

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 2017 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:

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 2017 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 2018 through 2022 delinquent as of June 30, 2023.

List 2 Listing of Individual Personal Property Taxes for Tax Years 2018 through 2022 delinquent as of June 30, 2023.

List 3 Listing of Personal Property Taxes on Business Vehicles for Tax Years 2018 through 2022 delinquent as of June 30, 2023.

List 4 Listing of Business Personal Property Taxes for Tax Years 2018 through 2022 delinquent as of June 30, 2023.

List 5 Listing of Uncollected Individual Personal Property Taxes for Tax Year 2022 amounting to twenty dollars or less as of June 30, 2023.

List 6 Listing of Uncollected Personal Property Taxes on Business Vehicles for Tax Year 2022 amounting to twenty dollars or less as of June 30, 2023.

List 7 Listing of Uncollected Business Personal Property Taxes for Tax Year 2022 amounting to

twenty dollars or less as of June 30, 2023.

Table I

Delinquent Real Estate and Personal Property Taxes for Tax Years 2018-2022
As of June 30, 2023
(Amounts in millions)

List	Tax Type	Tax Levied	Taxes Collected	Percentage Collected	Taxes Due	Total Due
1	Real Estate	\$2,318.2	\$2,316.5	99.9%	\$ 1.7	\$ 1.9
2&3	Vehicle Personal Property	\$ 317.8	\$ 309.7	97.5%	\$ 8.1	\$ 10.2
4	Business Personal Property	<u>\$ 82.8</u>	<u>\$ 81.5</u>	<u>98.3%</u>	<u>\$ 1.3</u>	<u>\$ 1.8</u>
	TOTAL:	\$2,718.8	\$2,707.7	99.6%	\$11.1	\$13.9

Table II

Delinquent Personal Property Taxes for Tax Year 2022
As of June 30, 2023
Tax amounts less than \$20

List	Tax Type	Total Tax Due	Number of Taxpayers	Average Balance Due
5	Individual Vehicles	\$ 353	118	\$ 2.99
6	Business Vehicles	\$ 1	2	\$ 0.50
7	Business Tangible Personal Property	<u>\$ 6,228</u>	<u>899</u>	<u>\$ 6.93</u>
	TOTAL	\$ 6,582	1,019	\$ 6.46

Summary of Real Estate Tax Collection Statistics: As displayed in Table I, the Finance Department has collected \$2.316 billion, or 99.9 percent, of the real estate taxes levied for tax years 2018 through 2022. The “Top Twenty” delinquent real estate taxpayers comprise \$0.77 million or 41 percent of the total outstanding delinquency (Attachment).

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. The Department places delinquent Real Estate tax accounts with the City's third-party collection attorneys, Taxing Authority Consulting Services, PC (TACS). 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. TACS collected \$3.15 million for the City in FY 2023, removing 10 of the Top 20 from last year's list. The Department of Finance will also occasionally utilize the expertise of TACS to assist in the collection of particularly difficult cases involving other tax types, such as business licenses or trustee taxes as necessary.

The City uses the litigation option cautiously, to avoid whenever possible taking a person's home via judicial sale because collection can often be achieved through other means. Merely initiating the judicial sale process often 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 an excellent 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 to TACS in order to encourage them to avoid additional costs and aggravation. The Department of Finance maintains complete oversight of the collection program, and TACS works closely with both the Department of Finance and the City Attorney's Office. While pursuing statutory collections, staff continues to utilize compassionate, customer-focused payment plans whenever possible.

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 \$309.7 million, or 97.5 percent, of the vehicle personal property taxes levied for Tax Years 2018 through 2022. 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.

Once taxes have been delinquent for three months, accounts are placed with the department's private collection agency for Personal Property, 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 2023, NCC collected \$3.6 million in delinquent Personal Property taxes for the City. Of this amount, approximately \$2.0 million was for tax year 2022, and \$1.6 million was for prior tax years. 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 liberal 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 employs a discovery process to guard against tax evasion. Under this program, the Department of Finance undertakes weekly computer matching to records of the Virginia DMV. In FY 2023, staff also researched 1,078 vehicles from field discovery efforts, to include 105 reports from the public, resulting in 152 vehicles being added to the tax roll for \$221,859 in additional tax levy and out-of-state license plate surcharge fees. Of the remainder, 310 vehicles were already on the tax roll; 275 were normally garaged and taxed in another jurisdiction; 332 had no discernable taxable situs (apparent visitors); 2 were tax exempt; and 7 are still under investigation.

Summary of Business Personal Property Tax Collection Statistics: As shown in Table I, the Finance Department has collected \$81.5 million, or 98.3 percent, of the business personal property taxes levied for Tax Years 2018 through 2022. 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 also placed delinquent Business Personal Property taxes with NCC for the first time in late FY 2023. The statute of limitations for collection is five years.

FISCAL IMPACT: Staff efforts resulted in the collection of approximately \$9.4 million in delinquent taxes, penalties, and interest in FY 2023. The Department of Finance anticipates collecting a comparable amount in FY 2024.

ATTACHMENT: Top Twenty Delinquent Real Estate Taxpayers for Tax Years 2022 and Prior as of October 16, 2023.

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