

HB 1779 Vehicle Property Tax Collection

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Project Goals

- ✓ To improve the citizen's experience:
 - Reduce the number of government interactions.
 - Eliminate the need for delinquent collections.
- ✓ Reduce/share costs:
 - Number of Mailings (postage, materials, handling, and so on)
- ✓ Increase Efficiency of an Existing Tax
 - Improved collections and revenues.
 - Improved compliance.

Vehicle Tax System

- ✓ The goal is to find an existing VTS:
 - Already in production.
 - Significantly meets North Carolina's needs (Requires less than 20% development).
 - Could be brought into production within our timetable.
 - Web-based.
 - Capable of state-wide use.

Vehicle Tax System

- ✓ What VTS vendor and software will we use?

Farragut

formerly Intelligent Information Systems

RMV portion of NCPTS version 4

Current System: “Billing In Arrears”

- ✓ Vehicle registration currently triggers the taxation of a registered vehicle:
 - Monthly renewal files are delivered to counties.
 - The assessor determines value, SITUS, and taxable status of the vehicle.
 - Tax bills are calculated, receipts are “delivered” to the collector, and monthly levy is created.

Current System: “Billing In Arrears”

- ✓ Vehicle registration currently triggers the taxation of a registered vehicle:
 - The tax collector is responsible for collecting the RMV taxes.
 - Collections are reported to Finance Office.
 - Enforcement tools include garnishment, attachment, levy/sale, and blocking.
 - The tax collector has end of year settlement

Current System: “Billing In Arrears”

Major Issues:

Average of 66% of RMV bills are paid on time

Average Collection Rates at Fiscal Year End by County
Population:

	<u>RMV</u>	<u>Annual</u>
Statewide Average	87.21%	97.91%
100,000+	88.00%	98.36%
50,000 – 99,999	85.80%	97.09%
25,000 – 49,999	84.03%	96.46%
24,999 and Below	84.54%	95.52%

**Source: LGC Memorandum #2011-14, 5/18/2011*

Current System: “Billing In Arrears”

✓ Why?

- Even at 5%, first month interest not much of an incentive to pay timely.
- Sheer volume of RMV bills versus local collection resources:
 - The older the RMV bill, the harder it is to collect.
 - Demographic data (employers, SSNs, banking information) is not in DMV database.
 - Levy and sale are expensive, time-consuming , and risky.
- Staggered System versus Fiscal Year.

New System: “Simultaneous Billing”

- ✓ In the new system, property taxes will be included with the “invitation to renew”:
 - Assessor determines value, SITUS, and taxable status of the vehicle in advance – not in arrears.
 - File is delivered to DMV to prepare the invitations to renew the registration.
 - Taxes must be paid in order to obtain the registration – no partial payments will be allowed.

New System: “Simultaneous Billing”

- ✓ In the new system property taxes will be included with the “invitation to renew.”
- ✓ The RMV owner has legitimate options NOT to renew the registration.
- ✓ Taxes are collected by DMV/License Plate Agencies (LPAs) (no partial payments).

Major Differences Between “Current” Verses “New” System

- ✓ With the new system:
 - No more billing in arrears – billing is done when the invitation to renew is sent. Vehicle cannot be registered unless the taxes are paid.
 - The local collector is not charged with collection.
 - A tax levy (in the traditional sense) is not created.

Major Differences Between “Current” Verses “New” System

✓ With the new system:

- All assessments (valuation, SITUS, taxability) will be performed in statewide Vehicle Tax System (VTS) administered by the Department of Revenue.
- Refunds will still be handled by the local governments using the VTS.
- DOT Fiscal will distribute local tax revenue to the counties, who will in turn distribute to other taxing units.

New System: More Revenue, Savings , and Efficiency

✓ The new system should:

- Generate approximately \$2.4 million in new interest revenue for DMV.
- Save the DMV approximately \$3 million in printing/postage costs.
- Generate approximately \$1.5 million in collection fees for the DMV.
- Increase LPA revenues by at least 1/3.

New System: More Revenue, Savings , and Efficiency

- ✓ The new system should:
 - Increase local property tax revenues derived from RMVs by approximately \$80 million at fiscal year end.
 - Eliminate diversions – beginning July 1, 2013, 3% of first-month interest no longer diverted to the Special Account:
 - Equates to approximately \$6 million annually.
 - Return any remaining money in Special Account to local governments.

Design and Business Rules

- ✓ Two years of Joint Application Development (JAD) sessions produced a Master Requirements Document.
- ✓ Use Cases have been developed to illustrate business rules developed in JAD sessions.
- ✓ RFP for Vehicle Tax System embraced the Master Requirements document.

How We Pay For It

- ✓ Project costs are paid through the Special Fund administered by the State Treasurer:
 - 3% additional interest.
- ✓ Operational Costs will be extracted from the RMV payment:
 - Costs will be prorated, based on a given jurisdiction's contribution to the total of all local taxes/fees.

How We Pay For It

- ✓ Operational Costs include things we already cover in budgets:
 - Personnel costs
 - Vehicle valuation service
 - Printing costs
 - Postage
 - Collection costs
 - Software maintenance
 - Credit card fee (if applicable)

How We Pay For It

	Value	Rate	Taxes/Fees	Proration Percentage Hard Costs	Spread of Hard Costs	Proration Percentage Credit Card	Spread of Credit Card Costs	Total Costs	NET
Registration Fee			\$28.00			0.1718	.70	.70	\$27.30
County Tax	10,000	0.007	\$70.00	0.5185	\$1.06	0.4294	\$1.75	\$2.81	\$67.19
City Tax	10,000	0.005	\$50.00	0.3704	\$.76	0.3067	\$1.25	\$2.01	\$47.99
City Vehicle Fee		\$15	\$15.00	0.1111	\$0.23	0.0920	\$0.38	\$0.61	\$14.39
TOTAL			\$163.00	1.0000	\$2.05	1.0000	\$4.08	\$6.13	\$156.87
Costs									
				Methodology:					
Vehicle Value		\$0.08	1. Jurisdiction Taxes/Total Taxes = Proration Percentage						
Printing		\$0.12	2. Total costs X Proration Percentage = Share of Cost						
Postage		\$0.35	3. DMV does not share in mailing costs.						
Process Fee		\$1.00	4. DMV does share in credit card costs.						
Collection Fee		\$0.50							
TOTAL		\$2.05	Costs shown are for example only – actual costs TBD						
Credit Card @ 2.5%		\$4.08							
TOTAL ALL FEES		\$6.13							

Timeline for Tax Offices

- ✓ **January, 2013**
County training for new VTS and processing begins.
- ✓ **March, 2013**
Counties process their first RMV file on new VTS.
- ✓ **April, 2013**
Counties complete files for DMV to produce combined notices.
- ✓ **May, 2013**
First combined notices are mailed.
- ✓ **February, 2014**
Current RMV process will “end,” except for collecting delinquent taxes still owed under the old system.

Registered Motor Vehicle Process Chart – July 2013 Implementation

Registration Renewed	File Delivery/ Processing Old System	File Delivery/ Processing New System	Notice Mailed	Taxes Due	Taxes Past Due & Notice	Enforcement Begins	Block Notice	Block
Nov-12	Jan-13		Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Dec-12	Feb-13		Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13
Jan-13	Mar-13		Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
Feb-13	Apr-13		May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
Mar-13	May-13		Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
Apr-13	Jun-13		Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
May-13	Jul-13		Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Jun-13	Aug-13		Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
Jul-13		Mar-13	Apr-13	Jul-13	Aug-13	N/A	N/A	N/A
Aug-13		Apr-13	May-13	Aug-13	Sep-13	N/A	N/A	N/A
Sep-13		May-13	Jun-13	Sep-13	Oct-13	N/A	N/A	N/A
Oct-13		Jun-13	Jul-13	Oct-13	Nov-13	N/A	N/A	N/A
Nov-13		Jul-13	Aug-13	Nov-13	Dec-13	N/A	N/A	N/A
Dec-13		Aug-13	Sep-13	Dec-13	Jan-14	N/A	N/A	N/A
Jan-14		Sep-13	Oct-13	Jan-14	Feb-14	N/A	N/A	N/A
Feb-14		Oct-13	Nov-13	Feb-14	Mar-14	N/A	N/A	N/A
Mar-14		Nov-13	Dec-13	Mar-14	Apr-14	N/A	N/A	N/A
Apr-14		Dec-13	Jan-14	Apr-14	May-14	N/A	N/A	N/A
May-14		Jan-14	Feb-14	May-14	Jun-14	N/A	N/A	N/A
Jun-14		Feb-14	Mar-14	Jun-14	Jul-14	N/A	N/A	N/A

Local Impact

- ✓ County-level responsibilities:
 - Sufficient staff resources to process two RMV files per month from March through August, 2013.
 - Normalization of inconsistent non-DMV data in their existing system.
 - Budget for training costs.
 - Fully operational local VTS at least through FY 2014.

Local Impact

- ✓ County-level responsibilities:
 - Counties must cover costs (if any) of the extraction of historical vehicle data to a common file format for loading into new VTS. (Conversations are taking place with tax software vendors.)
- ✓ Counties must cover the costs of developing a software interface with local financial systems.
 - VTS will provide the file containing financial data.

Local Impact

- ✓ Registration Block will be honored on past due bills issued under the current system.
 - Blocks lose effectiveness over time.
 - DMV may issue new registrations after 13 months.
 - A block does not stop changes in ownership.
- ✓ Increased emphasis on delinquent collections.
- ✓ Distributions will occur monthly:
 - Counties will distribute funds to towns, fire districts, and so on.
 - A file will be provided; interface will be a county responsibility.

Local Impact

- ✓ FY 2014 reductions in locally budgeted mailing and postage costs under current system:
 - Last initial billing under current system will be September, 2013 (June renewals are due October 1).
 - We may need one more catch up file for late renewals under the old system. Over 1 million late renewals within the first four months after due.
 - Last initial past-due notices (current system) in November, 2013.
 - Last blocking notices (current system) in January, 2014.
 - Other past due notices at local discretion.
 - Last vehicle values (current system) in August, 2013.

Local Impact

- ✓ Examine lock box and printing contracts if based upon volume.
- ✓ 16 billing cycles in FY 2014:
 - Four under current system, twelve under new system.
 - Additional billing cycles due to moving away from billing in arrears to concurrent billing/registration renewal.
 - Vehicle tax years remain the same; only the due dates are changing.
 - The additional billing cycles are a one-time occurrence.
 - THIS IS NOT A WINDFALL!

Local Impact

✓ Increase in Revenue

- Depending on your individual RMV collection rate, equivalent to 9 to 15 percentage points
- Under the current system approximately \$80 million in uncollected RMV taxes for counties, cities, fire districts, etc. at fiscal year end.
- Four months of additional RMV revenue in FY 2014.
 - One-time occurrence.
- We will no longer need to divert 3% of first-month interest to the Special Account after June 30, 2013.



Questions?