



Legislation Details (With Text)

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Title:	Consideration of Authorization to Advertise Delinquent Tax Listings Greater Than \$1,000, Write Off Balances Less Than Twenty Dollars, and Destroy Records as Required By State Law.		
Sponsors:			
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Attachments:	1. 16-5754_Attachment 1 - Real Estate Top 20 as of 10.27.2016, 2. 16-5754_Attachment 2 - Statutory Collection Report		

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

MEMORANDUM

DATE: NOVEMBER 2, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of Authorization to Advertise Delinquent Tax Listings Greater Than \$1,000, Write Off Balances Less Than Twenty Dollars, and Destroy Records as Required By State Law.

ISSUE: Requesting Council authorization to publish the listings of delinquent taxes greater than \$1,000, write off balances less than twenty dollars, and to destroy records as required by State law.

RECOMMENDATION: That City Council:

- (1) Receive the listings of delinquent local property taxes;
- (2) Authorize that those parts of the delinquent real estate and personal property tax listings deemed advisable by the Director of Finance be published on the City of Alexandria website;

- (3) Authorize the Director of Finance to write-off uncollected tax balances less than twenty dollars each, totaling \$10,741 as of June 30, 2016, 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; and
- (4) Authorize the Director of Finance to destroy records associated with real estate taxes paid in calendar year 2010 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 also 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 real estate taxes paid for calendar year 2010 and prior years, excluding records pertaining to any delinquent accounts still outstanding.

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 2011 through 2015 Delinquent as of June 30, 2016.

List 2 Listing of Individual Personal Property Taxes for 2011 through 2015 Delinquent as of June 30, 2016.

List 3 Listing of Personal Property Taxes on Business Vehicles for 2011 through 2015 Delinquent as of June 30, 2016.

List 4 Listing of Business Personal Property Taxes for 2011 through 2015 Delinquent as of June 30, 2016.

List 5 Listing of Uncollected Individual Personal Property Taxes for 2011 through 2015

Amounting to Twenty Dollars or Less as of June 30, 2016.

List 6 Listing of Uncollected Personal Property Taxes on Business Vehicles for 2011 through 2014 Amounting to Twenty Dollars or Less as of June 30, 2016.

List 7 Listing of Uncollected Business Personal Property Taxes for 2011 through 2015 Amounting to Twenty Dollars or Less Each as of June 30, 2016.

Table I

Delinquent Real Estate and Personal Property Taxes for 2011-2015
As of June 30, 2016
(Amounts in millions)

List	Tax Type	Tax Levied	Taxes Collected	Percentage Collected	Taxes Due	Total Due
1	Real Estate	\$1,740.9	\$1,739.3	99.9%	\$1.6	\$2.0
2&3	Vehicle Personal Property	\$ 247.3	\$ 243.5	98.4%	\$3.8	\$4.9
4	Business Personal	\$ 80.8	\$ 79.4	98.3%	\$1.4	\$1.9

Table II

Delinquent Personal Property Taxes for 2011-2015
As of June 30, 2016
Tax amounts less than \$20

List	Tax Type	Total Tax Due	Number of Taxpayers	Average Balance Due
1	Individual Vehicle Personal Property	\$10,276	1,160	\$ 8.86
2	Business Vehicles	\$ 81	12	\$ 6.75
3	Other Business Personal Property	\$ 384	35	\$10.97
	TOTAL	\$10,741	1,207	\$ 8.90

Summary of Real Estate Tax Collection Statistics: As displayed in Table I, the Finance Department has collected \$1.7 billion, or 99.9 percent, of the real estate taxes levied for tax years 2011 through 2015. The “Top Twenty” delinquent real estate taxpayers comprise \$0.44 million or 22 percent of the total outstanding delinquency as of October 27, 2016 (Attachment I).

The Finance Department uses a variety of tools to monitor and collect delinquent taxes. In FY 2016, these tools included delinquency notifications, field visits to taxpayers’ homes and businesses, and summonses issued to delinquent taxpayers as well as rent liens, bank liens, and Circuit Court liens placed against several 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, as it has not wanted to have low-income elderly or disabled persons lose their housing due to a judicial sale. At times, merely proceeding with the judicial sale process triggers 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 initiate a judicial sale.

Collection efforts resulted in 11 property owners appearing on last year's “Top Twenty” list having sufficiently satisfied their tax obligations to avoid inclusion in this year's "Top Twenty" listing, paying a total of \$0.25 million in taxes, penalty, and interest for tax years 2009 through 2014. In addition, 4 taxpayers from this year’s “Top Twenty” list have arranged payment plans for \$0.10 million in delinquent real estate taxes, penalty and interest. Of the remaining taxpayers, 16 are currently being addressed through the Finance Department’s in-house collections process. Virginia law requires that proper notification is made to all legal owners of the properties which are subject to sale. Since this process may take several months, Finance staff work aggressively with taxpayers to pay off the delinquent taxes and remove the property from the subject to sale list.

To preserve the City's interest in the collection of delinquent real estate taxes, Virginia Code §58.1-3930 provides that a lien be 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 tax payment due date. The lien is recorded against delinquent properties on the City's computerized Real Estate Land Records System and remains in effect until the outstanding taxes, penalties and interest have been paid in full. By recording the lien at the Circuit Court, the City ensures that the City will collect any delinquent real estate taxes when the owner sells the property or applies for a mortgage.

Summary of Vehicle Personal Property Tax Collection Statistics: As shown in Table I, the Finance Department has collected \$243.5 million, or 98.4 percent, of the vehicle personal property taxes levied for tax years 2011 through 2015.

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. In July, the City issued approximately 115,269 annual personal property tax bills for vehicles. On average, approximately 31 percent of the vehicles billed each year are new additions to the tax rolls. A comparable number of vehicles leave the City in that period. In many instances, the City is not notified of the move.

In order to ensure that taxpayers pay any taxes owed, the City retains billing records and sends bills until the City is notified by the taxpayer or by the Department of Motor Vehicles (DMV) that a vehicle is no longer taxable in the City. In accordance with the Code of Virginia, the City must cease collections of vehicle personal property taxes after five years, except in certain limited cases where the taxes have been reduced to judgment or there has been a judgment lien resulting from a suit to collect the taxes.

Summary of Business Personal Property Tax Collection Statistics: As shown in Table I, the Finance

Department has collected \$79.4 million, or 98.3 percent, of the business personal property taxes levied for tax years 2011 through 2015. Well over half of the \$1.9 million total business personal property tax delinquency was derived from statutory billings. Attachment II discusses the statutory billing process used by the City.

Publishing List of Delinquent Taxpayers: The Finance Department has made delinquent tax information public using the City's website and the lists will continue to be published in that manner. Because we are able 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. Information is public through the City's website and the lists will continue to be published in that manner. All delinquency listings will be checked prior to publication and adjusted for tax payments made between June 30 and the publication date. If the taxes are paid in full by the time of publication, the property owner's name or the name of the business will not be listed on the City's website. Names of individuals or businesses 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. In addition, names of businesses that received a statutory billing or ceased operations in the City will not be listed. Within the framework described above, the Finance Department is requesting that City Council authorize publication 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: Delinquent property tax collection efforts resulted in \$3.3 million in revenue in FY 2016. The Finance Department expects a comparable amount for FY 2017.

ATTACHMENTS:

Attachment 1: Top Twenty Delinquent Real Estate Taxpayers for Tax Years 2015 and Prior as of October 27, 2016

Attachment 2: Statutory Billing Process for Business Personal Property Tax

STAFF:

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Finance Department

Kevin Greenlief, Assistant Director, Revenue, Finance Department

David Clark, Assistant Director, Treasury, Finance Department