


City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 19, 2008

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, 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.

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 a newspaper and on the City of Alexandria web site; and
- (3) Authorize the Director of Finance to write off uncollected tax balances amounting to 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.

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 encompassing taxes delinquent 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.

DISCUSSION: The Finance Department has compiled seven lists of various categories of delinquent City taxes and associated penalties, interest and fees as described below.

- List 1 *Listing of Real Estate Taxes for 2003 through 2007 Delinquent as of June 30, 2008.* This list includes real property owner's names, parcel addresses and delinquent tax amounts owed (by tax year) as of June 30, 2008. The list contains taxpayers owing a total of \$1.77 million for the past five tax years including prior year taxes, penalties, interest and fees, including refuse fees, with taxes comprising \$1.48 million of this amount. Last year's list totaled \$1.87 million, with taxes comprising \$1.51 million of this amount.
- List 2 *Listing of Individual Personal Property Taxes for 2003 through 2007 Delinquent as of June 30, 2008.* This list includes individuals who owe personal property taxes on their vehicles as of June 30, 2008, and is sorted by owner's name, address, account number, tax year and delinquent tax amounts in excess of \$20. The list contains 8,747 taxpayers who owe a total of \$3.0 million for the past five tax years including prior year taxes, penalties, interest and fees, with taxes comprising \$2.2 million of this amount. Last year's list contained 9,371 taxpayers and totaled \$3.1 million, with taxes comprising \$2.5 million of this amount.
- List 3 *Listing of Personal Property Taxes on Business Vehicles for 2003 through 2007 Delinquent as of June 30, 2008.* This list includes businesses that owe personal property taxes on their vehicles as of June 30, 2008, and is sorted by business owner's name, address, account number, tax year and outstanding delinquent tax amounts in excess of \$20. The list contains the names of 314 taxpayers who owe a total of \$0.4 million for the past five years in prior year taxes, penalties, interest and fees, with taxes comprising \$0.3 million of this amount. Last year's list included 271 delinquent taxpayers and totaled \$0.3 million, with taxes comprising \$0.2 million of this amount.
- List 4 *Listing of Business Personal Property Taxes for 2003 through 2007 Delinquent as of June 30, 2008.* This list includes businesses that owe personal property taxes on business property other than vehicles as of June 30, 2008, and is sorted by business owner's name, address, delinquent tax amount owed and number of years delinquent. The list contains the names of 786 taxpayers who owe a total of \$7.2 million in taxes, penalties and interest for the last five tax years, with taxes comprising \$5.6 million of this amount. Of the total outstanding delinquency, \$6.8 million is from statutory bills. Last year's list included 614 delinquent

taxpayers owing a total of \$6.5 million, of which \$5.1 million is for taxes. Of the total outstanding delinquency, \$6.0 million was from statutory bills.

- List 5 *Listing of Uncollected Individual Personal Property Taxes for 2003 through 2007 Amounting to Twenty Dollars or Less as of June 30, 2008.* This list includes individuals who owe personal property taxes that amount to less than \$20 and is sorted by the delinquent personal property owner's name, address and delinquent tax amount owed as of June 30, 2008. The list contains 965 taxpayers owing a total of \$8,992. Last year's list contained 1,102 delinquent taxpayers owing a total of \$10,185.
- List 6 *Listing of Uncollected Personal Property Taxes on Business Vehicles for 2003 through 2007 Amounting to Twenty Dollars or Less as of June 30, 2008.* This list includes businesses that owe personal property taxes that amount to less than \$20 and is sorted by the business owner's name, address and delinquent tax amount owed as of June 30, 2008. The list includes 5 taxpayers owing a total of \$88. Last year's list contained 20 delinquent taxpayers owing a total of \$147.
- List 7 *Listing of Uncollected Business Personal Property Taxes for 2003 through 2007 Amounting to Twenty Dollars or Less Each as of June 30, 2008.* This list includes businesses that owe business personal property taxes amounting to less than \$20 and is sorted by business name, account number and delinquent tax amount owed as of June 30, 2008. The list contains 24 taxpayers and totals \$152. Last year's list contained 31 delinquent taxpayers owing a total of \$172.

Summary of Real Estate Tax Collection Statistics: As of October 15, 2008, the Finance Department has collected \$1.2 billion, or 99.9 percent, of the real estate taxes levied for tax years 2003 through 2007 with a remaining real estate tax delinquency of \$1.0 million. This reflects delinquent tax collections of \$0.5 million since June 30, 2008 (Attachments I and II).

The "Top Twenty" delinquent real estate taxpayers comprise \$0.4 million or 36 percent of the total delinquency as of October 31, 2008 (Attachment II). The Finance Department continues to monitor and take action against the largest delinquent taxpayers. We have made field visits to taxpayers' homes, issued summonses to delinquent taxpayers and placed rent liens, bank liens, and Circuit Court liens against several property owners. We are also working with the City Attorney's Office to initiate formal judicial sale procedures against several delinquent taxpayers. Under the judicial sale process, the City can sell the property of delinquent landowners and recover the outstanding taxes from the sale proceeds. The City cautiously uses this option as it has not wanted to have low-income elderly or disabled persons lose their housing due to a judicial sale. At times, the mere proceeding with the judicial sale process triggers either the property owner or the mortgage holder to pay the taxes due. A property needs to be delinquent for three years before a Virginia locality can initiate the judicial sale process.

Due to these collection efforts, 9 property owners appearing on last year's "Top Twenty" list have sufficiently satisfied their tax obligations to avoid inclusion in this year's "Top Twenty" listing, paying a total of \$0.2 million in taxes, penalty and interest. In addition, six taxpayers

from this year's "Top Twenty" list have arranged payment plans for \$0.2 million in delinquent real estate taxes, penalty and interest.

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 (which is superior to other property liens and mortgage obligations) 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 delinquent real estate taxes for taxpayers who owe three years or more. By recording the lien at the Circuit Court, the City ensures that the property owner cannot sell and settle on the property until all delinquent taxes are paid in full.

Summary of Vehicle Personal Property Tax Collection Statistics: As of October 15, 2008, the Finance Department has collected \$194.8 million, or 98.9 percent, of the vehicle personal property taxes levied for tax years 2003 through 2007 with a total personal property tax delinquency of \$2.1 million. This represents \$0.3 million in delinquent collections since June 30, 2008.

The total outstanding vehicle personal property taxes, penalties and interest on all vehicles as of October 15, 2008, were \$2.9 million, including \$0.2 million in increased administrative fees for tax year 2007. This compares to \$2.9 million outstanding as of October 2007. Based on prior years' collection patterns, staff estimates that more than half of the \$2.9 million will probably be prorated due to vehicle owner's having moved from the City during the applicable tax year.

Because the City's population is very transient, collecting personal property taxes on vehicles is far more challenging than collecting real estate taxes. In July 2008, the City issued 97,155 annual personal property tax bills for vehicles. Of the vehicles billed, 23,097, or 23.8 percent, became taxable in the City after July 2007, with a comparable number of vehicles leaving the City, many without notifying the City.

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. Efforts are currently underway to automatically bill vehicles located in but not registered with the City according to DMV records.

Summary of Business Personal Property Tax Collection Statistics: As of October 15, 2008, the Finance Department has collected \$107 million, or 96.4 percent, of the business personal property taxes levied for tax years 2003 through 2007 with a total business personal property tax delinquency of \$4.0 million. This represents \$1.6 million in delinquent tax collections since June 30, 2008. Of the \$4.0 million tax delinquency as of October 15, \$3.7 million or 93 percent

of the total delinquency is for statutory billings. Collection rates for non-statutory billings were 99.6 percent.

The total outstanding business personal property taxes, penalties and interest on all accounts as of October 15, 2008, were \$5.2 million, including \$4.8 million in statutory accounts. This compares to \$3.8 million total outstanding as of October 15, 2007. No data is available for the percentage of this outstanding delinquency represented by statutory bills, data from June 30, 2007, shows that statutory bills made up \$6.0 or 92 percent of the total outstanding at that time.

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 City bills businesses that do not file a business personal property return are billed, when a prior year return is not available for estimate.

Gross Receipts	Business Property Value Assessed	Amount of Tax Billed
\$500,000 or Less	\$75,000	\$3,563
Greater than \$500,000 and Less than \$1,000,000	\$100,000	\$4,750
Greater than \$1,000,000	\$150,000	\$7,125

*Other methods used to conduct statutory assessments, including estimates based on prior year returns, result in different billing amounts.

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 will ultimately be due and payable. While this statutory billing process reduces the overall collection rate based on these estimates, actual tax collections are higher than if no estimated assessment were levied and billed.

In FY 2007, staff levied approximately \$8.9 million in estimated, or statutory, business personal property taxes to businesses that failed to file a return. This represents about one third of the total assessment. Out of these statutory billings, the City received \$1.9 million or approximately 20.6 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 \$4.0 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 \$8.8 million in estimated business personal property taxes.

Delinquent Tax Collection Procedures: The Finance Department has several courses of action that may be taken to pursue delinquent taxes. These tools were discussed separately in a memorandum to Council.

Publishing List of Delinquent Taxpayers: The threat of publishing a delinquent taxpayer's name is one of the Finance Department's most effective collection tools. The placement of the listings on the City's web site has improved the Finance Department's collection efforts. The listing will be checked prior to publication and adjusted for tax payments made between June 30, 2008, 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 web site. 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 in a newspaper and on the City of Alexandria web site of those portions of the real estate tax and personal property tax listings deemed advisable by the Director, specifically for taxpayers who have a balance due of \$1,000 or greater.

FISCAL IMPACT: Delinquent tax collection efforts in FY 2008 for prior years resulted in \$2.7 million in revenue. Based on prior collection history, staff expects to collect similar amounts during FY 2009.

ATTACHMENTS:

Attachment I - Statistical Summary of Delinquent Property Taxes
Attachment II - Top Twenty Delinquent Real Estate Taxpayers for
Tax Years 2007 and prior as of October 15, 2008

STAFF:

Laura B. Triggs, Director of Finance
David Clark, Division Chief, Treasury
Debbie Kidd, Division Chief, Revenue Administration

ATTACHMENT I

**CITY OF ALEXANDRIA
STATISTICAL SUMMARY OF DELINQUENT REAL ESTATE TAXES**

<u>Tax Year</u> (A)	<u>Total Original Annual Tax Levy</u> (B)	<u>Delinquent Balance as of 06/30/07</u> (C)	<u>Delinquent Balance as of 06/30/08 (Attachment I)</u> (D)	<u>Delinquent Balance as of 10/15/08</u> (E)	<u>Current Delinquent Balance as Percentage of Original Tax Levy</u> (F)
2003	200,189,522	34,612	22,989	19,179	0.01%
2004	226,370,487	77,045	44,562	39,405	0.02%
2005	251,061,012	322,959	101,823	75,250	0.03%
2006	<u>268,204,575</u>	<u>1,410,051</u>	<u>370,103</u>	<u>256,892</u>	<u>0.10%</u>
Subtotal	945,825,596	1,844,667	539,477	390,726	0.04%
2007	<u>284,299,011</u>	<u>N/A</u>	<u>1,234,927</u>	<u>779,481</u>	<u>0.27%</u>
Total	1,230,124,607	1,844,667	1,774,404	1,170,207	0.10 %

CITY OF ALEXANDRIA, VIRGINIA

Attachment II

TOP TWENTY DELINQUENT REAL ESTATE TAXPAYERS

TAX YEAR 2007 AND PRIOR

AS OF OCTOBER 21, 2008

	AMOUNT OWED TAX, PENALTY REFUSE & INTEREST	TAXPAYER NAME	NUM. PARCELS	PARCEL LOCATION(S)	On 2007 list
1	\$40,695	100 KING LC	1	101 S UNION STREET	No
2	\$37,171	SHAIKH, SHABBIR M	2	1313 & 1333 N QUAKER LANE	Yes
3	\$27,655	LALOTIS, ANTONIOS S OR MARIA K	2	2700 & 2706 JEFFERSON DAVIS HIGHWAY	Yes
4	\$26,462	OWEN, JUANITA LYLES AND THOMAS L	1	4410 DUKE STREET	Yes
5	\$25,816	OMEARA, STONEWALL B AND GENEVIEVE	1	1307 W BRADDOCK ROAD	Yes
6	\$25,166	LYNCH, PATRICK G OR PAULINE ANN	1	4410 VERMONT AVENUE	Yes
7	\$24,973	1007 LLC	4	1007 FRANKLIN STREET & 621,623,631 S PATRICK STR	Yes
8	\$22,121	ETTINGER, PHILLIP P	1	2904 MAPLEWOOD PLACE	Yes
9	\$21,674	MARPECH INVESTMENT GROUP LC	3	3120, 3124, & 3128 COLVIN STREET	No
10	\$21,331	CHRISTENSEN, CYNTHIA A	1	404 E ALEXANDRIA AVENUE	No
11	\$19,037	MCDONALD, JOHN F OR ODELLA P	2	1204 POWHATAN STREET & 1106 COLONIAL AVENUE	Yes
12	\$18,797	HYBBARD, LUCILLE W	1	400 N FAYETTE STREET	Yes
13	\$17,735	HENRY, LILLIE MAE & BARBARA PAYNE	1	1015 FIRST STREET	No
14	\$16,433	MCCONNELL, DORIS A ETALS	1	237 BUCHANAN STREET	Yes
15	\$14,890	SISSON, SARAH R AND MAE E (LIFE EST)	1	713 S LEE STREET	No
16	\$13,974	KEEGAN, JOHN R	1	108 N COLUMBUS STREET	No
17	\$13,617	GRAHAM, CHARLOTTE A	1	3107 MOSBY STREET	No
18	\$12,706	ROSE, NAOMI A	1	109 E MASON AVENUE	No
19	\$12,609	ABBOTT, KEVIN L	1	330 N PATRICK STREET	Yes
20	\$12,507	JARVIS, THOMAS LEWIS	1	105 SKYHILL ROAD 6	No
	\$425,369.00		28		