

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	\$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.

In FY 2013, staff billed approximately \$3.7 million in estimated, or statutory, business personal property taxes on businesses that failed to file a return. This represents about 20 percent of the total assessment. Out of these statutory billings, the City received \$1.35 million or approximately 27.2 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 73 percent of the remaining \$2.3 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 \$3.1 million in estimated business personal property taxes.