

Isle Pre-Pay
Isle of Wight County, Virginia

Need for the Program

Isle of Wight's tax system is significantly influenced by its farming culture. The due date for personal property and real estate taxes was initially set as December 5th – which coincided with the time of year that farmers generally received payments for their crops. In the 1960s, as the County's economic base became less dependent on agriculture, the Board of Supervisors voted to split the annual real property tax assessment into two equal installments due June 5th and December 5th. Personal property taxes were not split at that time because farm machinery remained a significant part of the personal property tax assessment and it would have been a significant financial burden to farmers who continue to receive the majority of their income in late October and November.

As the County moves further from its agricultural roots, citizens are less and less influenced by the cash flow cycle of farming. Isle of Wight has become a retirement destination and we are seeing the average age of our citizenry increase. This has led to a more significant portion of our population living on a fixed income. Additionally, many of our citizens own

their real property outright and therefore do not have their tax payments escrowed during the year. Having taxes due December 5th also coincides to time of year when many see increases in their household expenditures such as heating costs and holiday spending.

In 2007, hearing concerns from the citizenry about having a significant tax bill due December 5th, the Board of Supervisors asked the County's Treasurer and Commissioner of Revenue to consider ways to improve the County's tax collection process. Recognizing the rural mindset and reluctance to change of a majority of Isle of Wight citizens, as well as the increased costs associated with more frequent tax assessments (estimated at nearly \$175,000 to begin bi-annual assessments for personal property taxes), the Treasurer and Commissioner agreed that adjusting the current tax due dates was not a viable option. Instead they determined that the promotion of an option already available to taxpayers – prepayments – could alleviate much of the financial strain associated with the County's tax due dates. While the Treasurer had always accepted prepayments, they had never been actively promoted. As a result of their brainstorming, Isle Pre-Pay was born.

Program Description

In October 2007, the initial Isle Pre-pay concept, which only addressed the formalization of a prepayment process for personal property taxes, was presented to the Board of Supervisors. The original Isle Pre-pay was a completely voluntary option that encouraged non-delinquent personal property tax payers to make quarterly payments against their estimated personal property tax bill. The Treasurer's office mailed letters to every personal property tax payer in the County. The letters identified a quarterly payment amount which was calculated based on the prior year's tax amount. Quarterly payments were due March 5th, June 5th, and September 5th. Participating taxpayers had the option of making one or all of the estimated payments and could adjust the amount that they paid. The actual annual tax bill was mailed out the end of October, reflecting any prepayments, and final payment was due December 5th. During its inaugural year, the Program generated over \$700,000 in prepayments.

In December 2008, the Deputy Treasurer approached the Board of Supervisors with a request to expand the Isle Pre-pay Program to the 10,466 eligible real property tax accounts and to change the payment option from quarterly payments to 10 monthly payments for both personal property and real property accounts. This second generation of Isle Pre-pay was launched in January 2009. This time, each non-delinquent taxpayer received a letter

identifying a monthly prepayment amount based on the prior year tax for both personal and real property accounts. Prepayments were due on the 5th of each month for the first ten (10) months of the year and the taxpayers continued to have the option of making some or all of the identified prepayments. Regular tax bills, mailed out the end of October, reflected all prepayments made during the year and were due December 5th. Any accounts with a zero balance due at the October bill generation did not receive a tax bill. Any accounts with a credit balance were given the option of applying the credit to the next year's bill, applying the credit to another tax bill or the taxpayer could request a refund of the credit amount.

The Treasurer's office has further refined the Isle Pre-pay Program. While the basic premise of Isle Pre-pay continues to follow the 2009 Program, the Treasurer now marks the account in the County's financial system when a taxpayer opts to utilize the voluntary Isle Pre-pay Program which easily identifies those accounts that are part of the Program. Another enhancement is that the Treasurer now produces coupon payment booklets very similar to a car payment book. The coupon books, which are sent only to those who have elected to participate in Isle Pre-pay, provide a much more professional appearance to the Program than the original letters that had tear off strips for each payment. The Treasurer also recognized that

taxpayers were generally familiar with the look and feel of a coupon book and understood how to use them without much question. In the past, the Treasurer's office received feedback from customers that it was difficult to remember to make the payments because they only received an annual letter. The coupon books also provide a monthly reminder to the taxpayer to make their payment to the Isle Pre-pay Program. Additionally, the identification and focus on only those taxpayers who have expressed an interest in the Isle Pre-pay has reduced costs by not sending Isle Pre-pay information to everyone.

The Treasurer also uses the Isle Pre-pay Program as credit counseling tool for individuals that may have had difficulty paying their account balances in a timely fashion. Treasurer's staff works with delinquent customers to develop a payment plan to get their accounts current. Once the taxpayer is current, the Treasurer encourages them to become part of Isle Pre-pay and a coupon book is created for them.

Participation in Isle Pre-pay continues to grow. The Treasurer regularly promotes and advertises the Program. Isle Pre-pay is featured on the County's website and Treasurer Office brochures, advertised in the local newspapers and living guides printed by the local papers, and information about the Program is printed on all tax bills and delinquent notices.

Program costs

In its current form, Isle Pre-pay costs about \$1.29 per participating personal property account and \$1.56 for each participating real property account. These costs include the printing and mailing of the coupon booklets currently utilized by the Program.

The Treasurer's Office is confident in saying that the Program more than pays for itself in a reduction of staff overtime, delinquent account collection costs, and the increased interest revenue generated from the investment of Isle Pre-pay payments received throughout the year. Additionally, it is generating a significant amount of goodwill for the County from satisfied participants in Isle Pre-pay.

Results/Success of the Program

Isle Pre-Pay has been very well received and currently has more than 3,000 participants. In addition to helping tax payers budget for their tax payments, Isle Pre-pay has increased the County's cash flow timing during the year by more than \$4.3 million dollars, and personal property tax delinquency rates have decreased six percent (6%). The Treasurer's Office frequently receives letters, emails and phone calls from citizens that say how much the Isle Pre-pay Program has benefited them. For example:

“I want to thank the Isle of Wight Treasurer’s Office for the opportunity to pay my personal property tax over the course of a year. I live on a fixed income, and getting a large bill in December was a real strain. When I pay it monthly it is no problem. The real beauty is having the ability to not pay in a month where other needs arise with no penalty.” – Ronald Gradine

“The Treasurer’s Office worked to help me get my real property tax balance caught up. Isle Pre-pay has helped me keep it that way.” – Rufus Darden.

Surprisingly, the Treasurer has also discovered that some taxpayers are using Isle Pre-pay as a form of savings account and they routinely ask for refunds of their credit balances to use for holiday expenses. Since the prepayments are based on the prior year’s tax assessment, accounts frequently have credit balances by the end of the year – especially personal property accounts because vehicle assessments generally decrease from year to year.

In addition to the benefits seen by the taxpayers, Isle Pre-pay is beneficial to the County. It not only reduces the number of delinquent taxpayers but also helps to spread the County’s cash flow more evenly across the year. Historically the County has seen a large influx of cash when

taxes were due – June 5th and December 5th – but very little otherwise. Since its inception, Isle Pre-pay has brought in more than \$4.3 million in off-cycle payments to the County. Even though interest rates are low, the increased cash receipts during the year from Isle Pre-pay allow the County to generate additional interest income. Since zero balance accounts do not receive a tax bill, the inception of Isle Pre-pay has decreased the number of tax bills that are printed. The Program also helps to spread the Treasurer Office’s payment processing more evenly throughout the year. They rarely have the significant backlog of processing in December that they once did and overtime during their busy periods is seldom needed.