

AGENDA

NEWPORT NEWS CITY COUNCIL WORK SESSION

APRIL 27, 2010

10th Floor Conference Room

3:00 p.m. I. FY 2011 Budget Discussion

- Final Revenue Estimates
- Conference Center Marketing Funding
- Leaf Collection
- Commissioner of Revenue
- Community Support
- Other

5:00 p.m. II. FY 2011 Budget - Final Reconciliation

6:00 p.m. III. Dinner

ITEM I

- FY 2011 Budget Discussion

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

April 22, 2010

TO: The Honorable City Council
FROM: City Manager
SUBJECT: Commissioner of the Revenue Position Paper

At your April 27, 2010 work session, we will plan to cover those budget items agreed to by Council at your April 13 meeting.

In preparation for the discussion, the Commissioner of the Revenue has asked that I forward to you the Position Paper regarding the budgetary action proposed for her office.

If you have any questions prior to Tuesday's meeting, please contact me.



Neil A. Morgan

NAM:wmp

Attachment

Position Paper for the Restoration of the Funding for Commissioner of the Revenue State Income Tax Division

The FY11 Proposed Budget includes the City Manager's recommendation to eliminate the State Income Tax Division in the Office of the Commissioner of the Revenue. The expenditures in this Division include the Deputy Commissioner position, two Accounting Technicians positions, two temporary accounting assistants, two office technicians, and expenses for tax preparation software and office supplies totaling \$221,000.

The following is my position concerning this proposed budget cut that addresses the impact on the reduction or elimination of state income tax services to the citizens of Newport News, the relinquishing of responsibilities and the impact on the assessment and collection of local property and business tax revenue.

Overview of responsibilities

While the Commissioner's office is divided into several cost centers for budgeting purposes, it is misleading to believe that the State Income Tax section only handles state income tax services. This group of diverse individuals handles an array of duties, as do the other sections throughout the Commissioner's office.

First and foremost, the State Income Tax Section receives and reviews incoming tax returns, issues accelerated refunds, and processes tax dues and estimated payments. In addition, they assist walk-in customers with the preparation and filing of their state income tax returns. However, staff members in this section also receive and process thousands of pieces of mail during our filing season for all sections of the Commissioner's office and provide DMV Select services. Further, this section reviews and verifies applications for Real Estate Tax Relief for the Elderly and Disabled. Lastly, administrative support is provided to the Board of Review for Real Estate Assessments, along with other valuable services that support the other sections in our office.

Reduction or Elimination of State Income Tax Services

Pursuant to Title 58.1 of the Code of Virginia, the Commissioner of the Revenue is mandated to provide state income tax services as I outlined in my March 22, 2010 memo to City Council. However, in a previous presentation of the budget, it was suggested that we need to leave state tax preparation for the citizens of Newport News in the hands of local volunteer groups and paid preparers.

Indeed, we do have very capable volunteers in the community to assist citizens with the filing of returns. However, the volunteers are only available for approximately 11 weeks from February 1 to April 15, about 20% of the year. The volunteer groups do not prepare the more complex Virginia returns; they send those citizens to our offices for assistance. The need for state tax services does not end on April 15, but extends throughout the year.

We also have numerous paid preparers in the community, but the cost of their services is out of the financial reach of most of the citizens we serve. Having to seek the services of a paid preparer is often a financial burden to citizens who are simply trying to abide by the law to file a tax return and who do not have the knowledge or resources to prepare the return themselves.

Local volunteers and paid preparers do not have access to the Virginia Department of Taxation Internal Revenue Management System as we do and, therefore, are unable to assist in resolving tax issues for citizens such as adjusted assessments, liens, garnishments, and prior year returns.

For a citizen to receive such assistance directly from the Department of Taxation, it requires a toll-call to a number that results in being placed on hold for lengthy periods of time or prompts the caller to leave a message, with a response time of two business days. Conversely, our office has access to a customer service team in the Department of Taxation that responds to our inquiries immediately.

From a recent survey of five other Peninsula localities (Hampton, Poquoson, Williamsburg, James City County, and York County), there are no others that are considering the elimination or reduction of state income services to their citizens, regardless of the reduction in state funding. Yet Newport News, the largest of the Peninsula localities, is proposing to do so.

A few of the comments we have received from our citizens that have used our state income tax services are quoted below:

- Please continue with your excellent service to your senior citizens!
- Thank you for this service. I really appreciate all you do. I use this service every year.
- Very helpful. Would like this service continued.
- I am in favor of funding for this particular service.
- Do not stop this local service please.
- As ridiculous as all of the taxes and associated bureaucracies have become, the services rendered by this office are invaluable.
- This is the 3rd or 4th year of e-filing my taxes and I think this a great service to provide to citizens. Corrected my mistakes and called me. Service was great.
- I love having this service and location. Please keep it working!
- We come here every year and tell all our family how we see our tax dollars at work because Newport News helps us fill out our state taxes. Please don't ever stop!
- He was most helpful and explained I could go back 3 years and amend my taxes for a big deduction I missed. Thank you very much.
- Filling out the state tax forms is a very good thing to do for the people of Newport News.

Relinquish Responsibilities

Many of the additional responsibilities that this office has accepted over the years will be impacted and most will be eliminated. We would be forced to relinquish the administrative support my staff provides to the Board of Review for Real Estate Assessments. My Deputy Commissioner for State Income Tax serves as the Administrative Assistant to the Board. This responsibility includes being the contact point for the public year round, providing information and applications for appeal, scheduling hearings, attending the meetings, preparing the minutes, keeping the board records, and responding to property owners' inquiries. Currently, the Commissioner of the Revenue is responsible for monitoring the budget for the Board, to include the request of City Council for the funding of the Board's fees for meetings held each year. At a time when appeals to real estate assessments are increasing, we will no longer be able to provide this service.

Potential Loss of City Revenue

If the positions assigned to the State Income Section are eliminated, as proposed, the services provided by those employees cannot be absorbed by the remaining staff without having a detrimental effect on tax assessments and ultimately, the collection of the city's tax revenue. Since our office is mandated with the responsibility of State Income tax, staff currently utilized in the assessment and collection of taxes will be reassigned to perform the other duties due to the elimination of the three positions. This will impact the ability to collect taxes in an economy that already is experiencing higher delinquency rates, as realized by the City's Budget Director.

Conclusion

I have discussed the primary responsibilities of the State Income Tax section. They provide state income tax return services, as mandated by the Code of Virginia, mostly to those that cannot afford private sector taxpayer services. They also provide taxpayer assistance to the elderly and disabled, as they seek real estate tax relief, serve the City's DMV Select customers, process thousands of pieces of incoming mail, and provide administrative support to the Board of Review for Real Estate Assessments. These are all essential services provided to the citizens of the City of Newport News.

City wide, we have tightened our belts, evaluated and streamlined our services and processes, and left positions vacant to reduce cost. The Commissioner's office gave up 3.5 positions, an 8% reduction in our workforce, as our part to aid in balancing the FY10 budget. If the positions that are recommended for elimination in FY11 are lost, we would realize an additional 18% in staffing reductions, for a total of 25% over the last two fiscal years.

I respectfully request that the City Council restore the funding for this service and for these positions.

ITEM II

- FY 2011 Budget - Final Reconciliation