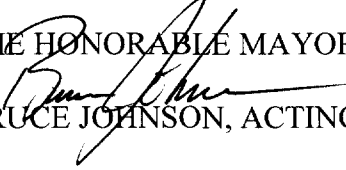


City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 3, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM:  BRUCE JOHNSON, ACTING CITY MANAGER

SUBJECT: LISTINGS OF DELINQUENT TAXES: AUTHORIZATION TO ADVERTISE THE LISTINGS AND WRITE OFF BALANCES LESS THAN TWENTY DOLLARS

ISSUE: Authorization to publish the listings of delinquent taxes and write off balances less than twenty dollars and to destroy records as required by state law.

RECOMMENDATION: That City Council:

- (1) Receive the listings of delinquent local property taxes;
- (2) Authorize that those parts of the delinquent real estate and personal property tax listings deemed advisable by the Director of Finance be published in the newspaper and on the City of Alexandria website;
- (3) Authorize the Director of Finance to write off uncollected tax balances less than twenty dollars each for which the Director of Finance has determined that the cost of collecting such balances would exceed the recoverable amount, provided that the Director of Finance will not include any balance for which she has reason to believe the taxpayer has intentionally paid less than the amount due and owed; and
- (4) Authorize the Director of Finance, in accordance with retention regulations pursuant to the Virginia Public Records Act, to dispose of records associated with real estate taxes paid in calendar year 2005 and prior years in accordance with Code of Virginia §58.1-3129(A).

BACKGROUND: Code of Virginia §58.1-3924 provides for the Director of Finance to present City Council with listings of delinquent local property taxes annually. To meet this provision, the Director of Finance compiles the following types of listings of delinquent taxes as of June 30:

1. A list of delinquent real estate taxes;
2. List(s) of delinquent personal property taxes;

3. List(s) of delinquent property taxes amounting to less than twenty dollars for which no bills were sent; and
4. List(s) of the uncollected balances of previously billed property taxes for which the Director of Finance has determined the cost of collecting such balances would exceed the recoverable amount, provided that the Director of Finance will not include any balance for which she has reason to believe the taxpayer has purposely paid less than the amount due and owed.

These lists are also available for public inspection during normal business hours in the Director of Finance's Office, City Hall, Suite 1600.

As a long standing practice, the City has retained records for real estate taxes for the past 20 years as Code of Virginia §58.1-3940 permits the collection of delinquent real estate taxes for 20 years after the end of the year for which they were assessed. Code of Virginia §58.1-3129 states, "The treasurer may, **with the consent of the governing body**, destroy all paid tax tickets at any time after five years from the end of the fiscal year during which taxes represented by such tickets were paid, in accordance with retention regulations pursuant to the Virginia Public Records Act (§ 42.1-76 et seq.)." In accordance with this section, the Director of Finance, in whom treasury duties are vested, seeks City Council's permission to dispose of records pertaining to real estate taxes paid for calendar year 2005 and prior years, excluding records pertaining to any delinquent accounts still outstanding.

DISCUSSION: The Finance Department has compiled seven lists of various categories of delinquent City taxes and associated penalties, interest and fees. Summary data for lists 1 through 4 can be found in Table I. Summary data for lists 5 through 7 can be found in Table II. In general, the amounts of delinquent taxes due as of June 30, 2011, and percentages collected were very similar to the City's experience at the end of FY 2010.

- List 1 Listing of Real Estate Taxes for 2006 through 2010 Delinquent as of June 30, 2011.
- List 2 Listing of Individual Personal Property Taxes for 2006 through 2010 Delinquent as of June 30, 2011.
- List 3 Listing of Personal Property Taxes on Business Vehicles for 2006 through 2010 Delinquent as of June 30, 2011.
- List 4 Listing of Business Personal Property Taxes for 2006 through 2010 Delinquent as of June 30, 2011.
- List 5 Listing of Uncollected Individual Personal Property Taxes for 2006 through 2010 Amounting to Twenty Dollars or Less as of June 30, 2011.
- List 6 Listing of Uncollected Personal Property Taxes on Business Vehicles for 2006 through 2010 Amounting to Twenty Dollars or Less as of June 30, 2011.

List 7 Listing of Uncollected Business Personal Property Taxes for 2006 through 2010
Amounting to Twenty Dollars or Less Each as of June 30, 2011.

Table I

Delinquent Real Estate and Personal Property Taxes for 2006-2010
As of June 30, 2011
(Amounts in millions)

List	Tax Type	Tax Levied	Taxes Collected	Percentage Collected	Taxes due	Total due
1	Real Estate	\$1,461.0	\$1,459.2	99.9%	\$1.8	\$2.2
2	Individual Vehicle Personal Property	\$209.4	\$207.0	98.8%	\$2.4	\$3.2
3 & 4	Business Personal Property	\$81.7	\$77.8	95.2%	\$3.9	\$5.1

Table II

Delinquent Personal Property Taxes For 2006-2010
Tax amounts less than \$20

	Total Tax Due	Number of Taxpayers	Average Balance Due
Individual Vehicle Personal Property	\$13,906	1,414	\$9.80
Business Vehicles	\$63	12	\$5.25
Other Business Personal Property	\$5,980	1106	\$5.41

Summary of Real Estate Tax Collection Statistics: As showed in Table I, the Finance Department has collected \$1.5 billion, or 99.9 percent, of the real estate taxes levied for tax years 2006 through 2010. The “Top Twenty” delinquent real estate taxpayers comprise \$1.0 million or 46 percent of the total delinquency (Attachment I).

The Finance Department uses a variety of tools to monitor and collect delinquent taxes. In FY 2011, these tools included delinquency notifications, field visits to taxpayers’ homes and businesses, and summonses issued to delinquent taxpayers as well as rent liens, bank liens, and Circuit Court liens placed against several property owners. The Department works with the City Attorney’s Office to initiate formal judicial sale procedures against delinquent taxpayers. The City uses this option cautiously as it has not wanted to have low-income elderly or disabled

persons lose their housing due to a judicial sale. At times, merely proceeding with the judicial sale process triggers either the property owner or the mortgage holder to pay the taxes due. Real estate taxes on a property must be delinquent for three years before a Virginia locality can initiate a judicial sale.

Collection efforts resulted in nine property owners appearing on last year's "Top Twenty" list having sufficiently satisfied their tax obligations to avoid inclusion in this year's "Top Twenty" listing, paying a total of \$0.5 million in taxes, penalty and interest for tax years 2005 through 2010. In addition, seven taxpayers from this year's "Top Twenty" list have arranged payment plans for \$0.2 million in delinquent real estate taxes, penalty and interest. Of the remaining taxpayers, two are in bankruptcy, one is in foreclosure and staff is actively working with the City Attorney's office on judicial sale notices for six other cases (\$0.3 million).

To preserve the City's interest in the collection of delinquent real estate taxes, Virginia Code §58.1-3930 provides that a lien be automatically placed (by operation of law) on property with outstanding real estate taxes. This tax lien is a claim by the City for payment of the tax debt and begins on the day following the tax payment due date. The lien is recorded against delinquent properties on the City's computerized Real Estate Land Records System and remains in effect until the outstanding taxes, penalties and interest have been paid in full. An automatic lien ensures that the City will collect any delinquent real estate taxes when the owner sells the property or applies for a mortgage.

The City also places liens at Circuit Court for real estate taxes delinquent for three or more years. By recording the lien at the Circuit Court, the City ensures that the property owner cannot sell the property until all delinquent taxes are paid in full.

Summary of Vehicle Personal Property Tax Collection Statistics: As shown in Table I, the Finance Department has collected \$207.0 million, or 98.8 percent, of the vehicle personal property taxes levied for tax years 2006 through 2010.

Because a relatively large portion of the City's population is very transient, collecting personal property taxes on vehicles is far more challenging than collecting real estate taxes. In July, the City issued over 108,000 annual personal property tax bills for vehicles. On average, approximately 25 percent of the vehicles billed each year are new additions to the tax rolls. A comparable number of vehicles leave the City in that period. In many instances, the City was not notified of the move.

In order to ensure that taxpayers pay any taxes owed, the City retains billing records and sends bills until the City is notified by the taxpayer or by the Department of Motor Vehicles (DMV) that a vehicle is no longer taxable in the City. In accordance with the Code of Virginia, the City must cease collections of vehicle personal property taxes after five years, except in certain limited cases where the taxes have been reduced to judgment or there has been a judgment lien resulting from a suit to collect the taxes.

Summary of Business Personal Property Tax Collection Statistics: As shown in Table I, the Finance Department has collected \$77.8 million, or 95.2 percent, of the business personal

property taxes levied for tax years 2006 through 2010. Of the \$5.1 million total business personal property tax delinquency, approximately 97 percent was derived from statutory billings. Attachment II discusses the statutory billing process used by the City.

Publishing List of Delinquent Taxpayers: The threat of publishing a delinquent taxpayer's name in the newspaper and on the City's website is one of the Finance Department's most effective collection tools. All delinquency listings will be checked prior to publication and adjusted for tax payments made between June 30 and the publication date. If the taxes are paid in full by the time of publication, the property owner's name or the name of the business will not be published in the newspaper or listed on the City's website. Names of individuals or businesses that have received tax adjustments, declared bankruptcy, filed tax exemption appeals, appealed the tax assessment or entered into formal payment arrangements with the City will not be published or listed. In addition, names of businesses that received a statutory billing or ceased operations in the City will not be published or listed. Within the framework described above, the Finance Department is requesting that City Council authorize publication of those portions of the real estate tax and personal property tax listings deemed advisable by the Director, specifically for taxpayers who have a delinquent balance of \$1,000 or greater.

FISCAL IMPACT: Delinquent tax collection efforts resulted in \$2.9 million in revenue in FY 2011. We expect a comparable amount for FY 2012.

ATTACHMENTS:

Attachment I – Top Twenty Delinquent Real Estate Taxpayers for Tax Years 2010 and prior as of October 19, 2011
Attachment II – Statutory Billing Process

STAFF:

Laura B. Triggs, Acting Chief Financial Officer
Debbie Kidd, Acting Director of Finance
David Clark, Assistant Director of Finance/Treasury
Martina Alexander, Acting Assistant Director of Finance/Revenue

CITY OF ALEXANDRIA, VIRGINIA
TOP TWENTY DELINQUENT REAL ESTATE TAXPAYERS
TAX YEAR 2010 AND PRIOR
AS OF OCTOBER 5, 2011

	AMOUNT OWED				On
	TAX, PENALTY	TAXPAYER NAME	NUM.	PARCEL LOCATION(S)	2010 List
	REFUSE & INTEREST		PARCELS		
1	\$80,535	†MARPECH INVESTMENT GROUP LC	3	3120, 3124 & 3128 COLVIN STEET	YES
2	\$52,780	†1007 LLC	4	1007 FRANKLIN STREET & 621, 623, 631 S. PATRICK STREET	YES
3	\$49,911	†SOLOVYOW, VERA	1	107 SOUTH LEE STREET	YES
4	\$37,971	**SHAIKH, SHABBIR M	2	1313 & 1333 NORTH QUAKER LANE	YES
5	\$32,466	*OWEN, JUANITA LYLES AND THOMAS L	1	4410 DUKE STREET	YES
6	\$30,849	*EHLERS MARY I.	1	121 SOUTH FAIRFAX STREET	YES
7	\$29,159	☐CROCKETT SHOPPING CENTER LLC	1	1101 NORTH WASHINGTON STREET	NO
8	\$24,792	†HARRISON JR., FLOYD, W.	1	4410 DUKE STREET	YES
9	\$21,896	†HARMAN, CYNTHIA	1	628 NORTH ALFRED STREET	YES
10	\$20,366	*MCDONALD, ODELLA, P.	2	1106 COLONIAL AVENUE & 1204 POWHATAN STREET	YES
11	\$19,928	*BAHRAMI, KAMRAN	1	1015 WEST GLEBE ROAD	NO
12	\$19,395	*SMITH, STEPHANIE WINSTEAD REBA	1	409 EAST MASON AVENUE	YES
13	\$18,683	☐A J KING PROPERTIES LLC	2	1101 KING STREET, SUITES 160 & 170	NO
14	\$18,577	*BLOXTON, PAMELA, M.	1	219 EAST CUSTIS AVENUE	NO
15	\$18,353	☐DREIFUS, ROBERT, D.	1	211 KING STREET	NO
16	\$18,252	*ETTINGER, PHILLIP, P.	1	2904 MAPLEWOOD PLACE	YES
17	\$17,938	†KNOX, JAMES B OR MARGARET W.	1	400 MADISON STREET, SUITE 2110	NO
18	\$16,710	**ALAN SECREST AND ASSOCIATES LLC	2	228 SOUTH WASHINGTON STREET, SUITES 330 & 350	NO
19	\$16,265	*KERBY, CHRISTOPHER K OR KIMBERLY M.	1	4672 STRATHBLANE PLACE	NO
20	\$16,020	☐CROSSLAND, MARLENE, J.	1	2 EAST ALEXANDRIA AVENUE	NO
	\$560,846.00		29		

* Indicates that taxpayer has a current payment plan
** Indicates that the taxpayer has filed for bankruptcy

• Indicates that property is in foreclosure
☐ Indicates Finance Dept. in-house collection activity
† Indicates that the parcel is in the judicial sale process

Statutory Billing Process for Business Personal Property Tax

Business personal property taxes are based on tax returns filed by businesses. While the vast majority of City businesses fulfill their business personal property tax obligations, some businesses do not. When a business fails to file a business personal property tax return, the Code of Virginia allows the City to levy and then send an estimated bill for business personal property tax for tangible property owned or leased in the City. These estimated bills are called “statutory assessments.” Staff uses a variety of techniques to prepare these statutory assessments.

The following table outlines the estimated tangible personal property assessments for which non-filing businesses are billed when a prior year return is not available for estimate.

Gross Receipts	Business Property Assessment Used for Billing
\$500,000 or Less	\$75,000
\$500,001 to \$1,000,000	\$100,000
\$1,000,001 and Greater	\$150,000
*Other methods used to conduct statutory assessments, including estimates based on prior year returns, result in different assessments.	

Because these billings are an estimate at the time personal property taxes are levied, statutory assessments may artificially increase the amount of delinquent outstanding taxes compared to what is ultimately due and payable. While this statutory billing process reduces the overall collection rate based on these estimates, actual collections are higher than if no estimated assessment were levied and billed.

In FY 2011, staff billed approximately \$4.5 million in estimated, or statutory, business personal property taxes on businesses that failed to file a return. This represents about one quarter of the total assessment. Out of these statutory billings, the City received \$2.9 million or approximately 29.3 percent of the amount billed. This represents an annual revenue source that the City would not have received if it did not issue these estimated, or statutory, bills. Based on prior year collection patterns, approximately 80 percent of the remaining \$3.1 million in delinquent business personal property taxes will be reduced for statutory adjustments, leading to a similar reduction in penalties and interest. For the current year, staff has levied \$5.4 million in estimated statutory business personal property taxes.