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City of Alexandria, Virginia

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1-12-10

MEMORANDUM

DATE: JANUARY 6, 2010
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER 
SUBJECT: ORDINANCE TO EXTEND THE ACTIVE DUTY MILITARY EXEMPTION FROM THE LICENSE TAX TO MILITARY SPOUSES

ISSUE: Consideration of an ordinance to amend and reordain City Code Sections 3-2-321 and 3-2-322 concerning the license tax (decal fee) exemption for active duty members of the military and their spouses.

RECOMMENDATION: That City Council pass the proposed ordinance (Attachment) on first reading and schedule it for public hearing, second reading and final passage on Saturday, January 23, 2010.

DISCUSSION: The City currently exempts from the personal property tax and decal fee any vehicle solely owned by an active duty member of the military for whom Virginia is not the official "home of record" listed on his or her Leave and Earnings Statement. This exemption did not extend to any vehicle that was co-owned with a spouse, family member or any other person, nor did it extend to leased vehicles. Currently, there are 2,195 active taxpayer accounts listed as "military non-taxable" in the personal property tax database. This represents 2,803 vehicles that are exempted from the tax and decal fee and 243 vehicles that are taxable because they are co-owned with a spouse, family member or some other person.

The proposed ordinance would modify the language of City Code Sections 3-2-321 and 3-2-322 to reflect the passage of the Military Spouses Residency Relief Act and to reflect that the Soldiers' and Sailors' Civil Relief Act of 1940 was superseded by the Service members Civil Relief Act of 2003. In accordance with the Military Spouses Relief Act, the proposed ordinance would also extend the current military tax exemption to vehicles owned by or co-owned with the spouses of active duty members of the military for whom Virginia is not the "home of record."

On November 11, 2009, President Obama signed into law the Military Spouses Residency Relief Act (the "Act"), which amends the Service members Civil Relief Act to extend the same tax treatment currently accorded active duty servicemembers to their spouses when both the servicemember and spouse live in a state other than their "home of record" in compliance with the servicemembers' military orders. The Act is effective for tax year 2009 and all subsequent tax years and extends the personal property tax and decal fee exemptions to vehicles owned by the spouse of any currently exempted servicemember and vehicles that currently exempt servicemembers co-own with their spouses. Applicants will be required to provide proof of marriage before any exemption is applied. The Act will not extend the exemption to any leased

vehicle or any vehicle that an otherwise exempt servicemember or servicemembers' spouse may co-own with a family member or any other person.

The Finance Department will establish and implement policies and procedures for exempting vehicles covered under the Act, modify the existing personal property tax system to permit exemptions on this basis, and publicize the means by which newly exempted residents may apply for the exemption. Staff will publicize the policies and procedures established to comply with the Act on the City's web site, through a letter to all residents currently registered as military non-taxable and through the issuance of press releases.

FISCAL IMPACT: For the purposes of the personal property tax, the Act was effective beginning November 11, 2009. Since most 2009 personal property taxes and decal fees have already been collected, the Finance Department will be required to prorate newly exempted accounts and refund the amounts previously assessed and collected. The Finance Department cannot provide specific data at this time on the number of vehicles that will be exempted or the amount of taxes and decal fees that will be refunded. However, the taxes and fees on the 243 vehicles that are taxable because they are co-owned with a spouse (or some other person) would be approximately \$46,500 on an annual basis.

ATTACHMENT: Proposed Ordinance

STAFF:

Bruce Johnson, Chief Financial Officer

Laura B. Triggs, Director of Finance

Debbie Kidd, Division Chief, Revenue Administration

1	Introduction and first reading:	1/12/10
2	Public hearing:	1/23/10
3	Second reading and enactment:	1/23/10

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-321 (LICENSE REQUIRED; LICENSE TAX LEVIED AND BILLED) and Section 3-2-322 (EXEMPT VEHICLES TO OBTAIN LICENSE) of Article R (LICENSE TAXES ON MOTOR VEHICLES, TRAILERS AND SEMITRAILERS) of Chapter 2 (TAXATION) of Title 3 (FINANCE, TAXATION AND PROCUREMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended.

Summary

The proposed ordinance would amend and reordain Sections 3-2-321 and 3-2-322 of the Code to update the license tax exemptions available for members of the military and their spouses under federal law.

Sponsor

Laura B. Triggs, Director of Finance

Staff

Bruce Johnson, Chief Financial Officer
Laura B. Triggs, Director of Finance
Christina Zechman Brown, Assistant City Attorney

Authority

Servicemembers Civil Relief Act of 2003, 50 U.S.C. App. Section 501 et seq.
Military Spouses Residency Relief Act, 50 U.S.C. App. Section 571.

Estimated Costs of Implementation

None

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

None

ORDINANCE _____

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THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That Section 3-2-321 of The Code of the City of Alexandria, 1981, as amended, be, and the same hereby is, amended and reordained, to read as follows:

Sec. 3-2-321 License required; license tax levied and billed.

A license is required each year for every motor vehicle, trailer and semitrailer which is normally garaged, stored or parked within the city, and a license tax is imposed each year on every such motor vehicle, trailer and semitrailer for the period from October 5 to the following October 4. Such license tax shall be at the rate set forth in sections 3-2-327 through 3-2-331, and shall be for the purpose of providing revenue for the general fund of the city except such portions thereof as are required by section 46.2-753 of the Code of Virginia (1950), as amended, to be allocated to the Northern Virginia Transportation Commission. Nothing in this section shall be construed as imposing a license tax on any vehicle not required to be licensed by section 46.2-663 et seq., Code of Virginia (1950), as amended, or any vehicle exempted by section 46.2-755, Code of Virginia (1950), as amended, or any vehicle exempted by the Servicemembers Civil Relief Act of 2003~~Soldiers' and Sailors' Civil Relief Act~~, 50 U.S.C. App. section 501 et seq., or the Military Spouses Residency Relief Act, 50 U.S.C. App. section 571. The license tax imposed herein will be billed to taxpayers at the same time as the personal property tax on motor vehicles, imposed pursuant to section 3-2-221 et seq. of this code, and the two taxes will be imposed in a single combined bill. If any portion of the combined bill is not paid timely, late payment penalty and interest charges shall apply to the balance.

Section 2. That Section 3-2-322 of The Code of the City of Alexandria, 1981, as amended, be, and the same hereby is, amended and reordained, to read as follows:

Sec. 3-2-322 Exempt vehicles to obtain license.

Any motor vehicle, trailer or semitrailer exempted from taxation solely by reason of the Servicemembers Civil Relief Act of 2003~~Soldiers' and Sailors' Civil Relief Act~~, 50 U.S.C. App. section 501 et seq., or the Military Spouses Residency Relief Act, 50 U.S.C. App. section 571 shall be issued a license in the same manner as if it were not so exempt. Application for the license shall be made in the manner prescribed by section 3-2-323 of this code. There shall be no charge for the issuance of any such license.

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Section 3. That this ordinance shall become effective upon the date and at the time of its final passage.

WILLIAM D. EUILLE
Mayor

Introduction: 1/12/10
First Reading: 1/12/10
Publication:
Public Hearing:
Second Reading:
Final Passage:

ORDINANCE 4642

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Mayor

Final Passage: January 23, 2010