

INTRODUCED: October 10, 2016

AN ORDINANCE No. 2016-265

To amend and reordain City Code §§ 26-361 and 26-431, concerning interest on delinquent taxes, for the purpose of fixing the annual rate of interest for delinquent taxes at ten percent.

\_\_\_\_\_  
Patron – Mayor Jones

\_\_\_\_\_  
Approved as to form and legality  
by the City Attorney  
\_\_\_\_\_

PUBLIC HEARING: NOV 14 2016 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That sections 26-361 and 26-431 of the Code of the City of Richmond (2015) be and are hereby **amended** and reordained as follows:

**Sec. 26-361. Due date; payment without penalty; interest chargeable on delinquent taxes.**

(a) Taxes levied on real estate shall be due and payable on the first day of the tax year for which they are levied. Such taxes may be paid without penalty during the year for which they are levied if one-half of such taxes are paid on or before January 14 of that year and the remaining one-half of such taxes are paid on or before June 14 of that year.

AYES:            9            NOES:            0            ABSTAIN: \_\_\_\_\_

ADOPTED:    NOV 14 2016    REJECTED: \_\_\_\_\_    STRICKEN: \_\_\_\_\_

(b) The Collector shall give notice of each due date for real estate taxes by publication as required by Code of Virginia, § 58.1-3911.

(c) Whenever any taxpayer shall fail, refuse or neglect to pay the installment of taxes on or before the due date, there shall be added to the installment of taxes a penalty of ten percent thereof.

(d) Whenever an installment of such taxes is not paid on or before the due date, such unpaid taxes on the following day shall be deemed to be delinquent. Interest on such unpaid taxes shall be charged annually thereon at the rate [~~established by the Virginia Department of Taxation for the first quarter of each tax year for the underpayment of income taxes pursuant to Code of Virginia, § 58.1-15,~~] of ten percent from the day following the due date pursuant to Code of Virginia, § 58.1-3916. [~~However, such interest rate shall not exceed ten percent per year.~~]

(e) Except as provided otherwise in Section 26-362, this section shall not apply to taxes on real estate assessed for taxation by the State Corporation Commission.

**Sec. 26-431. Interest.**

(a) Whenever any taxes due under Sections 26-458, 26-459 and 26-460 and Articles VI through VIII and XV of this chapter are not paid prior to the day following the day of the year or, for admissions, lodging, meals and short-term rental taxes, the day following the day of the month when such taxes became due and payable in the year, month or quarter for which they are levied, such unpaid taxes shall be deemed to be delinquent.

(b) Interest on such unpaid taxes shall be charged annually at the [~~interest~~] rate [~~established by the Virginia Department of Taxation for the first quarter of each tax year for the underpayment of income taxes pursuant to Code of Virginia, § 58.1-15,~~] of ten percent from the day following the due date of the year or month in which the taxes became due and payable,

pursuant to Code of Virginia, § 58.1-3916, and shall be paid upon the principal and penalties of taxes remaining unpaid. [~~However, such interest rate shall not exceed ten percent per year.~~]

§ 2. This ordinance shall be in force and effect as of January 1, 2017.



CITY OF RICHMOND
INTRACITY CORRESPONDENCE

O & R REQUEST

SEP 20 2016
4-5700
Chief Administration Office
City of Richmond

O&R REQUEST

DATE: September 16, 2016

EDITION: 1

TO: Members of City Council

THROUGH: Mayor Dwight C. Jones

THROUGH: Selena Cuffee-Glenn, CAO

THROUGH: Lenora Reid, Deputy CAO for Finance

THROUGH: John Wack, Director of Finance

FROM: Jay Brown, Ph.D. Director of Budget and Strategic Planning

RE: Increasing the annual rate of interest for delinquent taxes to ten percent

RECEIVED

OCT 07 2016

OFFICE OF CITY ATTORNEY

MEP on behalf of Jay Brown, Ph.D.

ORD. OR RES.

No. \_\_\_\_\_

PURPOSE: To amend and reordain City Code §§ 26-361 and 26-431, concerning interest on delinquent taxes, for the purpose of fixing the annual rate of interest for delinquent taxes at ten percent.

REASON: An amendment to the City Code is required to set the annual interest rate on delinquent taxes at ten percent.

BACKGROUND: Currently, the City Code provides for the charging of interest on delinquent taxes at an annual rate equal to the lower of the rate set by the Virginia Department of Taxation pursuant to section 58.1-15 of the Code of Virginia or ten percent. The Department of Taxation has set its rate at five percent for the last several years. One of the recommendations of the FY2017 proposed budget was to increase the interest rate on delinquent taxes to ten percent, which is the maximum allowed under state law, without applying the Department of Taxation's rate, if lower. This ordinance is intended to give effect to that budgetary recommendation.

RECOMMENDATION: The City Administration recommends adoption.

**FISCAL IMPACT/COST TO CITY:** n/a

**REVENUE TO CITY:** The FY2017 adopted general fund budget was based on the assumption that a 10% interest rate was in place, effective 7/1/16. Approximately \$2 million in additional interest revenue was budgeted based on that assumption. This ordinance would make the interest rate increase from 5% to 10%, effective 1/1/17, for the second half of the fiscal year, which essentially will cover half of the budgeted revenue increase.

**DESIRED EFFECTIVE DATE:** January 1, 2017.

**REQUESTED INTRODUCTION DATE:** October 10, 2016

**CITY COUNCIL PUBLIC HEARING DATE:** November 14, 2016

**REQUESTED AGENDA:** Consent

**RECOMMENDED COUNCIL COMMITTEE:** Finance and Economic Development (October 20, 2016)

**CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES:** n/a

**AFFECTED AGENCIES:** Finance

**RELATIONSHIP TO EXISTING ORD. OR RES.:** Amends City Code §§ 26-361 and 26-431.

**REQUIRED CHANGES TO WORK PROGRAM(S):** None

**ATTACHMENTS:** Draft ordinance

**STAFF:** Jay A. Brown, Ph.D., 646-3193