

presently caps the penalty at 10% regardless of how many days the payment is past due. This proposal is to amend the ordinance to adopt the additional 15% on Personal Property taxes more than 30 days delinquent.

Making full use of allowed penalties helps strengthen tax collection tools and maximizes revenue in order to help fund all Council priorities. Ensuring everyone pays their fair share of taxes is a tenet of good government. At the same time, the Department of Finance will broadly communicate the penalty increase in advance to ensure everyone has ample opportunity to pay their taxes on time and avoid the penalty.

Other jurisdictions already take advantage of this State Code provision. Fairfax County, for instance, has imposed the additional 15% late penalty since FY 2010. Arlington County, the City of Falls Church, and Loudoun County all impose the additional 15% penalty if payment is more than 60 days late. The City of Richmond imposes an additional 5% penalty (for a total of 15%) if payment is more than 60 days late. For perspective, on late income taxes, the Virginia Department of Taxation charges a 6% penalty per month for each month late, up to a combined maximum late payment penalty of 30%.

FISCAL IMPACT: The FY 2025 Proposed Budget includes an estimated General Fund revenue increase of \$215,000 associated with the proposed ordinance to increase the Personal Property late payment penalty. This is based on FY 2023 data whereby 3,646 taxpayers paid their Personal Property more than 30 days late. Of this amount, 64% was associated with the Car Tax and 36% was associated with Business Personal Property taxes. Had this ordinance been in effect in FY 2023, it would have resulted in an average penalty increase of \$50 for late Car Tax payments and \$74 in late Business Personal Property tax payments.

ATTACHMENTS:

Attachment 1 - Ordinance Cover

Attachment 2 - Proposed Ordinance

STAFF:

Kevin C. Greenlief, Assistant Director, Revenue Division, Department of Finance

Sarah E. McElveen, Assistant City Attorney III