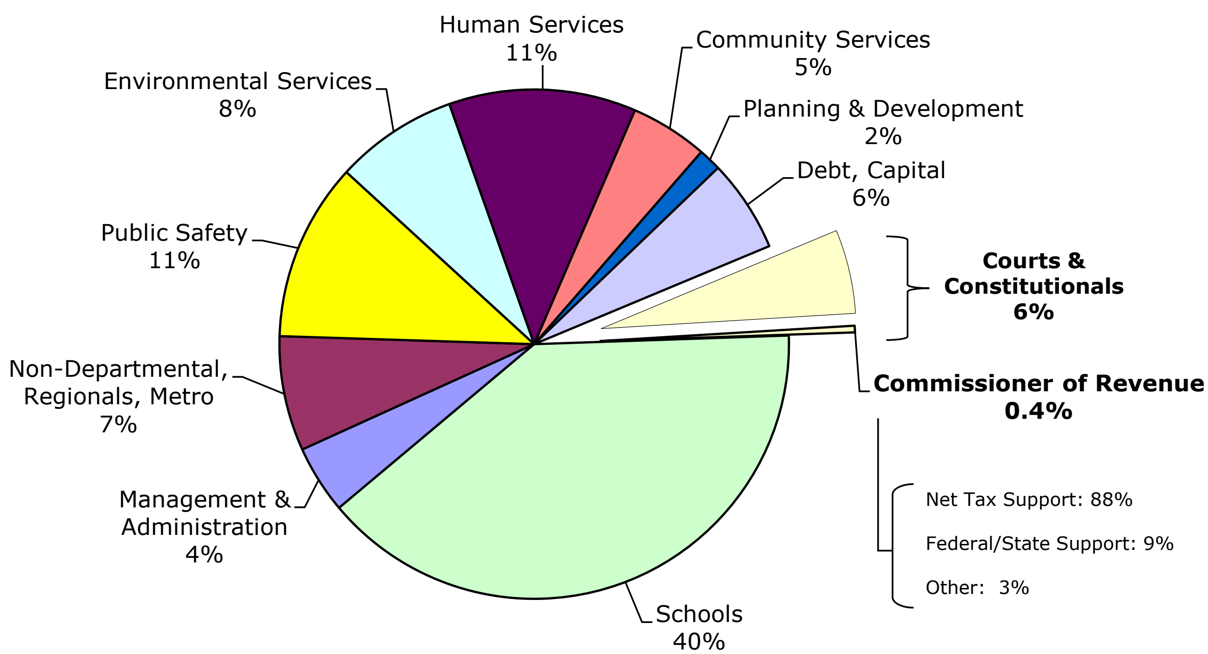
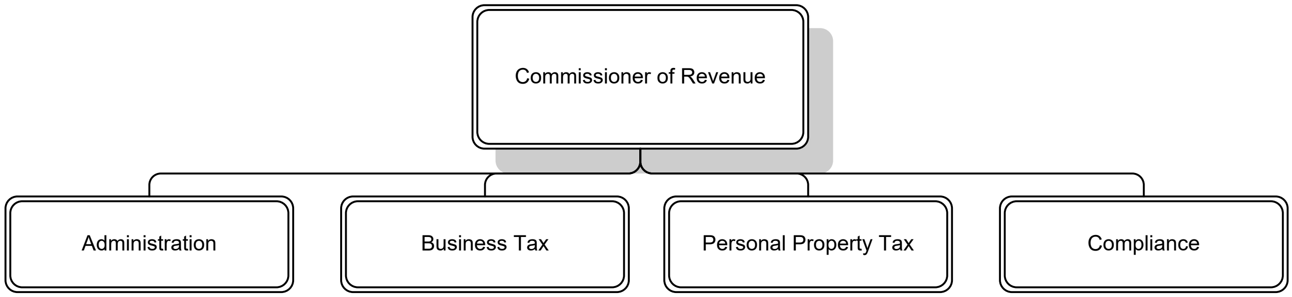
Our Mission: To provide Arlington County residents and businesses with high quality service in meeting their tax obligations.

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 2024 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 2024 proposed expenditure budget for the Commissioner of Revenue is $6,474,444, a seven percent increase compared to the FY 2023 adopted budget. The FY 2024 proposed budget reflects:

↑ Personnel increases due to employee salary increases, adjustments to salaries resulting from Administrative and Accounting/Financial Services job family studies ($69,854), an increase in the County’s cost for employee health insurance, 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 ($24,400).

↓ Fee revenue decreases due to an adjustment to license plate penalty fees ($60,000), partially offset by an increase to DMV satellite office fees ($10,000) based on increased hours of service.

FY 2024 Proposed Budget Reduction

Departmentwide

↓ Reduction of various costs for suppliers’ services ($14,300)
IMPACT: The reduction will have minimal impact, as some process efficiencies have reduced costs for the use of the following suppliers’ services: Federal Express - courier services; LexisNexis Accurint - an online search engine used by staff to discover individuals and businesses to determine their tax liability; Lorton Data - the National Change of Address service for the Vehicle Personal Property and Business Tax Divisions; and Merkle - a data imaging service for the processing of revenue payments and certain documents received by mail.

Personal Property & Business Tax

↓ Eliminate mailings to existing CAPP (Customer Assessment Payment Portal) customers ($41,784)
IMPACT: Customers will no longer receive assessment notifications, including tax returns, through USPS. Savings are realized by eliminating printing and postage costs.

- For the Vehicle Personal Property Tax Division ($9,500): Eliminating letters to existing CAPP (Customer Assessment Payment Portal) customers and instead sending a web notice when a vehicle is added by the Department of Motor Vehicles (DMV) will save postage, back-end Merkle fees, and printing costs. The Vehicle Personal Property Division sends approximately 30,000+ DMV letters a year so this change will reduce postage, mailings, and the associated costs.

- For the Business Tax Division ($32,284): The implementation of the new paperless initiative will eliminate mailing of the Business Tax Division's customer information, i.e., Business License, Business Tangible, Meals Tax, and Transient Occupancy Tax Returns as well as customer Business License Tax Certificates.

DEPARTMENT FINANCIAL SUMMARY

	FY 2022 Actuals	FY 2023 Adopted	FY 2024 Proposed	% Change '23 to '24
Personnel	$5,382,383	$5,812,438	$6,293,928	8%
Non-Personnel	297,229	236,566	180,516	-24%
Total Expenditures	5,679,612	6,049,004	6,474,444	7%
Fees	169,995	275,000	225,000	-18%
Grants	501,981	527,100	551,500	5%
Total Revenues	671,976	802,100	776,500	-3%
Net Tax Support	$5,007,636	$5,246,904	$5,697,944	9%
Permanent FTEs (Funded)	52.00	52.00	52.00	
Permanent FTEs (Frozen, Unfunded)	1.00	1.00	1.00	
Temporary FTEs	-	-	-	
Total Authorized FTEs	53.00	53.00	53.00	

Expenses & Revenues by Line of Business

	FY 2022 Actual Expense	FY 2023 Adopted Expense	FY 2024 Proposed Expense	% Change '23 to '24	FY 2024 Proposed Revenue	FY 2024 Net Tax Support
Administration	$1,676,716	$1,623,707	$1,529,272	-6%	$776,500	$752,772
Business Tax	1,821,506	2,305,850	2,594,451	13%	-	2,594,451
Personal Property Tax	1,870,572	1,586,265	1,743,315	10%	-	1,743,315
Compliance	310,818	533,182	607,406	14%	-	607,406
Total	**$5,679,612**	**$6,049,004**	**$6,474,444**	**7%**	**$776,500**	**$5,697,944**

Authorized FTEs by Line of Business

	FY 2023 FTEs Adopted	FY 2024 Permanent FTEs Proposed	FY 2024 Temporary FTEs Proposed	FY 2024 Total FTEs Proposed
Administration	11.00	10.00	-	10.00
Business Tax	20.00	21.00	-	21.00
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 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 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 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Number of customers served by Advocate	1,536	770	779	484	500	500

ADMINISTRATION

- Customer advocacy services have been decreasing over the last few years due to the impacts of COVID-19 and a redistribution of responsibilities among staff in FY 2022 so some outreach efforts were not able to be accomplished. For FY 2023 and FY 2024, more of these services for customers are anticipated to increase and remain steady due to the re-implementation of outreach efforts.

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 business tangible personal property tax on all furniture, fixtures, machinery, and tools used in Arlington County.
- Manages and administers an aggressive field canvassing program to discover and assess businesses that are operating in Arlington County without filing required tax returns.
- Provides exceptional customer service through improvements in training, technology, paperless initiatives, and 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 to verify the accuracy of tax filings and obligations of 200-240 businesses and makes adjustments as needed.

PERFORMANCE MEASURES

Critical Measures	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Percent business license statutory assessments to total business license returns	7%	6%	7%	7%	9%	9%
Percent business tangible statutory assessments to total business tangible returns	11%	15%	14%	19%	19%	19%

Supporting Measures	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Number of business license tax returns processed	20,152	19,235	19,500	19,617	19,800	20,000
Number of business tangible tax returns processed	11,635	11,575	11,669	11,398	11,500	11,700
Number of custodial tax assessments	14,128	14,322	13,526	12,788	12,500	12,500

Supporting Measures	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Number of days to respond to customer inquiries	1	1	1	1	1	1
Number of establishments assessed for meals tax	959	955	919	945	950	955

BUSINESS TAX

- The percent of business license statutory assessments to total business license returns for FY 2023 and 2024 is expected to increase due to new business accounts and may include customers not aware of their annual filing requirements.
- The percent of business tangible statutory assessments to total business tangible returns is expected to level out for FY 2023 and FY 2024 as some businesses continue to operate in a remote environment where they might not need to file a business tangible return.
- Business license returns processed increased slightly in FY 2022 as a result of the increase in business activity coming out of the pandemic. This trend is expected to continue upward in FY 2024.
- Business tangible returns processed decreased slightly in FY 2022 which was likely due to some businesses continuing to operate in a remote environment. This number is expected to increase as some businesses return to the office or adopt hybrid schedules.
- The reduction of custodial tax assessments is due to a decrease in transient occupancy tax (TOT) accounts from recent state legislation changes requiring accommodations intermediaries to collect and remit taxes.
- 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 reopenings. In FY 2023 and FY 2024, continued growth is expected from business reopenings, 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 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Call abandon rate	2%	2%	2%	2%	2%	2%
Number of discrete pieces of personal property assessed (vehicles, boats, etc.)	204,058	188,612	187,576	179,826	176,000	178,000
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	10%	10%	10%	10%	10%	11%
Total value of assessments (in billions)	$1.67	$1.68	$1.65	$1.75	$2.20	$1.94

Supporting Measures	FY 2019 Actual	FY 2020 Actual	FY 2021 Actuals	FY 2022 Actuals	FY 2023 Estimate	FY 2024 Estimate
Number of emails received	6,831	4,005	5,992	6,853	6,250	5,800
Number of tax adjustments	19,718	17,998	17,470	18,371	18,500	18,500
Total calls received	30,670	28,607	30,827	27,362	25,750	24,500

- The number of discreet pieces of personal property assessed decreased during the COVID-19 pandemic. High vehicle prices and limited supply kept would be buyers out of the market. Vehicle appreciation (instead of depreciation) led to a change in the assessment method to offset some of the year over year increases in vehicle values for FY 2023. High prices on both new and used vehicles will continue to impact car/truck buying decisions in FY 2024.

- The office received more emails than estimated for FY 2022 due to the impact of COVID-19 and higher than usual vehicle values. It is anticipated that there will be a decrease in the number of emails received as we move from FY 2023 and into FY 2024 as vehicle values return to a more normal depreciation mode which will curtail some of these inquiries moving forward.
- There were slightly fewer tax adjustments than expected in FY 2022. An increase had been expected with more vehicle owners coming forward to appeal their assessments. The figures for FY 2023 and FY 2024 are expected to remain fairly flat.
- The COVID-19 outbreak did not have the overwhelming effect on call volume that was expected in FY 2022 with the FY 2022 tax bills posting. Customers are using email more which helps offset the call volume. Moving into FY 2024, the expectation is for this trend to continue perhaps as car values go back to depreciating over time in FY 2024 leading to fewer questions.

COMPLIANCE

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.

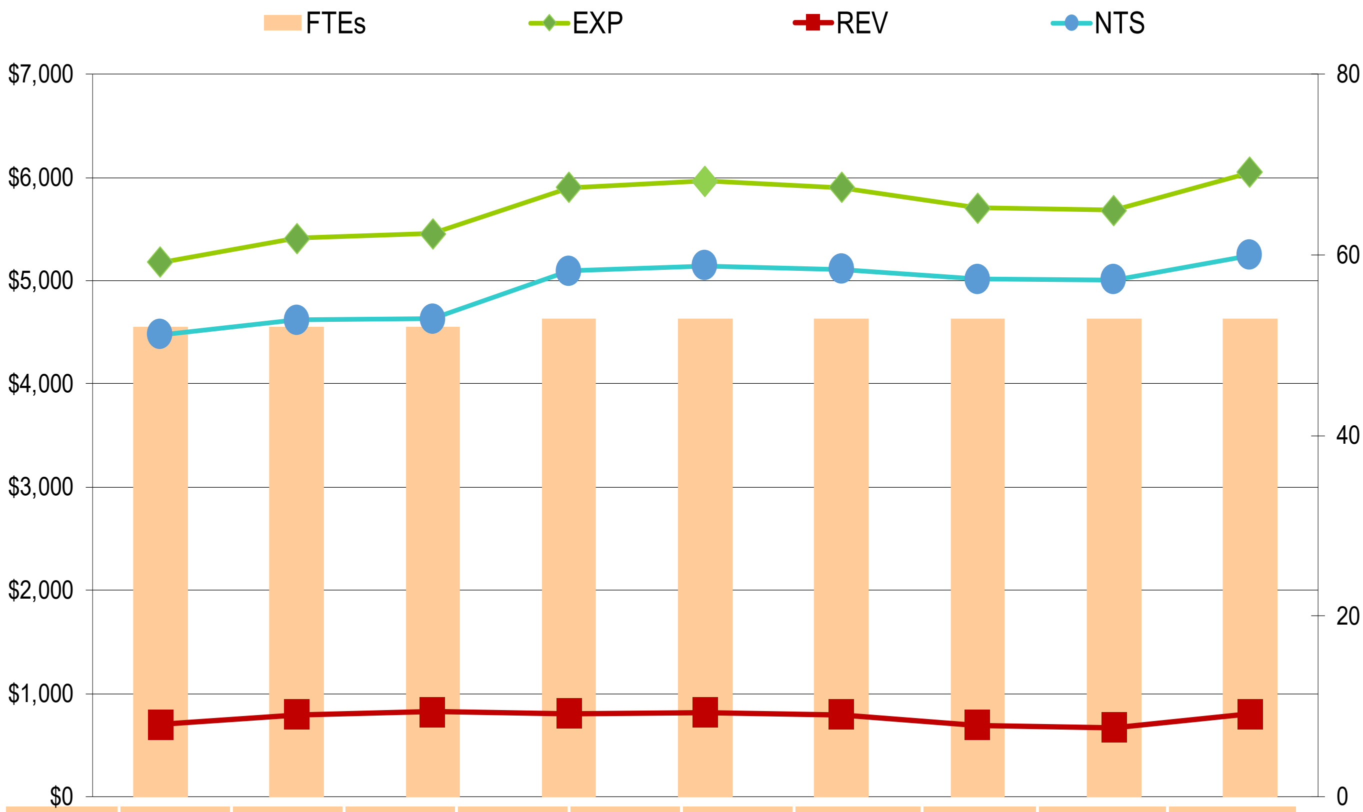
PERFORMANCE MEASURES

Critical Measures	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Value of Personal Property assessments by Enforcement Program (in millions)	$2.45	$1.35	$0.70	$0.87	$0.90	$0.95

Supporting Measures	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Estimate
Enforcement Program letters sent	19,135	19,650	11,767	8,287	10,000	12,000
Summonses issued	1,267	618	0	0	250	500

- In FY 2022, technical issues with the Automatic License Plate Reader (ALPR) equipment halted the field visit operations by a couple months. Although fewer vehicles were registered, the FY 2022 revenue projection was exceeded for personal property assessments due to vehicle values reaching an all-time high. Vehicle personal property tax revenue is expected to increase for FY 2023 and FY 2024 as new vehicle values remain high.
- Technical issues with the ALPR equipment and limited field visit days resulted in fewer non-compliant vehicle cases and enforcement letters generated in FY 2022. For the second half of FY 2023, the Compliance Division is fully staffed with the resources to conduct more field visits and to aggressively re-visit larger buildings and neighborhoods/civic associations with high anonymous tips reporting and thus is anticipating an increased vehicle case load.
- Now that the office has returned to close to normal in-office presence, it will begin issuing summonses in tax year 2023 (second half of FY 2023). As in previous years (prior to the pandemic), the number of summonses issued is expected to remain low to moderate due to receiving customer responses to the Initial Request for Information and Second Notice letters.

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



$ in 000s	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted Budget	FY 2024 Proposed Budget
EXP	$5,176	$5,410	$5,458	$5,902	$5,964	$5,903	$5,706	$5,680	$6,049	$6,474
REV	$697	$794	$826	$808	$819	$794	$692	$672	$802	$777
NTS	$4,479	$4,616	$4,632	$5,094	$5,145	$5,109	$5,014	$5,008	$5,247	$5,698

Fiscal Year	Description	FTEs
FY 2015	▪ 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	▪ 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	▪ 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	▪ 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	▪ Increased fee revenue due to an increase in license plate penalty fee revenue ($20,000).	
FY 2020	▪ 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). ▪ Increased grant revenue for State Compensation Board reimbursements as a result of the State's two percent increase for state employees ($10,618). ▪ *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.*	
FY 2021	▪ Grant revenue increased due to an increase in State Compensation Board reimbursements ($14,575).	

Fiscal Year	Description	FTEs
FY 2022	▪ 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). ▪ *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).*	
FY 2023	▪ The County Board added funding for an additional one percent merit pay adjustment for a total increase of 5.25 percent, increased the pay-for-performance budget by an additional 0.5 percent, increased the pay range movement to five percent, and approved a one-time increase in language premium from $0.69 to $0.92 per hour ($3,737). ▪ Grant revenue increased due to an increase in State Compensation Board reimbursements primarily due to the State's five percent increase for state employees ($49,632). ▪ The County Board approved the use of an 88 percent vehicle assessment ratio due to address rising assessments and help fund the repeal of the $33 motor vehicle license (formerly "decal") fee.	