



each, totaling \$11,592 as of June 30, 2018, 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;

- (4) Authorize the Director of Finance to outsource the collection of delinquent business personal property taxes when appropriate during the delinquent tax collection process; and
- (5) Authorize the Director of Finance to destroy records associated with taxes paid in calendar year 2012 and prior years in accordance with Code of Virginia §58.1-3129(A).

**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 of delinquent taxes 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 available for public inspection during normal business hours in the Director of Finance's Office located in City Hall, Suite 1600.

Code of Virginia §58.1-3129 states, "The treasurer may, with the consent of the governing body, destroy all paid tax tickets at any time after five years from the end of the fiscal year during which taxes represented by such tickets were paid, in accordance with retention regulations pursuant to the Virginia Public Records Act (§ 42.1-76 et seq.)." In accordance with this section, the Director of Finance seeks City Council's permission to destroy records pertaining to taxes paid for calendar year 2012 and prior years.

**DISCUSSION:** The Finance Department has compiled seven lists of various categories of delinquent City taxes and associated penalties, interest and fees as required by the Code of Virginia. 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 2013 through 2017 Delinquent as of June 30, 2018.

List 2 Listing of Individual Personal Property Taxes for 2013 through 2017 Delinquent as of June 30, 2018.

List 3 Listing of Personal Property Taxes on Business Vehicles for 2013 through 2017 Delinquent as of June 30, 2018.

List 4 Listing of Business Personal Property Taxes for 2013 through 2017 Delinquent as of June 30, 2018.

List 5 Listing of Uncollected Individual Personal Property Taxes for 2017 Amounting to

Twenty Dollars or Less as of June 30, 2018.

List 6 Listing of Uncollected Personal Property Taxes on Business Vehicles for 2017 Amounting to Twenty Dollars or Less as of June 30, 2018.

List 7 Listing of Uncollected Business Personal Property Taxes for 2017 Amounting to Twenty Dollars or Less as of June 30, 2018.

**Table I**

Delinquent Real Estate and Personal Property Taxes for 2013-2017  
As of June 30, 2018  
(Amounts in millions)

List	Tax Type	Tax Levied	Taxes Collected	Percentage Collected	Taxes Due	Total Due
1	Real Estate	\$1,908.8	\$1,906.8	99.9%	\$2.0	\$2.4
2&3	Vehicle Personal Property	\$ 267.5	\$ 262.8	98.2%	\$4.7	\$6.0
4	Business Personal Property	\$ 79.8	\$ 78.9	98.9%	\$0.9	\$1.2

**Table II**

Delinquent Personal Property Taxes for 2017  
As of June 30, 2018  
Tax amounts less than \$20

List	Tax Type	Total Tax Due	Number of Taxpayers	Average Balance Due
5	Individual Vehicles	\$ 4,827	1,602	\$ 3.01
6	Business Vehicles	\$ 85	18	\$ 4.72

7	<b>Other Business Personal Property</b>	\$ 6,680	728	\$ 9.18
	<b>TOTAL</b>	\$11,592	2,348	\$ 4.94

**Summary of Real Estate Tax Collection Statistics:** As displayed in Table I, the Finance Department has collected \$1.9 billion, or 99.9 percent, of the real estate taxes levied for tax years 2013 through 2017. The “Top Twenty” delinquent real estate taxpayers comprise \$0.52 million or 22 percent of the total outstanding delinquency (Attachment I).

The Finance Department uses a variety of tools to monitor and collect delinquent taxes. These tools may include delinquency notifications and summons notices issued to delinquent taxpayers, as well as rent liens, bank liens, wage liens, and Circuit Court judgments placed against property owners. The Department works with the City Attorney’s Office to initiate formal judicial sale procedures against delinquent taxpayers. The City uses this option cautiously, to avoid taking a person’s home via judicial sale if collection can be achieved through other means. At times, merely initiating the judicial sale process incentivizes either the property owner or the mortgage holder to pay the taxes due. Real estate taxes on a property must be delinquent for three years before a Virginia locality can begin judicial proceedings. Staff also promote Tax Relief for the Elderly and Disabled, to ensure property owners are aware of the program.

Collection efforts resulted in 15 property owners appearing on last year's “Top Twenty” real estate list having sufficiently satisfied their tax obligations to avoid inclusion on this year's listing, paying a total of \$0.35 million in taxes, penalty, and interest for tax years 2013 through 2017. On this year’s list, 11 owners are currently being addressed through the Finance Department’s in-house collection process. The remaining 9 taxpayers have been referred to the City Attorney’s Office for collection.

To preserve the City's interest in the collection of delinquent real estate taxes, Virginia Code §58.1-3340 provides that a priority lien is 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 payment due date. The lien is recorded against delinquent properties on the City's computerized Real Estate system pursuant to Virginia Code § 58.1-3930, and remains in effect until the outstanding taxes, penalties and interest have been paid in full. The statutory lien ensures that the City will collect any delinquent real estate taxes when the owner sells the property or applies for a mortgage. Virginia law allows staff to pursue delinquent real estate taxes for a period of 20 years.

**Summary of Vehicle Personal Property Tax Collection Statistics:** As shown in Table I, the Finance Department has collected \$262.8 million, or 98.2 percent, of the vehicle personal property taxes levied for tax years 2013 through 2017. Because a relatively large portion of the City’s population is very transient, collecting personal property taxes on vehicles is far more challenging than collecting real estate taxes. At the beginning of FY 2018, the City issued approximately 119,000 annual personal property tax bills for vehicles, with over 26,000 additional moves and sales of vehicles throughout the fiscal year. In many instances, the City is not notified of the changes by the property owners.

In order to pursue all vehicles subject to taxation, the Department of Finance undertakes weekly computer matching to records of the Virginia DMV. Field observations are also made based upon citizen complaints, and

apartment rent rolls are obtained where feasible, pursuant to Virginia law, to help identify potential tax evaders. The City's \$350 surcharge is also applied to vehicles erroneously displaying out-of-state license plates, following investigation by the department's RADAR program (Research and Discover All Registrations). Through its research in FY 2018, the RADAR program added 165 vehicles to the tax roll, generating \$114,228 in additional tax levy.

In addition to bank and wage liens, the department also makes extensive use of the State's Set-Off Debt program for income tax refunds otherwise intended for delinquent taxpayers. Holds are also placed on DMV registrations in cases of delinquent Car Taxes.

Finally, once taxes have been delinquent for three months, accounts are placed with the Department's private collection agency, Nationwide Credit Corporation (NCC). There is no cost to the City for this collection effort. As approved by Council during FY 2018 budget deliberations, NCC charges a 20% collection fee to the delinquent taxpayer, pursuant to Va. Code § 58.1-3958. While the delinquent taxpayer pays this added collection fee to NCC, the entire local tax liability is otherwise remitted to the City.

In FY 2018, NCC collected \$1.85 million in City Car Taxes. Of this amount, \$1.31 million was in late payments for tax year 2017, and \$546,435 was in delinquent prior year taxes (tax years 2012 to 2016). Taxpayers are given ample opportunity to avoid NCC's additional collection fee, as the Department of Finance sends appropriate warning letters in advance of placement. These warning letters generated \$868,699 payments directly to the City, in advance of placement with NCC.

Along with numerous telephone calls and letters, collection efforts included 902 bank and wage liens generating \$161,562 in payments. The Department of Finance also anticipates making greater use of vehicle boots during FY 2019, as necessary. Staff also assists taxpayers with documented financial hardship, currently administering 152 payment plans (85 Car Tax; 54 Real Estate; and 13 Business Taxes).

Pursuant to the Code of Virginia, the statute of limitations for the collection of delinquent Car Taxes is five years, except in cases where the taxes have been reduced to judgment.

**Summary of Business Personal Property Tax Collection Statistics:** As shown in Table I, the Finance Department has collected \$78.9 million, or 98.9 percent, of the business personal property taxes levied for tax years 2013 through 2017. As allowed by Virginia law, the delinquent amount includes statutory assessments made on the best information available pending the filing of timely tax returns. Staff works with businesses throughout the year to obtain returns, and to adjust and collect the appropriate amounts. At present, only delinquent Car Taxes are placed with NCC. If Council authorizes as recommended, delinquent Business Personal Property taxes will be outsourced to NCC when appropriate during the collection process, following the same program guidelines used for car taxes. Like Car Taxes, the statute of limitations for collection is five years.

**Publishing List of Delinquent Taxpayers:** As authorized, the Finance Department makes certain delinquent tax information public using the City's website, and will continue to do so. Given the ability to make information more widely available on the web, the Finance Department no longer publishes the names of delinquent taxpayers in the newspaper, with no negative impact on the collection rate. The status of all delinquencies is checked prior to listing, and accounts are adjusted for tax payments made between June 30 and the online posting. If the taxes are paid in full before posting online, the property owner's name or the name of the business will not be listed on the City's website. Names of taxpayers that have received tax adjustments for amounts discharged under bankruptcy, filed tax exemption appeals, appealed the tax assessment or entered into formal payment arrangements with the City will not be listed. Within the framework described above, the

Finance Department is requesting that City Council authorize the publication on the City's website of those portions of the real estate tax and personal property tax listings deemed advisable by the Director, specifically for taxpayers who have a delinquent balance of \$1,000 or greater.

**FISCAL IMPACT:** Staff efforts resulted in the collection of more than \$6 million in delinquent taxes in FY 2018. The Finance Department expects a comparable amount for FY 2019.

**ATTACHMENT:** Top Twenty Delinquent Real Estate Taxpayers for Tax Years 2017 and Prior as of October 29, 2018

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