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## MEMORANDUM

DATE: MAY 2, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF AN ORDINANCE TO PERMIT THE CITY TO COLLECT ADDITIONAL ADMINISTRATIVE FEES ON DELINQUENT VEHICLE PERSONAL PROPERTY TAX ACCOUNTS

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**ISSUE:** Increasing administrative fees charged on the collection of delinquent vehicle personal property tax accounts.

**RECOMMENDATION:** That City Council approve this proposed ordinance (Attachment 1) on first reading, and schedule it for public hearing, second reading, and final passage on May 12, 2007.

**DISCUSSION:** The Code of Virginia provides localities with the authority to impose fees of up to \$30 to cover administrative costs on delinquent personal property tax accounts that are submitted to the delinquent tax collection process. The City currently levies an administrative fee of \$20. The Code of Virginia also allows localities to charge an additional fee of up to \$25 for accounts referred to collection under the Set-off Debt Collections Act, and allows the City to charge an additional fee imposed by the Virginia Department of Motor Vehicle (DMV) (unspecified by statute, though local jurisdictions typically charge \$20-\$30) under its registration withholding program. The Set-off Debt fee and the DMV fee are in addition to the administrative fee. The City could assess a total of \$45 in fees through a combination of the administrative fee and the set-off debt fee or the DMV fee. This would make the City's delinquent tax collection fees more in line with neighboring jurisdictions, and help offset collection costs.

**FISCAL IMPACT:** Staff estimates that charging the \$20 administrative fee on all delinquent tax accounts and imposing an additional \$25 on all accounts sent to the State for both the Set-off Debt Collection Program and the DMV Withholding Program for a total fee of \$45, would produce an increase of \$180,000 in additional revenue.

**ATTACHMENT:** Proposed Ordinance

**STAFF:**  
Mark Jinks, Deputy City Manager  
Laura B. Triggs, Acting Director of Finance  
Debbie Kidd, Division Chief, Revenue Administration

EXHIBIT NO. 2

Introduction and first reading:	5/08/2007
Public hearing:	5/12/2007
Second reading and enactment:	5/12/2007

**INFORMATION ON PROPOSED ORDINANCE**

**Title**

AN ORDINANCE to amend and reordain Section 3-2-230 (WHEN TAXES DUE, DELINQUENT TAXES; PENALTY) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY), Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT), of the Code of the City of Alexandria, Virginia, 1981, as amended.

**Summary**

The proposed ordinance would authorize, but not require, the Director of Finance to assess two additional administrative fees to cover the City's costs in collecting delinquent personal property taxes: the \$25.00 fee imposed by the Virginia Department of Taxation for collections under the Setoff Debt Collection Act, and the \$20.00 fee imposed by the Virginia Department of Motor Vehicles under the DMV's motor vehicle registration withholding program. If the Director exercises this authority, these fees would apply uniformly to all delinquent tax accounts meeting the statutory criteria for the particular fee(s).

**Sponsor**

**Staff**

Mark Jinks, Assistant City Manager  
Laura B. Triggs, Acting Director of Finance  
Debbie Kidd, Chief, Revenue Division  
Roderick B. Williams, Assistant City Attorney

**Authority**

Virginia Code § 46.2-752, § 58.1-520.1, and § 58.1-3958

**Estimated Costs of Implementation**

None

**Attachments in Addition to Proposed Ordinance and its Attachments (if any)**

None

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE to amend and reordain Section 3-2-230 (WHEN TAXES DUE, DELINQUENT TAXES; PENALTY) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY), Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT), of the Code of the City of Alexandria, Virginia, 1981, as amended.

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 3-2-230 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-230 When taxes due, delinquent taxes; penalty.

(a) The taxes levied on tangible personal property, on machinery and tools, and on mobile homes, motor vehicles, boats and trailers, except those which become subject to said tax after September 5, shall be due and payable to the director on or before October 5 of the year for which they are levied and shall be considered delinquent after that date. To all of said taxes so delinquent there shall be added and collected as a part thereof a penalty of 10 percent or \$10, whichever is greater; provided, however, that for tax year 2002 and subsequent tax years, the penalty for taxes levied on motor vehicles subject to the Personal Property Tax Relief Act of 1998 shall be calculated based solely on the portion of the taxes levied which the taxpayer is required to pay under such Act, and provided further that the penalty shall in no case exceed the amount of tax due from the taxpayer, and provided further that the entitlement to personal property tax relief for qualifying vehicles arising under the provisions of § 58.1-3524 of the Code of Virginia (1950), as it existed prior to the amendments made in Chapter 1 of the Acts of Assembly, 2004 Special Session I, for tax year 2005 and all prior tax years, shall expire on September 1, 2006, or such date as state funds for reimbursement of the state share of such bills have become unavailable, whichever earlier occurs, for any qualifying vehicle for which personal property tax, penalty, and interest remains due and owing as of September 1, 2006, for tax year 2005 and/or any prior tax years. In addition thereto, interest on the taxes and penalty due from the taxpayer shall commence on the first day following the day such taxes are due and shall continue until all such taxes and penalty are paid. Such interest shall accrue at the rate of 10 percent per annum for the first year such taxes and penalty remain unpaid and thereafter at the rate of five percent per annum. There shall also be due, in addition to all penalties and interest, fees for administrative costs, ~~and reasonable attorney's fees, or collection agency's fees, Virginia Department of Taxation setoff debt collection fees, and/or Virginia Department of Motor Vehicles registration withholding fees~~ incurred in the collection of such taxes, not to exceed the maximums permitted under sections 46.2-752, 58.1-520.1, and 58.1-3958 of the Code of Virginia (1950), as amended.

(b) The taxes levied on motor vehicles, boats and trailers which become subject to taxation between September 6 and December 31 of any given year shall be due and payable not more than 30 days after they become so subject to taxation. These taxes shall be considered delinquent if

1 not paid on or before the thirtieth day from the date any motor vehicle, boat or trailer becomes  
2 subject to taxation. To all taxes so delinquent, there shall be added and collected as a part thereof,  
3 a penalty of 10 percent or \$10, whichever is greater; provided, however, that for tax year 2002  
4 and subsequent tax years, the penalty for taxes levied on motor vehicles subject to the Personal  
5 Property Tax Relief Act of 1998 shall be calculated based solely on the portion of the taxes  
6 levied which the taxpayer is required to pay under such Act, and provided further that the penalty  
7 shall in no case exceed the amount of tax due from the taxpayer, and provided further that the  
8 entitlement to personal property tax relief for qualifying vehicles arising under the provisions of  
9 § 58.1-3524 of the Code of Virginia (1950), as it existed prior to the amendments made in  
10 Chapter 1 of the Acts of Assembly, 2004 Special Session I, for tax year 2005 and all prior tax  
11 years, shall expire on September 1, 2006, or such date as state funds for reimbursement of the  
12 state share of such bills have become unavailable, whichever earlier occurs, for any qualifying  
13 vehicle for which personal property tax, penalty, and interest remains due and owing as of  
14 September 1, 2006, for tax year 2005 and/or any prior tax years. In addition thereto, interest on  
15 the taxes and penalty due from the taxpayer shall commence on the first day following the day  
16 such taxes are due and shall continue until all such taxes and penalty are paid. Such interest shall  
17 accrue at the rate of 10 percent per annum for the first year such taxes and penalty remain unpaid  
18 and thereafter at the rate of five percent per annum. There shall also be due, in addition to all  
19 penalties and interest, fees for administrative costs, ~~and reasonable attorney's fees, or collection~~  
20 ~~agency's fees, Virginia Department of Taxation setoff debt collection fees, and/or Virginia~~  
21 ~~Department of Motor Vehicles registration withholding fees~~ incurred in the collection of such  
22 taxes, not to exceed the maximums permitted under sections 46.2-752, 58.1-520.1, and  
23 58.1-3958 of the Code of Virginia (1950), as amended.

24  
25 (c) With respect to the expiration, set forth in (a) and (b) above, of the entitlement to  
26 personal property tax relief for qualifying vehicles arising under the provisions of § 58.1-3524 of  
27 the Code of Virginia (1950), as it existed prior to the amendments made in Chapter 1 of the Acts  
28 of Assembly, 2004 Special Session I, for any qualifying vehicle for which personal property tax,  
29 penalty, and interest remains due and owing as of September 1, 2006, or such date as state funds  
30 for reimbursement of the state share of such bills have become unavailable, whichever earlier  
31 occurs, for tax year 2005 and/or any prior tax years, there shall be due for each such qualifying  
32 vehicle a supplemental amount equal to the credit for any reimbursable amount to which such  
33 qualifying vehicle would have been entitled pursuant to the provisions of Virginia Code §  
34 58.1-3524 as it existed prior to the amendments effected by Chapter 1 of the Acts of Assembly of  
35 2004, Special Session I, plus penalty and interest thereon in the amounts provided for in this  
36 section. Penalty and interest with respect to bills issued pursuant to this subsection shall be  
37 computed on the entire amount of the tax owed. Interest shall be computed at the rates provided  
38 in this section from the original due date of the tax.

39  
40 (d) There is hereby established an amnesty program for payment of delinquent taxes imposed  
41 under §§ 3-2-224 of this Code, for tax years 2004 and prior, the intent of which program being to  
42 improve voluntary compliance with the City's personal property tax ordinances and to increase  
43 and to accelerate collections of such taxes owed to the City, as follows:

1 (1) The program shall be conducted during the period November 1, 2005, through  
2 December 31, 2005.

3  
4 (2) All penalties and interest assessed or assessable, as provided in this section, with  
5 respect to the tax imposed under §§ 3-2-224 of this Code, which are the result of  
6 nonpayment, underpayment, nonreporting or underreporting of tax liabilities, shall be  
7 waived upon receipt of the payment of the amount of taxes owed, except that no person  
8 currently under investigation or prosecution for filing a fraudulent return or failing to file  
9 a return with the intent to evade tax shall qualify to participate.

10  
11 (3) Any taxpayer who defaults upon any agreement to pay tax arising out of a grant of  
12 amnesty is subject to reinstatement of the penalty and interest forgiven and any such other  
13 penalties as may apply, as though the taxpayer retained the original outstanding balance at  
14 the close of the amnesty program.

15  
16 Section 2. That this ordinance shall become effective upon the date and at the time of its  
17 final passage.

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19  
20 WILLIAM D. EUILLE  
21 Mayor

22  
23 Introduction: 5/8/07  
24 First Reading: 5/8/07  
25 Publication:  
26 Public Hearing:  
27 Second Reading:  
28 Final Passage:  
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ORDINANCE NO. 4480

AN ORDINANCE to amend and reordain Section 3-2-230 (WHEN TAXES DUE, DELINQUENT TAXES; PENALTY) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY), Article M (LEVY AND COLLECTION OF PROPERTY TAXES), Chapter 2 (TAXATION), Title 3 (FINANCE, TAXATION AND PROCUREMENT), of the Code of the City of Alexandria, Virginia, 1981, as amended.

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Section 1. That Section 3-2-230 of the Code of the City of Alexandria, Virginia, 1981, as amended, be, and the same hereby is, amended and reordained to read as follows:

Sec. 3-2-230 When taxes due, delinquent taxes; penalty.

(a) The taxes levied on tangible personal property, on machinery and tools, and on mobile homes, motor vehicles, boats and trailers, except those which become subject to said tax after September 5, shall be due and payable to the director on or before October 5 of the year for which they are levied and shall be considered delinquent after that date. To all of said taxes so delinquent there shall be added and collected as a part thereof a penalty of 10 percent or \$10, whichever is greater; provided, however, that for tax year 2002 and subsequent tax years, the penalty for taxes levied on motor vehicles subject to the Personal Property Tax Relief Act of 1998 shall be calculated based solely on the portion of the taxes levied which the taxpayer is required to pay under such Act, and provided further that the penalty shall in no case exceed the amount of tax due from the taxpayer, and provided further that the entitlement to personal property tax relief for qualifying vehicles arising under the provisions of § 58.1-3524 of the Code of Virginia (1950), as it existed prior to the amendments made in Chapter 1 of the Acts of Assembly, 2004 Special Session I, for tax year 2005 and all prior tax years, shall expire on September 1, 2006, or such date as state funds for reimbursement of the state share of such bills have become unavailable, whichever earlier occurs, for any qualifying vehicle for which personal property tax, penalty, and interest remains due and owing as of September 1, 2006, for tax year 2005 and/or any prior tax years. In addition thereto, interest on the taxes and penalty due from the taxpayer shall commence on the first day following the day such taxes are due and shall continue until all such taxes and penalty are paid. Such interest shall accrue at the rate of 10 percent per annum for the first year such taxes and penalty remain unpaid and thereafter at the rate of five percent per annum. There shall also be due, in addition to all penalties and interest, fees for administrative costs, reasonable attorney's fees, collection

agency's fees, Virginia Department of Taxation setoff debt collection fees, and/or Virginia Department of Motor Vehicles registration withholding fees incurred in the collection of such taxes, not to exceed the maximums permitted under sections 46.2-752, 58.1-520.1, and 58.1-3958 of the Code of Virginia (1950), as amended.

(b) The taxes levied on motor vehicles, boats and trailers which become subject to taxation between September 6 and December 31 of any given year shall be due and payable not more than 30 days after they become so subject to taxation. These taxes shall be considered delinquent if not paid on or before the thirtieth day from the date any motor vehicle, boat or trailer becomes subject to taxation. To all taxes so delinquent, there shall be added and collected as a part thereof, a penalty of 10 percent or \$10, whichever is greater; provided, however, that for tax year 2002 and subsequent tax years, the penalty for taxes levied on motor vehicles subject to the Personal Property Tax Relief Act of 1998 shall be calculated based solely on the portion of the taxes levied which the taxpayer is required to pay under such Act, and provided further that the penalty shall in no case exceed the amount of tax due from the taxpayer, and provided further that the entitlement to personal property tax relief for qualifying vehicles arising under the provisions of § 58.1-3524 of the Code of Virginia (1950), as it existed prior to the amendments made in Chapter 1 of the Acts of Assembly, 2004 Special Session I, for tax year 2005 and all prior tax years, shall expire on September 1, 2006, or such date as state funds for reimbursement of the state share of such bills have become unavailable, whichever earlier occurs, for any qualifying vehicle for which personal property tax, penalty, and interest remains due and owing as of September 1, 2006, for tax year 2005 and/or any prior tax years. In addition thereto, interest on the taxes and penalty due from the taxpayer shall commence on the first day following the day such taxes are due and shall continue until all such taxes and penalty are paid. Such interest shall accrue at the rate of 10 percent per annum for the first year such taxes and penalty remain unpaid and thereafter at the rate of five percent per annum. There shall also be due, in addition to all penalties and interest, fees for administrative costs, reasonable attorney's fees, collection agency's fees, Virginia Department of Taxation setoff debt collection fees, and/or Virginia Department of Motor Vehicles registration withholding fees incurred in the collection of such taxes, not to exceed the maximums permitted under sections 46.2-752, 58.1-520.1, and 58.1-3958 of the Code of Virginia (1950), as amended.

(c) With respect to the expiration, set forth in (a) and (b) above, of the entitlement to personal property tax relief for qualifying vehicles arising under the provisions of § 58.1-3524 of the Code of Virginia (1950), as it existed prior to the amendments made in Chapter 1 of the Acts of Assembly, 2004 Special Session I, for any qualifying vehicle for which

personal property tax, penalty, and interest remains due and owing as of September 1, 2006, or such date as state funds for reimbursement of the state share of such bills have become unavailable, whichever earlier occurs, for tax year 2005 and/or any prior tax years, there shall be due for each such qualifying vehicle a supplemental amount equal to the credit for any reimbursable amount to which such qualifying vehicle would have been entitled pursuant to the provisions of Virginia Code § 58.1-3524 as it existed prior to the amendments effected by Chapter 1 of the Acts of Assembly of 2004, Special Session I, plus penalty and interest thereon in the amounts provided for in this section. Penalty and interest with respect to bills issued pursuant to this subsection shall be computed on the entire amount of the tax owed. Interest shall be computed at the rates provided in this section from the original due date of the tax.

(d) There is hereby established an amnesty program for payment of delinquent taxes imposed under §§ 3-2-224 of this Code, for tax years 2004 and prior, the intent of which program being to improve voluntary compliance with the City's personal property tax ordinances and to increase and to accelerate collections of such taxes owed to the City, as follows:

(1) The program shall be conducted during the period November 1, 2005, through December 31, 2005.

(2) All penalties and interest assessed or assessable, as provided in this section, with respect to the tax imposed under §§ 3-2-224 of this Code, which are the result of nonpayment, underpayment, nonreporting or underreporting of tax liabilities, shall be waived upon receipt of the payment of the amount of taxes owed, except that no person currently under investigation or prosecution for filing a fraudulent return or failing to file a return with the intent to evade tax shall qualify to participate.

(3) Any taxpayer who defaults upon any agreement to pay tax arising out of a grant of amnesty is subject to reinstatement of the penalty and interest forgiven and any such other penalties as may apply, as though the taxpayer retained the original outstanding balance at the close of the amnesty program.

Section 2. That this ordinance shall become effective upon the date and at the time of its final passage.

WILLIAM D. EUILLE  
Mayor

Final Passage: May 12, 2007