

## Agency Strategic Plan

Department of Taxation (161)

3/13/2014 10:09 am

Biennium: 2010-12 ▾

## Mission and Vision

**Mission Statement**

The Virginia Department of Taxation's mission is to serve the public by administering the tax laws of the Commonwealth of Virginia with integrity, efficiency, and consistency.

**Vision Statement**

TAX believes in putting our customers first in everything we do, setting our performance as the benchmark for business and government, and creating an agency culture based on trust, fairness, and mutual respect.

## Agency Values

- Integrity
- Continuous improvement
- Teamwork

## Executive Progress Report

**Service Performance and Productivity**

- *Summary of current service performance*

The Department of Taxation is by far the largest collector of general fund revenues for the Commonwealth. The revenue collected by the Department of Taxation is essential to the funding of state agencies, and impacts every citizen of the Commonwealth. Without this revenue there would be inadequate funding for state services like education, health and human services, and public safety. Consequently, the agency diligently executes the duties with which it is charged by the citizens of the Commonwealth: in FY2009, TAX collected more than \$16.97 billion in revenue, and issued more than \$1.97 billion in refunds.

During FY2009, a record 2 million individual taxpayers, an increase of 10%, used the Joint Federal State filing program to fulfill their annual Virginia filing obligations. In addition another 13.4 million customer interactions occurred using TAX's Web site. These included, but are not limited to, downloading tax forms, filing returns electronically, making payments using EFT and credit cards, use of secure e-mail, and entering into payment agreements using self-service systems. The agency believes that there are a growing number of customers who are computer literate and expect (and will continue to expect), that they can review, ask questions, get a better understanding of, and otherwise manage their tax obligations to the Commonwealth online in a highly secure environment 24 hours a day seven days a week. TAX believes that meeting these growing customer expectations at the lowest possible cost is the best approach to meeting the TAX Vision of "Placing the customer first in everything we do."

Tax Processing Operations activities primarily include the manual and automated processing of all returns and payments through various paper and electronic channels. It also includes imaging inbound correspondence, printing and mailing outbound correspondence, registering new businesses, designing and publishing tax forms and instructions, correcting return and payment errors, reissuing refund checks, and managing mail services and warehouse operations. Over 10 million returns and payments were processed in calendar year 2008; 44% through an electronic channel and 56% through paper. Over 4 million letters, liens, and assessments were mailed in FY2009.

Customer Service processes involve interacting with customers, maintaining accounts, and responding to customer inquiries. Registering businesses and assisting customers who have difficulty paying their tax bills are also included in this area. These processes use all the available channels to exchange information and provide the best service possible to TAX customers. Current service targets measure the number of phone calls handled and the turnaround time for incoming correspondence. The target for phone calls is a service level of at least 87%, while the turnaround time for correspondence should be no greater than 25 business days. During FY2009 TAX received 687,745 telephone calls and 168,574 letters.

Compliance processes identify TAX customers who have become noncompliant. These are customers who are either underreporting their tax obligations or not paying their reported tax liabilities. This area also helps bring customers into compliance and identifies recurring issues. Collections of compliance revenues were \$464.75 million in FY2009. The Court Debt Collection Unit provides services on request for Virginia's courts to collect delinquent court fines and fees. Collection of court fines reached a new high in FY2009, totaling \$35 million. TAX began participating in the Treasury Offset Program in FY2004. Collections for FY2009 were \$16 million.

Policy Development, Revenue Forecasting, and Appeals and Rulings processes include developing and implementing tax policy for the benefit of Virginia TAX customers, employees, and stakeholders, revenue forecasting and estimating, formal appeals of audit assessments, and requests for rulings. Policy Development has implemented a database to create and manage fiscal impact statements and legislative action summaries, and track legislation for the agency. This database has streamlined the process by eliminating paper, having an electronic approval system, and having the information in one place, easily accessible for users. Policy Development has committed to reviewing all TAX regulations and, over the next three years, to repeal all unnecessary regulations and to bring the remaining TAX regulations into compliance with tax law and policy changes. TAX is responsible for forecasting the Virginia official economic outlook, the General Fund Revenue forecast, the Commonwealth Transportation Fund forecast, and the DMV Special Fund forecast.

Employment was forecast to decline 0.6% statewide in FY2009, but the preliminary actual decline was 1.4%. Personal income was forecast to increase 2.1%, while the preliminary actual increase was 2.3%. General Fund revenues declined by 9.2%, while the official revenue forecast called for a 7.3% decline. This larger-than-projected decline caused a \$298.8 million revenue shortfall. The two largest revenue sources – net individual income and sales and use taxes – were short a combined \$273.6 million, or 92% of the total revenue shortfall. The Commonwealth Transportation Fund was expected to decline 1.5%, and actual collections declined 2.7%. The Department of Motor Vehicles' Special Fund collections increased by 9.0% versus the official forecast of 7.5% growth.

- *Summary of current productivity*

- e-Government
  - Over 4.6 million individual and business returns were filed electronically, eliminating the need to receive and process paper returns.
  - Over 50% of all Individual Income tax and Employer Withholding tax returns were filed electronically.
  - Over 70% of all tax deposits (totaling more than \$12.4 billion) were made using Electronic Funds Transfer.
  - 51% of all new businesses registered online last year, eliminating a long and complex paper process.

#### Tax Processing Operations

- 98% of all electronically-filed individual refund returns were issued within 12 days.
- Over 2.3 million tax payments were processed electronically, eliminating the need to process checks.
- Over 50 million pages are imaged annually, allowing instant access by all agency staff and eliminating the need to store paper documents for archive.

#### Customer Relationship Management

- Individual and Business phones service levels have achieved an average service level of 89.81% for the last two years.
- Correspondence turnaround time was reduced by 50% from 2008 to 2009.
- Average correspondence response time has been reduced to 13.19 business days, which is substantially less than the 25 day turnaround objective.

#### Compliance

- During FY2009, Compliance revenues of \$467.75 million exceeded the goal by 2.78%.
- During FY2009, TAX mailed an average of 10,950 liens per month, up from an average of 6,000 liens per month during previous years.

### Initiatives, Rankings and Customer Trends

#### • Summary of Major Initiatives and Related Progress

##### Telework Program

Since 2006 TAX's telework program has been and continues to be the Commonwealth's model for successful telework program implementation. In 2006, Governor Tim Kaine issued an Executive Order establishing the Office of Telework Promotion and Broadband Assistance. The goal of this executive order for all state agencies was to have at least 20% of their workforces teleworking by 2010. Today, TAX exceeds this goal by nearly 40%. Currently, 59% of the workforce, or approximately 643 employees, participate in the program. About 46% of these employees telecommute one day per week while 54% work from home daily.

In order to study the long-term effects of full-time telecommuting, 14 Customer Services and Data Capture employees were sent home to work in November 2006. These studies showed that employees working from home are more productive and thus more valuable to the agency. After the agency studied a series of 10 groups deployed in 2007, TAX further ascertained that increased productivity occurred for one-day-per-week telecommuters as well. Today, more than 643 employees telecommute at least one day per week.

The Department of Taxation's telecommuting population continued to evolve. After the first expansion in 2007, 25% of TAX's workforce was home-based and 32% were one-day-per-week telecommuters. At this point, the agency decided to continue aggressively expanding the initiative, but in a new way – by home basing even more employees. Since January 2008, the agency has home-based over 100 additional members of its staff. As of the end of September 2009, 13 more will be working from home full-time.

TAX has seen increasing benefits from the program since inception. Not only has the productivity and morale of employees increased while at home, but the savings to the agency has become significant. For example, savings to the agency are not limited to the reduction in office space and parking needs. Cheaper phone line and Internet rates are estimated to save TAX about \$10,000 annually.

Teleworking also enables TAX to be more prepared for an emergency. In the event of a pandemic flu outbreak, power outage, or other emergency, TAX will still be able to function, as the majority of personnel will be able work from home. TAX validated its projected emergency preparedness on October 31, 2008 when its 2220 West Broad Street site experienced a major power outage. All of the office computers in the Customer Service Contact Center went down as a result of this outage. However, as projected in emergency situations, the customer service levels were maintained due to the large population of home-based workers able to answer incoming calls.

Improved air quality, reduced energy usage and less traffic congestion are also benefits attributed to teleworking. On the August 3, 2009 Statewide Telework Day alone, TAX employees saved an estimated \$14,512 and 19,289 pounds of pollutants. Annually, teleworking saves employees more than 45,000 gallons of fuel. Not only are these benefits for the employees, but also for Virginia's citizens and the state's transportation budget. TAX's telework program won the 2008 Digital Government Achievement Award. TAX's plan was recognized for its achievements in ease of access and efficiency of internal delivery of services. Later that year, TAX also won the 2008 Governor's Technology Award for the best public sector telework initiative.

##### TAX Academy

As a key component of our workforce development strategy, TAX endeavored to change our approach to how we utilize entry level operational staff, specifically those who support the agency's error resolution, customer service, collections, and office/desk audit functions. Instead of recruiting workers to learn a specific tax type or operational area, we wanted to develop a more flexible worker who would possess a broader and deeper knowledge of tax operations and tax administration.

These knowledgeable and competent employees would provide better one-stop service to customers and they could be easily reassigned as needed to core areas of the agency requiring minimal additional training. To achieve this vision, a TAX Academy program was established which, after a year, has already proven its value to the agency.

TAX Academy is a comprehensive program that includes both instructor-led classroom sessions and independent self-study courses, utilizes technology to support learning and provides hands-on, real world practice of job tasks for four core roles in the agency: Error Resolver, Customer Service Representative, Collection Representative and Tax Examiner. Upon completion of this program, the employee, having come to the agency with no prior tax knowledge, should be able to proficiently and competently perform the core duties of all four of these positions.

The group has already proven its value to the agency as a flexible workforce. The on-the-job rotation into the Collections area was scheduled for a two-to-four week period but, due to the revenue needs of the Commonwealth, was extended to three months until additional collections staff could be hired and trained.

The TAX Academy group easily transitioned into the collections role and, because of their experience in learning other core areas of TAX, was also able to resolve other account issues that the typical collection representative did not have the knowledge to address. This reduced additional future contacts by the taxpayer. During their Collections assignment, they handled over 20,000 calls. Because of the call volume, they were even asked to handle business collections calls during their last month of assignment and they were able to learn the new requirements and respond quickly to meet this need.

Since this is only the first group of TAX Academy employees, the agency will be analyzing the process and results of the first class when it has ended and using those lessons learned in designing future classes.

#### TAXi

One of the Tax Commissioner's three most important initiatives, TAXi, went live in September of 2007.

TAXi, TAX's new agency intranet, is an important tool that has completely changed and revitalized the way TAX communicates, as well as significantly reduced the amount of paper used by employees, making the agency both more efficient and more environmentally-conscientious.

For example, the agency's old newsletter, Vision, which helped to spread the news about improvements and innovations throughout the agency and help employees get to know about one another's work, came out monthly when it was printed on paper.

Now, TNN (TAXi News Network), a site on TAXi, is updated at least weekly, enabling the agency to hear about important happenings sooner, and making the agency's environmental impact much smaller, as a newsletter no longer has to be printed out and distributed to every TAX employee.

Additionally, internal forms and reports can now be shared digitally through the intranet, and can now even be filled out and submitted online rather than being printed and returned.

Discussion boards on TAXi facilitate discussion without the pitfalls employees generally face with long e-mail chains, such as forgetting to archive important information, or leaving someone off an e-mail list who needed specific information. Discussion boards are searchable, so information that has been shared is easier to find.

Each area of TAX has its own page, and when an employee needs to find information or documentation from another area, all she has to do is open TAXi and find that area's page.

Finally, a "People Search" function enables employees to quickly find the phone number or office location of someone else in the agency with whom they need to consult. They can also review that employee's telework schedule, and the phone number at which that employee can be immediately reached if teleworking.

TAXi has made agency communication so much more efficient that it is now an integral part of the work lives of TAX's employees.

#### Future Visioning Initiative

As the state agency charged with the stewardship of the funds of the Commonwealth, TAX's ultimate goals are the effective collection of revenue and increasing voluntary TAX compliance among both individuals and businesses. But TAX has many other goals as well. In 2007, the agency focused on how it might change course to adapt more quickly and effectively to the growing needs and demands of its customers, as well as in implementing new tax-related legislation enacted each year by the General Assembly. TAX's "Future Visioning Initiative" was the result. Visioning was designed to be an organic process involving a group of people from all over the agency who work together to identify needs and real-life solutions.

The four major concepts the Visioning teams have been working are: 1) increasing e-interactions between the agency and its customer bases, 2) making the agency more multi-lingual in its interfaces with the public, 3) initiating school-outreach opportunities to educate students about TAX, and 4) employee satisfaction. In the summer of 2009, a small "Vision in Motion" team was formed to help with keeping the ideas flowing and the implementation of concrete ideas on track.

Here are some of the projects that have been or are being implemented:

- E-interactions
  - o A new team formed to produce videos to promote electronic filing, Virginia's sales tax holidays, and other topics. Phil Mousepower, a hand-puppet mouse, became the spokesman, and the videos were posted on TAX's YouTube account. The agency also created Facebook and Twitter accounts to broaden its communication opportunities.
  - o The agency implemented a new Web Upload system that lets taxpayers and tax professionals efficiently upload multiple sales tax and employee withholding tax returns in bulk.
  - o TAX implemented a new Live Chat service that lets individual and business taxpayers chat online in real time with TAX customer service reps.
  - o Any taxpayer can subscribe to an E-Subscription service whereby they will receive regular e-mail communications – such as reminders, updates or changes – about the tax types that interest them.
- Multi-lingual Communications
  - o TAX produced and distributed a Spanish version of an existing brochure informing small businesses about all available electronic services, and implemented a Google translation tool that makes its Web site multi-lingual. Site information can now be instantly translated into seven languages: Spanish, Korean, French, Korean, German, Italian, and Japanese.
- School Outreach
  - o TAX participated in MegaGenesis, a large education fair in Newport News.
  - o TAX Connections, a new page available through the agency's Web site, was posted to help educate students about the various taxes the agency administers.
- Employee Satisfaction
 

The team initiated a new Intranet site all about the people of TAX. The People Matter – Positively TAX site seeks to accentuate the positive aspects of working for the agency and features information on benefits, employee interviews, an employee forum, community service opportunities, and more.

#### Compliance: New Programs, Initiatives and Record Revenues

During the last three years, TAX's Compliance operations has set new revenue records, introduced new initiatives, and expanded other programs.

Prior to FY2007, the agency's annual compliance results surpassed \$400 million only once, in FY2005. Since FY2007, compliance revenue has never been below \$400 million. Most notably, in FY2008, TAX's compliance collections hit a record level, exceeding the half billion dollar mark. Large one-time collections exceeded \$35 million that year and contributed to the record-high revenue levels.

During the past three years, TAX has seen many audit achievements and programs:

- Field Audit surpassed \$70 million in collections only once between FY2000 and FY2006. The average annual revenue for this seven-year period was below \$60 million. For fiscal years 2007 through 2009, however, Field Audit collections exceeded \$70 million each year, with the three-year average reaching over \$73 million.
- In FY2007, TAX introduced two new desk audit programs.

- o One initiative focused on reducing the number of inflated refunds issued by the agency due to fraud or overstated deductions. Since inception, this program has generated over \$9 million in denied refunds and payments.
- o The second project works to bring into compliance non-resident business owners in Virginia who have a tax liability to the Commonwealth due to income generated in Virginia. This program has collected nearly \$6 million since FY2007.
- In addition to new programs, other "discovery-type" projects have been expanded. These programs involve employer withholding and individual audits and have seen significant revenue growth over the past three years. For the three-year period ending in FY2006, these projects resulted in \$8 million in collected revenue. For the subsequent three years, ending in FY2009, these programs have collected over \$33 million in revenue, an increase of over 300%.

#### Compliance Initiative

Some of the revenue growth discussed previously is due to the Compliance Initiative introduced in FY2009. Because of the Commonwealth's revenue shortfall, the General Assembly authorized TAX to implement a plan that would increase revenue by adding auditors, examiners, collectors, and other positions to the agency. Of the 55 new positions, 44 were in Compliance. Revenue projections anticipated these additional positions would generate just over \$80 million by the end of FY2012. Because of the time required to hire and train staff, however, the revenue projections identified only \$1.3 million in new revenue for FY2009. Because the hiring process was expedited, TAX estimates its audit operations were able to realize over \$5 million in additional revenue in FY2009.

#### Court Debt Collection Office

The Court Debt Collection Office (CDCO) was established after the General Assembly discovered that millions of dollars in state and local revenue owed to Virginia's courts remained uncollected. The new CDCO was charged with collecting these delinquent court fines and fees without spending state funds. Since its inception in 1995, Court Debt has collected over \$350 million in state and local revenue.

CDCO currently represents 253 of Virginia's 327 courts and collects approximately one-half of the courts' debt. Commonwealth Attorneys hold the decision of whether their locality will participate in the CDCO program. Court Debt's success is attributable to many factors, including an automated collection system, an automated telephone system, and a staff of trained collectors and court liaisons. The staff of 29 includes many visually-impaired workers who are employed through a partnership with Virginia Industries for the Blind. The CDCO program is supported entirely by its 17% contingent fee, which is the lowest in the state. The collection success has provided general fund deposits, special fund deposits and locality deposits exceeding \$291 million. Over the last four fiscal years CDCO has raised its average collections to \$35 million per year.

#### Delinquent Debtor Program

In May 2006, TAX followed the example of 17 other states and began using the Internet as a cost-efficient collection tool. The agency began publishing the names of businesses with unresolved tax liabilities that had not responded to several attempts to collect this money. Eleven businesses were listed initially and more have been added.

As of August 1, 2009, TAX had collected \$2.4 million using its Delinquent Debtors site, which is accessible from its Internet home page.

Before the agency takes the step of posting the delinquent business, the business is given opportunities to voluntarily settle its liabilities. A certified letter, with return receipt requested, is provided with the final opportunity. This cost, approximately \$5, is the only cost involved with the program. All information provided on this site is public information resulting from a memorandum of lien being recorded in the clerk's office of one or more circuit courts in Virginia. Businesses are removed from the list once they resolve their liabilities or file bankruptcy.

#### Commissioner's Advisory Group

Beginning in the summer of 2007, certain members of the public, tax and finance professionals, educators, merchant groups, attorneys, local officials and others have provided the Tax Commissioner with a valuable quarterly snapshot of how they perceive the agency.

Roughly patterned after the advisory council the IRS began in 1953, the Commissioner's Advisory Group (CAG) is a forum for the exchanging of information on tax-administration issues. CAG members are encouraged to suggest changes and improvements to current and proposed operational programs and procedures that affect taxpayers and tax professionals.

CAG, which has convened every three months since July 2007, is comprised of nine permanent organizations, along with other individuals or representatives from organizations that are appointed for three-year terms. The permanent organizations represented are the Virginia Bar Association, the Virginia Society of CPAs, the Virginia Association of Enrolled Agents, the Virginia Association of Commissioners of the Revenue, the Virginia Treasurers Association, the Virginia Association of Counties, the Virginia Municipal League, and the Tax Executives Institute. Three-year appointees can be individual taxpayers, retired legislators, or can come from statewide industry or trade associations, or academic institutions.

TAX develops agendas for each meeting based on issues suggested by members, who are encouraged to solicit topics from their constituents. Some issues have included customer service, compliance, factors regarding non-compliance, and appeals.

#### Consolidation of Agency

Since 1989, TAX's central office staff in Richmond – which today numbers about 585 full-time classified employees – has been physically divided. Since that time, TAX's Commissioners have shared the common vision of bringing TAX's central office employees in Richmond back together.

While housing the Richmond staff in one building is not feasible due to the growth of operations and the size of the equipment TAX now uses to streamline the business of tax processing, marked progress has been made to consolidate Richmond's four locations to three and hopefully two buildings by 2012.

Following action by the 2008 General Assembly and considerable planning by TAX and the Department of General Services, the consolidation began in August 2009. Several TAX units and departments moved downtown to Main Street Centre, leaving leased space that was inadequate at 3600 West Broad Street.

The Virginia Legislature not only allocated funds for the Department of General Services to purchase Main Street Centre, which occurred October 1, 2008, it also set aside \$17 million to raze the 2220 facility and build a new structure on the site for a Tax Processing and Customer Service Walk-up Center on Broad Street.

#### TAX Team Assists State Board of Elections, Wins Teamwork Award

A seven-member group representing TAX won the Virginia Public Service Week Governor's Award for Teamwork. This prestigious statewide honor was the result of fast work, technical knowledge and true cooperation.

When the State Board of Elections sent out a distress call last Election Day – its busiest day of the year – TAX's people and technology responded quickly and helped save the day.

At 10 a.m. November 4, 2008, TAX received an urgent call from the State Board of Elections (SBE) saying its phone system was completely down on their busiest day of the year.

Within 90 minutes, TAX had everything set up and 10 SBE employees were at TAX's Contact Center receiving phone calls from voters. Six more workers soon joined them.

Once everything was tested and working properly, TAX let SBE know they could send additional phone representatives. Two TAX employees stayed at the Contact Center until 7:30 p.m. to assist them.

In an e-mail the next day, DHRM Director Sara Wilson thanked TAX for its extraordinary effort on Election Day. In part, the e-mail read:

"When I called the Tax Department about using the call center, they were terrific! ... [HR Director] Karen [Doty] stepped in and helped make it happen. And the TAX IT and call center staff were extremely responsive. Thank you for all your help. You made me proud to be a state employee with the teamwork and can-do spirit that the agencies exhibited yesterday!"

#### Electronic Filing Progress

The number of taxpayers filing their Virginia returns electronically has steadily grown since the service first became available in 2001.

In 2001, 15% of taxpayers filed online. That number grew to 22% in 2002, 29% in 2003, 35% in 2004, 39% in 2005, 45% in 2006, 49% in 2007, 54% in 2008, and it is approximately 65% in 2009.

TAX has worked hard to raise awareness of the importance and benefits of filing tax returns electronically. Each year the agency extols the virtues of e-filing on its Web site and in a series of news releases. In 2007, TAX also teamed with many public libraries around the state in presenting "How to File your Tax Returns Electronically" seminars. The same year it ran locally-produced television commercials about e-filing. In 2009, TAX filmed, produced and posted three YouTube videos about electronic filing in an effort to get its message to a broader audience.

#### Amnesty Program

In 2003, the Governor proposed and the Virginia General Assembly enacted Virginia Code § 58.1-1840.1 establishing a one-time Virginia Tax Amnesty Program for the purpose of improving voluntary taxpayer compliance and increasing and accelerating collections of certain taxes owed to the Commonwealth.

The 2009 General Assembly amended § 58.1-1840.1 to once again authorize a tax amnesty, this time during FY2010. It is anticipated that this year's Virginia Tax Amnesty Program will bring in approximately \$48 million in revenue.

During the amnesty period in 2003, all eligible taxpayers could satisfy tax debts by paying the entire tax and half of the accrued interest. Eligible taxpayers could be forgiven payment on the other half of the accrued interest and all penalties assessed to date. At the same time, an additional penalty of 20% on the outstanding balance of tax would be imposed upon any Amnesty-eligible debts not satisfied during the limited Amnesty window. The 2009 legislation allows for similar treatment of back taxes owed to the Commonwealth, and for the imposition of a 20% penalty on the outstanding balance of tax on all unsatisfied, Amnesty-eligible liabilities.

By any measure, the 2003 Amnesty campaign exceeded expectations. The final tally on Amnesty revenue was nearly double the target of \$48.5 million. Among the most outstanding results achieved by the project was the processing of a huge flood of tax returns and payments mailed on the final day of Amnesty in just two weeks. This rapid clean-up of Amnesty cases allowed audit and collections programs to resume normal activity just two weeks after the campaign closed. Timely commencement of normal compliance programs was critical in avoiding a counterproductive post-Amnesty dip in compliance revenue.

The success of the 2003 campaign and the quick resumption of normal operations are a point of pride with TAX, and the agency anticipates similar success in the implementation of the 2009 program.

#### Legislative Implementation

##### Sales Tax Holidays

Since 2006, TAX has successfully implemented three new Virginia Sales Tax Holidays enacted by the General Assembly. A team of agency employees from Policy Development, Public Relations, Customer Services, Compliance, Processing and other departments strategically planned and carried out the implementations. Policy Development, working with interested parties, developed guidelines, tax-exempt product lists and frequently asked questions for taxpayers and dealers; Public Relations coordinated informational campaigns to alert the media and citizens; Processing helped alert dealers of the new holidays; and Customer Services trained its reps so they could respond to the questions about the holidays.

The first holiday, approved by the 2006 General Assembly, exempted the sales tax on certain back-to-school supplies, clothing and footwear. It occurred in early August 2006. In 2007, the General Assembly approved two more Sales Tax Holidays, for hurricane preparedness supplies and for EnergyStar-qualified products. The first EnergyStar holiday occurred in October 2007, while the initial holiday for hurricane preparedness occurred in May 2008. Certain WaterSense products were added to the EnergyStar holiday in 2008.

##### Digital Media Fee

TAX implemented and began administering the new Digital Media Fee in July 2009. The fee requires businesses that provide lodging facilities in Virginia to collect a 10% Digital Media Fee on the cost charged to guests for the in-room purchase or rental of digital media. The fee, which became effective July 1, 2009, was enacted by the 2009 General Assembly.

The fee is charged for media services offered via an in-room television for a separate charge, and must be collected by any facility that offers temporary lodging; i.e., guest rooms rented out for continuous occupancy for fewer than 90 days. The fee is imposed in addition to all other taxes and fees that may be imposed on charges for temporary lodging, such as the Retail Sales and Use Tax.

"Digital media" refers to any audio-visual work provided through the in-room television in any guest room in any temporary lodging for a separate charge, including but not limited to, any motion picture, television or audio programming, or game, regardless if it is transmitted in an analog or digital format.

After administrative costs are subtracted, 50% of the revenues generated from the fee will be deposited into the General Fund, and the other 50% of the revenues will be deposited into the Governor's Motion Picture Opportunity Fund. The revenues deposited into the Governor's Motion Picture Opportunity Fund will be used for film incentive programs established by the Virginia Film Office.

#### Image Cash Letter, Remit Migration, and Remote Deposit Capture

Between October 2007 and October 2008, TAX implemented three new initiatives that have allowed the agency to save the Commonwealth more than \$1 million. These new technologies serve as a hallmark of the innovation, efficiency and cost savings toward which the Department of Taxation continually strives.

- First, the agency implemented the Image Cash Letter process. Under the old remittance system, after checks were processed for uploading into the system, those checks then had to be encoded and endorsed, secured in locked containers and sent to Wachovia Bank using a courier service.

Under the new remittance processing system, the scanned image of the check is sent to Wachovia electronically, which eliminates all four of those steps. Now, the actual paper checks are retained briefly to ensure problem-free receipt by Wachovia, and then destroyed.

Due to the elimination of encoding and endorsing, check processing can continue later into the day, enabling more checks to be processed and sent to Wachovia. TAX estimated a savings of \$34,000 a year in processing costs, remittance supplies, and check courier costs. The Department of the Treasury estimated a savings of \$88,000 per year in combined fee savings and accelerated earnings.

The fee savings are a result of the reduced clearing fees charged by Wachovia as a result of receiving the image of the checks electronically, rather than in paper form. The accelerated earnings are a result of being able to process more checks daily, which means more money is deposited earlier.

- Secondly, TAX implemented the Remit Migration Project. Previously, checks were run through separate check scanners. The Remit Migration Project made it possible for those checks to run through the very same scanners that process other correspondence, which meant that TAX would not have to replace the outdated check scanners when they were beyond repair. This cost avoidance alone saved the Commonwealth \$1 million. This new process is additionally expected to save the Commonwealth at least \$100,000 a year in operational costs.

- Lastly, the agency implemented the Remote Deposit Capture process. Before this initiative, checks coming into TAX's Norfolk District Office had to be mailed to Richmond for processing. With the implementation of this program, checks can be scanned and sent electronically to Wachovia for deposit. In addition to eliminating postage costs, this also allows funds to be deposited two days earlier, resulting in additional interest earnings for the Commonwealth.

#### Danville Remote Telework Initiative

After its success in sending many employees home to work either one day a week or full time, TAX took on another project in 2007 that embraced two of Governor Tim Kaine's key objectives: 1) to continue sending Virginians home to work, and 2) to bring state jobs to one of the Commonwealth's economically-distressed areas. The Danville/Martinsville region was chosen because it had one of the highest unemployment rates in Virginia. TAX also believed it could find highly qualified people to help the agency.

During the summer, TAX advertised for part-time customer service reps in the region and received an overwhelming response when 700 people filled out online applications for 25 customer service rep positions. TAX then held a job fair in Danville, which was attended by over 400 of the applicants. All of the new employees who were hired had at least a four-year degree. They are year-round employees who work 30 hours per week. New College Institute in Martinsville provided free space to train the new employees for 12 weeks. During the 2008 filing season the new CSRs performed admirably: 72% above the standard metric for responding to correspondence, and 32% above the metric for handling phone calls.

In a second phase of hiring in the Danville/Martinsville region during the winter, TAX hired 30 seasonal data-entry employees to assist during the agency's busy filing season, mid-February through mid-June 2008.

#### Southeastern Association of Tax Administrators Conference

From July 13 through July 16, 2008, TAX hosted the annual Southeastern Association of Tax Administrators conference in Williamsburg. The conference brought more than 600 people from 12 Southeastern states to the Williamsburg area, substantially boosting tourism in that area over the four-day period. Many conference attendees brought spouses and children, who spent their trip shopping at local outlet malls, visiting Busch Gardens, exploring historic areas in Jamestown, Yorktown and Williamsburg, and playing golf at Kingsmill Resorts, helping contribute to the economic development of Virginia's Historic Triangle.

#### • *Summary of Virginia's Ranking*

The following awards indicate TAX is a leader among all revenue agencies in the nation:

- 2009 Runner-Up FTA Award for Training for the TAX Academy Program from the Federation of Tax Administrators
- 2009 Governor's Award for Teamwork – Virginia Public Service Week
- 2008 Commonwealth of Virginia Innovative Technology Symposium Award for Virginia's Best Public Sector Telework Program
- 2008 e-Republic's Center for Digital Government's Best of Web and Digital Government Achievement Award for TAX's telework program
- 2007 Virginia awarded an "A" for tax fairness by the Council on State Taxation (COST)
- 2005 Governor's Technology Award for Public-Private Partnerships
- IRS "Honorable Mention" for over 1 million e-filed returns for the 2005 Filing Season
- 2004 Telly Awards: Three awards - one silver statuette, the Tellys' highest distinction, and two bronze statuettes
- 2004 Direct Marketing Association: a silver award in the Not-for-profit/multimedia/Integrated Media category
- 2004 DC Chapter of International Association of Business Communicators: two Silver Inkwell Awards as follows: Communication plans and campaigns in the advertising or marketing category, and Communications plans and campaigns: in the fund-raising category
- 2004 First place Gold Quill Award in both Marketing Communications and the Economic, Social & Environmental Development categories; Merit award for Multi-Audience Communications, sponsored by the International Association of Business Communicators (IABC) for the Virginia Tax Amnesty public awareness media campaign
- 2004 Honorable mention winner for Excellence in E-payments, sponsored by the National Electronic Commerce Coordinating Council

- 2003 Fourth place award from the Center for Digital Government in the category of Best Government Applications for State General Government
- 2003 Cost Effectiveness Through Government Award, sponsored by the National Electronic Commerce Coordinating Council
- 2002 Governor’s Technology Award for Public-Private Partnerships
- The Council of State Governments Eagle e-Government Award of Excellence, recognizing the VATAX Online Web site as one of the best Executive Branch sites in all of state government across the nation
- Semifinalist - Innovations in Government Award from the John F. Kennedy School of Government at Harvard University
- National Association of State Chief Information Officers (NASCIO) 2001 Recognition Award for Outstanding Achievement in the Field of Information Technology
- 2001 Federation of Tax Administrators (FTA) award for Management and Organizational Initiative in State Tax Administration

• *Summary of Customer Trends and Coverage*

TAX’s customers are continuing to use the Internet more and more to conduct their business with the agency. During the last biennium, TAX noted that the agency “believes there is a large and increasing number of taxpayers who can and will use the Internet to serve themselves 24 hours a day if the information is available to them.” As a result, TAX has implemented a number of new electronic services.

Among them is Live Chat, a service that allows taxpayers to chat online real-time with a TAX customer service representative. This service is available for both businesses and individuals during extended hours (7 a.m. to 9 p.m. weekdays and 8 a.m. to 1 p.m. Saturdays), and has received excellent feedback from the agency’s customers. Additionally, TAX now offers Web Upload, a service that allows bulk upload of sales and withholding returns, and e-Subscriptions, which lets taxpayers sign up to receive e-mailed news and filing reminders from the agency. TAX has also created a Facebook account and a Twitter account to further communicate with its customers in ways more convenient for them.

TAX also noted in 2007 that the agency’s customer base is increasing in ethnic diversity. To respond to the needs of an ever-changing population, TAX has added Google Translate to its Web site, which allows for automated translation in a multitude of languages. Since Spanish specifically is the second most-commonly spoken language in the Commonwealth, TAX has also established an “En Español” page, accessed through a link on the TAX home page, which lists all services available in Spanish. This currently includes publications and specific directions for contacting Spanish-speaking Customer Service Representatives. TAX hopes to continue to increase the methods in which it communicates with the large non-English speaking section of the population in the Commonwealth.

**Future Direction, Expectations, and Priorities**

• *Summary of Future Direction and Expectations*

TAX will continue its commitment to serving the public with customer focused services that are more efficient and productive. TAX’s focus will be to exploit the technology tools that are available to keep offering more innovations in customer service products and match employee skill sets with customer needs.

• *Summary of Potential Impediments to Achievement*

TAX faces many challenges. Funding is always important and maintaining funding levels are critical to providing current services. The dramatic reduction in economic activity in the nation and in Virginia caused an unprecedented decline in the general and non-general fund revenues in FY2009 and this decline is projected to continue through FY2010. Maintaining current agency funding levels is problematic. While the size of the agency’s budget reductions is currently unknown, it is likely that there will be reduced service levels.

Then there are the additional challenges of leveraging a full time workforce with a large temporary workforce and the limited availability of skilled candidates for hire. Also the makeup of the staff is changing as TAX moves from a paper-based organization to a technology-driven organization.

**Service Area List**

Service Number	Title
161 715 07	Tax Policy Research and Analysis
161 715 08	Appeals and Rulings
161 715 09	Revenue Forecasting
161 732 14	Tax Return Processing
161 732 17	Customer Services
161 732 18	Compliance Audit
161 732 19	Compliance Collections
161 734 01	Training for Local Assessors
161 734 10	Valuation and Assessment Assistance for Localities
161 799 00	Administrative and Support Services
161 799 02	Information Technology Services

**Agency Background Information**

**Statutory Authority**

Title 58.1

Chapter 1 Taxes Administered by the Department of Taxation, Chapter 2 Department of Taxation, Chapter 3 Income Tax, Chapter 6 Retail Sales and Use Tax, Chapter 6.1 Virginia Tire Recycling Fee, Chapter 6.2 Communications Sales and Use Tax, Chapter 8 State Recordation Tax, Chapter 9 Virginia Estate Tax, Chapter 10 Cigarette Tax, Chapter 14 Virginia Watercraft Sales and Use Tax, Chapter 15 Virginia Aircraft Sales and Use Tax, Chapter 16 Forest Products Tax, Chapter 17 Miscellaneous Taxes, Chapter 18 Enforcement Collection, Refund, Remedies and Review of State Taxes, Chapter 26 Taxation of Public Service Corporations, Chapter 32 Real Property Tax, Chapter 35 Tangible Personal Property, Machinery and Tools and Merchants’ Capital, Chapter 36 Tax Exempt Property, Chapter 37 License Taxes, and Chapter 39 Enforcement, Collection, Refunds, Remedies and Review of Local Taxes.

§3.1-336 Virginia NPM Statutes

**Customers**

Customer Group	Customers	Potential customers
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	served annually	annually
Agency Management and Employees	1,200	1,200
Attorney General's Office	1	1
Cigarette Stamping Agents	150	200
Federal/State/Local Governments	216	216
General Assembly	140	140
Governor's Office	1	1
IRS/Professional Associations	31	31
Local Assessing Officials	150	150
Localities	134	134
Motor Fuel Districts	3	3
State Agencies	124	124
Taxpayers of the Commonwealth	3,500,000	4,000,000
Tobacco Wholesalers	154	154

**Anticipated Changes To Agency Customer Base**

[Nothing entered]

**Partners**

Partner	Description
Performant	Performant is a collection agency. Delinquent receivables are routed to Performant for collection based on a hierarchy of business rules tried and perfected over the past 10 years. Efficient performance of this service relies on the interfaces between TAX and Performant.
Taxing Authority Consulting Services, PC	Taxing Authority Consulting Services, PC is the vendor that processes all of TAX's bankruptcies. This eliminates the need for TAX to maintain interfaces with the bankruptcy courts or have bankruptcy attorneys on staff.

**Products and Services**

- *Description of the Agency's Products and/or Services:*

TAX POLICY RESEARCH AND ANALYSIS

Write reports to the Governor and General Assembly

Drafting of other documents (Tax Bulletins, Regulations, Rulings, Guidance Documents, Annual Report, Annual Survey of Local Tax Rates)

Generate Fiscal Impact Statement on pending legislation

Annual Reporting on the fiscal, economic, and policy impacts of all miscellaneous and nonprofit retail sales and use tax exemptions.

APPEALS AND RULINGS

Rulings on factual scenarios based on established policy.

Technical assistance to taxpayers, TAX employees, and other agencies.

Settlements of disputed liabilities through offers in compromise.

Advisory opinions on factual scenarios for BPOL and local business taxes.

Responses to requests for change in corporation filing status.

Determination letters for the Tax Commissioner's signature for 1821 appeals.

TAX RETURN PROCESSING

Tax Return Processing

Payment Processing

Refund Issuance

Data Capture

Scanning (returns, payments, and correspondence)

Electronic Filing

Error Resolution

Reissue/process returned refund checks

Business Registration

Returned Mail/Skip Tracing

Forms Request

Mail pickup and delivery

Printing and mailing correspondence

Document Destruction

Forms Distribution

Central Files

Inventory Control

Program Administration (EFT, Credit Card processing, Web Upload, Substitute Forms, intake systems)

CUSTOMER SERVICES

Answer incoming correspondence, both paper and fax, from taxpayers

Answer incoming e-mail and secure messages from taxpayers

Assist walk-in taxpayers at public offices

Issue refunds

Issue assessments

Make online adjustments



Issue Direct Deposit corrections  
 Grant abatements  
 Monitor tax credit usage  
 Answer incoming telephone calls from taxpayers

#### COMPLIANCE AUDIT

auditing to ensure compliance  
 assessing of outstanding taxes  
 refunding overages

#### COMPLIANCE COLLECTIONS

Compliance Collections provides a service by collecting delinquent taxes. This provides revenue for general and special fund appropriation needs and helps to encourage tax compliance by all taxpayers.

#### GENERAL ADMINISTRATION

•Distributes Communications Tax revenue and Sales Tax revenue to localities •Distributes Motor Fuel revenue to Motor Fuel districts •Sales Tax distribution to localities •Prepares the financial statements for the agency •Processes all invoices for payments •Prepares the agency budget •Distributes funding to external agencies: localities, motor fuel districts, contribution agencies, setoff agencies •Performs the accounting for all transactions that take place in a taxpayers account, to include all revenue received, all refunds issued, all bills created, etc., •Conducts recruitment and hiring •Provides compensation management •Manages benefits administration •Administers rewards and recognition programs •Administers performance management •Offers employee dispute resolution •Provides workforce development and training •Provides succession planning •Performs scheduled audits of activities and special projects throughout TAX •Investigates allegations made through the State Employee Fraud, Waste, and Abuse Hotline •Serves as TAX's liaison for audits and reviews conducted by the Auditor of Public Accounts •Reports identifying opportunities to improve agency operational efficiency, effectiveness, controls, risk management, and specific areas where revenues can be increased and costs reduced •Reports authenticating or negating allegations of employee fraud, waste, and abuse and short and long-term recommendations to address instances with merit •Conducts timely and non-disruptive annual independent audits •Produces stories for agency intranet TAXi, VISION, brochures, pamphlets, fliers, posters, fact sheets, tabletop presentations, etc. •Creates marketing campaigns, drafts media releases and media advisories •Conducts media calls and press conferences •Develops, bids and administers purchases for long-term contracts and spot purchases •Administers eVA for the agency: initiates account setup, trains new users, reviews user purchases for compliance with purchasing policies and procedures, and provides general eVA and procurement assistance •Administers the agency's Small Purchase Charge Card Program, Administers fleet activities for the agency: maintenance, repairs, recalls, inspections, licenses, decals, fuel cards, vehicle replacement, accident and incident reporting, annual reports to State Police, updating data on Vehicle Accounting System (VACCS), insurance issues, monitors mileage, and trains vehicle users in State Fleet policies and procedures •Handles requests for state pool and permanently assigned vehicles •Maintains agency owned facility, administers various facilities contracts •Provide maintenance services to staff at all agency locations •Provides relocation services, space design and construction management at all locations •Provides support services for all IT systems related to wiring and cooling needs •Administers and updates emergency and safety procedures and its Continuity of Operations Plan, •Provides support services to all employees, including furniture design, repair and relocation • Provides, monitors and maintains security services to all employees •Administers TAX's physical and access security •Monitors daily operations and security guard performance.

#### INFORMATION TECHNOLOGIES

Manage technology support delivery – Plan and manage delivery of the technology systems at TAX that enable business operations, including the budget for technology services.

Develop and maintain application software - develop, test, maintain and operate TAX's technology systems, including over 20 complex IT systems that comprise an Integrated Revenue Management System. Includes annual legislative modifications, as well as TAX's self-service eGovernment channels.

Manage the technology environment configuration – manage, plan, monitor, and oversee TAX's technology infrastructure, and approve all changes to the technology infrastructure, including a Change Control group that ensures effective migration (and protection) of all production systems, upgrades, maintenance, enhancements, releases, etc. Ensure all components of the technology infrastructure (hardware, software, and environment configurations) are maintained and changes to production systems are properly controlled and tested.

VITA Coordination and Support - Participate with VITA/NG on agency transformation, Commonwealth Technology direction, VITA procurement requirements, and general support for VITA.

Administer and enable IT Security – Administer daily security activities such as adding, removing, and modifying users and their associated access (over 2,500 system users), reviewing audit trails, access attempts, virus threats, and potential browsing incidents, ensuring the security of TAX's data, systems and technology infrastructure by providing expert guidance to ensure security is "designed in" and exploiting best practices use of technology tools to better detect intrusion, prevent unauthorized access, and enhance security administration.

Manage IT Disaster Recovery - Manage a comprehensive IT Recovery plan, encompassing all aspects of IT connectivity, applications and services. Ensure the full recovery of any unplanned computing services interruptions.

Ensure Quality Control - Ensure changes to production systems are monitored and controlled to reduce risks to the agency and minimize errors. Ensure software changes are successfully migrated from test to production. Manage software version control to ensure a clear separation between test systems and production systems. Approximately 1,200 changes are implemented annually.

Support VITA Out-of-Scope Technology Infrastructure and management of TAX's databases and telecommunications requirements.

#### TAX VALUE ASSISTANCE TO LOCALITIES

Advisory aid to all local assessing officials, education of boards of equalization and boards of assessors, training provided through the Basic Assessors' School and Basic Tangible Personal Property School, staff provided for the State Land Evaluation Advisory Council (SLEAC), refunds and opinions regarding the state recordation tax, rolling stock assessments of railroads and freight carline companies, statement of assessed values for local tax purposes of railroad and interstate pipeline transmission companies, original and revised property tax maps, review of appraisals submitted in support of the state land preservation credits, the statewide assessment/sales ratio study, and the coordination of the Advanced Assessors' School including the hiring of instructors, finding suitable classroom space, arranging for housing and meals, obtaining course materials, handling registration, billing and payments.

#### REVENUE FORECASTING

Products: Economic Outlook notebook for the Governor's Advisory Board of Economists; Economic and Revenue

Outlook notebook for the Governor's Advisory Council on Revenue Estimates.

Services: Prepare speeches and presentations for the Governor's office; Prepare monthly revenue report for the Governor's office.

- *Factors Impacting Agency Products and/or Services:*  
TAX POLICY RESEARCH AND ANALYSIS

The quantity and complexity of tax legislation, and the size and complexity of business transactions for which due diligence requires advance definitive tax guidance.

#### APPEALS AND RULINGS

Number and quality of assessments issued

Federal and state law changes

Regulation and policy changes

Court decisions

Changes in the manner in which companies conduct business

#### TAX RETURN PROCESSING

Seasonal factors impact services delivered by this service area. Since over 90% of individual income tax returns are processed between early February and early June, this area requires an annual recruitment process to ensure staff is in place to deal with peak return and payment volumes. Economic factors impact the quantity and quality of available staff. Leveraging technology to process tax returns and payments provides opportunities for efficiencies and service improvements.

#### CUSTOMER SERVICES

Changing population numbers and demographic levels.

Customer service needs increase with tax activity, whether associated with compliance activities, refund/return filing, or error resolution activity.

Changes in tax laws.

#### COMPLIANCE AUDIT

This service area heavily relies on TAX's computer system. All of the field staff are home-based and are expected to travel frequently.

#### COMPLIANCE COLLECTIONS

Efficient performance of this service relies on maintaining a well trained staff and the operation of technical support services that can quickly and reliably bring accurate information to the staff.

#### GENERAL ADMINISTRATION

The 24 hour deposit rule requiring all tax payments to be deposited into the bank and CARS (Commonwealth Accounting and Reporting System) within 24 hours, availability of qualified job applicants, state purchasing laws, policies and procedures, availability of goods and services, and the Department of General Services building services operations.

#### INFORMATION TECHNOLOGIES

Technology systems, including application software and hardware, must be upgraded and refreshed on an ongoing basis to ensure they operate correctly and are available for use by end users. Further, TAX must refresh hardware and upgrade software versions in a timely manner to eliminate the risk of the Commonwealth's revenue systems becoming obsolete or unsupported, jeopardizing all of TAX's business operations.

Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel.

The customer demand for and use of electronic, self-help services continues to increase, requiring continued capacity expansions within existing services.

Taxpayers, agency management and users continue to demand automated solutions to replace historically manual tasks. This results in increased operating efficiency and improved customer services, but requires an ongoing commitment to information technology services.

The necessity to assign staff to VITA/NG transformation activities has a negative impact on the agency's ability to meet its internal technology needs.

#### TAX VALUE ASSISTANCE TO LOCALITIES

Limited budget sources and staffing.

#### REVENUE FORECASTING

Fiscal Year 2009 saw the most severe economic decline since the Great Depression.

- *Anticipated Changes in Products or Services:*  
TAX POLICY RESEARCH AND ANALYSIS

The types of documents are expected to continue without substantial change. The volume of documents depends on the quantity and complexity of tax legislation and business transactions. Taxpayers and tax practitioners are expected to request more guidance as the complexity and monetary risks of business transactions increase.

#### APPEALS AND RULINGS

None.

#### TAX RETURN PROCESSING

TAX anticipates a greater reliance on electronic filing and technological advances to gain efficiencies and serve our increasing volume of customers.

CUSTOMER SERVICES

None.

COMPLIANCE AUDIT

None.

COMPLIANCE COLLECTIONS

None.

GENERAL ADMINISTRATION

Anticipated changes include an ongoing need to train and cross-train agency employees resulting from the new taxpayer accounting system implemented in August 2005, the fulfillment of the ARMICS requirements, participation of agency employees in eVA procurement, and the move of the agency to predominantly state owned buildings from privately leased facilities. Federal confidentially will continue to require that TAX own its own security hardware and software and maintain a high level of security.

INFORMATION TECHNOLOGIES

Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel.

The customer demand for and use of electronic, self-help services continues to increase, requiring the development of new electronic channels to replace traditional paper-based services as well as those services which currently involve direct interaction with agency staff. TAX plans to continue to exploit the eGovernment capabilities implemented in recent years to allow more citizens to interact with us electronically at a time that is convenient for them.

Over the past few years, TAX implemented a broad range of technology-based solutions that have allowed dramatic improvements in operating efficiency as well as allowed TAX to improve service to citizens. Now that the tools are in place, TAX plans to exploit the capabilities inherent in those tools to ensure continuous improvement in operating efficiency and customer service.

TAX VALUE ASSISTANCE TO LOCALITIES

None.

REVENUE FORECASTING

None.

**Finance**

• *Financial Overview:*

The agency is the largest depositor of general fund revenue and is predominantly funded from the general fund. It uses non-general funds for outside collection agencies funding (percentage of collections), court debt collection funding, communication sales and use tax funding, railroad and pipeline assessment funding, and local assessor training classes.

• *Financial Breakdown:*

	FY 2011		FY 2012	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$89,861,698	\$10,323,428	\$89,861,698	\$10,323,428
Change To Base	\$0	\$0	\$0	\$0
<b>Agency Total</b>	<b>\$89,861,698</b>	<b>\$10,323,428</b>	<b>\$89,861,698</b>	<b>\$10,323,428</b>

*This financial summary is computed from information entered in the service area plans.*

**Human Resources**

• *Overview*

TAX is headquartered in Richmond, and relies on a balance of classified, wage and contract employees to deliver compliance, processing, customer contact, administrative and support services to its customers. Approximately 180 field audit and collections staff are home-based outside of the Richmond area, including 26 non-resident auditors in other states. Additionally, the agency has recently home-based an additional 110+ non-compliance staff in the Richmond area. Generally, the agency has been able to meet its staffing needs satisfactorily; however, it is anticipated that the agency will have difficulty retaining some of the recent hires once the economy rebounds, as well as recruiting qualified candidates to replace retiring staff. The agency has made a deliberate effort to move away from the standard 8:15 to 5:00 work week to place a greater emphasis on alternate work arrangements, including part-time classified employment, alternate work schedules, teleworking, and leveraging technology to shift part-time work to areas of the state where unemployment rates may be higher. It must continue to work on strategies to identify and place internal talent for development for succession planning purposes.

• *Human Resource Levels*

Effective Date	6/30/2009
Total Authorized Position level	996.5
Vacant Positions	-110.5
<b>Current Employment Level</b>	<b>886.0</b>
Non-Classified (Filled)	1
Full-Time Classified (Filled)	871
Part-Time Classified (Filled)	14
Faculty (Filled)	0
Wage	211

*breakout of Current Employment Level*

Contract Employees	38	
<b>Total Human Resource Level</b>	<b>1,135.0</b>	= Current Employment Level + Wage and Contract Employees

- **Factors Impacting HR**

The median age of the classified workforce continues to increase. At present, it is 50, with approximately 14% of our employees currently over the age of 60. Today, 130 employees (15% of the workforce) are eligible for full retirement and approximately one third of the workforce will be eligible to retire within the next 5 years. With an aging workforce, the agency anticipates an increase in work-family issues as well as use of short-term and long-term disability.

Many of our home-based field personnel are eligible for retirement in the near future, with most of our field audit supervisors eligible to retire now or within the next 2-3 years. Of particular concern is the ability to attract and retain Northern Virginia-based Audit staff.

The economic conditions in the Commonwealth have increased the quality of applicants for vacant positions; however, those same conditions have created budget challenges that may have a significant impact on staffing levels and the ability to deliver agency services.

Implementation of new technology at TAX requires more highly skilled technical employees to maintain the systems; the agency will continue to need to be creative in using compensation and alternative reward and recognition strategies to attract and retain highly-skilled technical staff.

- **Anticipated HR Changes**

As new recruits join a relatively new and inexperienced staff (30% of current staff have less than five years of service and half of the workforce has less than 10 years), the agency will need to put increased emphasis on training and development of both new and current staff. This will increase agency training costs. As the economy turns around, it is anticipated that more employees will enter into retirement. TAX may need to replace up to a third its workforce over the next five years due to retirements; this is on top of normal turnover of approximately 4.5%. Many of the key positions that could become vacant in the next five years are ones that require extensive TAX knowledge. It is apparent that the agency will need to: 1) ensure effective knowledge transfer and 2) properly develop our future leaders.

Human resources levels should remain fairly constant over the next several years to deliver the expected high service levels to our customers. The agency must continue to explore creative compensation strategies and other non-monetary benefits (such as flexible work arrangements) as the economy recovers and the job market becomes strong for workers with the requisite skill sets to be in high demand.

TAX may need to increase its reliance on wage or contract workers to fill in the staffing gaps due to temporary vacancies caused by disabilities and other Family Medical Leave Act (FMLA) issues.

### Information Technology

- **Current Operational IT Investments:**

TAX has shifted its focus from stabilizing our modernized platform to upgrades, maintenance, mandated enhancements, and desired enhancement to IRMS, while also coordinating with VITA and Northrup Grumman for the Commonwealth's Information Technology transformation. Currently:

The mandated transformation to VITA/Northrup Grumman's enterprise infrastructure has consumed a large portion of the agency's technical resources over the last two years. TAX staff has focused extensively on working with VITA/NG to complete server relocation, server consolidation, network transformation, computer operations transformation and help desk transformation. Messaging transformation, scheduled for full roll-out late in calendar year 2009, will complete TAX's transformation activities.

TAX continues to focus on upgrading to the most current stable versions on a continual and rotating basis for each computer-off-the-shelf-software (COTS) products and VITA out of scope agency infrastructure items, for technology for which vendor support has expired, or will expire in the near future. This process is required to ensure continuity of operations for TAX's mission-critical applications and to ensure the agency takes advantage of increased functionality with new versions or releases in order to improve operational efficiency. This will ensure that COTS products maintain vendor support, and that our systems avail themselves of all new, and stable, functionality offered. By ensuring a supported platform all users of our technology, internal and external, will be served through higher availability and enhanced features.

TAX has focused extensively on expanding our electronic interactions, both from an internal and external perspective. We have implemented a web upload tool, which allows taxpayers and tax professionals to securely transmit files from their computer applications to TAX's servers with no programming required on either side. We have implemented a Live Chat function on our Web site that gives taxpayers access to our customer service representatives via the Internet. We have expanded our electronic filing usage, and we've automated several internal forms to improve internal operations. These initiatives reduce agency operational costs, and provide new services to our taxpayers.

TAX continues to maintain the various aspects of IRMS, our enterprise application, and make requested enhancements to its base functionality. In addition, each year brings legislatively-mandated updates to tax regulation, which must be incorporated into our IRMS applications to ensure proper processing of tax returns and revenues. This maintenance and these enhancements ensure efficient operations for both our technology users and for taxpayers by streamlining existing processes, and easing the burden of filing and paying taxes.

TAX continues to improve its ability to maintain IRMS independent of the prime vendor – CGI. The level of CGI support has steadily and significantly declined. TAX has virtually reached the point where it will no longer require IRMS knowledge for staff augmentation, however, the current agency resources are insufficient to meet all the requested (and in some cases required) enhancements that are received following a major implementation. To better meet the needs of IRMS users, TAX will still require development staff augmentation to ensure the proper implementation of legislated mandates, approved requested enhancements, normal maintenance, and regular upgrades.

- **Factors Impacting the Current IT:**

VITA/Northrup Grumman's mandated transition to the Commonwealth technical infrastructure consumes numerous resources at the agency. In addition, work activities that were once performed by VITA staff following agency personnel transition are being reverted back to the agencies. These transition activities, in addition to having a heavy technology staffing impact, have an impact on agency applications. Modification to our internal applications is sometimes necessary to ensure they function with the new infrastructure. In addition, the policies and procedures outlined by VITA require extensive internal work and review to ensure agency alignment.

TAX's Information Technology organization continues to experience an increase in demand for new functionality from internal and external stakeholders. These requests provide enhanced service to taxpayers or improved operational efficiencies by streamlining business processes or improving IRMS usability. The agency's ability to meet these requests is limited by resource and time constraints.

Annual changes to IRMS are required to support mandated changes to tax regulations and laws made by the General Assembly or by the Federal Government. These changes are time-sensitive and require significant internal agency, cross-agency, secretariat, and local government coordination.

With the explosion of Internet-based applications, TAX continues to experience increased demand for more online and electronic functionality to better serve businesses, tax preparers, and individual taxpayers. To assist meeting these needs, TAX has recently offered additional electronic filing options and an online chat function, and has automated several internal forms. Several additional electronic filing options are under consideration. The agency has determined that it requires \$1.25 to process each paper tax return and only \$0.04 for each electronic return. New electronic filing options offer a large cost savings to the agency and improve taxpayer refund turnaround time, an agency performance measure.

The federal government – more specifically the IRS – continues to enhance their electronic capabilities, and as a result, Taxation must align with new federal requirement for filing, security and access in order to retain usage of IRS files. These IRS files bring in approximately \$300 million in revenue to the Commonwealth each year.

Staffing continues to be a difficulty due to budgetary constraints.

- **Proposed IT Solutions:**

While TAX has recently implemented numerous changes to its technology environment and its technical capabilities, technology changes rapidly and the agency must position itself to stay current with these changes in order to meet the increasing demands of constituents and Commonwealth personnel. With this increase in demand in mind, the following IT changes are anticipated:

- In the Support Delivery of Services category, the agency is engaged in the General Government and Revenue Collection lines of business. The agency intends to enhance two functions within these lines of business. They are:

- o General Government—which involves the general overhead costs of the state government; including legislative and executive activities; provision of central fiscal, personnel, IT infrastructure, and property activities; and the provision of services that cannot reasonably be classified in any other line of business. As a normal rule, all activities reasonably or closely associated with other lines of business or sub-functions shall be included in those lines of business or sub-functions. This line of business is reserved for central government management operations; agency-specific management activities would not be included here.

- Taxation management—which includes all activities associated with the administration, management, and implementation of the Virginia Income Tax Code and other state imposed taxes, including the associated collection of such taxes.

- o Revenue Collection—which includes the collection of government income from all sources.

- Debt Collection—which supports activities associated with the collection of money owed to the state government from both foreign and domestic sources.

- In the Management of Government Resources category, the agency is engaged in: Information and Technology Management line of business. The agency intends to enhance one function within this line of business. It is:

- o Information and Technology Management—which involves the coordination of technology resources and systems required to support or provide a citizen service.

- Telecommunications/Network Management—which involves activities related to managing premises (including building, campus, metropolitan, or statewide) cabling or equipment that provides voice, video, or data services. Equipment management includes gathering of requirements for acquisition, setup, use, service quality monitoring, maintenance, replacement/upgrading and/or charge back.

TAX wishes to transition to a Voice Over Internet Protocol (VOIP) telecommunications infrastructure that will serve all agency identified service areas. This shift would decrease operating expenses through a reduction in our telecommunications bill and telecommunications overhead. It would provide significant improvement in functionality for our Customer Contact Center as well as a unique opportunity for expanded telework (home based workers). This transition is also in keeping with VITA long-term Commonwealth-wide technology infrastructure. While this initiative would be undertaken by VITA/NG as part of the enterprise architecture, it will have a significant impact on agency application and agency personnel.

- In the Support Delivery of Services category, the agency is engaged in the General Government, Planning and Budgeting, and Revenue Collection lines of business. The agency intends to enhance four functions within these lines of business. They are:

- o General Government—which involves the general overhead costs of the state government; including legislative and executive activities; provision of central fiscal, personnel, IT infrastructure, and property activities; and the provision of services that cannot reasonably be classified in any other line of business. As a normal rule, all activities reasonably or closely associated with other lines of business or sub-functions shall be included in those lines of business or sub-functions. This line of business is reserved for central government management operations; agency-specific management activities would not be included here.

- Taxation management—which includes all activities associated with the administration, management, and implementation of the Virginia Income Tax Code and other state imposed taxes, including the associated collection of such taxes.

- o Planning and Budgeting—which involves the activities of determining strategic direction, identifying and establishing programs and processes, and allocating resources (capital and labor) among those programs and processes.

- Management Improvement—which includes all efforts to gauge the ongoing efficiency of business processes and identify opportunities for reengineering or restructuring.

- o Public Affairs—which involves the exchange of information and communication between the state government, citizens, and stakeholders in direct support of citizen services, public policy, and/or state interests.

- Product Outreach—which relates to the marketing of government services products, and programs to the general public in an attempt to promote awareness and increase the number of customers/beneficiaries of those services and programs.

- o Revenue Collection—which includes the collection of government income from all sources.

- Debt Collection—which supports activities associated with the collection of money owed to the state government from both foreign and domestic sources.

- In the Management of Government Resources category, the agency is engaged in the Financial Management and Information and Technology Management lines of business. The agency intends to enhance four functions within these

lines of business. They are:

o Financial Management—which uses financial information to measure, operate, and predict the effectiveness and efficiency of an entity’s activities in relation to its objectives. The ability to obtain and use such information is usually characterized by having in place policies, practices, standards, and a system of controls that reliably capture and report activity in a consistent manner.

- Collections and receivables—which includes deposits, fund transfers, and receipts for sales or services.

o Information and Technology Management—which involves the coordination of information technology resources and systems required to support or provide a citizen service.

- Lifecycle/Change Management—which involves the processes that facilitate a smooth evolution, composition, and workforce transition of the design and implementation of changes to agency resources such as assets, methodologies, systems, or procedures.
- System Development—supports all activities associated with the in-house design, development, and implementation of software applications or commercial off-the-shelf software application packages. This includes identifying and documenting associated IT infrastructure requirements.
- System Maintenance—supports all activities associated with the maintenance of in-house designed software applications or commercial off-the-shelf software application packages. This includes identifying and documenting associated IT infrastructure requirements.

TAX continually strives to decrease its operating costs, and this is frequently effected through increased information technology. Currently the agency is concentrating on reducing expenses associated with processing tax returns. Costs for return processing are significantly reduced when tax returns are received electronically instead of on paper. To help transition more taxpayers to electronic filing, several IT initiatives need to be undertaken including: supply an application for electronic filing of Corporate, Fiduciary, and Pass Thru Entity taxpayers; modify the manual data entry process to a key-from-image application; eliminate filing requirements for certain payment vouchers, enhance our existing online filing application to improve usability in order to improve constituent service and increase usage, and expend our online options based on constituent requests and agency need.

In keeping with the Governor’s telework initiative, TAX will continue to expand its telework program. Sending staff to work from home does require an investment in information technology, but will lead to a decrease in office costs. Analysis has indicated a monthly savings for the agency for five-day-a-week teleworkers. Additional studies are underway to assess the savings for a three-day-a-week plan.

• *Current IT Services:*

Estimated Ongoing Operations and Maintenance Costs for Existing IT Investments

	Cost - Year 1		Cost - Year 2	
	General Fund	Non-general Fund	General Fund	Non-general Fund
Projected Service Fees	\$15,280,953	\$104,834	\$15,510,168	\$106,407
Changes (+/-) to VITA Infrastructure	\$0	\$0	\$0	\$0
<b>Estimated VITA Infrastructure</b>	<b>\$15,280,953</b>	<b>\$104,834</b>	<b>\$15,510,168</b>	<b>\$106,407</b>
Specialized Infrastructure	\$1,023,000	\$0	\$1,100,000	\$0
Agency IT Staff	\$5,021,827	\$0	\$5,021,827	\$0
Non-agency IT Staff	\$2,333,069	\$0	\$2,000,000	\$0
Other Application Costs	\$300,000	\$0	\$325,000	\$0
<b>Agency IT Current Services</b>	<b>\$23,958,849</b>	<b>\$104,834</b>	<b>\$23,956,995</b>	<b>\$106,407</b>

Comments:

[Nothing entered]

• *Proposed IT Investments*

Estimated Costs for Projects and New IT Investments

	Cost - Year 1		Cost - Year 2	
	General Fund	Non-general Fund	General Fund	Non-general Fund
Major IT Projects	\$0	\$0	\$0	\$0
Non-major IT Projects	\$500,000	\$0	\$0	\$0
Agency-level IT Projects	\$1,500,000	\$0	\$1,500,000	\$0
Major Stand Alone IT Procurements	\$0	\$0	\$0	\$0
Non-major Stand Alone IT Procurements	\$800,000	\$0	\$1,300,000	\$0
<b>Total Proposed IT Investments</b>	<b>\$2,800,000</b>	<b>\$0</b>	<b>\$2,800,000</b>	<b>\$0</b>

• *Projected Total IT Budget*

	Cost - Year 1		Cost - Year 2	
	General Fund	Non-general Fund	General Fund	Non-general Fund
Current IT Services	\$23,958,849	\$104,834	\$23,956,995	\$106,407
Proposed IT Investments	\$2,800,000	\$0	\$2,800,000	\$0

<b>Total</b>	\$26,758,849	\$104,834	\$26,756,995	\$106,407
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[Appendix A](#) - Agency's information technology investment detail maintained in VITA's ProSight system.

#### Capital

- *Current State of Capital Investments:*

Since 1999 the Department of Taxation has been in four different locations in the Richmond area. This was necessitated by a flaking roof condition at the 2220 West Broad Street headquarters.

In December 2007 Governor Kaine introduced his 2008-10 biennial budget that recommended the appropriation of \$85 million for the construction of a new TAX headquarters facility on the existing TAX property at 2220 West Broad Street. This proposal was not enacted by the 2008 General Assembly. However, in April 2008 as part of the General Assembly Special Session on the Capital Outlay Budget a compromise was reached wherein the Commonwealth would be authorized to negotiate the purchase of the Main Street Center Building where TAX already occupies six floors. This purchase was ultimately closed on October 1, 2008.

The second component of the compromise called for the leveling of the existing structures and the construction of a new channel (processing) building on the existing property at 2220 West Broad Street. TAX is happy to report that staff at the 2220 Building will be moved into two floors of the Main Street Center Building by Labor Day weekend in 2009 and that final interviews for the Contractor-at-Risk to construct the new processing building are also scheduled to be completed by Labor Day 2009. It is anticipated that this new structure will be occupied by December 2011 or before.

- *Factors Impacting Capital Investments:*

The economic recession has reduced the available funds for the Commonwealth making funding more difficult.

- *Capital Investments Alignment:*

[Nothing entered]

#### Agency Goals

##### Goal 1

Develop, attract, and retain a capable, motivated, and diverse workforce

##### Goal Summary and Alignment

Improving our ability to develop and retain employees will increase employee satisfaction, increase knowledge and skills, and enhance communication. This goal alignment will enable TAX to provide excellent service to its customers.

##### Goal Alignment to Statewide Goals

- Be recognized as the best-managed state in the nation.

##### Goal 2

Maximize operational efficiency and effectiveness

##### Goal Summary and Alignment

Improving productivity through innovation and increased technological capabilities to ensure collaboration among business units. These technological advances will ensure the administration of the tax laws in an efficient and consistent manner.

##### Goal Alignment to Statewide Goals

- Be recognized as the best-managed state in the nation.

##### Goal 3

Ensure Customer Satisfaction

##### Goal Summary and Alignment

Foster positive customer interaction by providing timely responses to customer inquiries whether offered via letter, telephone, or email. Timely and consistently informing citizens and businesses of their tax obligations and enforcing compliance where necessary ensures the achievement of the TAX mission.

##### Goal Alignment to Statewide Goals

- Be recognized as the best-managed state in the nation.

##### Goal 4

Achieve a culture based on TAX's core values: integrity, commitment to service, continuous improvement, trust and respect, teamwork, and personal responsibility.

##### Goal Summary and Alignment

Encouraging a culture based on positive values enables TAX to create and maintain a positive organizational climate and improve the quality of job performance.

##### Goal Alignment to Statewide Goals

- Be recognized as the best-managed state in the nation.

##### Goal 5

We will strengthen the culture of preparedness across state agencies, their employees and customers.

##### Goal Summary and Alignment

This goal ensures compliance with federal and state regulations, policies and procedures for Commonwealth preparedness, as well as guidelines promulgated by the Assistant to the Governor for Commonwealth Preparedness, in collaboration with the Governor's Cabinet, the Commonwealth Preparedness Working Group, the Department of Planning and Budget and the Council on Virginia's Future. The goal supports achievement of the Commonwealth's statewide goal

of protecting the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.

#### Goal Alignment to Statewide Goals

- Protect the public's safety and security, ensuring a fair and effective system of justice and providing a prepared response to emergencies and disasters of all kinds.

#### Goal Objectives

- We will be prepared to act in the interest of the citizens of the Commonwealth and its infrastructure during emergency situations by actively planning and training both as an agency and as individuals.

##### Objective Strategies

- The agency Emergency Coordination Officer will stay in regular communication with the Office of Commonwealth Preparedness and the Virginia Department of Emergency Management, and other Commonwealth Preparedness Working Group agencies.

##### Link to State Strategy

- nothing linked

##### Objective Measures

- Agency Preparedness Assessment Score

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percent of total points earned out of the maximum 100.

Measure Baseline Value:  Date:

Measure Baseline Description: 2008 Agency Preparedness Assessment Results (53 out of 70 or 75.6%)

Measure Target Value:  Date:

Measure Target Description: Minimum of 75%.

Long-range Measure Target Value:  Date:

Long-range Measure Target Description: Agency will continue to increase its Preparedness Score

Data Source and Calculation: The Agency Preparedness Assessment is an all-hazards assessment tool that measures agencies' compliance with requirements and best practices. The assessment has components including Physical Security, Continuity of Operations, Information Security, Vital Records, Fire Safety, Human Resources, Risk Management and Internal Controls, and the National Incident Management System (for Virginia Emergency Response Team – VERT – agencies only).

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Service Area Strategic Plan

Department of Taxation (161)

3/13/2014 10:09 am

Biennium: 2010-12

Service Area 1 of 11

Tax Policy Research and Analysis (161 715 07)

Description

This area provides research, revenue estimation and analysis of legislation and state and local tax topics from which a report is required by law, executive or legislative request.

- This area develops and implements tax policy for benefit of TAX customers, employees and stakeholders.
- This area implements tax legislation by promulgating regulations and issuing rulings, tax bulletins and other public documents addressing issues of first impression.
- This area also monitors developments in Congress and other states that may affect Virginia tax revenue.
- The analysis included in its work product provides explanations, revenue data, and other information to ensure that the reader understands the tax and budget issues involved in the subject of each document and is provided with the data and alternatives necessary to make an informed decision.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission  
Providing legislators, lobbyists, and others involved in the legislative process with the information necessary to make an informed decision increases the likelihood that the tax laws of the Commonwealth will be consistent with other tax laws, consistent with recognized principles of sound tax policy, financially sound and capable of efficient and equitable administration.
- The interpretations of enacted legislation enhance taxpayer compliance and the efficient and equitable administration of the Commonwealth's tax laws.
- Describe the Statutory Authority of this Service  
Executive Order No. 10 (1978) and Administration and Finance Directive No. 8 (1978) direct the Secretary of Administration and Finance to issue procedures to analyze legislation beginning with the 1979 Session of the General Assembly.
  - § 58.1-202 requires the Tax Commissioner to supervise the administration of the tax laws of the Commonwealth and recommend to the Governor and the General Assembly measures to promote uniform assessments, just rates and harmony and cooperation among all officials connected with the revenue system of the Commonwealth.
  - § 58.1-203 authorizes the Tax Commissioner to issue regulations and rulings.
  - § 58.1-204 directs the Tax Commissioner to publish regulations, rulings and other interpretations of Virginia law of interest to taxpayers and practitioners.
  - § 58.1-210 requires TAX to annually publish local tax rates.
  - § 58.1-3507 requires TAX to promulgate guidelines for the use of local governments in administering the Machinery and Tools tax.
  - § 58.1-3701 requires TAX to promulgate guidelines for the use of local governments in administering the Business, Professional and Occupational License (BPOL) tax.
  - H.B. 464 (2004 Acts of Assembly, Chapter 534) requires TAX to promulgate guidelines for Appealing Local Business Taxes.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
Agency Management and Employees	Agency Management and Employees	1,000	1,100
Federal/State/Local Governments	Federal/State/Local Governments	216	216
General Assembly	General Assembly	140	140
Governor's Office	Governor's Office	1	1
Taxpayers of the Commonwealth	Taxpayers of the Commonwealth	3,500,000	4,000,000

Anticipated Changes To Agency Customer Base

Tax policy documents affect virtually all adult citizens of Virginia and most businesses and nonprofit organizations. Thus, population growth and business expansions will increase the customer base. The interest of citizens, lobbyists, legislators and government officials in TAX's work product varies depending on which legislators have introduced tax-related bills, and the amount of publicity and controversy generated by the legislation.

Partners

Partner	Description
[None entered]	

[None entered]

Products and Services

- Factors Impacting the Products and/or Services:  
The quantity and complexity of tax legislation, and the size and complexity of business transactions for which due diligence requires advance definitive tax guidance.
- Anticipated Changes to the Products and/or Services  
The types of documents are expected to continue without substantial change. The volume of documents depends on the quantity and complexity of tax legislation and business transactions. Taxpayers and tax practitioners are expected to request more guidance as the complexity and monetary risks of business transactions increase.
- Listing of Products and/or Services
  - Write reports to the Governor and General Assembly
  - Drafting of other documents (Tax Bulletins, Regulations, Rulings, Guidance Documents, Annual Report, Annual Survey of Local Tax Rates)



Budget	\$1,466,417	\$0	\$1,466,417	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,466,417	\$0	\$1,466,417	\$0
Base Budget	\$1,466,417	\$0	\$1,466,417	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,466,417	\$0	\$1,466,417	\$0
Base Budget	\$1,466,417	\$0	\$1,466,417	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,466,417	\$0	\$1,466,417	\$0
Base Budget	\$1,466,417	\$0	\$1,466,417	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,466,417	\$0	\$1,466,417	\$0
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**Human Resources**

- *Human Resources Overview*

[Nothing entered]

- *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	
Full-Time Classified (Filled)	
Part-Time Classified (Filled)	
Faculty (Filled)	
Wage	
Contract Employees	
<b>Total Human Resource Level</b>	<b>0.0</b> = Current Employment Level + Wage and Contract Employees

} breakout of Current Employment Level

- *Factors Impacting HR*

[Nothing entered]

- *Anticipated HR Changes*

[Nothing entered]

**Service Area Objectives**

- Provide a fiscal impact statement before state and local tax legislation is considered by the Legislative Branch.

**Objective Description**

Accurate, thorough and timely fiscal impact statements are expected by the General Assembly Finance Committees and provide critical information on the fiscal, administrative and policy impacts of proposed legislation. The fiscal impact statements also ensure that the legislation is drafted accurately.

**Alignment to Agency Goals**

- Agency Goal: Maximize operational efficiency and effectiveness

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Percent of fiscal impact statements provided to the House or Senate Finance Committee before consideration.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage

Measure Target Value:  Date:

Measure Target Description: 100% timely submissions during the 2010, 2011, and 2012 regular sessions.

Data Source and Calculation: The fiscal impact statements provided to the Committees, and the date that the full Committee acts on a bill are published on the General Assembly's bill tracking website. The date that a subcommittee hears a bill will be tracked by Section personnel who attend the meetings.

- Develop regulations required to explain more fully complex tax statutes.

**Objective Description**

The Code of Virginia prohibits courts from giving great weight to administrative tax policies that are not promulgated as regulations. Unlike most regulatory processes, taxpayers and interest groups frequently request TAX to develop regulations explaining the operation of typically complex tax law because comprehensive regulations enable them to predict more accurately the tax consequences of transactions. The regulations also provide the base for ensuring compliance with the tax statutes.

**Alignment to Agency Goals**

- Agency Goal: Maximize operational efficiency and effectiveness

**Link to State Strategy**

- nothing linked

**Objective Measures**

- The percentage of regulations that have been reviewed within 12 months.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Measure Target Value:  Date:

Measure Target Description: By June 30, 2012, complete identified actions on all regulations.

Data Source and Calculation: TAX has approximately 700 regulations in effect and one-third of them will be reviewed annually. • The Department will classify its regulations as: a) Current, no regulatory action needed. b) Not current, amendment or repeal needed. c) Not current, amendment or repeal in process. • The Department will review legislation enacted annually for legislative mandates to promulgate specific regulations.

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Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0
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Base Budget	\$1,057,863	\$0	\$1,057,863	\$0
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$1,057,863	\$0	\$1,057,863	\$0

**Human Resources**

- *Human Resources Overview*

[Nothing entered]

- *Human Resource Levels*

Effective Date		
Total Authorized Position level	0	
Vacant Positions	0	
<b>Current Employment Level</b>	<b>0.0</b>	
Non-Classified (Filled)		<i>breakout of Current Employment Level</i>
Full-Time Classified (Filled)		
Part-Time Classified (Filled)	0	
Faculty (Filled)	0	
Wage	0	
Contract Employees	0	
<b>Total Human Resource Level</b>	<b>0.0</b>	<i>= Current Employment Level + Wage and Contract Employees</i>

- *Factors Impacting HR*

[Nothing entered]

- *Anticipated HR Changes*

[Nothing entered]

**Service Area Objectives**

- Accurately and timely resolve appeals of state tax issues, issue rulings, and provide support to the Office of the Attorney General on tax litigation.

**Objective Description**

TAX desires to accurately and timely resolve appeals of state tax issues in less than 120 days. Some appeals are highly technical and require considerable time and interaction with taxpayers. Recent history has been: FY2009 50.0% less than 120 days old, FY2008 56.7%, FY2007 45.8%, FY2006 35.5% and FY2005 45.1%.

**Alignment to Agency Goals**

- Agency Goal: Ensure Customer Satisfaction

**Link to State Strategy**

- nothing linked

**Objective Measures**

- The percentage of open individual income and sales tax appeals less than 120 days old.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage

Measure Target Value:  Date:

Measure Target Description: 75% or more of appeals will be less than 120 days old by FY2012.

Data Source and Calculation: The source of the information will be the correspondence tracking system. The calculation would be the number of active income tax and sales tax appeals less than 120 days old divided by the total number of active income tax and sales tax appeals.







Budget	\$607,087	\$0	\$607,087	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$607,087	\$0	\$607,087	\$0
Base Budget	\$607,087	\$0	\$607,087	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$607,087	\$0	\$607,087	\$0
Base Budget	\$607,087	\$0	\$607,087	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$607,087	\$0	\$607,087	\$0
Base Budget	\$607,087	\$0	\$607,087	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$607,087	\$0	\$607,087	\$0
Base Budget	\$607,087	\$0	\$607,087	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$607,087	\$0	\$607,087	\$0
Base Budget	\$607,087	\$0	\$607,087	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$607,087	\$0	\$607,087	\$0
Base Budget	\$607,087	\$0	\$607,087	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$607,087	\$0	\$607,087	\$0
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**Human Resources**

- *Human Resources Overview*  
[Nothing entered]

- *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	0
Full-Time Classified (Filled)	0
Part-Time Classified (Filled)	0
Faculty (Filled)	0

*breakout of Current Employment Level*

Wage	0
Contract Employees	0
<b>Total Human Resource Level</b>	<b>0.0</b> = <i>Current Employment Level + Wage and Contract Employees</i>

- **Factors Impacting HR**  
[Nothing entered]
- **Anticipated HR Changes**  
[Nothing entered]

**Service Area Objectives**

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- Accurately forecast revenue.

**Objective Description**

Accurately forecast general fund, transportation fund, and DMV Special fund revenues.

**Alignment to Agency Goals**

- Agency Goal: Maximize operational efficiency and effectiveness

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Percentage variance on the official forecast.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage

Measure Target Value:  Date:

Measure Target Description: Actual collections are within plus or minus two percentage points of the official forecast in FY2011 and FY2012.

Data Source and Calculation: Use Department of Accounts' June monthly revenue report: Subtract the revenue forecast from actual collections and divide the result by the budget (official) forecast to get a variance percentage.

- Percentage variance on the current year general fund revenue forecast included in the Governor's December budget.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage

Measure Target Value:  Date:

Measure Target Description: The revenue forecast released with the Governor's budget annually in December will be within + or - 4.5% in FY2011 and FY2012.

Data Source and Calculation: Use DOA's June monthly revenue report: Subtract the revenue forecast from actual collections and divide the result by the Governor's December budget forecast to get a variance percentage.

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Service Area Strategic Plan

Department of Taxation (161)

3/13/2014 10:09 am

Biennium: 2010-12

Service Area 4 of 11

**Tax Return Processing (161 732 14)**

**Description**

Tax Processing Operations processes state tax returns and payments to include opening and screening return and payment mail, capturing tax return and payment data to post to taxpayer accounts, resolving errors made in the preparation of returns and payments, and business tax registration. Besides paper processing of tax returns and payments, this area is also responsible for administering several electronic programs: Electronic filing of Individual Income Tax and Corporate Income Tax returns (e-file), iFile for Business and Individual, Quick Pay, Web Payments, Electronic Funds Transfers, credit card processing, Web Upload and substitute forms approval. This Service Area is also responsible for providing mail services for the agency and printing and mailing taxpayer assessments and correspondence.

**Background Information**

**Mission Alignment and Authority**

- *Describe how this service supports the agency mission*  
Tax Return Processing contributes directly to supporting the Agency's mission of serving the public by administering the tax laws of the Commonwealth of Virginia with integrity, efficiency, and consistency. Services provided by TAX and other state agencies rely on the timely collection and deposit of state funds, a primary responsibility of the Tax Return Processing service area.
- *Describe the Statutory Authority of this Service*  
§ 58.1 of the Code of Virginia requires TAX to administer the tax laws of Virginia.

**Customers**

Agency Customer Group	Customer	Customers served annually	Potential annual customers
Localities	Localities	134	134
Taxpayers of the Commonwealth	Taxpayers of the Commonwealth	3,500,000	4,000,000

**Anticipated Changes To Agency Customer Base**

Each year, the individual taxpayer base expands by 1.5% to 2% adding between 50,000 and 75,000 new individual taxpayers to the customer base. The customer base of business taxpayers expands and contracts continually as new businesses open and others close.

**Partners**

Partner	Description
[None entered]	

**Products and Services**

- *Factors Impacting the Products and/or Services:*  
Seasonal factors impact services delivered by this service area. Since over 90% of individual income tax returns are processed between early February and early June, this area requires an annual recruitment process to ensure staff is in place to deal with peak return and payment volumes. Economic factors impact the quantity and quality of available staff. Leveraging technology to process tax returns and payments provides opportunities for efficiencies and service improvements.
- *Anticipated Changes to the Products and/or Services*  
TAX anticipates a greater reliance on electronic filing and technological advances to gain efficiencies and serve our increasing volume of customers.
- *Listing of Products and/or Services*
  - Tax Return Processing
  - Payment Processing
  - Refund Issuance
  - Data Capture
  - Scanning (returns, payments, and correspondence)
  - Electronic Filing
  - Error Resolution
  - Reissue/process returned refund checks
  - Document Destruction
  - Business Registration
  - Return Mail/Skip Tracing
  - Forms Request
  - Mail pickup and delivery
  - Printing and mailing correspondence
  - Forms Distribution
  - Central Files
  - Inventory Control
  - Program Administration (EFT, Credit Card processing, Web Upload, Substitute Forms, intake systems)

**Finance**

- *Financial Overview*



**Human Resources**

• *Human Resources Overview*

Tax Processing Operations relies heavily on wage and temporary staffing solutions to meet the high-volume, cyclical filing periods of returns and payments. The heaviest volume is processed each year between February and June when the majority of Individual Income Tax returns and Corporate/Pass-Thru Entity returns are filed. Business tax returns such as Sales Tax (monthly filers) and Employer Withholding (weekly, monthly, quarterly, and seasonal filers) are processed year-round with the quarterly months receiving the heaviest volume.

• *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	0
Full-Time Classified (Filled)	0
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
<b>Total Human Resource Level</b>	<b>0.0</b>

*= Current Employment Level + Wage and Contract Employees*

*breakout of Current Employment Level*

• *Factors Impacting HR*

Reliance on temporary staffing at a low pay rate often comes with high turnover and frequent attendance issues.

• *Anticipated HR Changes*

The more returns and payments TAX can receive electronically the less temporary staffing will be needed to process paper. TAX continues to promote and encourage electronic filing as the most efficient channel for receiving returns and payments.

**Service Area Objectives**

- We will issue current year electronically filed individual income tax refunds within 12 days of receipt of the return.

**Objective Description**

Issue refunds very quickly for taxpayers who file their return electronically.

**Alignment to Agency Goals**

- Agency Goal: Ensure Customer Satisfaction

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Issue current year refunds for 98 percent of all electronically filed returns within 12 days of receipt of the return.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Annual measure begins tracking January 1 and ends December 31 of each year, which corresponds to the annual tax return filing period. The measure will be reported quarterly but as a cumulative measure representing the calendar year.

Measure Target Value:  Date:

Measure Target Description: Issue at least 98% of all current year electronically filed refunds within 12 days.

Data Source and Calculation: Refund turnaround timeframes are measured by weekly system generated reports that compare the day of receipt of the return to the date the refund is fully processed and ready for issuance. Refunds that are setoff for debts owed the Commonwealth are counted as issued refunds when seized. This measure would be calculated in calendar days.

- Average cost to process an individual income tax return.

Measure Class:  Measure Frequency:  Preferred Trend:

Frequency Comment: Income tax processing operates on a calendar year cycle.

Measure Baseline Value:  Date:

Measure Baseline Description: Cost analysis for calendar year 2008.

Measure Target Value:  Date:

Measure Target Description: Cost analysis for calendar year 2010.

Long-range Measure Target Value:  Date:

Long-range Measure Target Description: This is a 5% reduction in cost versus 2008 base.



Data Source and Calculation: Productivity Measure Objective: To reduce the costs associated with processing individual income tax returns. This new productivity measure will require the collection and tracking, at a detailed level, of the total costs associated with income tax processing. This will also enable the agency to separately develop the processing costs for paper and electronic returns. Examples of processing costs that are expected to be collected for this measure include mail pickup and delivery, mail opening, mail screening, mail batching, error resolution, scanning of paper returns, data capture from mail returns, salary and wage costs. Income tax processing operates on a calendar year cycle. Thus, TAX is suggesting that data be reported only annually because data would be highly skewed on a quarterly basis.

- We will increase electronic interactions with citizens.

**Objective Description**

To increase taxpayer use of electronic channels by 10% each fiscal year.

**Alignment to Agency Goals**

- Agency Goal: Maximize operational efficiency and effectiveness

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Increase the number of taxpayer transactions through TAX's electronic channels by 10%.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Annual measure that is tracked quarterly.

Measure Target Value:  Date:

Measure Target Description: Increase the number of transactions and interactions with taxpayers and tax practitioners by 10% over the previous fiscal year.

Data Source and Calculation: System generated reports are used to calculate the following metrics: # of individual and corporate returns electronically filed through e-file, # of Individual and business returns electronically filed through iFile, # of web upload returns filed, # of EFT debit and credit transactions, # of credit card transactions, # of inbound and outbound secure email messages sent, # of iReg transactions, # of Tax Policy Library "hits", # Part Pay agreements set up using Teleplan, # of bills paid using Quick Pay, # of direct deposit of refunds to taxpayers bank accounts, # of direct debit of tax dues to taxpayers bank accounts, # returns received through a magnetic media source, # of taxpayer questions answered using Live Chat, # of email communications sent using e-Subscriptions. NOTE: This measure continues to be changed as the agency develops new and different ways to electronically communicate with taxpayers. A major change in the calculation of this is the elimination of the component "# of forms downloaded." This was done as a result of the agency's experience that as more individual income tax filers shift to electronically filed returns the fewer forms and instructions were download from the tax web site, causing a distortion in this measure.

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Service Area Total	\$11,043,849	\$0	\$11,043,849	\$0
Base Budget	\$11,043,849	\$0	\$11,043,849	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$11,043,849	\$0	\$11,043,849	\$0
Base Budget	\$11,043,849	\$0	\$11,043,849	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$11,043,849	\$0	\$11,043,849	\$0
Base Budget	\$11,043,849	\$0	\$11,043,849	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$11,043,849	\$0	\$11,043,849	\$0
Base Budget	\$11,043,849	\$0	\$11,043,849	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$11,043,849	\$0	\$11,043,849	\$0
Base Budget	\$11,043,849	\$0	\$11,043,849	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$11,043,849	\$0	\$11,043,849	\$0
Base Budget	\$11,043,849	\$0	\$11,043,849	\$0
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$11,043,849	\$0	\$11,043,849	\$0
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**Human Resources**

- *Human Resources Overview*  
[Nothing entered]

- *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	0
Full-Time Classified (Filled)	0
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
<b>Total Human Resource Level</b>	<b>0.0</b>

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

- *Factors Impacting HR*  
[Nothing entered]
- *Anticipated HR Changes*  
[Nothing entered]

**Service Area Objectives**

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- We will respond to taxpayer inquiries in a timely manner .

**Objective Description**

This service area handles customer inquiries whether via telephone, secure e-mails, or letters. This key measure reviews the number of telephone calls answered before the customer hangs up versus the number of calls offered. During FY2009 TAX answered 617,074 calls out of the 687,745 calls offered.

**Alignment to Agency Goals**

- Agency Goal: Ensure Customer Satisfaction

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Answer 87% of calls before the caller disconnects.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: This is an annual measure that is tracked quarterly.

Measure Target Value:  Date:

Measure Target Description: Handle at least 87% of incoming phone calls in fiscal years 2011 and 2012.

Data Source and Calculation: Phones: Service level = (Calls Offered / Calls Handled) times 100%.

- Average mail turnaround time.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Annual measure that is reported quarterly.

Measure Target Value:  Date:

Measure Target Description: Maintain average mail turnaround time at no more than 25 days at the end of each quarter in fiscal years 2011 and 2012.

Data Source and Calculation: Correspondence backlog at the end of the quarter divided by the number of pieces of mail that can be handled in one day.

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Change To Base	\$0	\$0	\$0	\$0
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Service Area Total	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Base Budget	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Base Budget	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Base Budget	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Base Budget	\$20,284,025	\$665,419	\$20,284,025	\$665,419
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$20,284,025	\$665,419	\$20,284,025	\$665,419
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**Human Resources**

- *Human Resources Overview*

[Nothing entered]

- *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	0
Full-Time Classified (Filled)	0
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
<b>Total Human Resource Level</b>	<b>0.0</b>

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

- *Factors Impacting HR*

[Nothing entered]

- *Anticipated HR Changes*

[Nothing entered]

**Service Area Objectives**

- Maintain core audit programs at current levels.

**Objective Description**

Audit programs are a key component in the agency's compliance program designed to encourage voluntary compliance with the Commonwealth's tax system. This objective simply measures the number of field audit cases closed during the fiscal year and looks at the overall audit program's cases closed over a three year period.

**Alignment to Agency Goals**



- Agency Goal: Maximize operational efficiency and effectiveness

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Number of field audit cases closed.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Number -- 3 year moving average of field audit cases closed

Measure Target Value:  Date:

Measure Target Description: Maintain the three year average of field audit cases closed during fiscal years 2011 and 2012.

Data Source and Calculation: The three year average of field audit cases closed is this measure. Among other factors economic conditions and staff turnover issues can cause wide swings in the numbers of audit cases closed so this measure averages the last three years performance. Historical data are impacted by different systems counts. Historical data being used in the measure of closed audit cases by fiscal year are: FY2001 3,649; FY2002 3,359; FY2003 3,043; FY2004 3,091; FY2005 3,478; FY2006 2,680; FY2007 3,624; FY2008 3485; FY2009 3916. These averages to the following data by fiscal year: FY2003 3,350; FY2004 3,164; FY2005 3,204; FY2006 3,083; FY2007 3,261. FY2008 3263; FY2009 3,675.

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Service Area Strategic Plan

Department of Taxation (161)

3/13/2014 10:09 am

Biennium: 2010-12

Service Area 7 of 11

Compliance Collections (161 732 19)

Description

Compliance collections is dedicated to the task of identifying and collecting delinquent state taxes from both individuals and businesses that fail to satisfy tax obligations imposed by statute, to collecting court debt fines and fees, and to capturing (setting off) obligations owed to the Commonwealth and to local governments.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission  
The Virginia tax system relies on voluntary compliance by taxpayers. The continued participation in the revenue system by taxpayers requires that they have confidence that the tax obligations imposed on them are applied and enforced consistently on all similarly situated individuals and businesses. The integrity of a voluntary tax system cannot be maintained unless taxpayers generally understand that noncompliance will be addressed.
- Describe the Statutory Authority of this Service  
§ 58.1-202 of the Virginia Code sets out the responsibility of the Tax Commissioner to administer the tax laws of the Commonwealth. § 58.1-1800, et seq. of the Virginia Code provides the authority and attendant requirements to act to collect delinquent state taxes, including, among other things, the authority to issue liens and levies to enforce collection.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
General Assembly	General Assembly	140	140
Localities	Localities	134	134
State Agencies	State Agencies	124	124
Taxpayers of the Commonwealth	Taxpayers of the Commonwealth	3,500,000	4,000,000

Anticipated Changes To Agency Customer Base  
None.

Partners

Partner	Description
Performant	Performant is a collection agency. Delinquent receivables are routed to Performant for collection based on a hierarchy of business rules tried and perfected over the past 10 years. Efficient performance of this service relies on the interfaces between TAX and Performant.
Taxing Authority Consulting Services, PC	TACS (Taxing Authority Consulting Services, PC) is the vendor that processes all of TAX's bankruptcies. This eliminates the need for TAX to maintain interfaces with the bankruptcy courts or have bankruptcy attorneys on staff.

Products and Services

- Factors Impacting the Products and/or Services:  
Efficient performance of this service relies on maintaining a well trained staff and the operation of technical support services that can quickly and reliably bring accurate information to the staff.
- Anticipated Changes to the Products and/or Services  
None.
- Listing of Products and/or Services
  - Compliance Collections provides a service by collecting delinquent taxes. This provides revenue for general and special fund appropriation needs and helps to encourage tax compliance by all taxpayers.

Finance

- Financial Overview  
At the request of the Administration, during the fall of FY2009, the agency examined its office and field collections program. TAX requested and received 15 additional staff, eight office and seven field for the purpose of enhancing and expanding the office and field collections function.
- Financial Breakdown

	FY 2011		FY 2012		FY 2011	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012	FY 2012
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund							
Base Budget	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671							
Change To Base	\$0	\$0	\$0	\$0							
Service Area Total	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671							
Base	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671							

Budget				
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671
Base Budget	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671
Base Budget	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671
Base Budget	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671
Change To Base	\$0	\$0	\$0	\$0

Service Area Total	\$10,242,743	\$8,665,671	\$10,242,743	\$8,665,671
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**Human Resources**

- *Human Resources Overview*  
[Nothing entered]

- *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	0
Full-Time Classified (Filled)	0
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
<b>Total Human Resource Level</b>	<b>0.0</b>

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

- *Factors Impacting HR*  
[Nothing entered]
- *Anticipated HR Changes*  
[Nothing entered]

**Service Area Objectives**

- Efficiently and effectively resolve state tax delinquencies.

**Objective Description**

This service area is charged with collecting tax assessments and outstanding court debt fines and fees. This objective simply measures the level of collections over the years. An internal goal for tax collections is established for the agency and then actual collections are monitored. During FY2009, \$467.75 million was collected for the agency by this service area.

**Alignment to Agency Goals**

- Agency Goal: Maximize operational efficiency and effectiveness

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Meet or exceed delinquent revenue estimates for compliance collections with no increase in resources.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage of the compliance goal collected annually.

Measure Target Value:  Date:

Measure Target Description: Collect 100% of the annual compliance revenue target in FY2011 and FY2012.

Data Source and Calculation: This measures the percentage of the estimated compliance revenue target that is collected, that is, this measure is calculated as compliance revenue collected divided by the revenue target times 100%. Agency Compliance Collection Reports and system generated reports.

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Service Area Strategic Plan

Department of Taxation (161)

3/13/2014 10:09 am

Biennium: 2010-12

Service Area 8 of 11

Training for Local Assessors (161 734 01)

Description

[Nothing entered]

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission  
[Nothing entered]
- Describe the Statutory Authority of this Service  
[Nothing entered]

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
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Anticipated Changes To Agency Customer Base

[Nothing entered]

Partners

Partner	Description
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[None entered]

Products and Services

- Factors Impacting the Products and/or Services:  
[Nothing entered]
- Anticipated Changes to the Products and/or Services  
[Nothing entered]
- Listing of Products and/or Services  
[None entered for this Service Area]

Finance

- Financial Overview  
[Nothing entered]
- Financial Breakdown

	FY 2011		FY 2012		FY 2011	FY 2012	FY 2011	FY 2012	FY 2011	FY 2012
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund						
Base Budget	\$0	\$0	\$0	\$0						
Change To Base	\$0	\$0	\$0	\$0						
Service Area Total	\$0	\$0	\$0	\$0						
Base Budget	\$0	\$0	\$0	\$0						
Change To Base	\$0	\$0	\$0	\$0						
Service Area Total	\$0	\$0	\$0	\$0						
Base Budget	\$0	\$0	\$0	\$0						
Change To Base	\$0	\$0	\$0	\$0						
Service Area Total	\$0	\$0	\$0	\$0						
Base Budget	\$0	\$0	\$0	\$0						
Change To Base	\$0	\$0	\$0	\$0						
Service Area Total	\$0	\$0	\$0	\$0						

**Human Resources**

- *Human Resources Overview*  
[Nothing entered]

- *Human Resource Levels*

Effective Date		
Total Authorized Position level	0	
Vacant Positions	0	
<b>Current Employment Level</b>	<b>0.0</b>	
Non-Classified (Filled)	0	<i>breakout of Current Employment Level</i>
Full-Time Classified (Filled)	0	
Part-Time Classified (Filled)	0	
Faculty (Filled)	0	
Wage	0	
Contract Employees	0	
<b>Total Human Resource Level</b>	<b>0.0</b>	<i>= Current Employment Level + Wage and Contract Employees</i>

- *Factors Impacting HR*  
[Nothing entered]
- *Anticipated HR Changes*  
[Nothing entered]

**Service Area Objectives**

[None entered]

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Base Budget	\$754,512	\$942,338	\$754,512	\$942,338
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$754,512	\$942,338	\$754,512	\$942,338
Base Budget	\$754,512	\$942,338	\$754,512	\$942,338
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$754,512	\$942,338	\$754,512	\$942,338
Base Budget	\$754,512	\$942,338	\$754,512	\$942,338
Change To Base	\$0	\$0	\$0	\$0
Service Area Total	\$754,512	\$942,338	\$754,512	\$942,338

**Human Resources**

• *Human Resources Overview*

[Nothing entered]

• *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	0
Full-Time Classified (Filled)	0
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
<b>Total Human Resource Level</b>	<b>0.0</b>

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

• *Factors Impacting HR*

[Nothing entered]

• *Anticipated HR Changes*

[Nothing entered]

**Service Area Objectives**

- Promote statewide fair and equitable assessments of real estate and tangible personal property, and offer local officials an economically feasible range of advanced courses designed to provide full certification by the IAAO.

**Objective Description**

The agency offers local assessors a wide range of advanced courses to enhance their individual skills to enable fair and equitable property tax assessments. These courses are offered annually at James Madison University and are usually held during early June. Over one hundred individuals attended these courses in each of the last two years.

**Alignment to Agency Goals**

- Agency Goal: Ensure Customer Satisfaction

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Success of local assessors in achieving assessments at 100% of fair market value.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percent

Measure Target Value:  Date:

Measure Target Description: TAX will assist localities in FY2011 and FY2012 so that hopefully all can attain a sales ratio of at least 70% in the effective year of a required reassessment.

Data Source and Calculation: Local sales of real estate matched to corresponding assessments – results are arrayed and a median is determined. The numerator is equal to the individual assessments of property that sold in each locality divided by the denominator, which is equal to the arm's length sale price of each property. The median ratio, coefficient of dispersion, index of regressivity and other measures of central tendency comprise the assessment/sales ratio studies that help determine when fair market value and uniformity are achieved and that are used to determine the estimated true value of local property -- a key component in the formula for state aid to education. Also, ratio studies are used to equalize public service corporation property in relation to locally assessed property as required by law. Accurate property maps are essential to identify real property, assign it to

the proper owner while in the field, determine its shape, location and valuation in relation to other real property, and identify natural features that affect fair market value such as lakes and streams.

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Service Area Strategic Plan

Department of Taxation (161)

3/13/2014 10:09 am

Biennium: 2010-12

Service Area 10 of 11

Administrative and Support Services (161 799 00)

Description

This area contains the administrative functions of TAX with the combination of the following sections: Fiscal Office, Human Resources, Internal Audit, Public Relations and Purchasing and Facilities. In addition, the Continuity of Operations Plan (COOP) is updated and maintained as an administrative function. The Fiscal Office provides financial support to the agency, to include budgeting, accounts payable, revenue accounting, and preparation of financial statements while the Human Resources area provides human resource services for all of TAX management and employees and is our liaison with the Department of Human Resource Management. The Internal Audit section performs scheduled audits of activities throughout TAX to ensure activities are being performed as intended and to identify opportunities to improve operational efficiencies, controls and lessen risks. The Public Relations Department provides effective public relations and marketing services for TAX. Specifically, Public Relations' duties include publicizing, promoting, marketing, internal communications and educating the public and TAX employees about TAX's initiatives, programs, services, and accomplishments. The Purchasing & Facilities office has the following functions within its area:

- Purchasing – Procures goods and services for the agency in accordance with the Virginia Public Procurement Act and state procurement policies and procedures, works to ensure an uninterrupted supply of goods and services that meet end-user needs and requirements, and administers eVA and the Small Purchasing Card Program for TAX.
- Fleet Management – Administers the agency fleet activities for 87 permanently assigned and 5 agency-owned vehicles.
- Facility Management – deals with all of TAX's physical plant issues.
- Security – Provides, monitors, and maintains security services to all employees.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission  
By specializing in these activities, these sections collectively add to the efficiency of TAX's operations, thus permitting TAX to effectively administer the tax laws with consistency and integrity.
- Describe the Statutory Authority of this Service  
Title 58.1 of the Code of Virginia, Chapter 2.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
Agency Management and Employees	Agency Management and Employees	1,240	1,240
Localities	Localities	134	134
Motor Fuel Districts	Motor Fuel Districts	3	3
State Agencies	State Agencies	124	124
Tobacco Wholesalers	Tobacco Wholesalers	154	154

Anticipated Changes To Agency Customer Base  
None.

Partners

Partner	Description
[None entered]	

Products and Services

- Factors Impacting the Products and/or Services:  
The 24 hour deposit rule requiring all tax payments to be deposited into the bank and CARS (Commonwealth Accounting and Reporting System) within 24 hours, availability of qualified job applicants, state purchasing laws, policies and procedures, availability of goods and services, and the Department of General Services building services operations.
- Anticipated Changes to the Products and/or Services  
Anticipated changes include an ongoing need to train and cross-train agency employees resulting from the new taxpayer accounting system implemented in August 2005, the fulfillment of the ARMICS requirements, participation of agency employees in eVA procurement, and the move of the agency to predominantly state owned buildings from privately leased facilities. Federal confidentiality will continue to require that TAX own its own security hardware and software and maintain a high level of security.
- Listing of Products and/or Services
  - Distributes Communications Tax revenue and Sales Tax revenue to localities •Distributes Motor Fuel revenue to Motor Fuel districts •Sales Tax distribution to localities •Prepares the financial statements for the agency •Processes all invoices for payments •Prepares the agency budget •Distributes funding to external agencies: localities, motor fuel districts, contribution agencies, setoff agencies •Performs the accounting for all transactions that take place in a taxpayers account, to include all revenue received, all refunds issued, all bills created, etc., •Conducts recruitment and hiring •Provides compensation management •Manages benefits administration •Administers rewards and recognition programs •Administers performance management •Offers employee dispute resolution •Provides workforce development and training •Provides succession planning •Performs scheduled audits of activities and special projects throughout TAX •Investigates allegations made through the State Employee Fraud, Waste, and Abuse Hotline •Serves as TAX's liaison for audits and reviews conducted by the Auditor of Public Accounts •Reports identifying opportunities to improve agency operational efficiency, effectiveness, controls, risk management, and specific areas where revenues can be increased and costs reduced •Reports authenticating or negating allegations of employee fraud, waste, and abuse and short and long-term recommendations to address instances with merit •Conducts timely and non-disruptive annual independent audits •Produces stories for agency intranet TAXi, brochures, pamphlets, fliers, posters, fact sheets, tabletop presentations, etc. •Creates marketing campaigns, drafts media releases and media advisories •Conducts media calls and press conferences •Develops, bids and administers purchases for long-term

contracts and spot purchases •Administers eVA for the agency: initiates account setup, trains new users, reviews user purchases for compliance with purchasing policies and procedures, and provides general eVA and procurement assistance •Administers the agency's Small Purchase Charge Card Program, Administers fleet activities for the agency: maintenance, repairs, recalls, inspections, licenses, decals, fuel cards, vehicle replacement, accident and incident reporting, annual reports to State Police, updating data on Vehicle Accounting System (VACCS), insurance issues, monitors mileage, and trains vehicle users in State Fleet policies and procedures •Handles requests for state pool and permanently assigned vehicles •Maintains agency owned facility, administers various facilities contracts •Provide maintenance services to staff at all agency locations •Provides relocation services, space design and construction management at all locations •Provides support services for all IT systems related to wiring and cooling needs •Administers and updates emergency and safety procedures and its Continuity of Operations Plan, •Provides support services to all employees, including furniture design, repair and relocation • Provides, monitors and maintains security services to all employees •Administers TAX's physical and access security •Monitors daily operations and security guard performance.

**Finance**

• **Financial Overview**

This funding is for the many administrative support activities required to operate an agency that deposits and tracks \$17.0 billion annually. These include staff services such as:

- 1) all the fiscal office activities of accounting for and distributing such revenues, the paying of agency bills timely, planning and executing agency's budget and operating planning; submitting all required agency financial reports timely and correctly
- 2) purchasing agency needed supplies and contractual services
- 3) operating the agency's buildings
- 4) providing physical security for our employees, equipment and confidential data
- 5) effectively communicating with the media and other external entities
- 6) providing human resource services to attract, retain, train, compensate, and evaluate agency employees
- 7) provides internal auditing services and coordination with the Auditor of Public Accounts staff.

• **Financial Breakdown**

	FY 2011		FY 2012		FY 2011	FY 2012
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund		
Base Budget	\$9,652,442	\$50,000	\$9,652,442	\$50,000		
Change To Base	\$0	\$0	\$0	\$0		
Service Area Total	\$9,652,442	\$50,000	\$9,652,442	\$50,000		
Base Budget	\$9,652,442	\$50,000	\$9,652,442	\$50,000		
Change To Base	\$0	\$0	\$0	\$0		
Service Area Total	\$9,652,442	\$50,000	\$9,652,442	\$50,000		

**Human Resources**

• **Human Resources Overview**

This service area relies on a wide variety of trained professionals including, but not limited to, HR professionals, public relations specialists, accountants, auditors, and purchasing professionals.

• **Human Resource Levels**

Effective Date		
Total Authorized Position level	0	
Vacant Positions	0	
<b>Current Employment Level</b>	<b>0.0</b>	
Non-Classified (Filled)		breakout of Current Employment Level
Full-Time Classified (Filled)		
Part-Time Classified (Filled)		
Faculty (Filled)		
Wage		
Contract Employees		
<b>Total Human Resource Level</b>	<b>0.0</b>	= Current Employment Level + Wage and Contract Employees

• **Factors Impacting HR**

[Nothing entered]

• **Anticipated HR Changes**

[Nothing entered]

**Service Area Objectives**

- Ensure that resources are used efficiently and programs are managed effectively, and in a manner consistent with applicable state and federal requirements.

**Objective Description**

This is a statewide measure used to compare agencies to each other on five broad management categories. These categories include Emergency Preparedness, Financial Management, Government Procurement, Human Resources, and Information Technology. (This measure was previously the Management Scorecard.)

**Alignment to Agency Goals**

- Agency Goal: Achieve a culture based on TAX's core values: integrity, commitment to service, continuous improvement, trust and respect, teamwork, and personal responsibility.

#### Link to State Strategy

- nothing linked

#### Objective Measures

- Percent of administrative measures marked as "meets expectations" (green indicator) for the agency.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage of the five categories that score "meets expectations" (green indicator).

Measure Baseline Value:  Date:

Measure Baseline Description: TAX received "meets" green on Emergency Preparedness, Financial Management, Government Procurement, and Human Resources with a "needs improvement" (yellow) on Information Technology.

Measure Target Value:  Date:

Measure Target Description: Strive to achieve 100% scorecard grades in five major categories by FY12.

Data Source and Calculation: There are currently 13 administrative measures organized into five categories. Each measure has a different data source. These sources include reports from the Office of Commonwealth Preparedness, the Department of Planning and Budget, the Department of Accounts, the Department of General Services, the Department of Minority Business Enterprise, the Department of Human Resource Management, the Virginia Information Technologies Agency, and the Department of Rehabilitative Services. Agencies select the appropriate colored indicator (green, yellow, red) for each measure, depending on results. A gray indicator is used for measures where data are unavailable. The agency administration measure is the percent of the administrative measures that have a green indicator (meets expectations). Items with a gray indicator are excluded from the calculation.

- Effectively communicate with the media and other external entities.

#### Objective Description

Keeping the public informed and answering inquiries in a timely manner is important. This measure tracks the number of and timeliness of TAX responses.

#### Alignment to Agency Goals

- Agency Goal: Achieve a culture based on TAX's core values: integrity, commitment to service, continuous improvement, trust and respect, teamwork, and personal responsibility.

#### Link to State Strategy

- nothing linked

#### Objective Measures

- Percentage of media inquiries received and responded to in a timely manner.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Data are compiled monthly and will be reported quarterly.

Measure Target Value:  Date:

Measure Target Description: TAX will continue to respond to media inquiries in a timely manner in FY2011 and FY2012.

Data Source and Calculation: Media Contact Reports will serve as the source of measurement data for this objective. A note will be put on the report if, for any reason, the information was not relayed to the media the same day, or within the requestor's stated deadline. At the end of a month, these reports will be tabulated. The percentage that are answered in 1 or 2 days or within requested deadline are compared to the total number of media inquiries received and the percentage calculated.

- Invest in the training and development of agency workforce to ensure staff is equipped to meet current and future business needs.

#### Objective Description

Training is an important tool to ensure that employees are equipped to meet TAX's current and future business needs.

#### Alignment to Agency Goals

- Agency Goal: Develop, attract, and retain a capable, motivated, and diverse workforce

#### Link to State Strategy

- nothing linked

#### Objective Measures

- Average number of courses per year for all employees

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: number of courses taken annually by TAX employees.

Measure Target Value:  Date:



Measure Target Description: Increase the average number to 6.83 courses per employee per year in fiscal years 2011 and 2012.

Data Source and Calculation: Annual measure tracked quarterly. Generated from the Learning Management System total courses taken by employees divided by the average number of employees.

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Service Area Strategic Plan

Department of Taxation (161)

3/13/2014 10:09 am

Biennium: 2010-12

Service Area 11 of 11

Information Technology Services (161 799 02)

Description

Information Technology Support is responsible for leveraging technology to enable all of TAX's business objectives and priorities, by developing, enhancing and maintaining systems, including application software and supporting hardware. TAX, as an agency, is dependent on technology in every aspect of daily operations. Nearly every employee relies on available and accurate information systems to perform essentially all of their daily responsibilities, and most employees, including auditors, collectors and customer service staff, are unable to perform the majority of their core responsibilities when these systems are not available. TAX supports and maintains a broad range of complex information systems. Examples of the more than 20 information systems supported include: • STRATA – A collection prioritization and risk assessment tool. • Sales Tax Audit and Nexus (STAUDN), Withholding, Corporate – An application used to perform audits at the taxpayer's place of business. • Computer Automated Collections System for Government (CACSG) – An automated collections system that provides for tracking of assessments through various collection stages. • Customer Relationship Management (CRM) – An approach to meeting customer's needs that relies on a suite of technology systems that provides customer assistance, customer contact tracking, correspondence tracking, and case management. • Imaging/Optical Character Recognition (OCR)/Intelligent Character Recognition (ICR) – Automated data and image capture of returns and correspondence. • Remittance Processing – A system that provides for preparation of checks for bank deposit and data extraction for input into the enterprise system. • Compliance Repository and Auditor's Toolkit – A data warehouse of taxpayer information and an application that allows for comparison of data to select audit candidates and manage the resulting audit activities. • Lotus Notes – Administrative applications that support applications such as an online Agency Operating Procedures application, Collaborative Work Environment application, Configuration Change Management Tracking application, a Procurement Tracking application, and a Legislative Tracking application. • ADVANTAGE Revenue (AR) – taxpayer accounting system that maintains taxpayer demographic and account information. • VATAX Online – A full suite of online services for businesses and individual income tax customers. • The iReg for Business application allows new businesses to register online and allows existing businesses to add business locations and consolidate their filings. • The iFile for Business application allows taxpayers to file sales, use, and withholding taxes over the Internet. • The iFile for Individuals application allows individual taxpayers to file over the Internet, to check their refund, and to change their name and address • e-filing for Individuals, Corporations and other tax types allows taxpayers to submit their tax returns electronically, saving them and the agency time and money. All of the software applications listed above are supported by a complex client server environment comprised of many components, including Oracle and UNIX.

Background Information

Mission Alignment and Authority

- Describe how this service supports the agency mission  
This service area provides mission critical enabling support to all operating areas of TAX by maintaining and enhancing the agencies computer applications and VITA/NG out-of-structure.
- Describe the Statutory Authority of this Service  
§ 58.1 Code of Virginia - Information Technology supports all other service areas.

Customers

Agency Customer Group	Customer	Customers served annually	Potential annual customers
Agency Management and Employees	Agency Management and Employees	1,200	1,200
Federal/State/Local Governments	Federal/State/Local Governments	216	216
IRS/Professional Associations	IRS/Professional Associations	31	31
Taxpayers of the Commonwealth	Taxpayers of the Commonwealth	3,500,000	4,000,000

Anticipated Changes To Agency Customer Base  
None.

Partners

Partner	Description
[None entered]	

Products and Services

- Factors Impacting the Products and/or Services:
  - o Technology systems, including application software and hardware, must be upgraded and refreshed on an ongoing basis to ensure they operate correctly and are available for use by end users. Further, TAX must refresh hardware and upgrade software versions in a timely manner to eliminate the risk of the Commonwealth's revenue systems becoming obsolete or unsupported, jeopardizing all of TAX's business operations.
  - o Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel.
  - o The customer demand for and use of electronic, self-help services continues to increase, requiring continued capacity expansions within existing services.
  - o Taxpayers, agency management and users continue to demand automated solutions to replace historically manual tasks. This results in increased operating efficiency and improved customer services, but requires an ongoing commitment to information technology services.
  - o The necessity to assign staff to VITA/NG transformation activities has a negative impact on the agency's ability to meet its internal technology needs.
- Anticipated Changes to the Products and/or Services
  - o Most tax-related legislative changes necessitate changes to TAX's automated systems. The variety of filing and service "channels" provided by TAX often means the change must be made in several systems, each supporting a different channel.
  - o The customer demand for and use of electronic, self-help services continues to increase, requiring the development of new electronic channels to replace traditional paper-based services as well as those services which currently involve direct interaction with agency staff. TAX plans to continue to exploit the eGovernment capabilities implemented in recent years to allow more citizens to interact with us electronically at a time that is convenient for them.

o Over the past few years, TAX implemented a broad range of technology-based solutions that have allowed dramatic improvements in operating efficiency as well as allowed TAX to improve service to citizens. Now that the tools are in place, TAX plans to exploit the capabilities inherent in those tools to ensure continuous improvement in operating efficiency and customer service.

● *Listing of Products and/or Services*

- o Manage technology support delivery – Plan and manage delivery of the technology systems at TAX that enable business operations, including the budget for technology services.
- o Develop and maintain application software - develop, test, maintain and operate TAX's technology systems, including over 20 complex IT systems that comprise an Integrated Revenue Management System. Includes annual legislative modifications, as well as TAX's self-service eGovernment channels.
- o Manage the technology environment configuration – manage, plan, monitor, and oversee TAX's technology infrastructure, and approve all changes to the technology infrastructure, including a Change Control group that ensures effective migration (and protection) of all production systems, upgrades, maintenance, enhancements, releases, etc. Ensure all components of the technology infrastructure (hardware, software, and environment configurations) are maintained and changes to production systems are properly controlled and tested.
- o VITA Coordination and Support - Participate with VITA/NG on agency transformation, Commonwealth Technology direction, VITA procurement requirements, and general support for VITA.
- o Administer and enable IT Security – Administer daily security activities such as adding, removing, and modifying users and their associated access (over 2,500 system users), reviewing audit trails, access attempts, virus threats, and potential browsing incidents, ensuring the security of TAX's data, systems and technology infrastructure by providing expert guidance to ensure security is "designed in" and exploiting best practices use of technology tools to better detect intrusion, prevent unauthorized access, and enhance security administration.
- o Manage IT Disaster Recovery - Manage a comprehensive IT Recovery plan, encompassing all aspects of IT connectivity, applications and services. Ensure the full recovery of any unplanned computing services interruptions.
- o Ensure Quality Control - Ensure changes to production systems are monitored and controlled to reduce risks to the agency and minimize errors. Ensure software changes are successfully migrated from test to production. Manage software version control to ensure a clear separation between test systems and production systems. Approximately 1,200 changes are implemented annually.
- o Support VITA Out-of-Scope Technology Infrastructure and management of TAX's databases and telecommunications requirements.

**Finance**

● *Financial Overview*

The total spending budget for Information Technology supports a number of critical areas, including: • Technology staff to maintain TAX's technology environment and software applications • Maintenance contracts to ensure manufacturer support, upgrades, periodic releases and patches on operating systems, software languages, and custom-developed software systems. Also includes maintenance contracts, including preventive maintenance and equipment repair on imaging equipment, remittance processing equipment, etc. • Hardware and equipment (such as desktops, laptops, printers, telephones, remittance processing transports, imaging scanners, telephony equipment, etc.) replacement costs and software costs to ensure all technology hardware is fully functional and meets the user's requirements. This includes purchased and leased hardware. • Connectivity and telephony charges for local and long distance telephone charges, telecommunications charges, server hosting fees, disaster recovery services, etc.

Information Technology Expenditures Summary:

- 35% Personal Services
- 24% Software Development
- 36% Computer service
- 5% Other
- 11% HW / SW, parts, and Equipment
- 4% Other

● *Financial Breakdown*

	FY 2011		FY 2012	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$23,022,418	\$0	\$23,022,418	\$0
Change To Base	\$0	\$0	\$0	\$0
<b>Service Area Total</b>	<b>\$23,022,418</b>	<b>\$0</b>	<b>\$23,022,418</b>	<b>\$0</b>

**Human Resources**

● *Human Resources Overview*

[Nothing entered]

● *Human Resource Levels*

Effective Date	
Total Authorized Position level	0
Vacant Positions	0
<b>Current Employment Level</b>	<b>0.0</b>
Non-Classified (Filled)	0
Full-Time Classified (Filled)	0
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	0
Contract Employees	0
<b>Total Human Resource Level</b>	<b>0.0</b>

*breakout of Current Employment Level*

*= Current Employment Level + Wage and Contract Employees*

- **Factors Impacting HR**  
[Nothing entered]
- **Anticipated HR Changes**  
[Nothing entered]

**Service Area Objectives**

- Maintain a 98% IRMS availability

**Objective Description**

The TAX internal agency computer system (IRMS) is the life blood of critical agency operations. When this system is not operating many of our staff cannot perform their daily tasks –this means customers are not served, revenues are not deposited, and phone calls and letters are not answered. This measure is designed to measure the availability of the system.

**Alignment to Agency Goals**

- Agency Goal: Maximize operational efficiency and effectiveness

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Computer System Availability (IRMS)

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage

Measure Target Value:  Date:

Measure Target Description: Maintain at least a 98% IRMS availability in FY11 and FY12, not including outages caused by technical infrastructure issues not under TAX's control.

Data Source and Calculation: Utilize an automated tool to measure IRMS availability.

- Maintain customer satisfaction levels with online self-service technologies.

**Objective Description**

When TAX customers use our on-line systems they are asked to provide answers to a small number of questions so that TAX can ascertain the overall level of satisfaction with the on-line service. TAX has had good ratings on these services and expects that customers will continue to be highly satisfied with them.

**Alignment to Agency Goals**

- Agency Goal: Ensure Customer Satisfaction

**Link to State Strategy**

- nothing linked

**Objective Measures**

- Utilize the results of online surveys to measure customer satisfaction.

Measure Class:  Measure Type:  Measure Frequency:  Preferred Trend:

Frequency Comment: Percentage

Measure Target Value:  Date:

Measure Target Description: Maintain at least a 98% positive customer satisfaction rating in fiscal years 2011 and 2012.

Data Source and Calculation: An online survey tool collects measurement data. TAX measures user satisfaction through online surveys. These surveys are completed by those taxpayers using individual iFile and business iFile and by businesses using iReg.