City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 26, 2024

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER /s/

FROM: KENDEL TAYLOR, DIRECTOR OF FINANCE

DOCKET TITLE:
Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance to Increase the Late Payment Penalty on Personal Property Taxes from 10% if Paid No More Than 30 Days Late, up to 25% if Paid More than 30 days Past the Due Date.

ISSUE: Consideration of an ordinance to raise the late payment penalty on Personal Property Taxes to the maximum allowed by Virginia law.

RECOMMENDATION: That City Council consider the proposed ordinance (Attachment 2) on first reading and set it for second reading and public hearing on April 13, 2024, and final passage on May 1, 2024, with budget adoption.

DISCUSSION: Included in the FY 2025 Proposed Budget is the plan to increase the late payment penalty on Personal Property Tax to the maximum allowed by State law. Section 58.1-3916 of the Code of Virginia mandates that the late payment penalty on Personal Property taxes shall not exceed 10% or $10, whichever is greater; except, in cases where the Personal Property Tax is more than 30 days late, the late payment penalty may be increased by 15%, for a total late payment penalty of 25%. The City's current ordinance presently caps the penalty at 10% regardless of how many days the payment is past due. This proposal is to amend the ordinance to adopt the additional 15% on Personal Property taxes more than 30 days delinquent.

Making full use of allowed penalties helps strengthen tax collection tools and maximizes revenue in order to help fund all Council priorities. Ensuring everyone pays their fair share of taxes is a tenet of good government. At the same time, the Department of Finance will broadly communicate the penalty increase in advance to ensure everyone has ample opportunity to pay their taxes on time and avoid the penalty.

Other jurisdictions already take advantage of this State Code provision. Fairfax County, for instance, has imposed the additional 15% late penalty since FY 2010. Arlington County, the City of Falls Church, and Loudoun County all impose the additional 15% penalty if payment is more than 60 days late. The City of Richmond imposes an additional 5% penalty (for a total of 15%) if payment is more than 60 days late. For perspective, on late income taxes, the Virginia Department of Taxation charges a 6% penalty per month for each month late, up to a combined maximum late payment penalty of 30%.

FISCAL IMPACT: The FY 2025 Proposed Budget includes an estimated General Fund revenue increase of $215,000 associated

with the proposed ordinance to increase the Personal Property late payment penalty. This is based on FY 2023 data whereby 3,646 taxpayers paid their Personal Property more than 30 days late. Of this amount, 64% was associated with the Car Tax and 36% was associated with Business Personal Property taxes. Had this ordinance been in effect in FY 2023, it would have resulted in an average penalty increase of $50 for late Car Tax payments and $74 in late Business Personal Property tax payments.

ATTACHMENTS:
Attachment 1 - Ordinance Cover
Attachment 2 - Proposed Ordinance

STAFF:
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