



Legislation Details (With Text)

**File #:** 20-0797      **Name:** Penalty and Interest Tax Relief Ordinance  
**Type:** Ordinance      **Status:** Agenda Ready  
**File created:** 4/6/2020      **In control:** City Council Legislative Meeting  
**On agenda:** 4/14/2020      **Final action:**

**Title:** Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance to impose a moratorium on penalties and interest for Restaurant Meals Taxes, Transient Occupancy Taxes and BPOL taxes; and consideration of resolutions to change the filing deadline for Business Personal Property and Elderly and Disabled Tax Relief Applications.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 20-0797\_Att 1 - Penalty and Interest tax relief ordinance cover, 2. 20-0797\_Att 2 - Penalty and Interest Tax relief ordinance, 3. 20-0797\_Att 3 - BPP Filing Resolution, 4. 20-0797\_Att 4 Tax Relief Resolution

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

**DATE:** APRIL 8, 2020

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**  
Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance to impose a moratorium on penalties and interest for Restaurant Meals Taxes, Transient Occupancy Taxes and BPOL taxes; and consideration of resolutions to change the filing deadline for Business Personal Property and Elderly and Disabled Tax Relief Applications.

**ISSUE:** Consideration of an Ordinance imposing a moratorium on penalties and interest for the Restaurant Meals Tax, Transient Occupancy Taxes and BPOL taxes; and consideration of two resolutions changing the filing deadline for Business Personal Property and Elderly and Disabled Tax Relief Applications.

**RECOMMENDATION:** That Council introduce the ordinance and schedule it for a public hearing on Saturday, April 18, 2020. And after public hearing on the ordinance, that City Council adopt the ordinance and

approve both resolutions on Saturday, April 18, 2020.

**BACKGROUND:** An Emergency Ordinance and Resolutions were adopted by the City Council on Tuesday, March 24, 2020 that are identical to proposed ordinance and resolutions. The items are being introduced again pursuant to the non-emergency ordinance procedure.

The COVID-19 global pandemic has resulted in unprecedented challenges for the entire community. Staff has been participating in meetings and discussions with the business community to identify potential solutions that can help alleviate the financial pressures facing businesses that have been significantly impacted by social distancing, as well as the virtual elimination of the travel and tourism industry.

**DISCUSSION:** Staff has examined the various taxes that are remitted by the business community and the timing of the payments and filing of tax forms to determine the most effective way to quickly provide assistance to the business community. The following temporary changes are recommended:

### **Meals Tax**

Restaurants and grocery store owners are required to charge a 5 percent tax on the cost of all meals ready for immediate consumption prepared and sold in the City of Alexandria, including meals that are delivered. The tax is due to the City on the last day of the month after the tax is collected (i.e., taxes from sales made in February are due to be remitted to the City by the end of March). Under the proposed ordinance attached, the City would immediately institute a temporary moratorium on charging late payment penalties and interest on the Meals Tax that are otherwise due to be paid to the City, beginning with sales made on or after February 1, 2020. The temporary moratorium will run through June 30, 2020. At their election, business owners would be allowed to defer payment of Meals taxes during the moratorium and will be permitted to enter into payment plans of the deferred taxes following the moratorium, without penalties or interest. Such plans shall require payment in full of the taxes deferred during the moratorium no later than June 30, 2021, along with the current monthly tax amount when due.

After June 30, 2020, Meals Tax payments that are not made by the monthly due date set by ordinance will once again incur late payment penalties and interest. There are approximately 490 businesses that remit Meals Tax to the City.

### **Transient Lodging Tax**

The owners of hotels, motels, Airbnbs, and bed and breakfasts are required to charge a transient lodging tax of 6.5 percent on the total amount of the room charge plus a \$1.25 per night tax. The tax is due to the City on the last day of the month after the tax is collected, in the same manner as the Meals Tax. Under the proposed ordinance attached, the City would immediately institute a temporary moratorium until June 30, 2020, on charging late payment penalties and interest on Transient Lodging Taxes under the same rules and repayment process as outlined above for the Meals Tax. There are approximately 50 businesses that remit the Transient Lodging Tax.

### **Business, Professional and Occupational License Tax**

The City requires a license and assesses a Business, Professional and Occupational License (BPOL) tax at various rates on the gross receipts of all business owners in the City. Under the proposed ordinance, the City will impose a temporary moratorium on late payment penalties on BPOL Taxes not yet paid as of the date of

adoption. The moratorium will expire on June 30, 2020. Late payment penalties will resume, as may be applicable, on tax liabilities that arise after June 30, 2020. Business owners will be permitted to enter into payment plans on any taxes deferred during the moratorium with the Department of Finance, under the same provisions as with Meals Tax and Transient Lodging taxes, except that interest will accrue on BPOL as mandated by state law.

Additionally, certain Businesses elect under the existing ordinance to pay their BPOL taxes in four quarterly payments. The first quarterly payment was March 1<sup>st</sup>, followed by May 1<sup>st</sup>, August 1<sup>st</sup> and November 1<sup>st</sup>. The proposed ordinance would allow such businesses to defer their second quarterly payment from May 1, 2020 to January 8, 2021 and would eliminate the 5% handling fee on the second quarter payment. Like the temporary moratorium, this would be a one-time change. The other quarterly payments would remain due and payable on the regularly scheduled dates. There are approximately 108 businesses on quarterly BPOL payment schedules.

In addition to the proposed ordinance amendments designed to provide some financial flexibility to businesses during the immediate COVID-19 crisis, staff recommends changing two upcoming filing deadlines to help alleviate additional burdens on the community. Ordinance amendments are not required to accomplish these changes, as they can instead be accomplished by Council resolutions provided herein. Filing and application deadlines are as follows:

### **Business Personal Property Tax Returns**

Business owners are required to file a tax return that identifies their personal property (furniture, fixtures, and equipment) subject to taxation and payable on October 5. This filing is due on May 1. Staff recommends that this filing deadline be extended to July 1. As part of this extension, and to enable staff to process the returns in a timely manner, business personal property tax returns will be required to be filed online through the City's Business Tax Portal. The due date for Personal Property tax payments is not recommended to be changed from October 5 at this time. There are nearly 8,000 businesses that file Business Personal Property returns each year.

### **Elderly and Disabled Tax Relief for Real and Personal Property**

The deadline for applications to be considered for tax relief under the City's Elderly and Disabled Tax Relief program (EDTR) is currently April 15 (April 10 for Personal Property). Staff recommends extending this deadline until July 1. This will provide our elderly and disabled residents more time to prepare and submit the application, which may require assistance (from family members, accountants, or staff), and that may be more difficult to accomplish at this time due to social distancing and reduced operations at many businesses. The first half Calendar Year 2020 Real Estate Tax payment is due on June 15. Adjustments can be made before or after the first half billing to accommodate the receipt of actual applications. While staff anticipates receiving most applications by the normal due date, the flexibility is intended to provide some added assurance to this segment of the population during an otherwise stressful period. The amount of tax relief available to an eligible applicant will not be impacted by this change. There are just under 900 residents that receive tax relief through this program.

**FISCAL IMPACT:** The nature of these recommended changes is to extend the time a business is able to submit payments. It is important to note that the taxes are not being waived. Any deferred taxes collected by a business will still be paid to the City. Based on the FY 2020 budget estimate and year-to-date receipts plus recognition that hotel and restaurant business has plummeted and will remain so for at least several months, a maximum of \$4 million in Transient Occupancy Tax and Meals Tax, and approximately \$500,000 in quarterly BPOL payments might be expected to be deferred from FY 2020 into FY 2021. To put the impact of this economic crisis in perspective, typically this five-month period would generate about \$15 million in Transient

Occupancy Tax and Meals Tax. In regards to late penalties and interest typically assessed during a five-month period, the City moratorium would result in foregoing a maximum of \$100,000 in FY 2020 revenue. Again however, typical late penalties and interest would also be naturally diminished given a reduced sales base during the present health crisis.

**ATTACHMENTS:**

1. Emergency Ordinance Cover
2. Emergency Tax Relief Ordinance
3. Business Personal Property Tax Filing Extension Resolution
4. Elderly and Disability Tax Relief Application Deadline Extension Resolution

**STAFF:**

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