

INTRODUCED: May 4, 2020

AN ORDINANCE No. 2020-109

To amend City Code §§ 26-27 and 26-29, concerning the City’s tax amnesty program, for the purpose of providing for the 2020 tax amnesty period’s application to tangible personal property and real estate taxes.

Patron – Mayor Stoney

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: MAY 11 2020 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

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

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 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~~] the applicable amnesty period.

AYES: 9 NOES: 0 ABSTAIN: _____

ADOPTED: MAY 11 2020 REJECTED: _____ STRICKEN: _____

(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, 2020; tax amnesty ~~[period]~~ periods; report to Finance and Economic Development Standing Committee; waiver of penalties; limitations; applicability of other provisions.

(a) *Tax Amnesty Program for the tax year beginning January 1, 2020.* For the tax year beginning January 1, 2020, the Director of Finance shall administer the Tax Amnesty Program in accordance with this article and other applicable law, for admissions, lodging, and meals taxes delinquent as of any date beginning March 21, 2020, through June 23, 2020, for tangible personal property taxes delinquent as of June 6, 2020, and for real estate taxes delinquent as of June 16, 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, as applicable, admissions, lodging, or meals taxes delinquent as of any date beginning March 21, 2020, through June 23, 2020, tangible personal property taxes delinquent as of June 6, 2020, or real estate taxes delinquent as of June 16, 2020.

(b) *Tax amnesty ~~[period]~~ periods for the tax year beginning January 1, 2020.* For delinquent local taxes described in subsection (a), the period within which eligible persons may receive Tax Amnesty Program benefits for the tax year beginning January 1, 2020, shall be, for

admissions, lodging, and meals taxes, from April 20, 2020, to June 30, 2020, and for tangible personal property taxes and real estate taxes, from June 5, 2020, to August 14, 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~~ each 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).

(d) *Waiver of penalties.* For the tax year beginning January 1, 2020, and for delinquent local taxes described in subsection (a), 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 applicable 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).

(e) *Limitations.* No penalties or interest for any eligible person, individual, corporation, estate, trust or partnership shall be waived for admissions, lodging, or meals taxes, 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 applicable tax amnesty period

for such taxes for the tax year beginning January 1, 2020. No penalties or interest for any eligible person, individual, corporation, estate, trust or partnership shall be waived for tangible personal property taxes or real estate taxes except upon receipt of the payment of the full amount of the delinquent tax owed on or before the last day of the applicable tax amnesty period for such taxes for the tax year beginning January 1, 2020. For purposes of this section, “receipt of the payment of the full amount of the delinquent tax” means, for admissions, lodging, or meals taxes delinquent as of any date set forth in subsection (a), as applicable, either the payment of the full amount due to the City on or before the last day of the applicable tax amnesty period or the City’s acceptance of a payment plan on or before the last day of the applicable 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 applicable 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 and for tangible personal property taxes or real estate taxes delinquent as of the dates set forth in subsection (a), as applicable, payment of the full amount due to the City on or before the last day of the applicable tax amnesty period. No person, individual, corporation, estate, trust or partnership shall be eligible for a payment plan for admissions, lodging, or meals taxes 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 applicable tax amnesty period set forth in this section.

(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 under no circumstances shall the waiver of penalties and interest pursuant to the tax amnesty program for the tax year beginning January 1, 2020, for which this ordinance provides include the waiver of anything other than the waiver of the penalties and interest calculated upon the dollar amount of taxes.

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



CITY OF RICHMOND

INTRACITY CORRESPONDENCE

RECEIVED
By Beth D'Arcy at 10:42 am, Apr 22, 2020

O&R REQUEST

DATE: April 22, 2020 **EDITION:** 1

TO: The Honorable Members of City Council

THROUGH: The Honorable Levar M. Stoney, Mayor *JMS* 4/24/2020

THROUGH: Lenora G. Reid, Acting Chief Administrative Officer *lgr* 4/22/2020

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

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

RE: Amendment to the City of Richmond's 2020 Tax Amnesty Program

ORD. OR RES. No. _____

PURPOSE: To further amend Chapter 26, Article II of the Richmond City Code related to the City's Tax Amnesty Program, and to include additional 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 expand on the parameters of the 2020 City of Richmond's Tax Amnesty Program outlined in Ordinance 2020-096 and 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, and also provide payment flexibility for real estate and personal property taxes otherwise due in June 2020.

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 initially outlined in Ordinance 2020-096 instead focused on meals, admission, and transient occupancy taxes that would otherwise be due in March, April, May, and June. The City Administration would now like to further expand the 2020 program to allow for payment of real estate and personal property taxes due in June 2020 to be paid by August 14th with a waiver of penalty and interest.

In order to participate in the 2020 program for admission, lodging, and meals taxes, 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 30th 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 admission, lodging, and meals 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 30th 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 order to participate in the 2020 program for real estate and personal property taxes, property owners must pay their tangible personal property taxes otherwise due June 5, 2020, and/or their real estate taxes otherwise due June 14, 2020, by August 14, 2020. No special action would be required of these property taxpayers in order to receive a waiver of penalty and interest, so long as they pay the full principal balance due by August 14th and merely have a property tax delinquency at the time of payment. This will allow the City to still receive taxes due in June 2020 during its modified accrual period for FY2020.

Property owners currently participating in the City Assessor's Tax Credit for Certain Rehabilitated, Replacement or New Structures Program must pay all Tax Year 2020 real estate taxes by June 30, 2020 in order to receive the respective 2020 tax credit. These tax credits are forfeited for a given year if the tax payment isn't received by June 30th, per City Code Section 26-405(c). The rescinding of a partial tax credit associated with the City Assessor's program is not considered a penalty that can be waived by the Director of Finance.

FISCAL IMPACT / COST: This program is expected to result in the delayed receipt of local tax revenues. 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 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: May 4, 2020

CITY COUNCIL PUBLIC HEARING DATE: May 11, 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 Chapter 26, Article II, and Ordinance 2020-096

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