

Report on the Response of the Virginia Department of Taxation  
to the Impact of the Aging of Virginia's Population

Strategic Plan contact:

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## Signature Page

Pursuant to legislation enacted by the General Assembly of Virginia, the Virginia Department of Taxation submits this report of its progress in addressing the impact of the aging of Virginia's population.

Signed,

Date:

Janie Bowen,  
Commissioner  
Virginia Department of Taxation

## Executive Summary

The only major issue that TAX currently faces as a result of Virginia's aging population is the aging of its employees. TAX is currently reviewing possible ideas for retention of current employees, including a stepping down process for retirees that allows them to work part-time but still retain health benefits and retaining recent retirees as hourly employees.

## Agency Description

### **Our Mission**

Our Mission is to serve the public by administering the tax laws of the Commonwealth of Virginia with integrity, efficiency, and consistency.

### **Vision**

One vision, one team, one voice.

Customers first in everything we do.

Tax performance is the benchmark for business and government.

Our culture will be based on trust, fairness, and mutual respect.

### **Our Values**

We are a values-based organization and our values are evident in our business processes and day to day activities. The values we uphold are:

Integrity,

Trust and Respect,

Commitment to Service,

Teamwork,

Personal Responsibility.

Continuous Improvement.

### **Our Goals & Objectives**

Our agency strives to:

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

Achieve a culture based on TAX's core values.

Maximize operational efficiency and effectiveness.

Ensure Customer Satisfaction.

## Data Requested

### Issue #1:

To the extent such data is available, report the number of persons who received services from the agency in the past fiscal year who fell into each of the following age ranges: 65-74; 75-84; and 85 and older. If the agency can provide data that compares such numbers to numbers of senior citizens served in the past, please do so. If the agency lacks specific information about the numbers of senior citizens it serves, but has other evidence indicating it is serving more or fewer senior citizens than it has in the past, please describe the basis for that estimation.

### Response:

The Department of Taxation, due to the nature of its purpose, serves taxpayers of all ages in Virginia. The number of senior citizens served for our agency would simply be the number of taxpayers that are senior citizens.

As the population of senior citizens in Virginia continues to rise, the number of taxpayers over the age of 65 will rise proportionately. According to the 2006 U.S. Census Bureau statistics, there are 886,014 Virginia residents over the age of 65 representing 11.6% of the total Virginia population. The age 65 and older population has increased from 792,333 in 2000, representing 11.2%.

The most current year for which statistics on age deductions and age exemptions are available is Tax Year 2005. Taxpayers filing returns for that year claimed 560,016 age exemptions, and there were 426,472 returns with at least one age deduction.

Tax Year 2004 show 514,323 age exemptions and an estimated 444,000 age deductions. Actual data from Tax Year 2003 shows 501,557 age exemptions, and 472,888 age deductions.

We speculate that the number of age deductions claimed yearly is falling because of the phase-out of the deduction for those between 62 and 64 years of age, because of the implementation of means testing for the age deduction beginning with Tax Year 2004, and because of the filing threshold increase for Tax Year 2005.

It is worth noting that our data are only relevant to those actually filing taxes. Many seniors are not required to file, and therefore do not.

Issue #2:

Identify the agency services that are utilized by senior citizens 65 and older in significant numbers. Indicate whether the agency has the capacity at present to serve all interested seniors or whether the demand for certain services exceeds the agency's capacity. If so, does the agency maintain a waiting list for services?

Response:

TAX has no services that are utilized by senior citizens 65 and older in significant numbers, other than simply the filing of taxes. This process does not change with the age of the filer. Therefore, the aging of the population makes no additional demands on TAX, and will not decrease TAX's capacity for meeting demand for services. TAX provides customer service to assist all taxpayers, including seniors, with any questions or problems they have.

Issue #3:

Identify current agency programs, specifically designed to serve seniors 65 and older, that fall into any of the following six categories: Health Care/Wellness; Education; Public Safety; Recreation; Financial Security (including Housing); and Transportation.

Response:

TAX currently has no such programs.

Issue #4:

Identify the extent to which your agency provides "consumer-oriented" publications and websites online that are designed to be "senior-friendly." If the information you currently provide is not readily accessible to seniors, identify any steps your agency is taking to improve accessibility.

Response:

TAX's website was not designed specifically to be "senior-friendly," however, it is currently being redesigned to increase accessibility and ease of use in general. After its redesign, it should be more intuitive, making it easier to use not only for seniors, but for all taxpayers.

**Issue #5:**

Describe the effect that the aging of the agency's own workforce will have on its ability to deliver services. Consider the number of retirements expected in the next two years, the effect these retirements might have (e.g., loss of leadership or institutional knowledge in certain programs), how losses might be replaced (e.g., promotions or transfers, recruitment, use of wage staff, including retirees, re-engineering, outsourcing), and the costs or savings from the replacements (e.g., staff development costs, salary savings). This item might be addressed by summarizing relevant portions of the agency's workforce plan.

**Response:**

As of Oct. 15, 2007, 20.1 percent of TAX's current employee population is eligible to retire. That percentage will increase to 23.2 percent within the next two years. The most severely impacted categories of positions affected through potential retirements include clerical and administrative support, policy and planning specialists, procurement officers, auditors, general administration supervisors and managers, engineering technicians and printing technicians. Although leadership and management positions would also be impacted, financial services analysts (Tax Auditors; Tax Examiners; Collections, Customer, and Field Representatives) in pay bands 4 and 5, and administrative/clerical support (Administrative & Office Specialists II & III) in pay bands 2 and 3 would be the primary categories of positions adversely affected by potential large-scale retirements. These types of positions routinely work directly with and provide services to taxpayers.

Increasing the number of hourly positions may be a short-term remedy for replacing staff losses; however, it is not a favored solution to long-term staffing shortage needs. Maintaining qualified workforce levels of hourly employees within TAX is a challenge due to the 1,500 work-hour maximum and the lack of highly-sought-after employee benefits. Some recent retirees have returned as hourly employees to supplement retirement income, which benefits the agency by allowing it to maintain valuable assets of institutional knowledge and acquired skills. Continuing to promote that practice could help offset staff losses.

In order to protect against a mass exodus of institutional knowledge, the agency is considering offering potential retirees, when feasible, the option of stepping down to retirement by reducing their workweek to a 32 hour classified workweek (thus maintaining their health benefits) instead of retiring. An emphasis would be placed on ensuring effective knowledge transfer to existing or replacement staff.

Outsourcing of some lower skill level jobs is a current practice within TAX, but workers are mostly seasonal. Maintaining current classified staffing allocations (MEL) and retention efforts would need to concentrate on pay band 3 and 4 level positions. These positions would require replacement of employees possessing entry-level to moderate skills and basic knowledge of TAX business practices and functions. Current hourly employees often provide an experienced and qualified applicant pool for classified positions. Pay band 5-level positions may afford experienced outside professionals and internal pay band 4-level employees career advancement opportunities within TAX.

The agency-wide average salary within TAX is approximately \$48,000; this is also the approximate median salary for a pay band 4 (effective 11/25/07). The average pay band 4 salary for existing employees is \$38,019 (based on +4% salary increase 11/25/07); approximately \$10,000 below the pay band median (\$47,850). The average pay band 3 salary for existing employees is \$33,230 (based on +4% salary increase 11/25/07); approximately \$3,400 below the pay band median (\$36,627). Based on these salary comparisons, significant salary cost savings could not be projected for new hires of replaced retirees in pay bands 3 and 4 level positions.

#### Issue #6:

Describe any other services or programs that the agency has implemented or plans to implement in the future to address the impact of the aging of Virginia's population.

#### Response:

Since the aging of Virginia's population has no direct impact on TAX's ability to perform its day-to-day functions, TAX currently has no such services or programs, nor plans to implement any.