



Legislation Text

File #: 18-7261, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 7, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance to Amend Section 3-2-227 (SAME - CREDIT FOR TAX PAID TO OTHER JURISDICTIONS) of Division 3 (TANGIBLE PERSONAL PROPERTY AND MACHINERY AND TOOLS) of Article M (LEVY AND COLLECTION OF PROPERTY TAXES) of Chapter 2 (TAXATION) of Title 3 (FINANCE, TAXATION AND PROCUREMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended.

ISSUE: Consideration of an ordinance to clarify that a credit for Personal Property taxes (the "Car Tax") paid to other jurisdictions is only required in cases where there is a legal assessment to such other jurisdiction.

RECOMMENDATION: That City Council pass the proposed ordinance (Attachment 2) on first reading and schedule it for public hearing, second reading and final passage on February 24, 2018.

DISCUSSION: Virginia Code Section 58.1-3516(B) requires that a locality's Personal Property tax ordinance shall exempt vehicles from taxation "for any tax year or portion thereof during which the property was *legally* assessed by another jurisdiction in the Commonwealth and the tax paid" (emphasis added). This section of law prevents double taxation in the assessment of a Car Tax.

The ordinance amendment presented herein is a technical clarification to align the City's ordinance with the State Code mandate. At present, the City's ordinance omits the phrase "legally assessed." As such, a credit against the City's local Car Tax is provided by ordinance for any similar tax paid to another jurisdiction. The problem arises in cases where a tax may have been paid to another jurisdiction, but should have instead been rightfully paid to the City.

The key phrase in the State statute is "legally assessed," and (with some exceptions) Virginia law proscribes that vehicles and boats are to be taxed by the jurisdiction in which they are "normally garaged, docked or parked." So, if a car is normally garaged in Alexandria under this example, an assessment in Fairfax would not be legal, it would be erroneous; and, payment should instead be to the City of Alexandria.

For example, Fairfax County has a lower vehicle personal property tax rate than the City. A vehicle owner could move into the City and not update their local jurisdiction location records with the DMV (i.e., continuing

to list Fairfax as their “garage jurisdiction”). In that case, they may continue to pay personal property taxes to Fairfax, even though they actually reside in the City. As a result, upon identification of such a situation, the present ordinance would allow a credit for the taxes erroneously paid to the other jurisdiction.

With this ordinance correction in the above scenario is that the City assess and bill the taxpayer for the period of time the vehicle is normally garaged in the City, and taxpayer can then seek a refund from the other jurisdiction. This is the normal process followed in other jurisdictions, and the Department of Finance works closely with those jurisdictions on a daily basis to coordinate the assessment process and avoid double taxation.

This ordinance amendment is part of the comprehensive effort to update and modernize the City Code.

FISCAL IMPACT: There is no cost to implement the proposed ordinance amendment. Though staff lacks the data to quantify the potential revenue gain, this amendment closes a loophole which can provide an erroneous tax credit and represents part of the City’s Finance has increased efforts to discover and assess vehicles garaged in the City that would not otherwise appear on the City tax rolls. Increased discovery efforts represent an FY 2018 initiative endorsed by Council in its adoption of the FY 2018 Approved Budget. Citizens are now able to report vehicles to the Department of Finance for research via an email to RADAR@alexandriava.gov <<mailto:RADAR@alexandriava.gov>> (**R**esearch **A**nd **D**iscover **A**ll **R**egistrations).

ATTACHMENTS:

Attachment 1 - Proposed Ordinance Cover

Attachment 2 - Proposed Ordinance Amendment

STAFF:

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