



## Legislation Details (With Text)

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**Title:** Annual Consideration of Authorization to Write Off Delinquent Property Tax Balances of Less Than Twenty Dollars.  
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**Attachments:** 1. 22-0172\_Attach1- Top Twenty Real Estate 10.25.21

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

### MEMORANDUM

**DATE:** NOVEMBER 2, 2021  
**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Annual Consideration of Authorization to Write Off Delinquent Property Tax Balances of Less Than Twenty Dollars.

**ISSUE:** Requesting Council authorization to 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 the Director of Finance to write-off uncollected tax balances for tax year 2020 less than twenty dollars each, totaling \$7,176 as of June 30, 2021, 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

- (3) Authorize the Director of Finance to destroy records associated with taxes paid in calendar year 2015 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 lists of delinquent taxes as of June 30 for which the cost of collecting such balances would exceed the recoverable amount:

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; and,
4. List(s) of uncollected property taxes amounting to less than twenty dollars for which no bills were sent.

These lists are available for public inspection upon appointment 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 2014 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 Tax Years 2016 through 2020 delinquent as of June 30, 2021.

List 2 Listing of Individual Personal Property Taxes for Tax Years 2016 through 2020 delinquent as of June 30, 2021.

List 3 Listing of Personal Property Taxes on Business Vehicles for Tax Years 2016 through 2020 delinquent as of June 30, 2021.

List 4 Listing of Business Personal Property Taxes for Tax Years 2016 through 2020 delinquent as of June 30, 2021.

List 5 Listing of Uncollected Individual Personal Property Taxes for Tax Year 2020 amounting to twenty dollars or less as of June 30, 2021.

List 6 Listing of Uncollected Personal Property Taxes on Business Vehicles for Tax Year 2021 amounting to twenty dollars or less as of June 30, 2021.

List 7 Listing of Uncollected Business Personal Property Taxes for Tax Year 2020 amounting to

twenty dollars or less as of June 30, 2021.

**Table I**

Delinquent Real Estate and Personal Property Taxes for Tax Years 2016-2020  
As of June 30, 2021  
(Amounts in millions)

List	Tax Type	Tax Levied	Taxes Collected	Percentage Collected	Taxes Due	Total Due
1	Real Estate	\$2,171.2	\$2,168.7	99.9%	\$ 2.5	\$ 2.6
2&3	Vehicle Personal Property	\$ 291.2	\$ 284.6	97.8%	\$ 6.6	\$ 9.7
4	Business Personal Property	<u>\$ 81.4</u>	<u>\$ 79.4</u>	<u>97.5%</u>	<u>\$ 2.0</u>	<u>\$ 2.6</u>
	TOTAL:	\$2,543.8	\$2,532.7	99.6%	\$11.1	\$14.9

**Table II**

Delinquent Personal Property Taxes for Tax Year 2020  
As of June 30, 2021  
Tax amounts less than \$20

List	Tax Type	Total Tax Due	Number of Taxpayers	Average Balance Due
5	Individual Vehicles	\$ 7,045	1,286	\$ 5.48
6	Business Vehicles	\$ 63	9	\$ 7.00
7	Other Business Personal Property	<u>\$ 68</u>	<u>5</u>	<u>\$13.60</u>
	TOTAL	\$ 7,176	1,300	\$ 5.52

**Summary of Real Estate Tax Collection Statistics:** As displayed in Table I, the Finance Department has collected \$2.169 billion, or 99.9 percent, of the real estate taxes levied for tax years 2016 through 2021. The “Top Twenty” delinquent real estate taxpayers comprise \$0.78 million or 30 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. Whereas the Department previously worked with the City Attorney's Office to initiate formal judicial sale procedures against delinquent taxpayers, in FY 2020 the Department was planning to refer delinquent accounts to the City's third-party collection attorneys, Taxing Authority Consulting Services, PC (TACS) as noted in the FY 2020 approved budget. This initiative is an efficiency measure designed to ensure maximum coverage of delinquent accounts and outsource this workload from the City Attorney's Office. This added effort is at no cost to the City as the delinquent taxpayer is responsible for collection costs as authorized by State law. Placement for Tax Year 2019 and prior delinquencies was to have occurred in the Spring of 2020. Because this fell at the height of the COVID-19 pandemic shutdown, staff deferred placement of the Real Estate delinquencies in both FY 2020 and FY 2021. After a two-year hiatus, staff will make the referral to TACS in Spring of 2022.

The City uses the litigation option cautiously, to avoid taking a person's home via judicial sale as collection can often 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. In the interim, TACS is a resource to encourage delinquent taxpayers to begin the payment process, establish payment plans, and avoid litigation. Staff also promotes Tax Relief for the Elderly and Disabled to ensure property owners are aware of the program. The Department of Finance also coordinates with the Office of Housing and the Department of Community & Human Services as appropriate in cases of particular need.

Ample advance notice is given to taxpayers before outsourcing in order to encourage them to avoid additional costs. The Department of Finance will maintain complete oversight of the collection program, and TACS will work closely with both the Department of Finance and the City Attorney's Office. While pursuing statutory collections, staff continue to utilize compassionate, customer-focused payment plans whenever possible. Of the "Top Twenty" delinquent real estate taxpayers on Attachment 1, twelve were also on last year's list, while eight others paid in full since that time for a total of approximately \$0.42 million.

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. This includes delinquent Stormwater Management Fees. Pursuant to Section 5-6-237(C) of the Code of the City of Alexandria, delinquent Stormwater Management Fees "constitute a lien on the property ranking on parity with liens for unpaid taxes and shall be collected in the same manner as provided for the collection of unpaid taxes." 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 \$284.6 million, or 97.8 percent, of the vehicle personal property taxes levied for Tax Years 2016 through 2020. 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.

Ordinarily, once taxes have been delinquent for three months, accounts are placed with the department's private collection agency, Nationwide Credit Corporation (NCC). Similar to TACS, this outsourcing is at no cost to the City as the delinquent taxpayer is responsible for NCC's 20% collection fee, as authorized by Va. Code § 58.1-3958. In FY 2021, NCC collected \$1.1 million in delinquent City Car Taxes.

However, these collection efforts do not represent a full year. As the pandemic continued, staff put a temporary hold on most of its enforced collection actions. While blocks remained on the DMV registration for delinquent vehicles, staff recalled accounts from the State's Set-Off-Debt program for income tax refunds otherwise intended for delinquent taxpayers. Staff also halted lien activity and paused the account referrals to NCC. These actions reflect the City's awareness of the economic stress caused by the pandemic, but collectively they do erode the effective collection of delinquent taxes.

Normal collection activity, both internal and outsourced, is slated to resume beginning in 2022. This is important for the robust collection of budgeted revenue and to ensure tax equity. Other jurisdictions have already resumed normal collections. Again, taxpayers are given ample opportunity to avoid the added costs and hassle of delinquent collections as the Department of Finance sends appropriate warning letters in advance of placement. Staff is also lenient in its use of extended payment plans. 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. Typically, however, older debt is harder to collect.

In addition to collections, staff also engages in the discovery process to guard against tax evasion. Under this program, the Department of Finance undertakes weekly computer matching to records of the Virginia DMV, however field discovery efforts in the community were put on hold due limited 'on-site' staff resources during the pandemic. These discovery efforts are slated to resume during FY 2022 as 'on-site' staffing returns to normal.

Despite truncated discovery efforts during COVID, staff did research 4,463 vehicles identified through prior discovery efforts including apartment canvassing, field work, and complaints from the public. These efforts resulted in 482 vehicles, or 10.8%, being added to the tax roll for \$ 433,928 in additional tax levy. Of the remainder, 936 vehicles were already on the tax roll, 880 were normally garaged and taxed in another jurisdiction, 1,681 had no discernable taxable situs (apparent visitors), and 24 had various tax exemptions. Staff will research the remaining 460 vehicles in FY 2022 and will begin capturing new reports for research in the coming months to determine possible tax liabilities.

**Summary of Business Personal Property Tax Collection Statistics:** As shown in Table I, the Finance Department has collected \$79.4 million, or 97.5 percent, of the business personal property taxes levied for Tax Years 2016 through 2020. 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. Staff had planned to place delinquent Business Personal Property taxes with NCC as authorized as part of the FY 2020 budget. As with Car Taxes however, staff withheld outsourcing delinquent Business Personal Property taxes during the height of the pandemic. Staff will begin placement of delinquent Business Personal Property taxes with NCC in 2022. The statute of limitations for collection is five years.

**Publishing List of Delinquent Taxpayers:** With Council approval, Virginia law allows the Department of Finance to post certain delinquent tax information on the City's website. Following Council guidance in FY 2021 however, staff no longer is recommending doing so.

**FISCAL IMPACT:** Staff efforts resulted in the collection of approximately \$6.0 million in delinquent taxes, penalties and interest in FY 2021. The Department of Finance anticipates collecting a comparable amount in FY 2022.

**ATTACHMENT:** Top Twenty Delinquent Real Estate Taxpayers for Tax Years 2020 and Prior

as of October 25, 2021.

**STAFF:**

Laura Triggs, Deputy City Manager

Kendel Taylor, Director, Department of Finance

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

David Clark, Assistant Director, Treasury Division, Department of Finance

Kenneth Acoff, Jr., Manager, Discovery & Collections, Revenue Division, Dept. of Finance