



House Appropriations Committee General Government Subcommittee

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Agency Overview

- Administer 34 state taxes, including:
 - Income – Individual and Corporate
 - Sales and Use
 - Miscellaneous excise taxes
- Serve approximately 5 million taxpayers
- During FY10, TAX:
 - Collected \$17.4 billion in revenue
 - Issued \$1.9 billion in refunds
 - Distributed \$1.5 billion to localities
 - Sales & Use
 - Communications
 - Motor Fuels Sales Tax

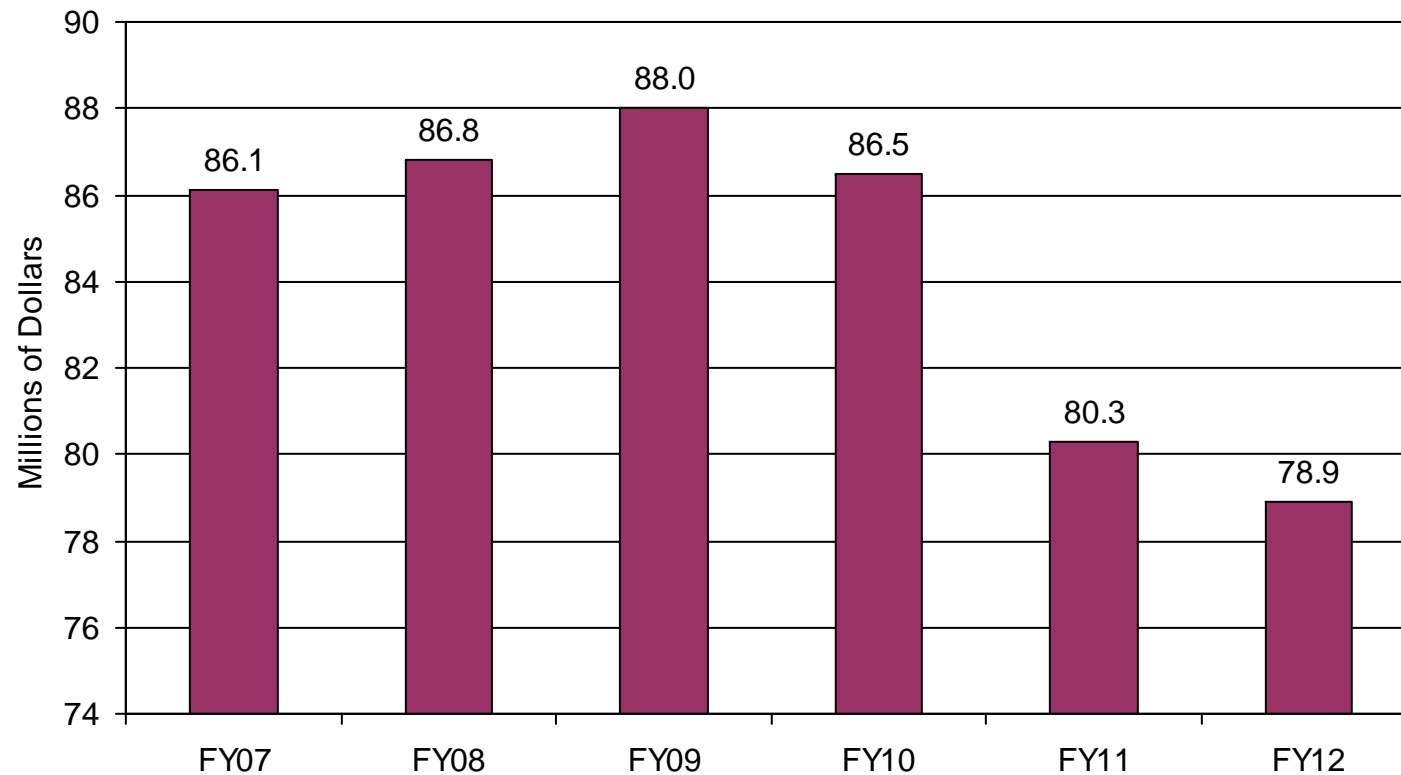
Major Service Areas

Area	Description
Audit	<ul style="list-style-type: none"> ▪ Ensures compliance with state tax laws ▪ Generated approximately \$705 million in assessments in FY10 ▪ Contacted approximately 181,000 individual and business taxpayers in FY10
Collections	<ul style="list-style-type: none"> ▪ Identifies and collects delinquent state taxes from both individuals and businesses ▪ Collects court fines and fees
Technology	<ul style="list-style-type: none"> ▪ Supports all areas by maintaining and enhancing the agency's computer applications
Customer Service	<ul style="list-style-type: none"> ▪ Provides guidance and information to the taxpayers of Virginia and in FY10: ▪ Answered 605,312 phone calls ▪ Handled 162,906 pieces of correspondence ▪ Conducted 104,077 live chats ▪ Assisted 3,847 walk-in customers
Processing	<ul style="list-style-type: none"> ▪ Process both paper and electronic tax returns and payments ▪ Responsible for business tax registration ▪ Processed 3.5 million tax returns and 5.7 million payments in FY10

Major Service Areas – cont.

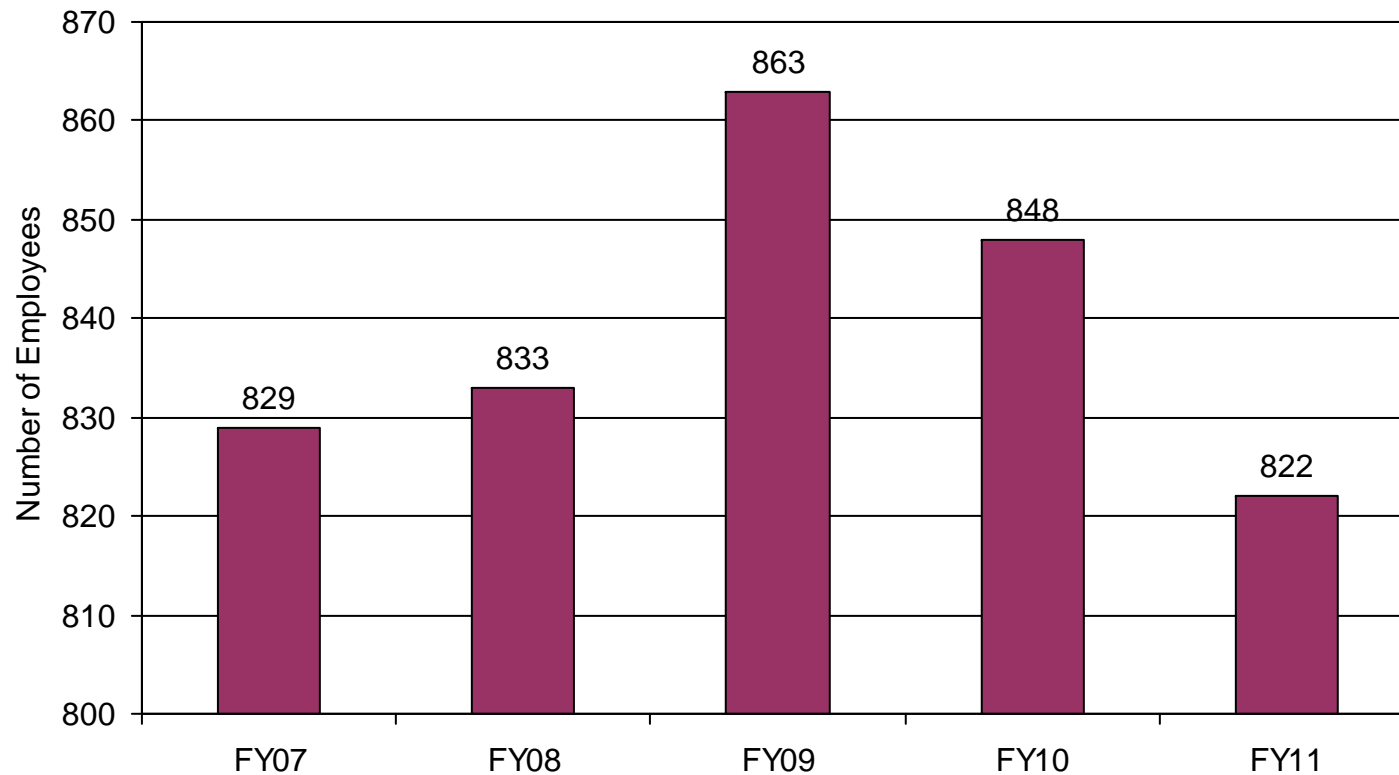
Area	Description
Policy	<ul style="list-style-type: none"> ▪ Provides research, revenue estimation, and analysis of proposed legislation ▪ Develops and implements tax policy
Appeals	<ul style="list-style-type: none"> ▪ Administers the appeal process with taxpayers ▪ Conducts all offers-in-compromise
Forecasting	<ul style="list-style-type: none"> ▪ Prepares the forecast of the Virginia economy and General Fund revenue estimates ▪ Prepares the six-year forecast of the Commonwealth's Transportation Fund revenues ▪ Prepares the six-year forecast for the DMV Special Fund
Administration	<ul style="list-style-type: none"> ▪ Performs the administrative functions of TAX ▪ Fiscal – Agency budget and revenue accounting for all tax payments ▪ Human Resources ▪ Purchasing/Facilities ▪ Internal Audit
Valuation and Assessment for Localities	<ul style="list-style-type: none"> ▪ Provides local property tax maps ▪ Ensures compliance with the Commonwealth's property tax laws ▪ Ensures compliance with the rolling stock of freight car line companies

Taxation General Fund Appropriation FY07 – FY12



*Source = Part B. Executive Budget 2010-2012 Biennium (General Fund dollars)

Comparison of Filled GF Classified Positions FY07 – FY11



Source: Agency payroll report June 16 each year

**FY11 is projected based on current trends

Proposed Amendments: HB 1500

Action	Description	FY11	FY12
Decrease Technology Consultants	<ul style="list-style-type: none"> ▪ Elimination of certain contracts for information technology consultants ▪ Internal review documented many consultants were retained long-term ▪ Serving as full-time staff but at higher cost 	-\$327,633	-\$1,049,923
Reduce Disaster Recovery Cost	<ul style="list-style-type: none"> ▪ Reduce number of online systems covered by Disaster Recovery at VITA ▪ Administrative type systems (Lotus Notes, Agency Intranet) ▪ Systems like imaging dependent on availability of replacement equipment ▪ All core TAX applications still covered by disaster recovery services 	0	-\$829,936
Changes to Tax Forms & Filing	<ul style="list-style-type: none"> ▪ Mandate electronic filing requirement for withholding taxes ▪ Eliminate mailing of 320,000 individual tax forms and instructions ▪ Forms available at TAX website and by calling TAX form request service 	0	-\$489,000
Reduce Personnel	<ul style="list-style-type: none"> ▪ Elimination of vacant Deputy Commissioner position ▪ Elimination of three filled positions 	-\$169,621	-\$330,556

Proposed Amendments: HB 1500 – cont.

Action	Description	FY11	FY12
Reduce Office Space	<ul style="list-style-type: none"> ▪ Move TAX activities off the 4th floor at Main Street Centre ▪ Divisions will be relocated to Westmoreland Building 	0	-\$190,324
Move To Westmoreland Building	<ul style="list-style-type: none"> ▪ Main Street Centre operating divisions ▪ Warehouse from Eubank Road ▪ Processing, cashier's office, and walk-in unit from 3600 West Broad ▪ All imaging, return processing, and payment processing equipment 	\$0	\$240,000
Rent Increase	<ul style="list-style-type: none"> ▪ Rent at Westmoreland exceeds the savings from canceling current leases 	\$0	\$975,728
All Other Reductions	<ul style="list-style-type: none"> ▪ Reduce security, wages, and Blackberries 	-\$76,103	-\$154,208
Total Actions		-\$573,357	-\$1,828,219

Governor's Reform Commission Initiatives

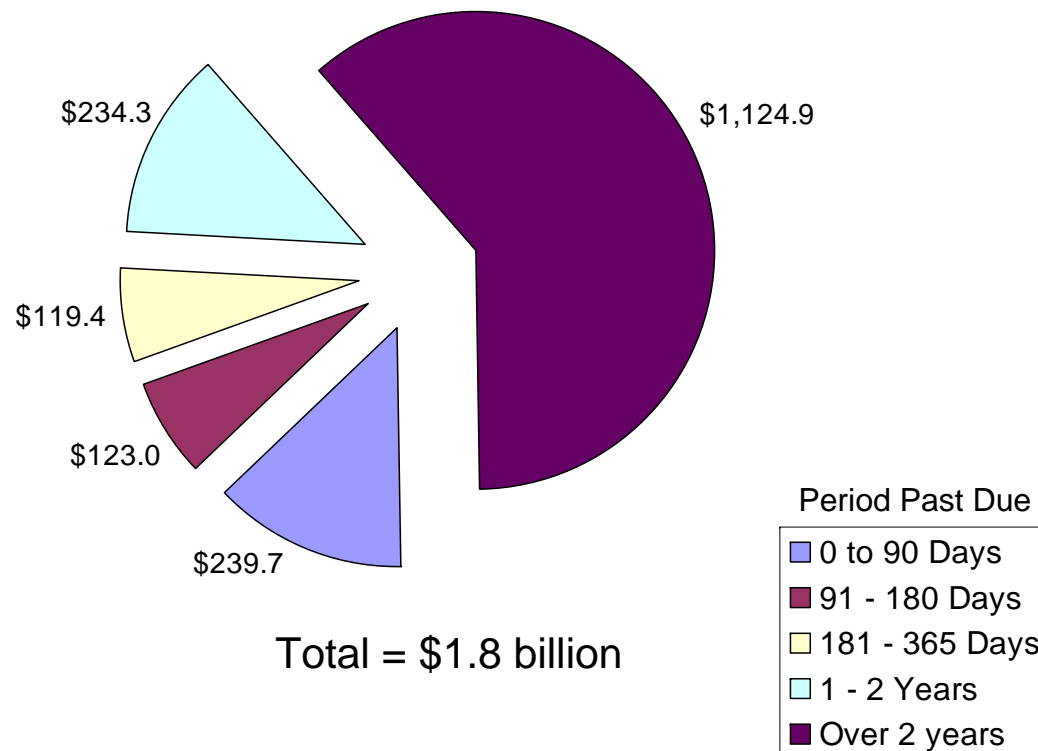
Initiative	Description
Motor Vehicle Rental Tax – HB 1798 & SB 1132	<ul style="list-style-type: none"> ▪ Transfer administration of the Motor Vehicle Rental Tax from DMV to TAX ▪ Will impact approximately 480 taxpayers
Insurance Premiums Tax – SB 1124	<ul style="list-style-type: none"> ▪ Transfer administration of the Insurance Premiums Tax from the SCC to TAX ▪ Approximately 10,000 filings made annually
Wireless E-911 Tax – SB 1123	<ul style="list-style-type: none"> ▪ Transfer collection of the Wireless E-911 surcharge from VITA to TAX ▪ Will impact approximately 42 wireless service carriers and resellers
Local Treasurers' Pilot	<ul style="list-style-type: none"> ▪ Pilot program with six local treasurers to collect outstanding debts ▪ Arlington, Hanover, Newport News, VA Beach, Frederick, Roanoke City ▪ Will begin in February 2011

Receivables

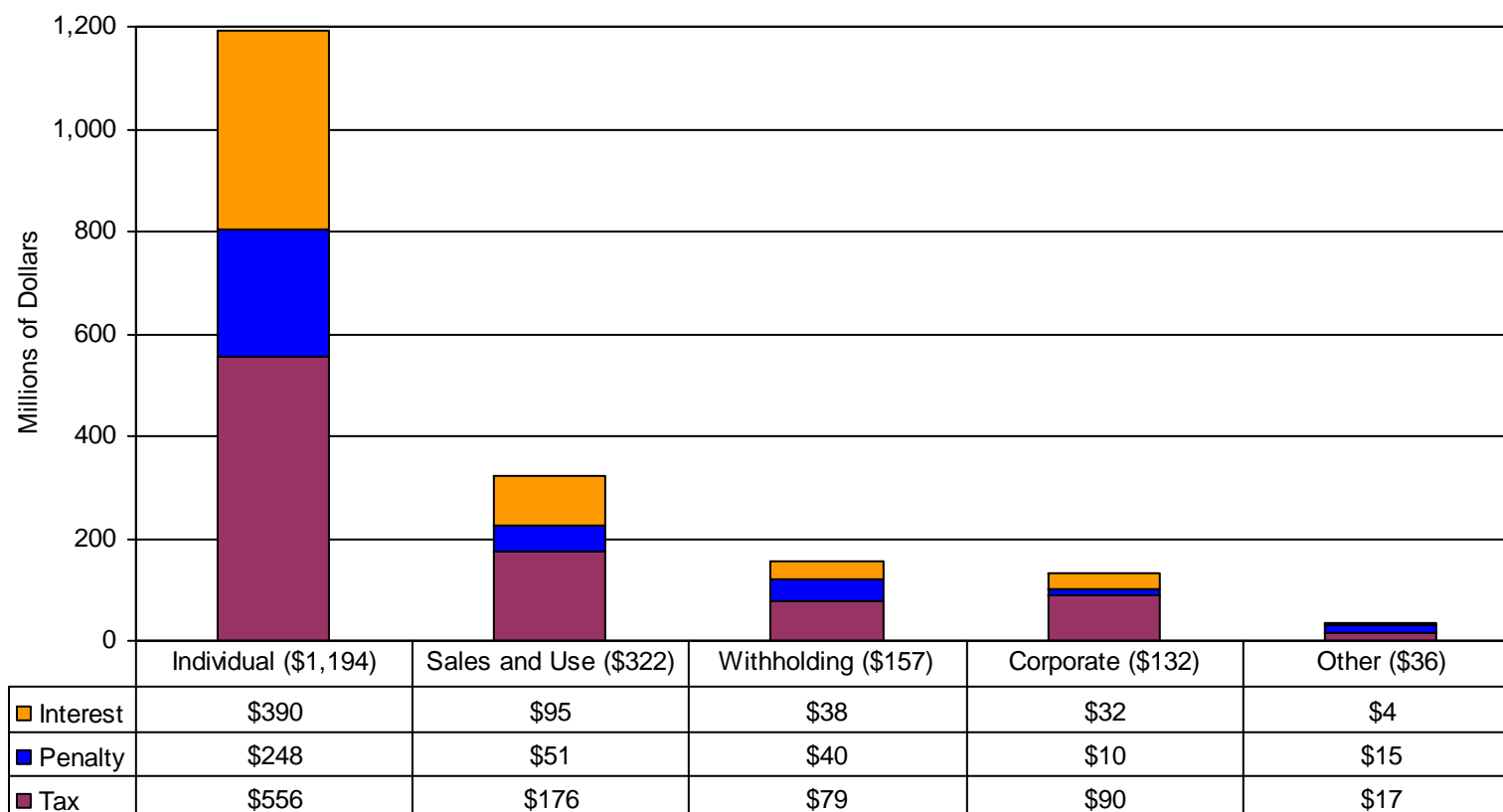
- As of December 31, 2010 receivables were \$1.8 billion
- Two Types of Receivables
 - Filer = taxpayer files tax return
 - Does not pay liability identified on tax return
 - Has error on tax return causing liability to be understated
 - Information on tax return is not consistent with federal or other third party data
 - Non-Filer = taxpayer does not file a tax return
 - Federal or third party data used to calculate amount owed
 - More difficult to collect
 - Represent approximately 45% of all receivables (\$843 million)
- Approximately \$1.1 billion (or 61%) in receivables are over 2 years old.
- \$120 million was collected during TAX Amnesty. (October - December 2009)
 - General Fund Revenue = \$102.1 million

Outstanding Receivables by Age as of December 2010

Millions of Dollars



Outstanding Receivables by Tax, Penalty, and Interest as of December 2010



Receivables – Write-Off Process

- Developing new process to write-off receivables
- Criteria will be based on several factors
 - Age of bill
 - Tax Type
 - Type of bill (filer vs. non-filer)
- Process will be reviewed by the Auditor of Public Accounts as part of the FY11 annual audit

Comparison of Collections – TAX vs Outside Collection Agency

- TAX has historically used Outside Collection Agencies (OCA) for accounts at least 90 days old
- In FY07, TAX outsourced the management of the OCA function to CGI
 - 3 employees managing the function reassigned to in-house collections efforts

Compliance Revenue (millions of dollars)

Fiscal Year	TAX	OCA (net of fees)	Total Compliance
2007	\$373	\$42	\$415
2008	\$489	\$34	\$523
2009	\$430	\$37	\$467
2010**	\$534	\$41	\$575

** Includes \$120 Million from Amnesty

Compliance Initiative

- Projected \$80 million in new revenue between FY09 and FY12
- Increased the Under Reporting and Non-Filer Tax Programs
- Received funding to hire 55 positions
 - 21 Desk Auditors
 - 8 Field Auditors
 - 15 Collectors
 - 11 for Support Areas (Technology, Customer Service, Processing)
- On pace to exceed revenue projection
 - Collected \$37.4 million between FY09 and FY10
 - Expect to collect \$50 million between FY11 and FY12

2011 Major TAX Activities

- Continue full implementation of Free File
- Governor's Commission on Government Reform and Restructuring
 - Transfer administration of revenue sources to TAX as approved by the 2011 General Assembly
 - Report to Commission on additional state revenues to transfer to TAX
 - Administer local Treasurer's pilot project and report to the Commission
- Implement legislation approved by the 2011 General Assembly
- Revise Agency website
- Visit our website at www.tax.virginia.gov