

City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 22, 2009

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 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. 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.

- List 1 *Listing of Real Estate Taxes for 2004 through 2008 Delinquent as of June 30, 2009.*
- List 2 *Listing of Individual Personal Property Taxes for 2004 through 2008 Delinquent as of June 30, 2009.*
- List 3 *Listing of Personal Property Taxes on Business Vehicles for 2004 through 2008 Delinquent as of June 30, 2009.*
- List 4 *Listing of Business Personal Property Taxes for 2004 through 2008 Delinquent as of June 30, 2009.*
- List 5 *Listing of Uncollected Individual Personal Property Taxes for 2004 through 2008 Amounting to Twenty Dollars or Less as of June 30, 2009.*
- List 6 *Listing of Uncollected Personal Property Taxes on Business Vehicles for 2004 through 2008 Amounting to Twenty Dollars or Less as of June 30, 2009.*
- List 7 *Listing of Uncollected Business Personal Property Taxes for 2004 through 2008 Amounting to Twenty Dollars or Less Each as of June 30, 2009.*

Table 1
 Delinquent Real Estate And Personal Property Taxes For 2004-2008
 As of June 30, 2009
 (Amounts in millions)

List	Tax Type	Tax Levied	Taxes Collected	Percentage Collected	Taxes due	Total due
1	Real Estate	\$ 1,321.1	\$1,319.7	99.9%	\$ 1.5	\$ 1.8
2	Individual Vehicle Personal Property	\$ 206.5	\$204.1	98.8%	\$ 2.4	\$ 3.0
3 and 4	Business Personal Property	\$ 84.8	\$ 79.3	93.4%	\$ 5.6	\$ 7.2

Table II
 Delinquent Personal Property Taxes For 2004-2008
 Tax amounts less than \$20 each

	Total tax due	Number of taxpayers	Average balance due
Individual Vehicle Personal Property	\$ 8,992	965	\$ 9
Business Vehicles	\$ 88	5	\$ 18
Other Business Personal Property	\$ 152	24	\$ 6

Summary of Real Estate Tax Collection Statistics: As showed in Table I, the Finance Department has collected \$1.3 billion, or 99.9 percent, of the real estate taxes levied for tax years 2004 through 2008.

The “Top Twenty” delinquent real estate taxpayers comprise \$0.4 million or 36 percent of the total delinquency (Attachment I). The Finance Department uses a variety of tools to monitor and collect delinquent taxes. In FY 2009, these tools included delinquency notifications, made field visits to taxpayers’ homes and businesses, 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. 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. A property must be delinquent for three years before a Virginia locality can initiate the judicial sale process.

Due to these collection efforts, 10 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. One taxpayer is in bankruptcy, one is in foreclosure, and staff is actively working with the City Attorney's office for the other two.

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 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 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 \$204.1 million, or 98.8 percent, of the vehicle personal property taxes levied for tax years 2004 through 2008.

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 2009, the City issued almost 100,000 annual personal property tax bills for vehicles. Of the vehicles billed, almost 25 percent became taxable in the City after July 2008, 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.

Summary of Business Personal Property Tax Collection Statistics: As shown in Table I, the Finance Department has collected \$79.3 million, or 93.4 percent, of the business personal property taxes levied for tax years 2003 through 2008. Of the \$5.6 million tax delinquency approximately 95 percent of the total delinquency is for statutory billings. Collection rates for non-statutory billings were 99.6 percent. 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 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, 2009, 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 the 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 2009 for prior years resulted in \$2.8 million in revenue. Based on prior collection history, staff expects to collect similar amounts during FY 2010.

ATTACHMENTS:

Attachment I – Top Twenty Delinquent Real Estate Taxpayers for Tax Years 2008 and prior as of October 15, 2009

Attachment II – Statutory Billing Process

STAFF:

Laura B. Triggs, Director of Finance

David Clark, Division Chief, Treasury

Debbie Kidd, Division Chief, Revenue Administration

Bruce Johnson, Chief Financial Officer

CITY OF ALEXANDRIA, VIRGINIA

Attachment

TOP TWENTY DELINQUENT REAL ESTATE TAXPAYERS
TAX YEAR 2008 AND PRIOR

As Of October 15, 2009

	AMOUNT OWED TAX, PENALTY REFUSE & INTEREST	TAXPAYER NAME	NUM. PARCELS	PARCEL LOCATION(S)	On 2008 List
1	\$39,638	***1007 LLC	4	1007 FRANKLIN STREET & 621,623,631 S PATRICK STREET	Yes
2	\$34,710	*MARPECH INVESTMENT GROUP LC	3	3120, 3124, & 3128 COLVIN STREET	Yes
3	\$29,573	*OWEN, JUANITA LYLES AND THOMAS L	1	4410 DUKE STREET	Yes
4	\$26,888	*DAMIANI, ANTONIO OR DONNA A.	1	1112 FIRST STREET	No
5	\$22,790	***SISSON, SARAH R AND MAE E (LIFE EST)	1	713 S LEE STREET	Yes
6	\$22,077	**SHAIKH, SHABBIR	2	1313 & 1333 NORTH QUAKER LANE	Yes
7	\$19,868	*ETTINGER, PHILLIP P	1	2904 MAPLEWOOD PLACE	Yes
8	\$19,625	<input type="checkbox"/> SOLOVYOW, VERA	1	107 SOUTH LEE STREET	No
9	\$18,362	*MCDONALD, JOHN F OR ODELLA P.	2	1204 POWHATAN STREET & 1106 COLONIAL AVENUE	Yes
10	\$17,269	*HENRY, LILLIE MAE & BARBARA PAYNE	1	1015 FIRST STREET	Yes
11	\$15,849	KERBY, CHRISTOPHER K OR KIMBERLY M.	1	4672 STRATHBLANE PLACE	No
12	\$15,689	***JARVIS THOMAS LEWIS	1	105 SKYHILL ROAD, UNIT 6	No
13	\$15,296	****GRAHAM, CHARLOTTE A.	1	3107 MOSBY STREET	Yes
14	\$14,984	<input type="checkbox"/> CRUZ, EMMA J.	1	524 NORTH PAXTON STREET	No
15	\$14,232	<input type="checkbox"/> BOMBERGER, MELISSA	1	512 WEST WINDSOR AVENUE	No
16	\$13,899	*HUBBARD, LUCILLE W.	1	400 NORTH FAYETTE STREET	Yes
17	\$13,648	<input type="checkbox"/> HARRISON, FLOYD W. JR	1	5183 SEMINARY ROAD	No
18	\$12,923	<input type="checkbox"/> FRENCH LAWLER LLC	1	517 SOUTH WASHINGTON STREET	No
19	\$12,763	*BLOXTON, PAMELA M.	1	219 EAST CUSTIS AVENUE	No
20	\$12,456	<input type="checkbox"/> 1106 KING STREET	1	1106 KING STREET	No
	\$392,539.00		27		

* Indicates that taxpayer has a current payment plan

** Indicates that the taxpayer has filed for bankruptcy

*** Indicates that the file has been turned over to the city attorney

**** Indicates that property is in foreclosure

Indicates Finance Dept. in-house collection activity

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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 Billed
\$500,000 or Less	\$75,000
Greater than \$500,000 and Less than \$1,000,000	\$100,000
Greater than \$1,000,000	\$150,000
*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 collections are higher than if no estimated assessment were levied and billed.

Approximately one third of the total assessment is statutory for business personal property taxes on businesses that failed to file a return. Out of these statutory billings, the City receives approximately 20 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 \$5.6 million in delinquent business personal property taxes will be reduced for statutory adjustments, leading to a similar reduction in penalties and interest.