

unpaid taxes would be subject to a 10 percent penalty or \$10, whichever is greater. Interest accrues at an annual rate of 10 percent for the first year and 5 percent for each year thereafter, beginning the day after the tax is due, and continues until all taxes, refuse fees and penalties are paid. The Code of Virginia does not allow for waiver of tax, penalty or interest due to inability to pay.

A large number of taxpayers who incur a penalty seek a “waiver” of the penalty from the Finance Director. By law, however, the Director may only remove penalties in a very narrowly defined set of circumstances. Specifically, if the failure to pay was due in any way to the fault of the taxpayer and the Finance Department, then the applicable penalty must be imposed. Any fault or mistake by the taxpayer - even if unintentional, even if the bill is paid the very next day and even if the taxpayer has a decades-long history of timely payments - mandates that the penalty be imposed. The proposed change maintains the required clarity of when late payment penalties must be imposed but reduces the out of pocket costs for missing a due date if paid within 15 days. By adopting the less punitive initial 5 percent penalty proposed, we would like to minimize what citizens have told us they believe is an unduly harsh and very expensive sanction for what is most often an isolated taxpayer oversight.

It should be noted that the penalty on the refuse fee, which is collected through the real estate tax bill, is not impacted by this legislation. Late payment of the City’s refuse fee will still result in a 10 percent penalty on that fee.

FISCAL IMPACT: Based on payment experience in Calendar Year 2015, staff estimates that this leniency will result in a reduction of approximately \$65,000 in revenue generated from late payment penalties.

ATTACHMENT:

1. Ordinance Cover Sheet
2. Ordinance

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