

April 6, 2001

Council of the District of Columbia

PUBLIC HEARING ON THE MAYOR'S FISCAL YEAR 2002 BUDGET SUPPORT ACT OF 2001

Testimony of Herbert J. Huff, Deputy Chief Financial Officer for Tax and Revenue, before the Committee on Finance and Revenue

Good morning, Chairman Evans and members of the Committee. I am Herbert Huff, Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am here today to present the OTR's proposed FY 2002 budget request and programmatic goals.

Within the larger context of "Making Government Work", the Office of Tax and Revenue looks toward FY 2002 with three major goals:

- To continue to improve customer service, by reaching out to the community and by redoubling our internal focus on the basic principles of customer service;
- To continue to find new ways to ensure compliance with tax laws to ensure the proper reporting and payment of tax revenue; and
- To use technology to improve our business processes, improve the accuracy and accessibility of information, improve customer service, and support enhanced compliance efforts.

The work of our dedicated staff resulted in the collection of over \$3.1 billion in revenue for the city in FY 2000. This revenue was generated from the administration of the full range of income, franchise, property, sales, personal property and other taxes required by the District of Columbia Code.

The proposed FY 2002 budget from all funding sources totals \$42.4 million and 618 full-time employees (FTEs). This includes \$41.2 million and 616 FTEs from local funds. However, it does not include funding for one critical area that became an issue after the proposed budget for FY 2002 was finalized – the Recorder of Deeds (ROD) building.

Additional costs associated with this building will occur in FY 2002, to preserve this historic building and protect the health and safety of the employees who occupy it. Specifically, the District needs to address the failing physical plant of the building, and the likely requirement of swing space for ROD employees during renovations. Preliminary estimates put the cost of renovation at approximately \$5 million. Costs of temporary relocation would require an additional \$1.5 million for a single year lease and the cost of two moves. Permanent relocation would cost more than \$1 million for the initial move and first year lease, with out year costs of approximately \$1.1 million annually given current market rates.

I will now discuss the three major initiatives of OTR in FY 2002. The first of these is Customer Service.

Customer Service

The Customer Service Administration provides assistance and information to taxpayers on all individual, business and real property taxes and related fees. The administration offers Walk-In Customer Service and Telephone Information centers at 941 North Capitol Street, NE, and the new Penn Branch facility on Pennsylvania Avenue in Southeast. The Customer Service Administration also operates the Assessment Services division, which handles real property questions, the Homestead Deduction program, and the annual tax sale. The number of taxpayers assisted by these units was almost 400,000 in FY 2000.

Technology implemented over the last year has supported improvements in both telephone and walk-in service, and is allowing the administration to begin gathering meaningful data on customer wait times and quality of service. Our performance goals in this area include:

- Resolving 85% of inquiries in the first contact;
- Supporting same-day business tax registration;

- Acquiring better demographic and market information to improve outreach efforts to diverse communities;
- Developing and implementing a training curriculum, in cooperation with the Executive Office of the Mayor (EOM), to ensure that front line employees have customer focus;
- Improving access to services over the Internet, including free electronic business tax return filing via the government Web site; and
- Supporting ongoing operations at the Penn Branch facility.

The second major initiative is tax compliance.

Compliance

The Compliance Administration secured \$67.4 million in delinquent tax collections in FY 2000, a 15% increase over FY 1999. This division is also responsible for criminal investigations, audits, and other compliance projects. In FY 2002, Compliance will continue to pursue its goal of increased delinquent collections, along with the following:

- Reducing the disbursement of erroneous refunds by continuing the work of the Questionable Returns Detection Team;
- Identifying questionable or fraudulent filings in Homestead claims;
- Identifying non-filers; and
- Enforcing tobacco tax issues.

Technology Implementation

The Information Systems Administration (ISA) is the third target area for OTR in FY 2002. ISA is responsible for the network management of the Office of the Chief Financial Officer (OCFO), programming of the legacy tax systems, OCFO Web site matters, and support for all OTR systems enhancement projects.

Implementation of the Business Tax module of ITS has been very successful, although it has placed new short-term pressures on the Returns Processing and Customer Service administrations as work processes are changed. As part of the Business implementation, OTR has piloted the Electronic Taxpayer Service Center (ETSC), a program that allows business taxpayers to access accounts and file and pay taxes online. Ultimately, this resource will be expanded for individual income taxpayers to access their accounts for research purposes. In FY 2002, we will begin to see the impact of these systems in terms of reduced burden on taxpayers and OTR staff, currently reliant on manual research to resolve tax questions through our Walk In and Telephone Customer Service Centers.

Enhancements in the real property area are also supporting customer service improvements, by allowing easy access for taxpayers to account information and publicly available data on real property assessments. The Recorder of Deeds will soon launch its Web site, which will allow inquiries on property sales by neighborhood, with links to property tax data through the Electronic Taxpayer Service Center (ETSC). As with Business taxes, the ETSC will ultimately support payment of property taxes online, as well as electronic filing of property transfers and UCC financing statements.

Among the initiatives that will continue into FY 2002 are:

- Bringing the ITS individual income tax module online, with implementation of this module continuing through 2002;
- Enhancing Internet access to real property and other public tax records;
- Fully implementing the ETSC; and
- Increasing the number of taxpayers utilizing electronic and tele-file systems, and credit card payment options.

Real Property Taxes and Recorder of Deeds

The Assessment Division and the Recorder of Deeds collect approximately \$700 million in revenue from assessment of 155,000 parcels and recordation of more than 100,000 instruments annually. The

resources dedicated to real property administration are \$4.8 million in local funds, not including the ROD surcharge.

Initiatives currently under review in the real property arena include:

- A phasing out of the triennial appraisal and assessment processes as we return to annual property tax assessments;
- Deed recordation audits, ensuring quality while adding approximately \$500,000 in revenue protection annually; and
- Improvements in the accuracy of real property assessments.

While the proposed budget includes \$700,000 in “O”-type budget authority for the ROD surcharge, OTR will collect only about \$200,000 before the charge sunsets, unless there is an extension of the legislation. Many of the technology initiatives involving real property, including enhancements to our mapping systems, are dependent on the surcharge revenue stream for completion. OTR looks forward to working with the Council on legislation necessary to extend the surcharge or, alternately, building these costs into the local budget.

As we move forward with the implementation of ITS and the retirement of our legacy systems, we expect that our new technology will provide many opportunities to improve customer service and identify instances of non-compliance. Over the long-term, OTR will realign staff to take full advantage of productivity savings. The Penn Branch Customer Service Center is an example of such realignment. A combination of productivity savings in operations and IT technologies permitted OTR to finance this new site within existing resources.

In addition to the programs already mentioned, OTR is quickly being recognized and accepted as a data site for other agencies. We are currently working with the Department of Consumer and Regulatory Affairs and the Department of Public Works to provide data exchange.

In closing, let me thank the Council and the Mayor’s office for their support of the District’s tax administration. OTR is delighted to be a major part of the District’s renaissance and the primary revenue center for the District in developing and implementing future initiatives.

Thank you for this opportunity to testify. I would be pleased to answer any questions that you may have.