

# 2016-18 Strategic Plan

## Department of Taxation [161]

### Mission

The mission of the Virginia Department of Taxation is to administer the tax laws of the Commonwealth with integrity and efficiency to support funding of government services for Virginia's citizens.

### Vision

Instill public confidence and achieve the highest level of voluntary compliance through the strength of our workforce, a culture of innovation, and leading-edge technology that safeguards taxpayer information and enhances the way we deliver our services.

### Values

- Integrity: We strive to be honest, fair and straightforward, not compromising moral principles.
- Concern and Respect: We commit to work diligently to earn and keep the trust and respect of our stakeholders and co-workers. We strive to participate and communicate in an open, collaborative environment, while showing consideration and compassion as we pursue common goals.
- Personal Responsibility: We hold ourselves accountable for our performance and we honor our commitments. We take initiative and accept ownership for the actions required to achieve positive outcomes for ourselves and the agency.
- Innovation: We seek better ways to do our work with the highest levels of quality. We challenge the status quo and we welcome and encourage innovation and creativity.

### Finance

#### Financial Overview

The Department is predominantly funded from the general fund. It uses non-general fund sources to fund outside collection agencies (percentage of collections), court debt collection, the administration of the communication sales and use tax, motor vehicle rental tax, and the insurance premium tax. Non-general funds are also used for railroad and pipeline assessments, land preservation credit processing, managing Treasury Offset Programs (TOPS), and local assessor training classes.

#### Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	96,907,268	12,133,180	96,406,143	12,134,342
Changes to Initial Appropriation	-2,451,124	0	-1,516,725	-100,000

*(Changes to Initial Appropriation will be 0 when the plan is created. They will change when the plan is updated mid-biennium.)*

### Customers

#### Anticipated Changes to Customer Base

The agency does not anticipate any declines in our customer base over the next biennium. We anticipate a 1.5 – 2 percent growth in our customer base overall.

#### Current Customer List

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Business and Finance	Professional Associations	30	30	Stable
Attorney General	Attorney General's Office	1	1	Stable
Business and Finance	Payroll providers - Companies representing and filing for multiple business taxpayers	200	300	Increase
Business and Finance	Tax preparers - Professional preparers of individual and corporate income taxes, and business taxes	8,000	10,000	Increase
General Assembly	General Assembly	140	140	Stable
Governor	Governor's Office	1	1	Stable

Local or Regional Government Authorities	Federal/State/Local Governments	216	216	Stable
Local or Regional Government Authorities	Transportation Authorities	2	2	Stable
State Agency(s),	Agency Management and Employees	940	940	Stable
State Agency(s),	State Agencies	124	124	Stable
Taxpayer	Business taxpayers - Sales tax dealers, employers, corporations and other business taxpayers	587,076	598,026	Increase
Taxpayer	Individual taxpayers - Resident, non-resident and part-year resident taxpayers that file personal taxes in Virginia	5,162,846	5,193,316	Increase
Taxpayer	Tobacco wholesalers	150	150	Stable
State Agency(s),	Courts - Court Debt Collections	239	239	Stable

## Partners

Name	Description
Internal Revenue Service (IRS)	TAX and the IRS exchange data/information for state and federal refund setoff, and for tax auditing purposes.
Virginia Localities	Localities sell Tobacco Stamps on behalf of the Department of Taxation to Treasurers and Commissioners of Revenue including but not limited to: Cities of Bristol, Danville, Fairfax, Lynchburg, Roanoke, Virginia Beach Waynesboro and Culpepper.
Federal, State and Local Governments	TAX partners with federal, state and local governments to collect and recover money through various debt set-off programs.
Local Governments or Regional Government Authorities	TAX works with local governments and regional government authorities to distribute revenue.
e-File Software Vendors	These are external developers of tax preparation software used by taxpayers and tax preparers to electronically file state tax returns.
Private Sector Vendors and Contractors	TAX works with various contractors and vendors who provide goods and services to the agency in support of tax collection and program administration.
Virginia Employment Commission (VEC)	TAX partners with VEC to develop and share an online portal for employers to register their business with both agencies and file and pay taxes at the same time. VEC and TAX jointly maintain our iReg and iFile applications that are used by taxpayers to register with TAX and VEC and to file and pay taxes with both TAX and VEC.
Virginia Information Technology Agency/Northrop Grumman (VITA/NG)	VITA/NG provides the technical infrastructure and supports the LAN/WAN and server operating systems used by many of the agency's applications.
Virginia Localities	Virginia localities assist TAX with the filing and processing of individual income tax returns, assist with locally-administered taxes, and participate in the tax refund setoff program.
Virginia State Agencies	Other state agencies participate in the tax refund setoff program and/or validate tax compliance for issuing various permits and licenses.

## Agency Goals

### • Optimize operations and technology.

#### Summary and Alignment

Improving agency operations through innovation and business process improvement will allow the Department to better manage its costs and ensure the effective and efficient administration of tax laws.

#### Associated State Goal

Government and Citizens: Be recognized as the best-managed state in the nation.

#### Associated Societal Indicator

Government Operations

#### Objectives

#### » Continuously improve business practices and processes.

##### Description

Business process improvement is a methodology aimed at identifying operations that could be corrected, modified or removed in order to

improve quality, productivity or response time of a business process, create streamlined processes, eliminate non-value added activities, provide smoother procedures, and create more efficient workflows. Business process improvement also includes functional changes to core business systems that can automate or streamline how a process or procedure is accomplished.

#### *Objective Strategies*

- Select and prioritize opportunities for improvement through business case analysis.
- Establish a systematic process to track, measure and report the results of process improvements on changes initiated and implemented.

#### *Measures*

- ◆ Average cost to process an individual income tax return.
- ◆ Percentage of individual income tax and sales and use tax appeals < 120 days old
- ◆ Percentage of open individual income and sales tax appeals less than 120 days old.

### » **Manage and simplify the technology that supports the business.**

#### *Description*

The Department maintains a significant number of applications, software products and technical platforms. This robust technology has become an agency weakness because our technology staff is unable to focus on innovative solutions and enhancements due to the massive number of systems that need to be maintained. By focusing on fewer technologies and applications, the agency would be better able to respond to agency needs.

#### *Objective Strategies*

- Ensure any investment in technology provides simple, cost-effective solutions that can be effectively used and maintained.

#### *Measures*

- ◆ Percentage of individual income tax refunds from current year e-filed returns issued within 15 days of receipt of the return

### • **Attract, develop and retain a high-performing workforce.**

#### **Summary and Alignment**

The success of an organization is tied directly to the competency of its workforce. Maintaining a highly-skilled and knowledgeable workforce in today's fast-changing environment will enable the Department to fulfill its mission.

#### **Associated State Goal**

Government and Citizens: Be recognized as the best-managed state in the nation.

#### **Associated Societal Indicator**

Government Operations

#### **Objectives**

### » **Increase opportunities for learning, development and progression.**

#### *Description*

Developing employees' skills and knowledge is a business imperative to ensure the highest level of public service. Offering more robust learning and development opportunities will help make the agency stronger, provide more opportunities for employees to progress in their careers, and help with retention of talent.

#### *Objective Strategies*

- Establish a formal leadership development program that focuses on providing employees with the tools, knowledge base and skills necessary to become better leaders or prepare for leadership roles.
- Review existing career progression programs and, where appropriate, develop additional career paths/maps clearly linked to competencies.
- Establish a more formal cross-training program, especially for jobs critical for business continuity.
- Conduct a thorough analysis of the ongoing training needs of business units.

#### *Measures*

- ◆ Average employee development days per employee per year

» **Provide a safe, positive and rewarding work environment.**

*Description*

Our employees spend most of their waking hours at work. By providing a healthy work environment – one that is safe, empowering, positive and satisfying – employees will feel good about coming to work and this will help to provide the motivation to sustain them throughout the day.

*Objective Strategies*

- Assess and document field work safety risks, revise/develop formal safety procedures and processes, and develop an education program for field staff.
- Build and maintain employee recognition programs throughout the agency that reward and recognize values-based behavior and achievement of strategic objectives.
- Establish an employee advisory committee to make suggestions on options, programs and activities to create a more positive, rewarding, healthy work environment.

*Measures*

- ♦ Average turnover rate for employees with less than five years of service.

• **Instill public confidence by ensuring taxpayer privacy and eliminating fraud.**

**Summary and Alignment**

With the prevalence of identity theft and data security breaches, the Department has established a goal of maintaining public confidence by implementing secure processes and stringent evaluations to ensure the public's data are protected and revenue is safeguarded.

**Associated State Goal**

Government and Citizens: Be recognized as the best-managed state in the nation.

**Associated Societal Indicator**

Taxation

**Objectives**

» **Protect all sensitive data entrusted to the Department.**

*Description*

To instill public trust in the Department, we will secure data entrusted to the Department in the manner prescribed by Commonwealth and federal standards, thereby reducing the risk of a data breach.

*Objective Strategies*

- Continue to review and update physical, technical, data and user access security controls.
- Continue to conduct routine penetration tests to assess physical and data security.
- Implement changes to systems, processes, training, and policies to reduce the number of cyberattacks.
- Using best practices, implement a robust taxpayer portal that provides enhanced authentication; continue secure access to all online applications.

*Measures*

- ♦ Percentage of vulnerability scans of systems completed

» **Improve detection and prevention of fraud and identity theft.**

*Description*

Fraud and identity theft are increasing at a rapid rate. The Department will maintain vigilance in implementing controls that ensure we are able to detect and prevent fraudulent filings and determine if an identity has been stolen.

*Objective Strategies*

- Continually assess the goal for processing individual returns to ensure it accurately reflects the time required to document the validity of the return.
- Implement additional measures for universal verification of a taxpayer's identity.
- Establish an efficient process to identify and resolve identity theft incidents.

Measures

- ◆ Percentage of refunds stopped that have been identified as fraudulent.

» **Integrate information security in the Department's culture.**

*Description*

To ensure taxpayer privacy and safeguard data, the Department will place an emphasis on information security and ensure that all employees understand and comply with the security requirements.

*Objective Strategies*

- Develop and implement additional/revised security training, increasing frequency and the types of training opportunities.
- Continually review and revise policy and incorporate best practices and accountability to ensure compliance.

Measures

- ◆ Percentage of critical safeguard violations are resolved within 2 business days

• **Foster an environment that supports sound tax administration and informed decision making.**

**Summary and Alignment**

Sound tax administration provides decision makers with unbiased data to make effective policy and data-driven resource allocation decisions.

**Associated State Goal**

Government and Citizens: Be recognized as the best-managed state in the nation.

**Associated Societal Indicator**

Taxation

**Objectives**

» **Increase the use of data to make business decisions.**

*Description*

On a daily basis, the Department collects and works with large volumes of business data in administering the state's tax laws. We will collect meaningful data and systematically and analytically use that data to improve decision making, monitor customer satisfaction, enhance revenues, and manage costs.

*Objective Strategies*

- Effectively use data to drive decision making via decision analytics processes.
- Identify and evaluate the current inventory of data and potential new sources of data and establish data governance requirements.

Measures

- ◆ Percentage of the compliance goal collected annually.
- ◆ Percentage variance on the official forecast.

» **Ensure quality financial management.**

*Description*

The Department will effectively plan for and use available resources. We will advocate for resources to correctly implement new legislation and new products, and to support technology to serve customers efficiently. We will continue to be good stewards of public funds to maintain public trust while promoting a culture of innovation and risk-taking.

*Objective Strategies*

- Comply with all applicable Commonwealth internal controls, policies and procedures for financial and agency management.
- Fully integrate with the Commonwealth's new statewide financial management system.
- Establish a channel to submit ideas for process efficiencies and for agency improvement.

Measures

- ◆ Error rate % of local distribution of sales and use tax

- **Improve the effectiveness of customer and partner interactions.**

**Summary and Alignment**

Each interaction with a customer or partner provides an opportunity to strengthen public trust in our ability to collect revenues due the Commonwealth. The effectiveness of these interactions will improve as we increase customers' understanding of their tax obligations, simplify their interactions with the Department, improve communication and collaboration with partners, and enhance the education provided to partners.

**Associated State Goal**

Government and Citizens: Be recognized as the best-managed state in the nation.

**Associated Societal Indicator**

Taxation

**Objectives**

» **Expand, enhance and promote self-service options.**

*Description*

Expansion and improvement of self-service options (e.g., intuitive website, social media, and additional interactive voice and "push" educational opportunities) can satisfy customers' needs for quick and easy processes and reduce costs. By providing additional self-service options, taxpayers can quickly find answers to their questions, which could reduce taxpayer errors and frustration. It will also lessen their dependence on the Contact Center.

*Objective Strategies*

- Identify processes that currently require customers to call the Contact Center that can be done via web self-service.
- Deliver a dynamic web experience for our customers to interact and conduct business with us.
- Improve customer interactions by offering a full-range of service options for customers to interact with us when, where, and how they prefer.
- Deliver more options for customers to resolve issues online via self-service instead of through phone interactions.

*Measures*

- ◆ Percentage of all returns and payments filed electronically
- ◆ Percentage of calls answered before callers disconnect

» **Simplify tax forms, instructions and correspondence.**

*Description*

Tax forms, instructions and correspondence should be clear and targeted to their intended audience. An increased focus on format, readability, consistency and the use of plain language should make these documents easier to use and result in a decrease in the customer's need for assistance. Taxpayers who understand agency communication are less prone to errors and they better understand their filing and payment requirements. This could improve voluntary compliance and will reduce taxpayer confusion and frustration.

*Objective Strategies*

- Review and overhaul the agency's correspondence, individual tax forms and instructions, and business tax forms and instructions. Implement an ongoing process to review, validate and update these documents.

*Measures*

- ◆ Percentage of Non Profit Exemption Applications processed within 60 days

## Major Products and Services

In fiscal year 2016, Virginia Tax:

- Collected \$22.6 billion in revenue
- Processed 12.2 million tax returns
- Issued 2.8 million income tax refunds totaling \$1.74 billion
- Distributed \$1.77 billion to local governments
- Handled over 1.5 million taxpayer contacts
- Collected \$48.1 million in court debts

## Performance Highlights

Virginia Tax collects most of the general fund revenues for the Commonwealth. The revenue we collect is essential to the funding of state agencies and programs, and impacts every citizen of Virginia. This revenue funds critical state services like education, health and human services, and public safety. In FY 2016, we collected more than \$22.6 billion in revenue.

**Performance highlights from some of our various operational areas include:**

### Administration

- Migrated Virginia Tax's revenue accounting module to the Commonwealth's new statewide accounting system - Cardinal.
- Opened the Danville Customer Service Office.
- Enhanced physical security in Richmond facilities.
- Distributed \$1.77 billion in tax revenue to local governments.

### Policy

- Closed 525 cases on appeal in FY 2016.
- Completed 294 fiscal impact statements for the 2017 General Assembly.

### Tax Processing Operations

- Processed over 12.8 million returns and 6.7 million payments in FY 2016; 77% through an electronic channel and 23% from paper. This is an increase from FY 2015, when 75% of returns and payments were processed through electronic channels and 25% from paper.
- Received and processed 6.8 million electronic W-2/1099 statements in a timely manner to support the Refund Fraud Program.
- Implemented electronic filing mandates for the communications, vending machine, motor vehicle rental, and other tobacco products taxes.
- Executed a new vendor management agreement with tax preparation e-File vendors to incorporate identity theft and other tax fraud prevention language.

### Customer Service

- Received 598,000 inbound telephone calls, received 20,000 secure messages, and processed 107,000 pieces of Taxpayer Correspondence.
- Handled 44,700 refund review calls in FY 2016.
- Reduced the average taxpayer correspondence turnaround time to fewer than 6 days.
- Maintained a taxpayer first call resolution rate of 85%.
- Collected court debts in FY 2016 totaling \$48.1 million.

### General Legal and Technical Services

In calendar year 2016:

- Responded to 33 Freedom of Information Act (FOIA) requests.
- Resolved 3,700 offers in compromise.
- Revoked the ST-10 exemption permits of 195 businesses that were purchasing cigarettes illegally.
- Resolved 7 Taxpayer Bill of Rights issues and resolved 45 priority cases through our Taxpayer Advocate Program.
- Processed 2,700 sales tax exemption applications.

### Compliance

In FY 2016:

- Collected \$580.7 million in compliance revenue.
- Denied 35,000 refund returns, saving over \$27 million in fraudulent refunds.
- Collected \$15.6 million in the United States Treasury Offset Program.
- Collected \$11 million in revenue through our outside collection agency.

### Technology

- Completed comprehensive redesign and rewrite of the Virginia Tax website.
- Provided numerous technically detailed and time-sensitive modifications to Virginia Tax's Refund Fraud programs to detect refund fraud.

- Completed all legislatively mandated 2016 projects within the timelines necessary to ensure a successful 2017 tax filing season.
- Implemented Appeals and Ruling Case Management System.
- Implemented an electronic filing system for the fiduciary tax.
- Converted Advantage Revenue security from user-based to role-based security.
- Completed 100% of requests for technology system vulnerability scanning and analysis.
- Compiled system security plans for all systems based on new classifications.
- Completed penetration testing to ensure system protections are functioning properly.

## Staffing

Authorized Maximum Employment Level (MEL)	940
Salaried Employees	820
Wage Employees	65
Contracted Employees	76

## Key Risk Factors

Virginia Tax is a large and complex agency with many multifaceted systems, numerous regulations and recurrent vulnerabilities needing our constant attention. Yet, as we work daily to mitigate risk and execute our mission, we acknowledge that we must address multiple challenges. These risks include an aging workforce, complex/aging technology, and taxpayer data security and identity theft.

**Aging Workforce** - Like other government agencies and private industry, Virginia Tax has been and will continue to be affected by the impact of baby boomers transitioning to retirement. A striking example of this is that 13 department employees with a combined 411 years of service retired on January 1, 2015. Unfortunately, we can expect to lose many of our senior, experienced employees to retirement over the next 5 years. Currently, more than 160 employees have reached age and service requirements for unreduced retirement. Over the next 5 years, almost 120 additional staff will meet the requirements for unreduced retirement. This represents about 35% of our workforce and will be a significant loss of productivity and institutional knowledge for the agency. Clearly, this challenge requires us to begin now to plan for knowledge transfer and focus efforts on recruiting and retaining new talent as emerging leaders.

**Complex and Aging Technology** – When Virginia Tax modernized our revenue management system technology (1999-2005), we implemented numerous individual components that are not part of the core system. We have an application for collections, an application for auditing, another for processing returns and payments, a separate one for scanning returns, and numerous other systems that support agency processes. The number of systems, coupled with their dependence on each other, has created a technology environment that is extremely complex and requires numerous skill sets to operate. With so many technical platforms, we are not able to redeploy our technology resources where most needed; for example, a programmer who works on the auditing system must have knowledge of a completely different programming language than one who works on our collections system. Most importantly, keeping so many current products supported and secure ties up the same resources that are needed to expand our technology offerings to meet taxpayers' rapidly changing service expectations.

**Securing Taxpayer Data and Identity Theft** – Taxpayer data security, refund fraud, and identity theft are growing problems for all government agencies and private businesses. Recent data breaches across a broad spectrum of private and public entities are examples of the need to proactively secure taxpayer data. This is critical given the stealth and speed at which huge volumes of data can be compromised. Securing this data has been and remains a top priority and transforming our agency environment to reflect this fact is an ongoing and iterative process that will continue. In addition, increased fraud and identity theft require us to identify new and creative ways to address these two critical issues. This includes continually adjusting and adapting our business rules to stop fraudulent refund requests and identifying other resources we can leverage or acquire to further complement our business rules and mitigate risk to our taxpayers and the Commonwealth.

## Management Discussion

### General Information About Ongoing Status of Agency

Virginia Tax will continue our commitment to providing taxpayers with requested services—such as our new website—that are more efficient and productive and meet their needs. Key to this commitment is the agency's ability to have an application platform based on next generation technology. Our current technology application platform is the largest impediment to meeting the rapidly-changing service expectation of taxpayers. While we are able to adapt and integrate some improved product offerings to taxpayers, the high cost of providing those on our current application platform (as well as the high cost to develop and implement them) limits our ability to meet demand. We also have to address the continued pace of retirement and turnover of agency staff.

### Information Technology

In addition to our normal technology maintenance, refund fraud mitigation enhancements, and legislative updates, Virginia Tax has several technology initiatives in progress or just completed. First is undertaking a current-state analysis of our technical environment. We are retaining an outside technology contractor to review the strengths, weaknesses, opportunities, and threats associated with our applications, infrastructure, security, and resources. Our current environment is aged, costly to operate, and (because of its architecture) difficult and inefficient to use. Because of its complexity, our environment is also difficult to maintain and enhance, making it almost impossible for us to effectively meet the changing needs of taxpayers. By highlighting where and how to improve our technical environment, an analysis of the current state will help guide our strategic initiative to provide modern tax systems, processes and tools.



Second is an overhaul of our web presence. The recent website redesign was based entirely on input from taxpayers about what they want and need from our website. We have defined and are actively developing the next phases, including an application to allow taxpayers to set up and administer partial payment plans, a new single-sign-on application to allow taxpayers to access all their accounts under a single logon, and a redesign of all of the existing web applications to be more intuitive and better meet the needs of today's taxpayer. The goal is to increase taxpayers' willingness and ability to do business with Virginia Tax electronically.

Information technology security remains a high priority throughout the Commonwealth, and particularly for Virginia Tax. The taxpayer data that we store is highly sensitive and ensuring its protection is a top priority for us. Implementing, auditing, and monitoring IT security are costly but necessary activities. Existing technology staff must include extensive security reviews into their day-to-day activities.

The agency is also preparing for transition efforts underway with VITA as they move to a multi-vendor provider approach for administering the Commonwealth's infrastructure. Virginia Tax anticipates significant resource investments as VITA moves messaging, servers, storage, and networking from the current provider to other vendors.

## Estimate of Technology Funding Needs

### Workforce Development

#### Workforce Composition

With about 820 full-time employees, Virginia Tax's classified workforce has declined by about 7% since the beginning of fiscal year 2010. Our agency's workforce is tenured with an average age of 50 years. The average years of service for the classified workforce is almost 14 years. About 57% of the agency's workforce is older than 50 years of age. Only 4% of the agency's workforce is younger than 30 years of age. The majority of positions at Virginia Tax are classified as professional roles (based on EEO categories).

This tenured and experienced workforce comprises agency employees with a depth of expertise in tax policies, laws, and practices. This expertise helps build a culture of learning, efficiencies in productivity, and knowledgeable skilled resourcing for informed decision making throughout the agency.

In addition, Virginia Tax has a strong telework program that is a key workforce strategy to attract and retain employees as well as to provide other benefits – including continuity of operations in the event of an emergency. Currently, 85% of the agency's employees have the capability of working from home in some capacity.

The most significant workforce challenge for the agency continues to be the volume of employee retirements. Retirements have hovered around 3.5% of the workforce over the past several years and the trend is expected to continue through at least through 2023. The high volume of retirements results in knowledge gaps, productivity loss, the need to acquire new talent, and the need to train and integrate new talent into our culture and workforce. This occurs at various levels of the agency but is especially acute at the leadership level (mid-level and upper-level management roles) where nearly half of this population will likely retire within the next 10 years. We continue to emphasize the development of lower-level managers and supervisors to prepare talent for these future needs.

Virginia Tax also has about 6% of its workforce using short-term disability benefits at a given time. It is important for employees to address medical issues and the use of short-term disability benefits is one important avenue for doing so. With an aging workforce, the short-term disability rate will likely increase in the future. Our challenge is to identify how to effectively manage the workforce to ensure that we continue to maximize operational performance and meet productivity standards.

With a significant volume of retirements and other turnover, the agency leadership has identified Talent Acquisition as a key strategic priority for short-term focus. Specifically, we have established a team to create an effective talent acquisition process to ensure future success. Virginia Tax recognizes that a focus on talent acquisition is the first step and that we will also need to pay attention to other parts of the employee lifecycle to ensure that employees can be successfully on boarded, integrated into the agency, developed, and retained.

### Physical Plant

The agency does not own any buildings and has three leases for space. Two of the leases are in Richmond while the third lease is in Danville.

## Supporting Documents

Title	File Type
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**Tax Policy Research and Analysis [71507]**

**Description of this Program / Service Area**

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 the benefit of the Department's customers, employees and stakeholders.

This area implements tax legislation by promulgating regulations, guidelines 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.

**Mission Alignment**

Providing the Governor, Secretary of Finance, 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.

Authority: §§ 58.1-202, 58.1-207, 58.1-210

**Products and Services**

**Description of Major Products and 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)

Generate Fiscal Impact Statements on pending legislation

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

**Anticipated Changes**

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.

**Factors Impacting**

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

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	1,842,998	0	1,842,998	0
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

## Service Area Plan

### Appeals and Rulings [71508]

#### Description of this Program / Service Area

The Appeals and Rulings unit performs the dispute resolution function for the Department of Taxation by resolving administrative appeals and offers in compromise that primarily arise through field audits or desk examinations of taxpayer records. This service area also provides staff support to the Tax Commissioner in the development of new policy and the Attorney General's Office in tax litigation brought against the agency.

#### Mission Alignment

The Appeals and Rulings unit's mission is to resolve appeals, ruling requests, offers in compromise and other taxpayer issues with integrity and impartiality through the efficient and consistent application of established tax laws, regulations, and policies.

Authority: § 58.1-202

#### Products and Services

##### Description of Major Products and Services

- Rulings on factual scenarios based on established policy
- Technical assistance to taxpayers, Department of Taxation employees, and other agencies
- Settlements of disputed liabilities through offers in compromise
- Advisory opinions on factual scenarios for Business, Professional and Occupational License (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

##### Anticipated Changes

None.

##### Factors Impacting

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

#### Financial Overview

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	1,241,127	0	1,241,127	0
Changes to Initial Appropriation	0	0	-97,640	0

#### Supporting Documents

Title File Type

**Revenue Forecasting [71509]**

**Description of this Program / Service Area**

Revenue Forecasting is responsible for preparing the six-year forecast of the Virginia economy and general fund revenue estimates; the six-year forecast of the Commonwealth's transportation revenues; and the six-year forecast of the Department of Motor Vehicles' operating revenues.

**Mission Alignment**

Revenue Forecasting is responsible for preparing the six-year forecast of the Virginia economy and general fund revenue estimates; the six-year forecast of the Commonwealth's transportation revenues; and the six-year forecast of the Department of Motor Vehicles' operating revenues.

Authority: §§ 2.2-1503, 15.2-2502, Code of Virginia

**Products and Services**

**Description of Major Products and Services**

Products: Economic Outlook notebook for the Joint 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.

**Anticipated Changes**

None.

**Factors Impacting**

None

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	700,235	0	700,235	0
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

## Tax Return Processing [73214]

### Description of this Program / Service Area

Tax Processing Operations processes state tax returns and payments for both paper and electronic submissions. Paper return and payment processing includes several manual activities to prepare and process the items into the Department's revenue management system. Electronic return and payment processing includes the administration of several online file and pay systems. This area is also responsible for the manual processing of inbound correspondence, issuing tax refunds, registering businesses and processing returned mail (bills, letters and refund checks).

### Mission Alignment

Tax Processing Operations supports the agency's mission through the efficient, timely and accurate processing of all business and income tax returns, refunds, correspondence and payments.

Authority: Title 58.1, Code of Virginia

### Products and Services

#### Description of Major Products and Services

##### Paper Tax Return Processing

- Mail opening
- Sorting/grouping
- Screening
- Document preparation
- Scanning
- Data capture

##### Electronic/Online Tax Return Processing

- IRS Fed/State e-File program administration
- eForms System administration
- Web Upload System administration
- VATAX Online functional support

##### Payment Processing

- Check deposit and data capture
- Credit card payments
- Electronic debit EFT payments
- ACH credit administration

##### Correspondence Processing

- Mail opening/sorting
- Document preparation
- Scanning
- Indexing

##### Refund Issuance

- Direct deposits
- Paper checks

##### Business Registration

- Register businesses

- Issue sales tax certificates
- Administer iReg for online registration and profile updates
- Register Power of Attorney agents

#### Returned Mail and Returned Refund Checks

- Locate better addresses and re-mail
- Update “bad address” indicators to prevent future mailings to same address
- Request stop payments, voids and re-issuance of checks

#### Forms Requests

- Process written requests for forms and copies of tax returns

#### **Anticipated Changes**

The Department expects to continue to develop and promote online file and pay systems to reduce costs and inefficiencies associated with the processing of paper. Taxpayers are becoming increasingly more comfortable using self-service online systems to conduct business, including filing and paying taxes.

#### **Factors Impacting**

Since over 90 percent of individual, corporate and PTE income tax returns are processed between February and August, Tax Processing Operations requires an annual recruitment process to ensure staff is in place to deal with peak paper return and payment volumes. Economic factors may impact the quantity and quality of available staff.

#### **Financial Overview**

##### Biennial Budget

	<b>2017 General Fund</b>	<b>2017 Nongeneral Fund</b>	<b>2018 General Fund</b>	<b>2018 Nongeneral Fund</b>
Initial Appropriation for the Biennium	10,888,031	0	10,888,031	0
Changes to Initial Appropriation	0	0	-274,163	0

#### **Supporting Documents**

**Title** **File Type**

**Customer Services [73217]**

**Description of this Program / Service Area**

Customer Services provides guidance information to the taxpayers of Virginia through the Customer Contact Center and the Error Resolution Units. They are also dedicated to the task of identifying and collecting delinquent court debt fines and fees through their Court Debt Collections Office. The Customer Contact Center provides assistance via telephone, written correspondence, secure email, and our walk in office. The Error Resolution Unit is responsible for correcting errors made in the preparation of returns and payments, and business tax registration.

In FY2016 the office was offered: • 598,286 phone calls • 112,849 pieces of correspondence • 19,852 secure messages • 2,290 walk-in customers

In CY 2016 the Error Resolution Unit resolved 322,143 Individual tax errors and 266,001 Business tax errors.

In FY 2016 the Court Debt Collections Office serviced 239 courts and collected \$48.1 million in court debt fines and fees. A total of \$4,548,360 was contributed to the General Funds.

**Mission Alignment**

Customer Services provides the citizens of the Commonwealth of Virginia with a way to contact the Department about any and all matters concerning the agency’s activities. Customer Services ensures that the integrity, efficiency, and consistency of the Department’s work are conveyed to the taxpayers of Virginia, and that their confidential tax information is protected from unauthorized disclosure.

Authority: Title 58.1, Code of Virginia

**Products and Services**

**Description of Major Products and Services**

- Answer incoming paper and fax correspondence
- Answer incoming e-mail and secure messages from taxpayers
- Issue refunds
- Issue assessments
- Make online adjustments
- Issue direct deposit corrections
- Grant abatements
- Answer incoming telephone calls from taxpayers
- Error Resolution
- Resolve return preparation errors
- Resolve processing errors
- Resolve taxpayer errors
- Approve refunds and assessments before issuance
- Provide walk-in service for taxpayers during tax season - January through May

**Anticipated Changes**

Refund Review contacts are now being handled by the Customer Contact Center and has increased call volume especially during the individual income tax filing season.

**Factors Impacting**

Changing population numbers and demographic levels. Customer service needs increase with tax activity, whether associated with compliance activities, refund/return filing, error resolution activity, and/or changes in tax laws.

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	6,523,266	182,485	6,523,266	182,485
Changes to Initial Appropriation	0	0	-71,445	0

**Supporting Documents**

**Title** **File Type**



**Compliance Audit [73218]**

**Description of this Program / Service Area**

The Department’s audit programs are designed to ensure compliance with Virginia’s tax laws through automated and manual examination of taxpayer records and returns.

**Mission Alignment**

Compliance with Virginia’s tax laws is vital to the agency's mission. Both field and desk audit initiatives are designed to ensure that Virginia taxpayers are complying with the Commonwealth’s tax laws and regulations. This verification process plays an important role in ensuring that the tax laws are applied consistently among a large number of diverse taxpayers. In addition, the presence of both audit and collection efforts instills in taxpayers the incentive to fulfill their tax obligations to the Commonwealth. Not only do the Department’s enforcement efforts generate compliance revenue, these efforts also influence voluntary compliance revenue, which greatly improves the Commonwealth’s economic strength. This allows Virginia’s government to improve its service to Virginia’s taxpayers at the state and local levels.

Authority: Title 58.1, Code of Virginia.

**Products and Services**

**Description of Major Products and Services**

- Auditing to ensure compliance
- Assessing of outstanding taxes

**Anticipated Changes**

The Department will continue to expand its approach on identifying and denying fraudulent refunds. Tax refund fraud is a problem in Virginia and throughout the country. We are committed to doing our part to prevent refund fraud. *We’re taking extra steps to verify information to be sure refunds go to the right person.*

**Factors Impacting**

- Efficient performance of this service relies on several factors including:
  - A sufficient number of well-trained audit staff;
  - Well-functioning computer systems and applications;
  - Technical support services that can quickly and reliably provide accurate information to compliance personnel;
  - Availability of overtime funding as needed;
  - Limitation of non-audit demands on audit personnel;
  - Availability, accuracy, and timeliness of state and federal data;
  - Communication with other state and federal agencies to address fraud; and
  - Unrestricted travel for field audit staff who must travel to taxpayer locations to perform audits

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	20,078,462	1,254,485	20,172,564	1,254,485
Changes to Initial Appropriation	-386,727	0	-333,126	0

**Supporting Documents**

**Title** **File Type**

**Compliance Collections [73219]**

**Description of this Program / Service Area**

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 and to capture or set off obligations owed to the Commonwealth, local governments and other participating entities, such as educational institutions and courts.

**Mission Alignment**

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.

Authority: Title 58.1, Code of Virginia

**Products and Services**

**Description of Major Products and 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.

These services are provided with the assistance of Outside Collection Agencies and Bankruptcy Attorneys.

**Anticipated Changes**

The Department will develop an online secure web-based Part Pay Agreement Portal. This intuitive application will allow taxpayers to create a self-service payment plan for outstanding debts owed to the Department.

**Factors Impacting**

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

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	8,809,268	9,059,301	8,809,268	9,059,301
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Legal and Technical Services [73222]**

**Description of this Program / Service Area**

The Office of General Legal and Technical Services oversees the Special Taxes and Services Unit, General Legal Support, Disclosure, the Land Preservation Tax Credit (LPC) Compliance Unit and Legislative and Support Services and Records Management. The Special Taxes and Services Unit is comprised of a Taxpayer Rights Advocate who ensures that taxpayers are responded to in a timely and respectful manner and that their rights are protected. General Legal Support helps the agency respond to general legal matters and acts as a liaison to the Office of the Attorney General. The Disclosure and Federal Safeguarding Unit assures that all state and federal confidential taxpayer information is adequately protected and the Land Preservation Credit Compliance Unit reviews applications for the LPC to make sure they comply with the Code of Virginia. Legislative Support Services and Records Management provides administrative cost estimates for tax legislation as well as oversight of the Department’s Records Management program. The area responds to constituent contacts for members of the General Assembly, the Secretary of Finance and the Governor. This area also helps administer Tobacco Taxes, Communications Sales Taxes, Motor Vehicle Rental Tax and Insurance Premium Tax, and several statewide tax credits.

**Mission Alignment**

General Legal and Technical Support provides advocacy for the taxpayers of Virginia and ensures their confidential tax information is protected from unauthorized disclosure.

Authority: Title 58.1, Code of Virginia

**Products and Services**

**Description of Major Products and Services**

- Resolve constituent issues;
- Administer tax credits;
- Perform inspections of Licensed Tobacco Wholesale Dealers;
- Assure taxpayer rights are protected;
- Review LPC applications;
- Review requests for taxpayer information;
- Inspect physical areas where confidential taxpayer is handled;
- Administer Non-Profit program;
- Respond to ongoing Freedom of Information Act requests;
- Implement new tax legislation; and
- Assure proper maintenance and disposal of the Department’s records.

**Anticipated Changes**

The Tobacco Tax Unit is implementing a new process to issue a pre-approved sales tax exemption certificate (ST-10 Tobacco) for the purchase of cigarettes and Other Tobacco Products.

**Factors Impacting**

Having adequate well-trained staff is critical to this area because of the number of different functions with small staff sizes.

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	2,624,945	0	2,624,945	0
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Training for Local Assessors [73401]**

**Description of this Program / Service Area**

As part of the Department’s continuing education program for assessing officers, the Section develops and conducts basic assessor training programs; training for local boards of assessors and boards of equalization; and administers an annual Advanced Assessor School to between 200 and 270 assessment professionals on the campus of a Virginia college or university. The program provides coursework that meets the educational requirements for designations offered by the International Association of Assessing Officers.

**Mission Alignment**

The education provided local assessing officers on the assessment of real and personal property improves the process of providing fair and equitable property assessments statewide, thus serving the public by enhancing the local officials’ ability to properly administer the tax laws with integrity, efficiency and consistency.

Authority: § 58.1-202, subdivisions 6, 10, and 11

**Products and Services**

**Description of Major Products and Services**

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.

**Anticipated Changes**

None.

**Factors Impacting**

Efficient performance of this service relies on maintaining a well-trained and qualified staff.

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	0	146,401	0	146,401
Changes to Initial Appropriation	0	0	0	0

**Supporting Documents**

**Title** **File Type**

**Valuation and Assessment Assistance for Localities [73410]**

**Description of this Program / Service Area**

The Property Tax Section provides local advisory aid and assistance in order to ensure compliance with the Commonwealth’s property tax laws. The Section also monitors local assessment performance through the collection, editing, compilation, and publishing of the Annual Assessment Sales Ratio Study. It also develops the annual Estimated Ratio Study for the equalization of public service corporation assessments. The biannual results of the Annual Assessment Ratio Study are used by the Virginia Department of Education in computing the distribution of approximately \$6 billion in school funds to local school boards. In addition, the Property Tax Section facilitates the work of the State Land Evaluation Advisory Council, provides advisory opinions and refund approval regarding the state recordation tax; and oversees personnel qualifications for local assessment staff, and the certification of contract assessment personnel.

The Railroad & Pipeline Assessment Section develops fair and equitable assessments of the rolling stock of freight car line companies and of the real and personal property of railroads and interstate pipeline companies for local taxation, while providing quality customer service. Assessment values that are developed by the Railroad & Pipeline Assessment Section result in approximately \$35 million in revenue to local governments.

**Mission Alignment**

The advisory assistance, and property valuations provided to local governments improve the process of providing fair and equitable property assessments statewide and ensure a viable tax base to support the funding of necessary services, thus serving the public and the Department’s mission of administering the tax laws with integrity, efficiency and consistency. The oversight of real estate assessments through annual assessment sales ratio studies, and the education provided local assessing officers on the assessment of real and personal property improves the process of providing fair and equitable property assessments statewide, thus serving the public by enhancing the local officials’ ability to properly administer the tax laws with integrity, efficiency and consistency.

Authority: Title 58.1, Chapters 32, 34, 35, 36, amd 39 and §§ 58.1-202, subdivisions 6, 10, and 11, 58.1-206; §§58.1-2655, 58.1-3278, and 58.1-3374, Code of Virginia.

**Products and Services**

**Description of Major Products and Services**

Advisory aid to all local assessing officials; education of boards of equalization and boards of assessors; training provided through the Basic and Specialty Assessment training programs; staff provided for the State Land Evaluation Advisory Council; 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; review of appraisals submitted in support of the state land preservation credits; and the statewide assessment/sales ratio studies.

**Anticipated Changes**

The Railroad and Pipeline unit is implementing a Graphic Information System to assure the accurate and reliable assessment of property for Railroad and Interstate Pipeline companies.

**Factors Impacting**

Efficient performance of this service relies on maintaining a well-trained and qualified staff.

**Financial Overview**

Biennial Budget

	2017 General Fund	2017 Nongeneral Fund	2018 General Fund	2018 Nongeneral Fund
Initial Appropriation for the Biennium	621,878	1,338,216	621,878	1,338,216
Changes to Initial Appropriation	0	0	0	-100,000

**Supporting Documents**

**Title** **File Type**

**General Management and Direction [79901]****Description of this Program / Service Area**

This area contains the administrative functions of the Department with the combination of the following sections: Fiscal Office, General Services, Communications and Public Relations, Human Resources and Internal Audit. In addition, the Continuity of Operations Plan is updated and maintained as an administrative function along with the agency's Strategic Plan. The Fiscal Office provides financial support to the agency, to include budgeting, accounts payable, revenue accounting, banking services and preparation of financial statements. General Services is responsible for purchasing goods and services, fleet management, facility management and security, warehouse and mail delivery service. The Human Resources area provides human resource services for all of the Department's management and employees and is our liaison with the Department of Human Resource Management as well as learning support services. The Communications Office provides content development, channel strategies, and communications metrics and reporting for the agency's internal, external, and digital messages as well as forms and correspondence. The Internal Audit section performs scheduled audits of activities throughout the agency to ensure activities are being performed as intended and to identify opportunities to improve operational efficiencies, controls and lessen risks.

**Mission Alignment**

By specializing in these activities, these sections collectively add to the efficiency of the Department operations, thus permitting the agency to effectively administer the tax laws with consistency and integrity.

Authority: §§ 58.1-200, 58.1-202 and 58.1-213, Code of Virginia

**Products and Services****Description of Major Products and Services**

## Description of Major Products and Services

- Prepares the financial statements for the agency;
- Processes all invoices for payments;
- Prepares the Department budget;
- Distributes revenues to external entities: localities, contribution agencies, setoff agencies, and Department of Conservation and Recreation;
- Operates the cashiers office and coordinates all agency banking activity;
- Performs the accounting for all transactions that take place in a taxpayers account, including all revenue received, all refunds issued, all bills created, etc.;
- Coordinates and develops agency's strategic plan, service area plans, performance measures, and output measures for internal use and for the Department of Planning and Budget;
- Develops and distributes internal communications including employee newsletter, intranet, and community page;
- Manages media relations, responds to media inquiries and distributes press releases;
- Develops and distributes external and digital communications including e-Alerts, notices on the agency's website, and social media posts;
- Designs, develops, and updates forms, publications, and automated correspondence;
- Develops, bids and administers purchases for long-term contracts and spot purchases;
- Administers Virginia's electronic procurement system (eVA) for the Department: 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 Department's Small Purchase Charge Card Program and administers fleet activities for the agency;
- Coordinates Department employee parking with the Department of General Services;
- Provides relocation services, space design and construction management at all locations;
- Administers and updates emergency and safety procedures and the Continuity of Operations Plan;
- Provides, monitors and maintains security services to all employees;
- Administers the Department's physical and access security programs;
- Monitors daily operations and security guard performance;
- 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;
- Performs scheduled audits of activities and special projects throughout the agency;
- Investigates allegations made through the State Employee Fraud, Waste, and Abuse Hotline;
- Serves as the Department'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.

### **Anticipated Changes**

Anticipated changes include an ongoing need to train and cross-train agency employees to meet ongoing needs; the fulfillment of the Agency Risk Management and Internal Control Standards requirements; participation of agency employees in procurement through Virginia's electronic procurement system (eVA); and adjusting to state-owned buildings. Federal confidentiality will continue to require that the Department own its own security hardware and software and maintain a high level of security. Other changes in requirements from IRS or state legislation can impact products or services.

### **Factors Impacting**

The following factors impact the products and/or services of this service area:

- The 24-hour deposit rule requiring all tax payments to be deposited into the bank and posted to Cardinal (the state accounting system) within 24 hours;
- GASB and State accounting mandates;
- State tax policy and federal IRS rule changes;
- State purchasing laws, policies and procedures;
- Technology standards of the Virginia Information Technologies Agency (VITA);
- Department of General Services (DGS) fleet management policy and procedures;
- Taxpayers reactions to new tax policy and procedures;
- DGS building services operations, including security.

### **Financial Overview**

Biennial Budget

	<b>2017 General Fund</b>	<b>2017 Nongeneral Fund</b>	<b>2018 General Fund</b>	<b>2018 Nongeneral Fund</b>
Initial Appropriation for the Biennium	13,782,091	77,292	13,796,606	78,454
Changes to Initial Appropriation	-452,300	0	-134,351	0

### **Supporting Documents**

**Title** **File Type**

## Information Technology Services [79902]

### Description of this Program / Service Area

Information technology support is responsible for leveraging technology to enable all of the Department's business objectives and priorities, by developing, enhancing and maintaining systems, including application software and supporting hardware. The Department 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 his or her 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. The Department supports and maintains a broad range of complex Information systems. Examples of the more than 20 information systems supported include: • 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. • A Voice over Internet Protocol phone system, various Case Management systems, 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. • iReg for Business - An application that allows new businesses to register online and allows existing businesses to add business locations and consolidate their filings. • iFile for Business - An application that allows taxpayers to file sales, use, and withholding taxes over the Internet. • e-file for Individuals, Corporations and other tax types - applications that allow 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 or Web-based environment comprised of many components, including Oracle and UNIX. In addition to supporting information technology, the Office of Technology is responsible for business systems analysis and Information Systems Security, including compliance with Commonwealth Security Policy Sec. 501, Sec 525, and IRS Pub. 1075.

### Mission Alignment

This service area provides mission-critical enabling support to all operating areas of the Department by maintaining and enhancing the Department's computer applications and Virginia Information Technologies Agency (VITA)/Northrop Grumman (NG) out-of-scope infrastructure and significant coordination with VITA/NG.

Additional core functions of the Office of Technology include ensuring system and data security and all aspects of enterprise application unit and integration testing.

Authority: Title 58.1, Code of Virginia.

### Products and Services

#### Description of Major Products and Services

- Manage technology support delivery – Plan and manage delivery of the technology systems at the Department that enable business operations, including the budget for technology services.
- Develop and maintain application software – Develop, test, maintain and operate the Department's technology systems, including over 20 complex IT systems that comprise an Integrated Revenue Management System. This includes annual legislative modifications, as well as the agency's self-service eGovernment channels.
- Manage the VITA/NG out-of-scope technology environment configuration – Manage, plan, monitor, and oversee the Department'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/NG Coordination and Support – Participate with VITA/NG on Commonwealth Technology direction, implement VITA mandated and desired changes, 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 (the agency has over 1,500 system users), and reviewing audit trails, access attempts, virus threats, and potential browsing incidents, thus ensuring the security of the Department'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. Approximately 1,200 changes are implemented annually.

- Systems analysis and design to enhance and maintain the software and infrastructure that supports the agency.

**Anticipated Changes**

- Most tax-related legislative changes necessitate changes to the Department’s automated systems. The variety of filing and service channels provided by the agency 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 that currently involve direct interaction with agency staff.
- Over the past few years, the agency implemented a broad range of technology-based solutions that have allowed improvements in operating efficiency as well as allowed the Department to improve service to citizens.
- System and data security continues to become a more critical component of operation for technology shops. This service area will continue to expand its IT security profile to maximize system integrity and data security.
- Consolidate technology platforms to reduce IT costs and maintenance requirements.
- Automate application testing where practical, continue to move system testing responsibilities from individual teams to a centralized system testing team.
- Change from a waterfall project management methodology to an Agile methodology.

**Factors Impacting**

- Technology systems, including application software and hardware, must be upgraded and refreshed on an ongoing basis to ensure they operate correctly, receive vendor support, are secure, and are available for use by end users. Further, the Department 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 the agency’s business operations.
- Most tax-related legislative changes necessitate changes to the Department’s automated systems. The variety of filing and service channels provided by the agency often means the change must be made in several systems, each supporting a different channel.
- The complexity of Taxation’s technology environment requires varied and many skill sets and contributes to the agency resource shortage.
- 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 activities has a negative impact on the Department’s ability to meet its internal technology needs.

**Financial Overview**

Biennial Budget

	<b>2017 General Fund</b>	<b>2017 Nongeneral Fund</b>	<b>2018 General Fund</b>	<b>2018 Nongeneral Fund</b>
Initial Appropriation for the Biennium	29,794,967	75,000	29,185,225	75,000
Changes to Initial Appropriation	-1,612,097	0	-606,000	0

**Supporting Documents**

**Title** **File Type**