

Virginia Department of Taxation

Virginia Association of Assessing Officers 57th Education Seminar

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Tax Commissioner



Virginia Association of Assessing Officers

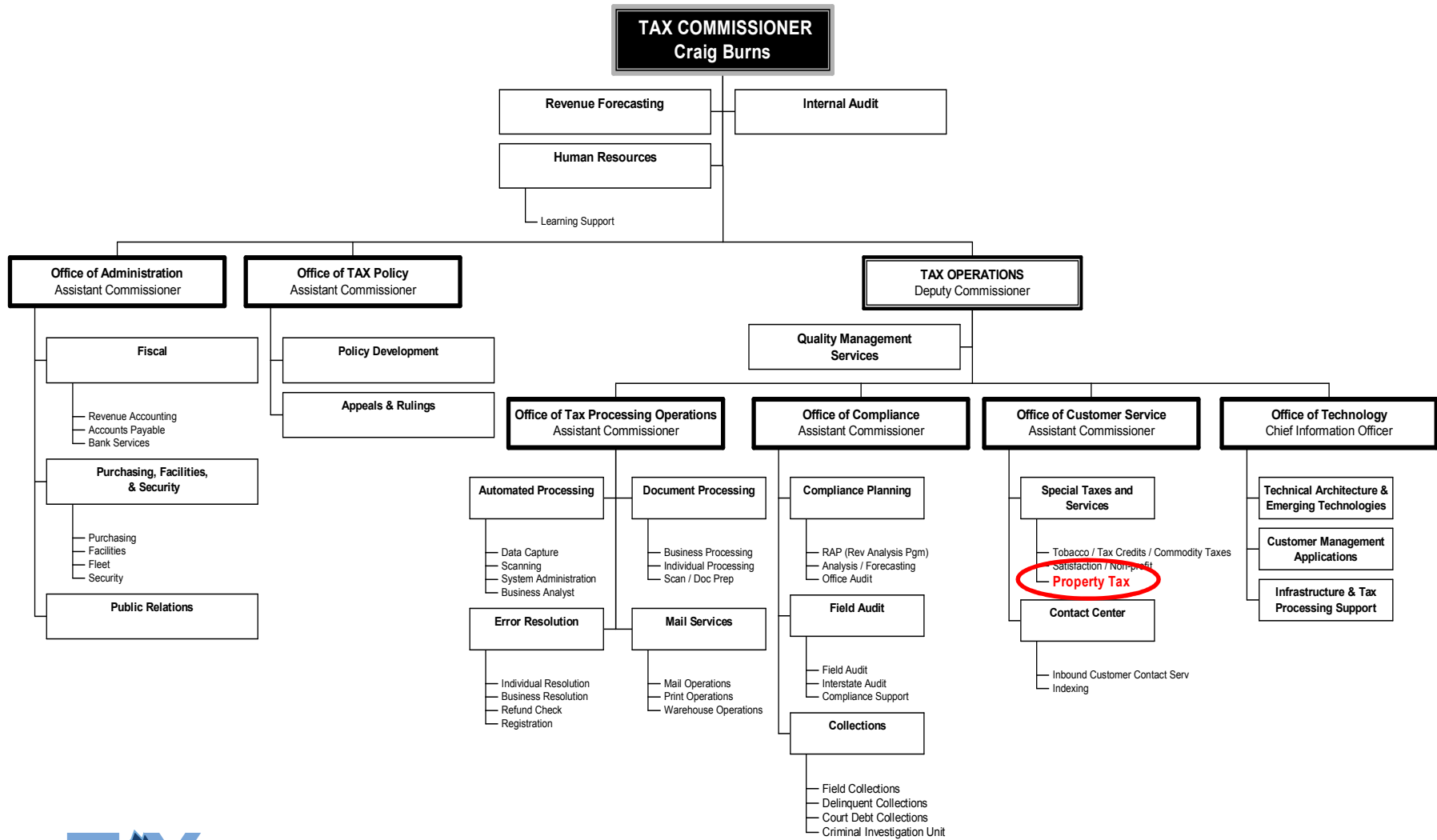
Overview of the Department of Taxation



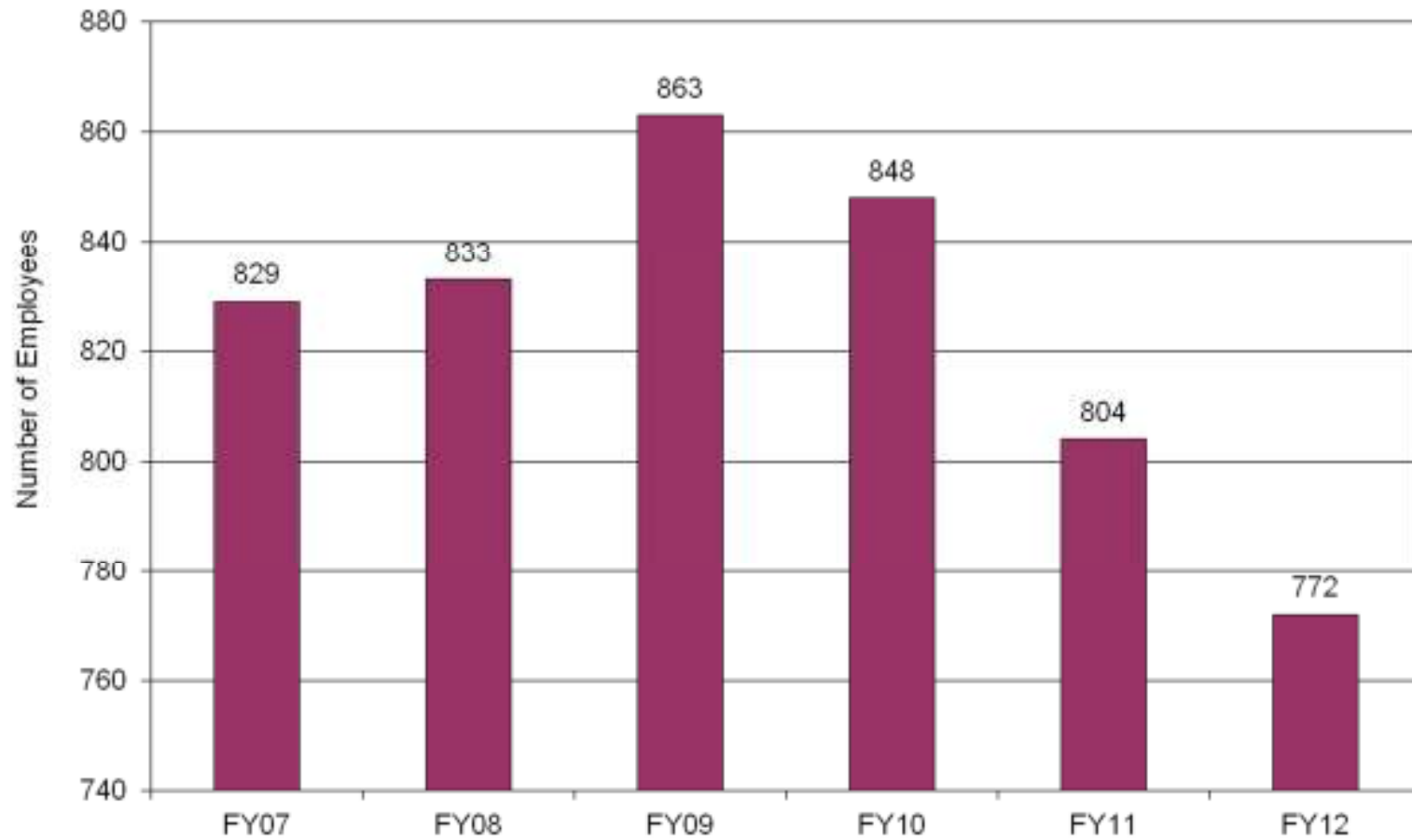
Department of Taxation

- Administer 35 state taxes, including:
 - Income – Individual and Corporate
 - Sales and Use
 - Miscellaneous excise taxes
- Serve approximately 5 million taxpayers
- During FY 2012, the Department of Taxation:
 - Collected \$18.8 billion in revenue
 - Issued \$1.7 billion in refunds
 - Distributed \$1.5 billion to localities
 - Sales & Use
 - Communications
 - Motor Fuels Sales Tax

Department of Taxation



General Fund Positions, June of Each Year



General Fund Appropriations, FY 2007 – FY 2012



Office of Tax Policy: Appeals and Rulings and Policy Development

- Appeals & Rulings Responsibilities
 - Administrative appeals of state taxes
 - Offers in compromise – doubtful liability
 - Rulings – established policy
 - Administrative appeals for BPOL and other local business taxes
 - BPOL advisory opinions
 - Litigation support for the Attorney General
- Policy Development
 - Support executive & legislative branches in developing tax policy
 - Legal research & support
 - Fiscal analysis of tax legislation
 - Agency legislative process & implementation
 - Executive and legislative studies
 - Regulation development & maintenance
 - Rulings - new policy
 - Reports

Office of Tax Processing Operations

- Responsible for the processing of all tax returns and payments (paper and electronic)
- Paper processing activities include mail opening and sorting, screening, document preparation, scanning and data capture of paper returns, correspondence and checks:
 - 4.5 million paper tax returns and vouchers processed
 - 2.5 million paper checks processed and deposited
 - 283,000 pieces of correspondence processed
 - 40 million pages scanned into an electronic image
- Electronic processing activities include the administration of several online and electronic return/payment systems:
 - 3.7 million tax returns and transactions processed electronically
 - 3.5 million payments received electronically
- Responsible for a number of projects in 2012 including requirements that:
 - Dealers file and pay sales taxes electronically
 - Corporations file and pay taxes electronically
 - Individual tax refunds be paid direct deposit or debit card

Office of Compliance: Desk Audit, Field Audit, and Collections

- Desk audit administers a number of individual and corporate compliance programs
 - Minimal face-to-face interaction
 - Much of the program is based on federal (IRS) information
 - Audits are from non-filer or under-reporter programs
- Field audit comprised of in-state and interstate auditor staff
 - In-state auditors are home-based and deal with Virginia-based businesses
 - Interstate auditors are located in Virginia as well as cities throughout the United States
 - Majority of auditor's time is spent in field work at the taxpayer's place of business
- Collections unit responsible for collecting all delinquent taxes
 - Staff office and field based: operate in a call center environment
 - Use outside collection agencies (OCAs) for older debt
 - Utilize third party liens (150,000 annually), memorandum of liens, and padlocking are some collection tools utilized
 - Court Debt Unit collects debts for 248 courts across Virginia

Office of Customer Services: Customer Service Contact Center

- The customer contact center is responsible for handling inbound customer contacts via multiple channels. FY 2012 contacts totaled:

– Telephone	544,270
– Voice Response Unit	167,587
– Live Chat	172,218
– Correspondence	125,517
– Secure Messages	12,406
– Email	9,733
– Walk-in	4,412

Office of Customer Service: Special Taxes & Services

- Administers a number of smaller taxes and provides various tax-related services
 - Railroad and Pipeline Assessment Unit: Assess all railroad and pipeline property in Virginia
 - Cigarette and Tobacco Taxes Unit: Compliance for tax codes and Master Settlement Agreement
 - Customer Satisfaction Unit: Process Offers-in-Compromise
 - Tax Credit Unit: Process all tax credits administered by the agency
 - Miscellaneous Tax Unit: Aircraft, Bank Franchise, Forest Products, and Commodities
 - Communication Taxes
 - Motor Vehicle Rental Taxes
 - Taxpayer Rights Advocate and Locality Liaison

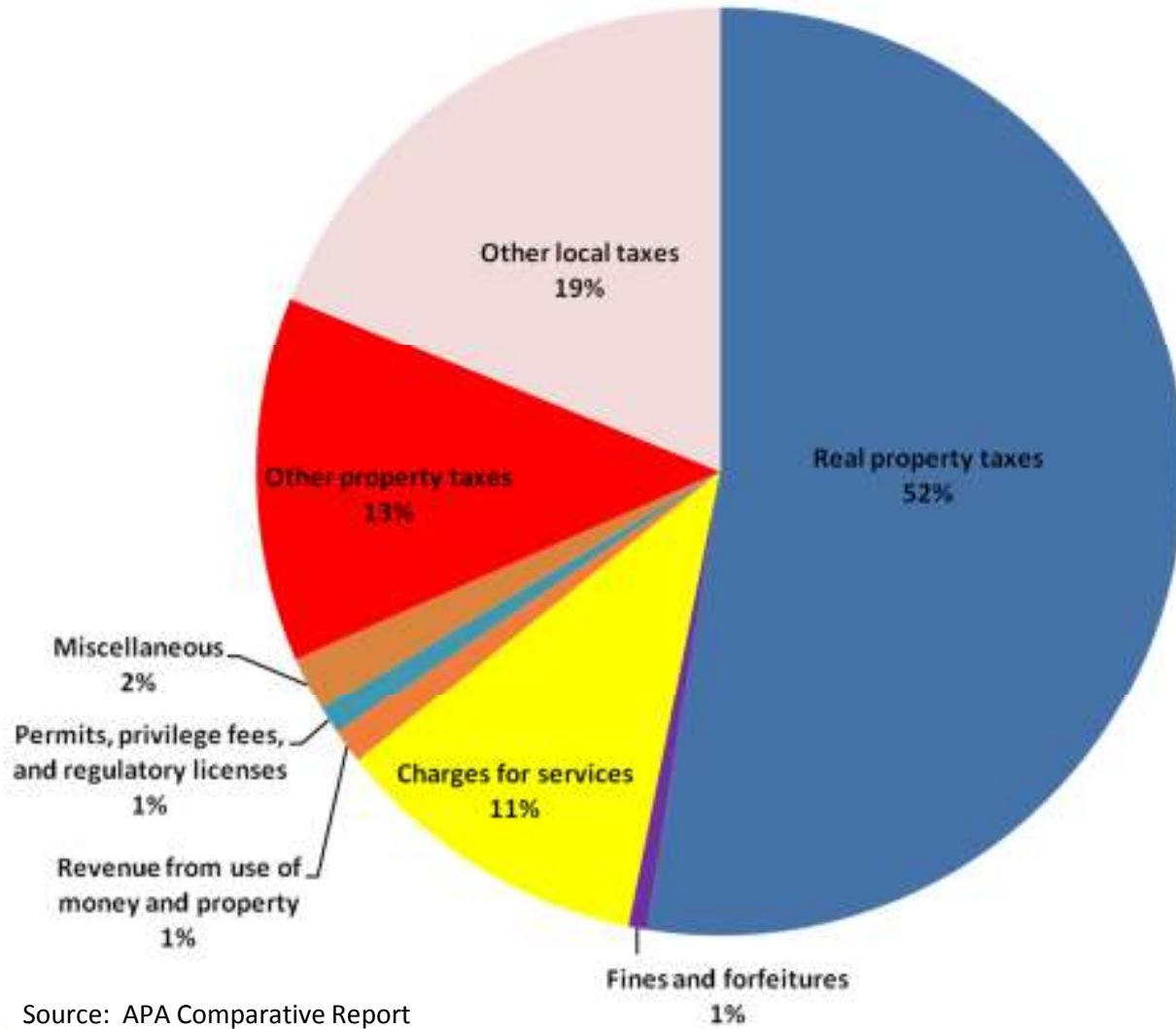
Office of Customer Service: Special Taxes & Services

- Advisory aid and assistance to local governments regarding real/personal property
 - Consultation with local governing bodies and staff on matters related to real and tangible personal property assessment and taxation
 - Opinions on the interpretation of applicable Code of Virginia provisions
 - Classification determination (real or personal property)
 - Assistance with property valuation and valuation (appraisal) review
- Qualification standards for staff assessors, supervisors, appraisers certification of contract/professional assessors
- Administration of the statewide Annual Assessment Sales Ratio Study

Office of Customer Service: Special Taxes & Services

- Real property assessment-related training
 - Boards of Equalization, Boards of Assessors
 - 45 to 55 local Boards are trained annually
 - Boards serve a crucial function and help ensure equalization while dealing with individual assessment challenges
- Administration of Annual Advanced Assessor School
 - Provides advanced instruction in assessment administration and training towards professional designations for Virginia assessing officers and staff
 - Eight IAAO classes at the most recent school at JMU
 - Attended by almost 200 students
 - School has gained national recognition
 - Students came from fourteen different states, including Arizona and Alaska
- Basic Real Property and Basic Tangible Personal Property Assessment/Taxation Training
 - Not offered recently

Sources of Local Revenue, FY 2011



Source: APA Comparative Report



Office of Customer Service: Special Taxes & Services

- Participation on State Land Evaluation and Advisory Council (SLEAC) which addresses the valuation of real estate in land use
 - Tax Commissioner serves as chairman, and the Department provides staff assistance – Nick Morris and Jason Hughes
- SLEAC participants include:
 - Dean of the College of Agriculture of Virginia Polytechnic Institute and State University (real estate devoted to agriculture/horticulture use)
 - Commissioner – Department of Agriculture & Consumer Services (real estate devoted to agriculture/horticulture use)
 - State Forester (real estate devoted to forestry use)
 - Director of the Department of Conservation and Recreation (real estate devoted to open space use)
 - Virginia Farm Bureau Federation (interested party)

Land Use Programs and SLEAC:

- The purpose of the program is:
 - To assure a readily available source of agricultural, horticultural and forest products and of open spaces within the reach of concentrations of population
 - To conserve natural resources and to protect adequate and safe water supplies
 - To preserve scenic natural beauty and open spaces,
 - To promote proper land-use planning and the orderly development of real estate
 - To ameliorate pressures which force conversion of such real estate to more intensive uses

Department of Taxation Operating Challenges

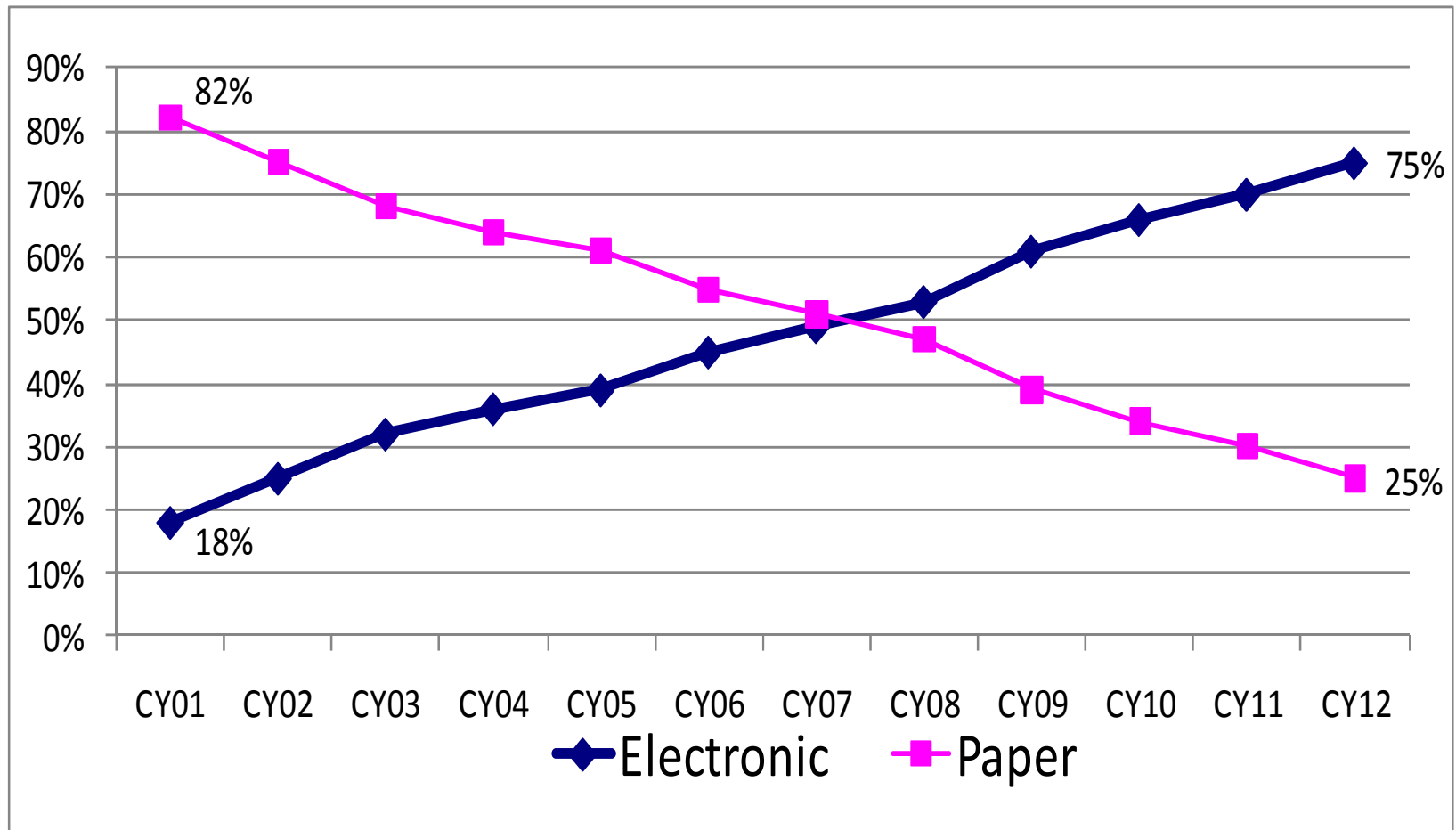
- Budgetary and staffing constraints will continue
 - Requires Department to optimize all channels to serve customers and collect revenues
- Allocating resources to develop new Internet-based solutions for
 - Filing and paying taxes
 - Registering businesses
 - Communicating
- New customer call center VOIP-based solution for 2013 filing season
- Reorganizations, consolidations, and service eliminations
- Large retirement-eligible pool of senior managers and employees

New Agency Website

The screenshot shows the Virginia Department of Taxation website. At the top, there is a navigation bar with "Virginia.gov" and links for "Online Services", "Commonwealth Sites", "Help", and "Governor". A search bar for "Search Virginia.gov" is on the right. Below this is a dark blue header with the "TAX" logo and "Virginia Department of Taxation". A secondary search bar is on the right. The main content area has a "Home" section with navigation buttons for "Online Services", "Individuals", "Businesses", "Forms", and "Site Tools". A "Sign In To Your Account" dropdown is on the left. A central banner features a computer mouse and a text box titled "Online Services" that reads: "The Virginia Department of Taxation offers a variety of online services to make filing and paying your taxes **fast, easy and secure.**". To the right of the banner is a sidebar with links for "About Us", "Working With Us", "News", "Your Opinion", "e-Subscriptions", and "Find out if your computer or browser is compatible with our online documents and applications." At the bottom of the banner are navigation arrows and a "Read about our privacy and security policies" link with a padlock icon. The footer contains copyright information and links for "Contact Us", "Web Policy", and "WAI Compliant".



Individual Income Tax Electronic versus Paper Filing, CY 2001 – CY 2012



CY 12 data is projected



Selected eFile-Related Initiatives Since 2010

Initiative	Description
W-2's	<ul style="list-style-type: none"> Employers file electronically: <ul style="list-style-type: none"> More than 150 employees (effective January 2010) More than 50 employees (effective January 2011)
Employer Withholding	<ul style="list-style-type: none"> Semi-weekly filers file electronically (effective July 1, 2011)
Individual Income Tax	<ul style="list-style-type: none"> Tax preparers who prepare 50 or more returns must file electronically (effective January 2012)
Individual Income Tax	<ul style="list-style-type: none"> Eliminate mailing of individual income tax forms and instructions to taxpayers – provide upon request (effective January 2012) Reduce mailing individual income tax forms and instructions to local offices (effective January 2012)
Sales and Use Tax	<ul style="list-style-type: none"> Consolidated filers file electronically (effective July 20, 2010 return) Monthly filers file/pay electronically (effective August 20, 2012 return) Quarterly filers file/pay electronically (effective October 20, 2013 return)
Corporate Income Tax	<ul style="list-style-type: none"> Estimated payments paid electronically (effective January 2013) Corporate returns filed electronically (return due April 15, 2013)



Office of Technology

- Enhance and Maintain TAX's technical environment consisting of:
 - 90 custom/customized applications
 - 146 Off the shelf products
 - 204 databases & 100 terabytes of storage
 - 401 servers
 - 1,241 workstations
- Staff of approximately 100 developers, engineers, analysts, contractors and system administrators
- Active Projects
 - VOIP – replacement of telephony with Voice over Internet Protocol technology
 - Legislative Implementation for Business and Individual taxes – including debit cards for refunds, mandated electronic filings, several job creation tax credits, etc
 - Maintain current versions and the vendor support on approximately 2,000 pieces of hardware and software
 - Website Redesign - revamping content management to improve ease of updating the site
 - Integration with Cardinal for Commonwealth revenue reporting

Virginia Association of Assessing Officers

2012 Legislation Affecting Assessing Officers

2012 Legislation Affecting Assessing Officers

Bill(s)	Description
HB 80	<ul style="list-style-type: none"> This bill added section 58.1-3284.3 which would require the assessor to consider the Inventory Map prepared by the U. S. Fish and Wildlife Services in making a determination of wetlands when there is a disagreement between the assessor and taxpayer. The bill also requires that wetlands be listed separately on the land book when requested by the taxpayer. This is already an option under section 58.1-3666 of the code.
HB 81	<ul style="list-style-type: none"> This bill amends section 58.1-3230 of the Code to state “prior, discontinued use of property shall not be considered in determining its current use” in land use valuation.
HB 190	<ul style="list-style-type: none"> This bill amends section 58.1-3219.7 which outlines an appeal procedure for applicants of the Disabled Veterans Tax Relief Program. This process is to be set up with the Commissioner of the Revenue or other assessing official in conjunction with the Commonwealth’s Commissioner of Veterans Services and to be administered by the Department of Veterans Services. Opinions can also be issued for the Commissioner of the Revenue or other assessing official and the appeals are for qualifying for the program only, not for the appeal of value.
HB 408	<ul style="list-style-type: none"> This bill amends section 58.1-3212 of the Code that removes the current language “ Income shall include only those sources of gross income that are subject to tax under federal income tax laws, regulations, rules and policies “. This was to make the administration of the elderly and disabled tax relief program more manageable.

2012 Legislation Affecting Assessing Officers

Bill(s)	Description
HB 933, SB 22, and SB 540	<ul style="list-style-type: none"> • These bills amend section 58.1-3219.7 of the Code to include under the exemption for qualifying veterans covered under the Veterans Real Estate Tax Exemption Program (1) property that is held in an revocable inter vivos trust (2) when the qualifying veteran or spouse is absent from the house for medical reasons (3) property purchases after January 1 to be prorated (4) property of veterans qualifying after January 1 shall be shall be prorated.
SB 73 and HB 1073	<ul style="list-style-type: none"> • These bills amends section 58.1-3295.1 of the Code that addresses the appeal of apartment property consisting of more than four units. The legislation requires the BOE to CONSIDER, not use, the actual income and expenses in making their final determination on the property value. This requirement does not apply when (1) such real property has been sold since the previous assessment, in which case the board may consider the sales price (2) improvements on the property are being constructed or renovated, in which case the board may consider the market value of such property (3)the value arrived at by the income approach is not otherwise in accordance with generally accepted appraisal practices and standards prescribed by the IAAO, in which case the board may consider the market value of such property

Virginia Association of Assessing Officers

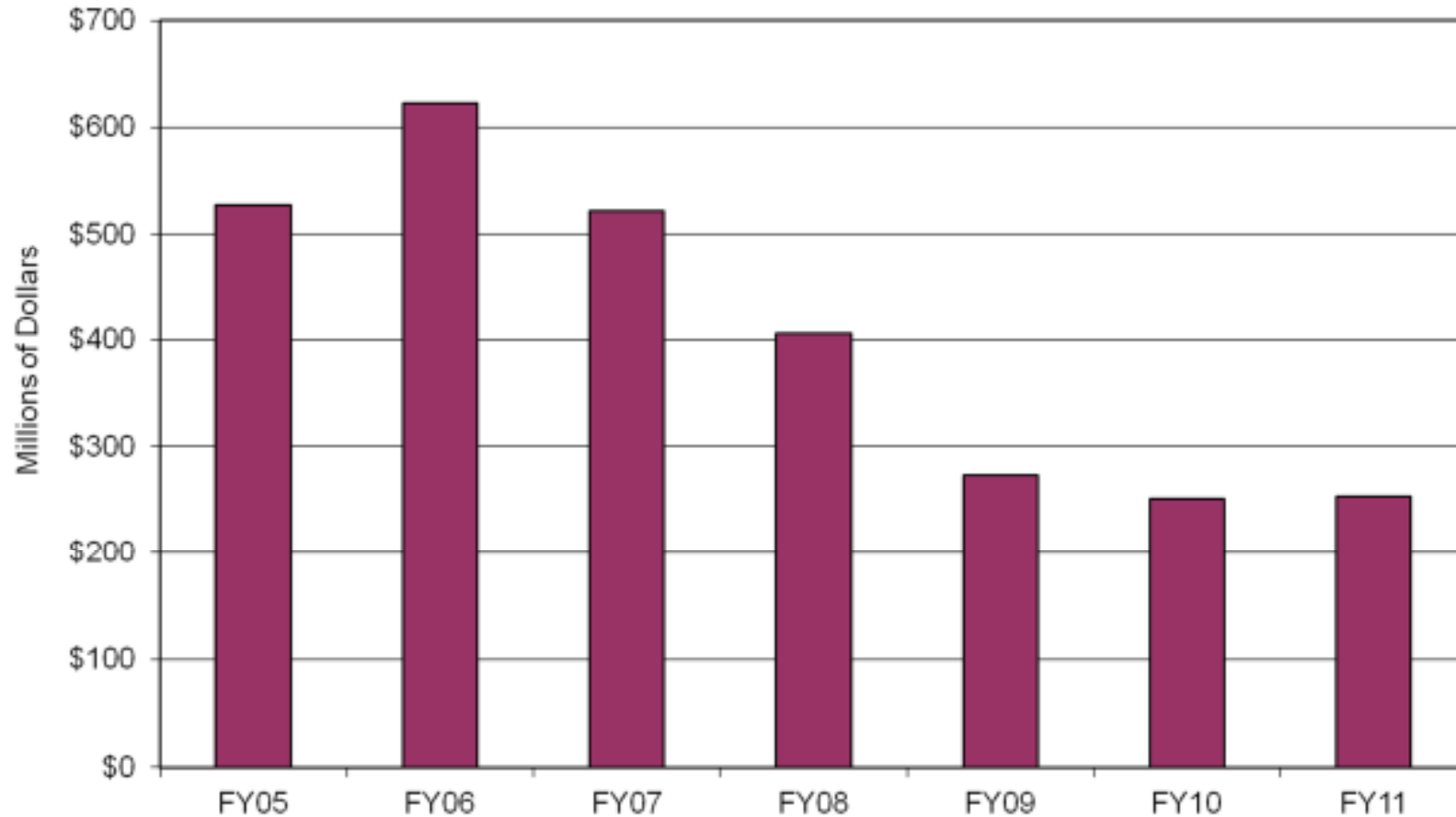
Status of Virginia's Revenue, Economic and
Budget Outlook

Growth in Total General Fund Tax Revenues
Fiscal Year 1961 - Fiscal Year 2011
(Nominal - Actual Dollars)

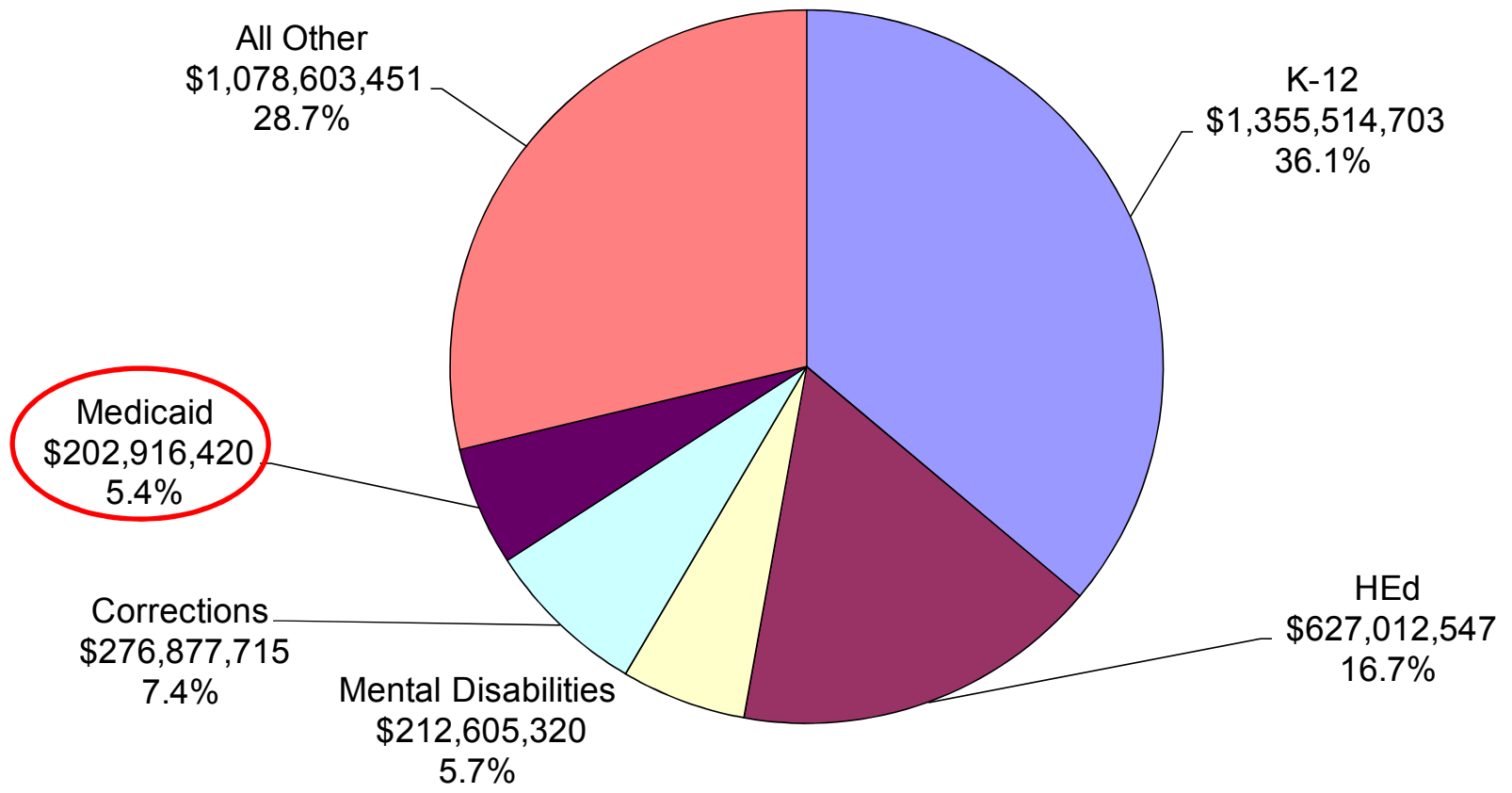
<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>	<u>FY</u>	<u>Total Revenues</u>	<u>Growth</u>
61	230,998,887	-	86	4,131,778,000	9.0%
62	242,144,567	4.8%	87	4,590,434,000	11.1%
63	286,304,265	18.2%	88	5,054,382,000	10.1%
64	298,033,919	4.1%	89	5,478,912,000	8.4%
65	323,213,412	8.4%	90	5,494,884,000	0.3%
66	365,129,776	13.0%	91	5,471,879,000	-0.4%
67	414,755,644	13.6%	92	5,623,213,000	2.8%
68	533,597,744	28.7%	93	6,133,637,000	9.1%
69	706,254,374	32.4%	94	6,503,368,000	6.0%
70	743,721,322	5.3%	95	6,881,145,000	5.8%
71	807,954,651	8.6%	96	7,356,110,000	6.9%
72	922,653,686	14.2%	97	7,949,327,000	8.1%
73	1,054,469,443	14.3%	98	8,773,520,000	10.4%
74	1,168,562,871	10.8%	99	9,702,747,000	10.6%
75	1,303,178,893	11.5%	00	10,788,482,000	11.2%
76	1,428,421,157	9.6%	01	11,105,275,000	2.9%
77	1,636,301,819	14.6%	02	10,678,954,000	-3.8%
78	1,923,085,084	17.5%	03	10,867,149,000	1.8%
79	2,115,211,522	10.0%	04	11,917,867,000	9.7%
80	2,344,928,934	10.9%	05	13,687,252,000	14.8%
81	2,579,663,941	10.0%	06	14,834,298,000	8.4%
82	2,796,458,741	8.4%	07	15,565,827,000	4.9%
83	2,975,687,935	6.4%	08	15,766,951,000	1.3%
84	3,397,710,261	14.2%	09	14,315,060,000	-9.2%
85	3,790,816,000	11.6%	10	14,219,477,000	-0.7%
			11	15,040,200,000	5.8%

NOTE : Total Revenues exclude transfers.

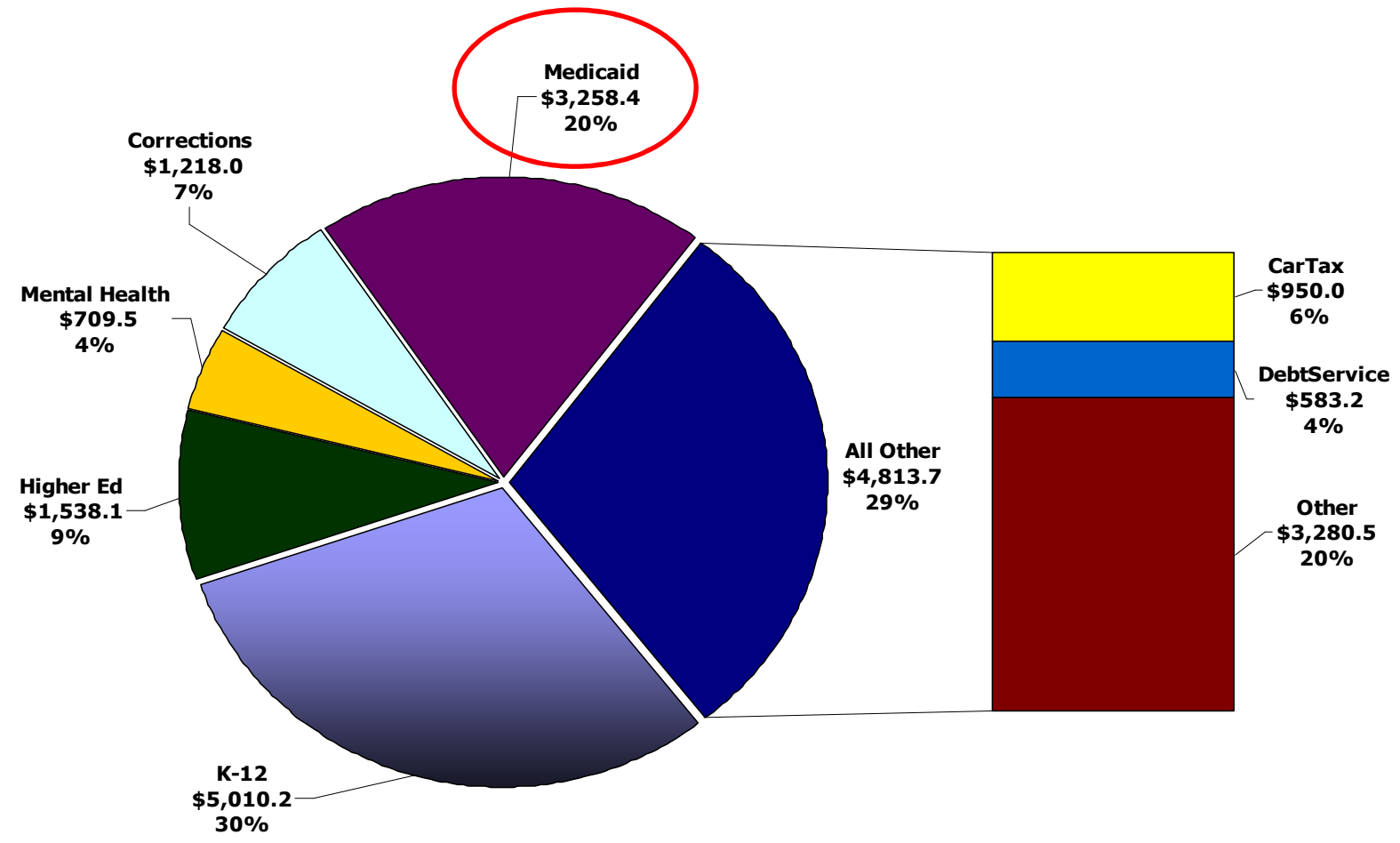
Recordation Tax Collections, FY 2005 – FY 2011



State Budget Drivers, FY 1982



State Budget Drivers, FY 2012



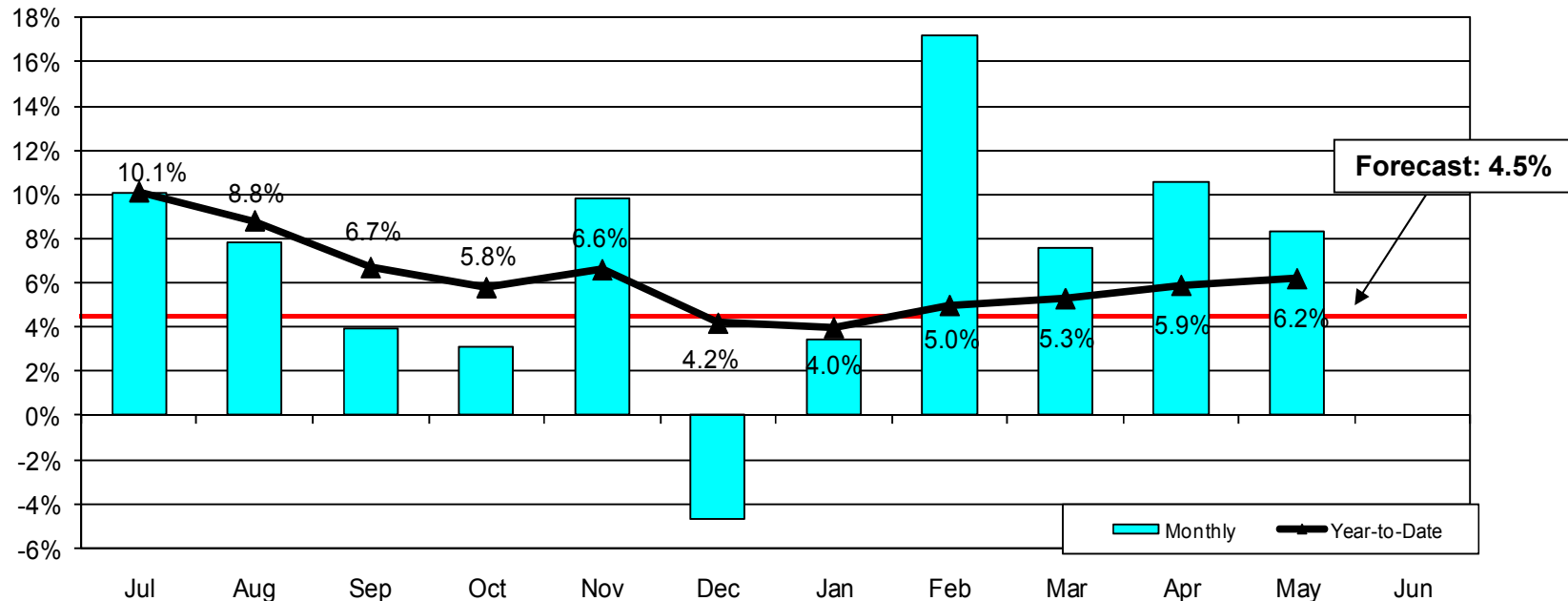
National and State Economic Indicators

- Current national indicators show that the economic recovery is slowing
- According to the final estimate, real GDP grew at an annualized rate of 1.9 percent in the first quarter of 2012, down from 3.0 percent in the fourth quarter of 2011
- Labor market growth further slowed in May, as employers added only 69,000 jobs
- The national unemployment rate remained at 8.2 percent in June
- Initial claims for unemployment fell by 14,000 to 374,000 during the week ending June 30
- In May, payroll employment in Virginia grew by 1.2 percent from May of last year
- The unemployment rate in Virginia rose slightly from 5.4 percent to 5.5 percent in May

National and State Economic Indicators

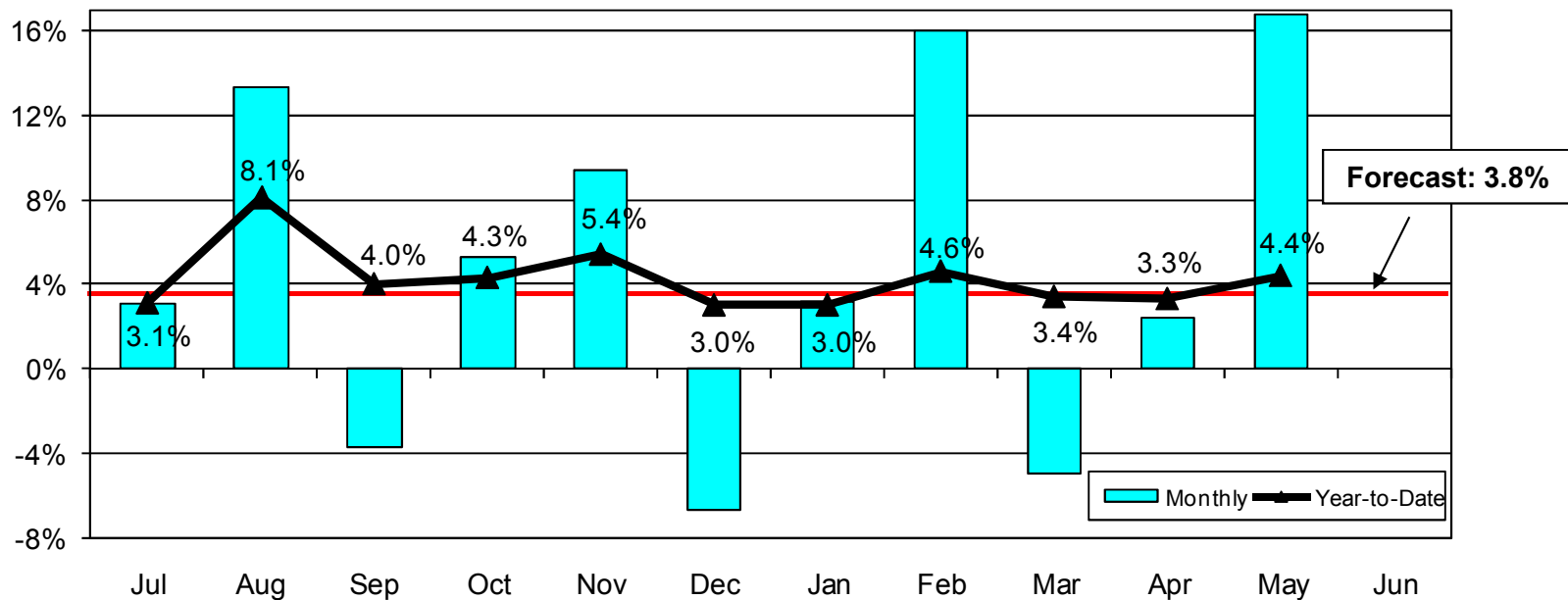
- According to RealtyTrac, U.S. foreclosure activity for May declined 4.0 percent from May 2011
 - One in every 639 U.S. housing units received a foreclosure notice in May
 - In Virginia, one in every 1,197 households received a foreclosure notice
- The manufacturing sector contracted in June, as the Institute of Supply Management index decreased from 53.5 to 49.7
 - This is the first time it has fallen below the expansionary threshold of 50.0 since July 2009
- The Conference Board's index of leading indicators rose 0.3 percent in May
- The Conference Board's index of consumer confidence fell by 2.4 points in June to 62.0, its fourth consecutive decline
- The CPI was fell 0.3 percent in May and stands 1.7 percent above May 2011
 - Core inflation (excluding food and energy prices) rose 0.2 percent in May, and has increased 2.3 percent from May 2011
- At its June meeting, the Federal Reserve reaffirmed that the federal funds rate target was going to remain unchanged at 0.0 to 0.25 percent

Growth in Total General Fund Revenues, FY 12 Monthly and Year-to-Date



- On a year-to-date basis, total revenues increased 6.2 percent through May, ahead of the annual forecast of 4.5 percent growth
 - Adjusting for the accelerated sales tax (AST) program, total revenues grew 6.2 percent, ahead of the economic-base forecast of 4.7 percent growth

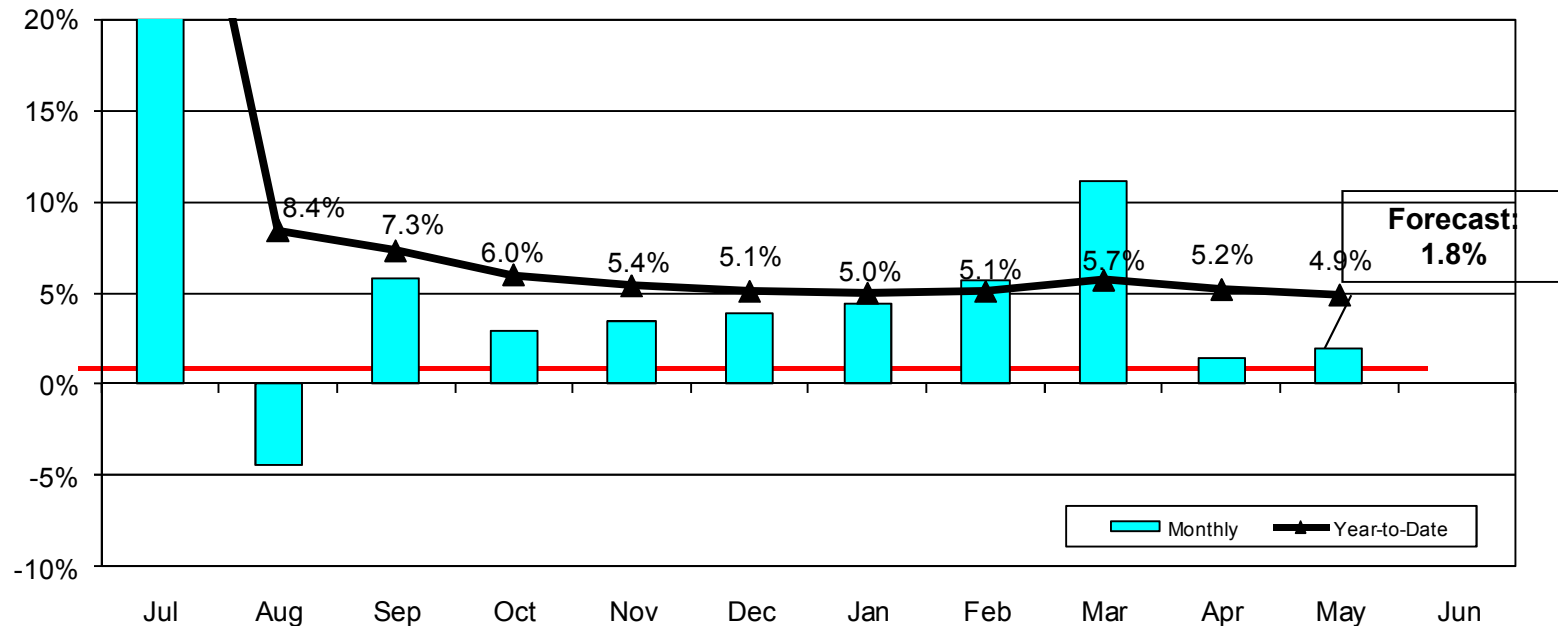
Growth in Withholding Tax Collections, FY 12 Monthly and Year-to-Date



- Collections of payroll withholding taxes increased 16.8 percent in May
- Year-to-date, withholding collections grew 4.4 percent compared with the same period last year, ahead of the projected annual growth rate of 3.8 percent

Growth in Sales Tax Collections, FY 12

Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting April sales, rose 2.0 percent in May
- On a year-to-date basis, collections grew 4.9 percent, ahead of the annual estimate of a 1.8 percent increase
 - Adjusting for AST, sales tax collections grew 3.5 percent through May, ahead of the economic-base forecast of a 2.5 percent increase

Summary of Fiscal Year General Fund Revenue Collections, July through May

Major Source	As a % of Total Revenues	Percent Growth over Prior Year				
		YTD Actual	Annual Estimate	Variance	June Req'd to Meet Est.	Prior Year June
Withholding	63.6 %	4.4 %	3.8 %	0.6 %	(1.8) %	4.9 %
Nonwithholding	15.6	9.6	12.6	(3.0)	33.9	16.8
Refunds	(12.3)	(4.9)	3.3	(8.2)	240.0	(26.0)
Net Individual	66.9	7.4	5.9	1.5	(7.4)	10.5
Sales	19.5	4.9	1.8	3.1	(16.1)	(3.8)
Corporate	5.3	5.1	0.7	4.4	(15.1)	13.9
Wills (Recordation)	2.1	10.3	10.8	(0.5)	15.6	(3.6)
Insurance	1.8	(13.4)	2.0	(15.4)	29.5	1.7
All Other Revenue	4.4	(1.2)	0.7	(1.9)	11.0	(3.0)
Total	100.0 %	6.2 %	4.5 %	1.7 %	(6.8) %	5.6 %

Sales (x AST)	3.5 %	2.5 %	1.0 %	(8.8) %	6.6 %
Total (x AST)	5.9 %	4.7 %	1.2 %	(4.7) %	8.5 %

