

INTRODUCED: April 13, 2020

AN ORDINANCE No. 2020-096

To amend City Code §§ 26-22, 26-27, and 26-29, concerning the City’s tax amnesty program, for the purpose of providing for a 2020 tax amnesty period.

Patrons – Mayor Stoney, Mr. Addison, Ms. Gray, Vice President Hilbert, Ms. Larson, Ms. Lynch, Mrs. Robertson, President Newbille, and Mr. Jones

Approved as to form and legality  
by the City Attorney

PUBLIC HEARING: APR 27 2020 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That sections 26-22, 26-27, and 26-29 of the Code of the City of Richmond (2015) be and is hereby **amended** and reordained as follows:

**Sec. 26-22. Purpose.**

The purpose of this article is to set forth the general provisions pursuant to which the Director of Finance administers the Tax Amnesty Program established by Chapter 200 of the 2010 Acts of Assembly of Virginia, as amended by Chapters 254 and 496 of the 2012 Acts of Assembly of Virginia. The purpose of the program is to increase compliance by delinquent taxpayers in the reporting and payment of local tax liabilities owed to the City or to provide eligible taxpayers with

AYES: 8 NOES: 0 ABSTAIN:

ADOPTED: APR 27 2020 REJECTED:  STRICKEN:

short-term relief after the declaration of a national, state, or local emergency, either or both. The parameters set forth in Sections 26-21 through 26-29 shall apply to the program.

**Sec. 26-27. Notification of opportunity to participate in Tax Amnesty Program; participation in Tax Amnesty Program.**

(a) *Notification of opportunity to participate.* The Director of Finance shall [~~prior to each amnesty period,~~] publish notice in a newspaper of general circulation and on the website of the Department of Finance that persons, individuals, corporations, estates, trusts or partnerships may be eligible to participate in the Tax Amnesty Program during such amnesty period.

(b) *Participation.* In order to participate in the Tax Amnesty Program, any eligible person, individual, corporation, estate, trust or partnership required to file a local tax return or to pay any local tax shall pay in full the amount of all delinquent taxes, together with any interest or penalty not waived in accordance with this article, owed on or before the last day of the tax amnesty period for which such person, individual, corporation, estate, trust or partnership is qualified to participate.

**Sec. 26-29. Tax Amnesty Program for the tax year beginning January 1, [2017] 2020; tax amnesty period; report to Finance and Economic Development Standing Committee; [~~tax relief for the elderly and disabled;~~] waiver of penalties; limitations; applicability of other provisions.**

(a) *Tax Amnesty Program for the tax year beginning January 1, [2017] 2020.* For the tax year beginning January 1, [2017] 2020, the Director of Finance shall administer the Tax Amnesty Program in accordance with this article and other applicable law, for [~~delinquent local~~] admissions, lodging, and meals taxes [~~except for tangible personal property taxes on vehicles, motor vehicle license taxes, and vehicle license fees, owed as of February 1, 2017]~~ delinquent as of any date beginning March 21, 2020, through June 23, 2020. However, no taxpayer that qualifies for the Tax Amnesty Program for which this section provides shall be permitted to withhold the

commission provided for in section 26-2. For purposes of this section, the phrase “delinquent local taxes” means admissions, lodging, or meals taxes delinquent as of any date beginning March 21, 2020, through June 23, 2020.

(b) *Tax amnesty period for the tax year beginning January 1, [2017] 2020.* For delinquent local taxes described in subsection (a) [~~owed as of February 1, 2017~~], the period within which eligible persons may receive Tax Amnesty Program benefits for the tax year beginning January 1, [2017] 2020, shall be from [~~August 15, 2017~~] April 20, 2020, to [~~October 15, 2017~~] June 30, 2020.

(c) *Report to Finance and Economic Development Standing Committee.* The Director of Finance shall submit a report concerning the Tax Amnesty Program administered in accordance with this section to the Finance and Economic Development Standing Committee within 60 days after the last day of the tax amnesty period established pursuant to this section. Such report shall include:

(1) The number of eligible Tax Amnesty Program participants; and

(2) The total amount of penalties and interest waived for the delinquent local taxes described in subsection (a) [such eligible participants owed prior to the tax amnesty period established by this section; and

~~(3) The total amount of delinquent local taxes described in subsection (a) paid during the tax amnesty period established by this section.~~

~~(d) *Tax relief for the elderly and disabled.* For eligible persons qualifying for tax relief for the elderly and disabled for the tax year beginning January 1, 2017, pursuant to Sections 26-364 and 26-365, the period during which such persons may receive Tax Amnesty Program benefits~~

~~shall be from February 15, 2017, through June 14, 2017, and shall be limited to delinquent local taxes described in subsection (a) owed for the tax year beginning January 1, 2017].~~

~~[(e)] (d)~~ *Waiver of penalties.* For the tax year beginning January 1, ~~[2017]~~ 2020, and for delinquent local taxes described in subsection (a) ~~[owed as of February 1, 2017]~~, in accordance with this article and other applicable law, the Director of Finance shall waive, upon receipt of the payment of the amount of taxes ~~[and interest]~~ owed on or before the last day of the tax amnesty period established by this section, all of the civil penalties assessed or assessable and the interest~~;~~ ~~either or both,~~ as provided for in Code of Virginia, Title 58.1 (Code of Virginia, § 58.1-1 et seq.) which are the result of nonpayment~~;~~ or underpayment ~~[-, nonreporting or underreporting]~~ of the local tax liabilities described in subsection (a).

~~[(f)] (e)~~ *Limitations.* No penalties or interest for any eligible person, individual, corporation, estate, trust or partnership shall be waived except upon the timely filing of an admissions, lodging, or meals tax return each month, in accordance with sections 26-673, 26-699, or 26-728, as applicable, and upon receipt of the payment of the full amount of the delinquent tax owed on or before the last day of the tax amnesty period for the tax year beginning January 1, ~~[2017]~~ 2020. For purposes of this section, “receipt of the payment of the full amount of the delinquent tax” means either the payment of the full amount due to the City on or before the last day of the tax amnesty period or the City’s acceptance of a payment plan on or before the last day of the tax amnesty period (i) for a period of no longer than six months, (ii) under which at least 25 percent of the full amount due has been delivered to the City on or before the last day of the tax amnesty period, and (iii) in compliance with which the full amount due to the City has been paid by the end of the period of the payment plan. No person, individual, corporation, estate, trust or partnership shall be eligible for a payment plan under this section until the person has produced

satisfactory evidence (i) that all delinquent taxes, penalty, and interest owed by the person prior to March 20, 2020, have been paid; (ii) that the City has accepted a payment plan with the person for any delinquent taxes, penalty, and interest owed by the person prior to March 20, 2020, and the person has adhered to all of the terms of such payment plan; or (iii) such delinquent taxes, interest, and penalty owed by the person prior to March 20, 2020, have been paid in full before the end of the tax amnesty period.

~~(g)~~ (f) *Applicability of other provisions.* Except as may be provided otherwise in this section, this article shall apply to the tax amnesty period set forth in this section.

§ 2. That, for the tax year beginning January 1, 2020, in order to qualify for the Tax Amnesty Program for which this ordinance provides, all admissions, lodging, and meals tax returns, as applicable, for the tax year beginning January 1, 2020, shall be timely filed each month with the Director of Finance by no later than May 20, 2020.

§ 3. This ordinance shall be in force and effect upon adoption.

RECEIVED

By Barbara Fore at 1:52 pm, Apr 09, 2020

RECEIVED

By Beth D'Arcy at 8:12 am, Apr 09, 2020

2020-036 Ed. 2



# CITY OF RICHMOND

## INTRACITY CORRESPONDENCE

### O&R REQUEST


**DATE:** April 2, 2020

**EDITION:** 2

**TO:** The Honorable Members of City Council

**THROUGH:** The Honorable Levar M. Stoney, Mayor  4/9/2020

**THROUGH:** Lenora G. Reid, Acting Chief Administrative Officer  4/9/2020

**THROUGH:** Jay Brown, Director of Budget & Strategic Planning 

**FROM:** John B. Wack, Director of Finance 

**RE:** Amendment to the City of Richmond's Tax Amnesty Program and Provisions of the Planned 2020 Amnesty Program

**ORD. OR RES. No.** \_\_\_\_\_

**PURPOSE:** To amend Chapter 26, Article II (Sections 26-21 through 26-29) of the Richmond City Code related to the City's Tax Amnesty Program, and to adopt the specific provisions of the 2020 City of Richmond's Tax Amnesty Program.

**REASON:** In the 2012 legislative session, the General Assembly amended the City of Richmond's tax amnesty authority. The 2012 amendments expanded the City's tax amnesty authority to include all local taxes. Additionally, the 2012 amendments allow the City to waive both penalty and interest (previously the City could only waive penalties).

The City Administration would like to specifically outline the parameters of the 2020 City of Richmond's Tax Amnesty Program authorized by Chapter 200 of the 2010 Acts of Assembly and modified by Chapters 254 and 496 of the 2012 Acts of Assembly. This program is designed to alleviate short-term cash flow concerns facing a number of City businesses that depend on public tourism and are being negatively affected by the COVID-19 virus.

**RECOMMENDATION:** The City Administration recommends adoption.

**BACKGROUND:** The City Administration is committed to the goal of obtaining an "AAA" credit rating through well managed financial practices. These include the development and

execution of a comprehensive tax compliance plan, and improved fiscal compliance and controls. The comprehensive tax compliance plan is designed to improve revenue collections without increasing the tax rates. A tax amnesty program will allow certain taxpayers to pay their outstanding tax balances in full during a set period of time with a reduction in delinquent penalty and interest charges.

The 2012 legislation adopted by the General Assembly expanded the applicability of the City of Richmond's Tax Amnesty Program, to include all types of local taxes. As a "Dillon rule" state, this specific authority is required for a local government to adopt, or implement, a tax amnesty program. The City of Richmond is the only Virginia locality with legislative authority to implement a tax amnesty program.

For most taxes, the City of Richmond currently charges delinquent accounts a 10% penalty and 10% annual interest. Also, if an account is referred to a delinquent collection service, an additional 20% charge is added.

The City last conducted a tax amnesty program in 2017, which focused on the collection of delinquent real estate, personal property, business license, admissions, lodging, and meals taxes. The 2020 program would instead focus on meals, admission, and transient occupancy taxes that would otherwise be due in March, April, May, and June.

In order to participate in the 2020 program, taxpayers that normally file a return and provide a monthly tax remittance would be required to submit a return each month (without payment), and either pay all taxes due by June 30<sup>th</sup> or enter an approved payment plan by that time. The program would run from March 20, 2020 (the due date for taxes associated with February 2020) through June 30, 2020. Taxpayers would need to have submitted monthly tax returns related to taxable sales for the months of January 2020 through April 2020 by May 20, 2020 in order to be eligible for the program.

In order to qualify for a payment plan for the taxes becoming due during the amnesty period, a taxpayer must either (1) have been current on their tax liabilities as of February 20, 2020; or (2) have had an existing payment plan in place as of February 20, 2020; or (3) pay in full by June 30<sup>th</sup> all prior periods due. Payment plans for taxes that would otherwise be due during the amnesty period will require a minimum 25% down payment and a duration of no more than 6 months.

In regards to Resolution 2013-R8-84, proposals that would result in the reduction of an existing revenue source are supposed to identify an alternative revenue source to offset the proposed reduction. Staff are unable to quantify the potential shift of meals, admission, and transient occupancy taxes from FY2020 to FY2021 because the number and dollar amount of payment plans is unknown at this time. However, as an example, the FY2020 projection of current real estate taxes is expected to significantly exceed the budgeted amount, which might offset the reduction in FY2020 revenue from these sources.

Prepared food vendors that are required to remit meals taxes by the 20<sup>th</sup> of each month but choose not to in order to participate in the amnesty program will be ineligible to receive the 3% seller's commission otherwise allowed by City Code Section 26-2.

**FISCAL IMPACT / COST:** This program is expected to result in the delayed receipt of local tax revenues, some of which will be recognized in FY2021. There will be some additional one-time costs related to postage, mailings, and temporary staffing estimated at \$50,000.

**FISCAL IMPLICATIONS:** This will provide payment flexibility to certain taxpayers without increasing the respective tax rates.

**BUDGET AMENDMENT NECESSARY:** No – this is expected to reduce the Finance Departments projected unspent FY2020 budget (from the second quarter projection).

**REVENUE TO CITY:** The program is expected to result in the delayed receipt of certain local tax revenues within the same fiscal year financial reporting period.

**DESIRED EFFECTIVE DATE:** Upon Adoption

**REQUESTED INTRODUCTION DATE:** April 13, 2020

**CITY COUNCIL PUBLIC HEARING DATE:** April 27, 2020

**REQUESTED AGENDA:** Consent

**RECOMMENDED COUNCIL COMMITTEE:** Waiver requested

**CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES:** None

**AFFECTED AGENCIES:** Department of Finance

**RELATIONSHIP TO EXISTING ORD. OR RES.:** Richmond City Code sections 26-21 through 26-29, Resolution 2013-R8-84

**REQUIRED CHANGES TO WORK PROGRAM(S):** Additional work will be performed by Finance Department Revenue Administration staff during the amnesty period.

**ATTACHMENTS:** Text of proposed City Code amendments

**STAFF:** John Wack, Director of Finance 646-5776