



## Legislation Details (With Text)

<b>File #:</b>	21-0321	<b>Name:</b>	Real Estate relief ordinance
<b>Type:</b>	Resolution	<b>Status:</b>	Agenda Ready
<b>File created:</b>	10/8/2020	<b>In control:</b>	City Council Public Hearing
<b>On agenda:</b>	10/17/2020	<b>Final action:</b>	
<b>Title:</b>	Consideration of a resolution concerning the possible waiver in hardship circumstances of late payment penalties and interest for the second installment of tax year 2020 Real Estate Taxes. [ROLL-CALL VOTE]		
<b>Sponsors:</b>			
<b>Indexes:</b>			
<b>Code sections:</b>			
<b>Attachments:</b>	1. 21-0321 Att 1 Resolution Cover, 2. 21-0321 Att 2 Resolution_ Waiver, 3. 21-0321 Att 3 Proposed Insert, 4. 21-0321_Final Resolution		

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

### MEMORANDUM

**DATE:** OCTOBER 13, 2020

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

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

**DOCKET TITLE:**

Consideration of a resolution concerning the possible waiver in hardship circumstances of late payment penalties and interest for the second installment of tax year 2020 Real Estate Taxes. [ROLL-CALL VOTE]

**ISSUE:** Consideration of a resolution concerning the possible waiver of late penalties and interest on the second installment of tax year 2020 Real Estate taxes in cases of COVID-19 hardship.

**RECOMMENDATION:** That Council adopt the attached resolution in regard to 2020 Real Estate taxes due on November 16, 2020, providing guidance to the Director of Finance to give hardship conditions favorable consideration in the review of applicable late payment penalty and interest waivers until March 1, 2020.

**BACKGROUND:** As of October 7, 2020, the City of Alexandria has experienced 3,938 cumulative cases of the novel Coronavirus, COVID-19, with 71 fatalities. Along with the medical crisis, the global pandemic has had an unprecedented impact on the economy, increasing unemployment and disrupting the conduct of normal

business. In this context the attached resolution would provide added flexibility for property owners in the City otherwise required to pay the second installment of Real Estate Taxes for tax year 2020 on November 16, 2020 (the normal due date of November 15<sup>th</sup> falls on a Sunday this year). Several indicators of the current economic impact from the pandemic, along with supportive actions already enacted by Council, are presented in the resolution.

**DISCUSSION:** The second installment of 2020 Real Estate taxes are due to be paid on November 16, 2020. Failure to pay on time results in a penalty of 5% if not paid within 15 days, increasing to 10% if paid more than 15 days late. Interest is also charged at the rate of 10% per annum for the first year of delinquency, and at 5% per annum for every year thereafter. The Code of Virginia and the City Charter provide the Director of Finance the authority to grant a waiver of late penalties and interest if the failure to pay on time is due to “no fault of the taxpayer” or if it is due to some error on the part of the City.

“No fault” circumstances are always a case-by-case review based on the individual circumstances of the taxpayer and typically refer to things such as medical incapacitation. Financial difficulties are typically not a basis for waiving the requirement to pay taxes when due, although the Department of Finance certainly extends flexible payment plans to taxpayers in such situations.

That said, the current COVID-19 pandemic is an historic once in a century occurrence with economic reverberations not seen since the Great Depression. Should Council so desire, staff recommends that waivers could in this instance be considered if a taxpayer faces financial hardship directly related to the pandemic, conditioned upon payment by March 1, 2021. Late payments beyond that date would continue to accrue late penalties and interest in order to ensure the timely payment of this revenue stream so critical to the City maintaining a balanced budget.

While Council has the authority under Virginia law to grant by resolution an actual extension in the payment deadline, such as that done for Personal Property Taxes, it is important to consider that approximately 62% of all parcels in the City have Real Estate taxes collected on a monthly basis, held in escrow for the City. Mortgage companies typically pay these taxes to the City by the applicable due date. An extension in that case would do no good for these taxpayers. Moreover, many taxpayers do indeed want their Real Estate Taxes paid during calendar year 2020 in order to benefit from the associated federal and state Income Tax deductions. A deadline extension applicable to all properties could be disruptive to this process. Based on this, staff recommends using the short-term waiver process as the most efficacious way to provide flexibility to taxpayers facing economic hardship due to COVID-19. At the same time, it is important to keep in mind that this tax category represents more than 60% of the General Fund (\$478 million) and collection remains an absolute necessity. The waiver deadline of March 1 helps provide an incentive for taxpayers to resolve late payments with rapidity and helps avoid unpaid accounts running into the first installment for tax year 2021 in June. It will also help the City maximize collections prior to the end of the fiscal year.

Should Council approve the resolution in Attachment 2, staff will evaluate waiver requests via a special email as referenced in Attachment 3 (a proposed insert to be mailed with the second installment Real Estate bills).

**FISCAL IMPACT:** There will be a small amount of penalty and interest revenue forgiven due to implementation of this proposed COVID-19 related hardship option.

**ATTACHMENTS:**

1. Resolution Cover
2. Resolution to Consider the Possible Waiver of Late Payment Penalties and Interest
3. Proposed Insert with 2020 Second Installment Real Estate Bills

**STAFF:**

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