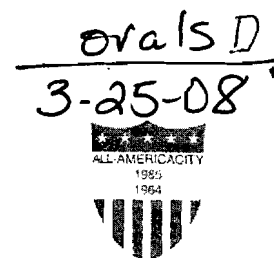




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City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 20, 2008
TO: THE HONORABLE MAYOR & MEMBERS OF THE CITY COUNCIL
CC: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: PAYDAY LENDING TAXATION

Amidst this difficult financial environment, we are reminded of the detrimental effects that predatory and irresponsible financial lending can have to our residents and our economy. As a City that strives to protect the welfare of its residents, we recognize that in addition to public safety, educational opportunities and public health, we also must strive to protect the financial health of our residents—to the extent possible.

On November 19, 2007 the City Council adopted Resolution 2253 which stated our concern that "...residents suffer from...detrimental effects when they procure loans at the exorbitant interest rates charged by payday lenders." In the 2007 and 2008 Legislative Packages, the City Council has advocated abolition of payday lending within the Commonwealth.

During the most recent General Assembly session, the Senate and the House of Delegates agreed to HB 12, which imposes new regulations on payday lending. That legislation currently awaits action by Governor Kaine.

In Alexandria, payday lending currently falls into the Financial Services category for the purpose of the Business Licensure Tax. Currently, the Financial Services category is taxed at a rate of \$0.35 per \$100 of gross receipts. The state law allows Alexandria authority to create sub-classifications within the Financial Services category, and set different rates for each sub-classification, up to the maximum of \$0.58 cents per \$100 allowed for the Financial Services Category. The City must have a reasonable municipal policy for creating such subcategories.

I would propose the following in conjunction with our FY 2009 budget deliberations:

"Home Town of George Washington and Robert E. Lee"

- That the City Council establish two subcategories for the Financial Services Business License Tax: Payday/Car Title Lenders and All Other Financial Services.
- That the City Council establish a new rate of \$0.58 per \$100 of gross receipts for Payday/Car Title Lenders and continue the existing \$0.35 rate per \$100 for All Other Financial Services within the City.
- That the City Council ask the Consumer Affairs Commission to bring recommendations to the Council for a new program, utilizing additional revenue generated by this proposal, to partner with private sector financial services providers and the non-profit community to provide financial literacy education to our residents.

This proposal will allow the City to generate new revenue from predatory lenders, and utilize that revenue to improve the understanding of responsible financial options among all of our residents, in fulfillment of our established municipal policy.

cc: Ignacio B. Pessoa, City Attorney