

MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Postponement of Various Tax Deadlines
DATE: April 7, 2020 (for April 7 Special Council Meeting)

ISSUE

Shall the City Council of the City of Fredericksburg postpone various deadlines for the collection of taxes and payments due the City in light of the COVID-19 pandemic state of emergency?

RECOMMENDATION

Yes.

Staff recommends adoption of the attached ordinances on first and second reading, so that the community can plan with some certainty around these changes in billing practices. City Council retains the option of rejecting or altering these ordinances, and may wish to have a first reading on April 7th and a second reading on April 14th, which is the next regular City Council meeting.

BACKGROUND

The City of Fredericksburg is responding to a global pandemic related to a new version of coronavirus. The coronavirus infection is known as “COVID-19.” The easy transmission of the new virus and the severity of the illness for a subset of those infected have created a public health emergency situation.

The World Health Organization has designated the “COVID-19” as a global pandemic. The federal government, state government, and City government have all in declared states of emergency involving various measures to fight the pandemic.

The major strategy currently in use to slow the spread of the disease is known as “social distancing.” The measures in place to keep people apart from one another – cancelling large gatherings and events, remote working, closing schools, etc. – are intended to slow the spread of the disease so our health system is not overwhelmed. Governor Northam has closed K-12 schools for the year, and ordered residents to stay at home except under certain circumstances.

Unfortunately, these necessary measures will have a significant negative impact on the business income of the Fredericksburg business community. The business community in turn will not be able to sustain their current employee base. Federal and state assistance will be forthcoming, but the City is also able to take some actions to postpone some of the taxes or fees on citizens or businesses to provide some relief as this situation develops.

Ordinance to Postpone the Due Date and the Imposition of Penalties and Interest – Personal Property Taxes

The City’s Commissioner of the Revenue and the Treasurer are currently in the process of preparing the spring bills for both real estate and personal property taxes. These taxes are both due on May 15.

The staff recommends that the deadline for personal property taxes be extended to July 15, 2020 – a sixty day extension, which will help those affected by the pandemic.

Ordinance to Postpone the Remittance Date for Excise Taxes

There are several excise taxes in the City Code that are collected and held in trust by various businesses for the City – namely the meals, lodging, and admissions taxes.

Businesses that are asked to collect these taxes file returns with the Commissioner of the Revenue on the 20th day of the month, and to pay the taxes at the time the return is filed. The returns are filed on the prior month’s activity – so, for example, meals that are sold in February would have taxes assessed at the time of sale. The business would report that on the return for February filed in March, and pay the taxes collected at that time.

The attached ordinance extends for sixty days the amount of time that the taxes would be due to the City without any penalty for late payment. Businesses are still asked to complete and file the returns on time, but payment of the tax could take place up to sixty days later without penalty.

The ordinance would be in effect for the duration of the local emergency. The month that the duration is lifted would still allow for the extension of payments. The first full month following the end of the emergency, which would be filed on the 20th of the next month, would return to normal.

As a hypothetical example, if the emergency was ended on August 11, then the return for that month would be filed on September 20th. The tax for that month would be owed on November 20th. The month of September would be filed and paid on October 20th, in accordance with the normal schedule.

Utility Payments

The City Treasurer, in conjunction with the City Finance and Public Works Departments, has taken action to ensure that there are no service terminations for non-payment of City utility bills – water / sewer / garbage, for now. This action falls into line with the actions of other utilities, such as Dominion Virginia Power. It also recognizes that these services are essential to the maintenance of good public health practices. The City will continue to bill for these services on a bi-monthly basis.

FISCAL IMPACT

These measures will also have an impact on the City’s finances. Large portions of City revenues come from businesses centered around social activity, such as meals tax, lodging tax, sales tax, and admissions tax. These revenue streams are now declining as the “social distancing” measures reduce their ability to operate.

The City staff will be working on measures for City Council consideration to reduce expenditures in the FY 2020 and the FY 2021 budgets in response to declining revenues.

Attachments:

Ordinance Extending the Due Dates for Payment of Admissions,
Lodging, and Meals Taxes due to the COVID-19 Public Health
Emergency

Ordinance Extending the May 15 Due Date for CY 2020 Personal
Property Taxes



April 7, 2020
Special Meeting
Ordinance No. 20-__

MOTION:

SECOND:

RE: Extending the Due Dates for Payment of Admissions, Lodging, and Meals Taxes Due to the COVID-19 Public Health Emergency

ACTION: APPROVED: Ayes: 0; Nays: 0

FIRST READ: _____ **SECOND READ:** _____

Article I. Purpose.

On March 12, 2020, Governor Ralph S. Northam issued Executive Order 51 declaring a state of emergency for the Commonwealth of Virginia in response to the novel coronavirus (COVID-19) pandemic. The City Manager, as the City's Director of Emergency Management, pursuant to City Code § 26-36 and Virginia Code § 44-146.21, issued a Declaration of Local Emergency on March 16, 2020 in response to the imminent threat of disaster and danger to public health posed by the spread of the disease. This declaration was affirmed by City Council at a special meeting on Friday, March 20, 2020. Governor Northam issued Executive Order 53, "Temporary Restrictions on Restaurants, Recreational Entertainment, Gatherings, Non-essential Retail Businesses, and Closure of K-12 Schools Due to the Novel Coronavirus," on March 23, 2020; and Executive Order 55, "Temporary Stay at Home Order Due to Novel Coronavirus," on March 30, 2020.

COVID-19 spreads from person-to-person, transmitted via respiratory droplets, and can be spread from an infected person who does not have symptoms to another person. No current vaccine or known treatment options exist at this time. Large-scale quarantines, travel restrictions, and social-distancing measures have driven a sharp fall in consumer and business travel and spending, particularly on activities subject to the local excise taxes on admissions, lodging, and meals, and are projected to continue to do so.

Admissions, lodging, and meals taxes are paid by the consumer, and deemed to be held in trust by the seller collecting them, until remitted to the City. The City Code requires the seller to make a report to the Commissioner of Revenue for each calendar month, showing the amount of charges for the taxable activity and the amount of tax required to be collected. The reports are required to be delivered to the Commissioner of Revenue on or before the 20th day of the calendar month following

the month reported. Each report is required to be accompanied by a remittance of the amount of tax due, made payable to the City Treasurer.

The purpose of this ordinance is to delay the date of tax payment (but not reporting) for admissions, lodging, and meals taxes, in light of the economic hardship on local businesses by the COVID-19 public health emergency.

Article II. Extension of the due date for admissions, lodging, and meals taxes due.

Section 1. Meals tax payment due date extension.

Notwithstanding the provisions of City Code §70-440 to the contrary, every “seller” as defined in City Code §70-431 shall make the meals tax report for each calendar month to the City, showing the amount of charges collected for meals and the amount of tax required to be collected. The monthly reports shall be made on forms prescribed by the Commissioner of the Revenue and shall be signed by the seller. They shall be delivered to the Commissioner of the Revenue on or before the 20th day of the calendar month following the month being reported.

The due date for the remittance (payment) of the meals tax due is extended 60 days as follows:

- For the remittance due on March 20, 2020 – May 20, 2020;
- For the remittance due on April 20, 2020 – June 20, 2020;
- For the remittance due on May 20, 2020 – July 20, 2020;
- For the remittance due on June 20, 2020 – August 20, 2020;
- For the remittance due on July 20, 2020 – September 20, 2020.

If City Council has not adopted a resolution to end the declared emergency, under Va. Code §44-146.21(A), by June 30, the 60 day extension shall continue in like manner until the resolution is adopted.

Section 2. Lodging tax payment due date extension.

Notwithstanding the provisions of City Code §70-449 to the contrary, every person collecting the lodging tax shall make out a report thereof, upon such forms and setting forth such information as the Commissioner of the Revenue may prescribe and require, showing the amount of lodging charges collected and the tax required to be collected, and shall sign and deliver such report to the Commissioner of the Revenue, on or before the 20th day of each month covering the amount of tax collected during the preceding month.

The due date for the remittance of the lodging tax is extended 60 days as follows:

- For the remittance due on March 20, 2020 – May 20, 2020;

- For the remittance due on April 20, 2020 – June 20, 2020;
- For the remittance due on May 20, 2020 – July 20, 2020;
- For the remittance due on June 20, 2020 – August 20, 2020;
- For the remittance due on July 20, 2020 – September 20, 2020.

If City Council has not adopted a resolution to end the declared emergency, under Va. Code §44-146.21(A), by June 30, the 60 day extension shall continue in like manner until the resolution is adopted.

Section 3. Admissions tax payment due date extension.

Notwithstanding the provisions of City Code §70-544 to the contrary, every person collecting the admission tax shall make out a report, setting forth such information as the Commissioner of the Revenue may prescribe and require, including the amount of admissions charges collected, exclusive of the federal tax thereon, and the tax from the admissions for which he is liable, and shall sign and deliver the report to the Commissioner of the Revenue, on or before the 20th day of each month covering the amount of tax collected during the preceding month.

The due date for the remittance of the admissions tax is extended 60 days as follows:

- For the remittance due on March 20, 2020 – May 20, 2020;
- For the remittance due on April 20, 2020 – June 20, 2020;
- For the remittance due on May 20, 2020 – July 20, 2020;
- For the remittance due on June 20, 2020 – August 20, 2020;
- For the remittance due on July 20, 2020 – September 20, 2020.

If City Council has not adopted a resolution to end the declared emergency, under Va. Code §44-146.21(A), by June 30, the 60 day extension shall continue in like manner until the resolution is adopted.

Article III. Effective date, reversion to City Code schedule.

This ordinance becomes effective immediately. This ordinance will continue in effect until City Council adopts a resolution to end the declared emergency, under Va. Code §44-146.21(A). Unless otherwise provided in that resolution, the due date for the remittance of meals, lodging, and admissions taxes will revert to the schedule in the City Code the first full month following the adoption of this resolution.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

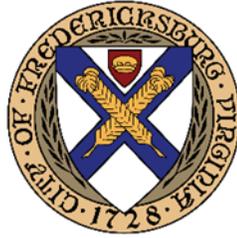
Approved as to form:

Kathleen Dooley, City Attorney

Clerk's Certificate

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 20-__ duly adopted at a meeting of the City Council held by electronic communication means on Date, 2020 at which a quorum was present and voted.

Tonya B. Lacey, CMC
Clerk of Council



April 7, 2020
Special Meeting
Ordinance No. 20-__

MOTION:

SECOND:

RE: Extending the May 15 Due Date for Fiscal Year 2020 Personal Property Taxes

ACTION: APPROVED: Ayes: 0; Nays: 0

FIRST READ: _____ **SECOND READ:** _____

Article I. Purpose.

City Council adopted Ordinance No. 20-__, to Address Continuity of City Government during the pendency of the COVID-19 pandemic disaster, on April 7, 2020. Article II, Section 4 of that ordinance provides generally for the suspension of deadlines requiring action by a Public Entity, including the Commissioner of Revenue and Treasurer, during this emergency and disaster. Without limiting the generality of that provision, the City Council wishes to address specifically the deadline and due date associated with the first installment of FY2020 personal property taxes, and does so by adoption of this ordinance.

Personal property taxes in the City are billed on a calendar year basis. City Code §70-131(C) provides that personal property taxes shall be payable annually in two equal installments, with the first half of the total tax being due and payable on or before May 15 and the second half being due and payable on or before November 15 of each calendar year. Due to the impact of the COVID-19 pandemic disaster on governmental operations, the Commissioner of Revenue projects that she will complete personal property tax assessment before the end of April. The Treasurer then issues personal property tax bills to taxpayers, typically about 30 days before the due date.

City Council adopts this ordinance under the authority of Code of Virginia §§15.2-1413 and 58.1-3916.

Article II. Extension of the due date for the first installment of CY2020 personal property taxes.

Notwithstanding the provisions of City Code §70-131(C) to the contrary, the first installment of the CY2020 personal property tax shall be payable on or before July 15, 2020.

Article III. Effective date.

This ordinance becomes effective immediately.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Approved as to form:

Kathleen Dooley, City Attorney

Clerk's Certificate

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 20- duly adopted at a meeting of the City Council meeting held Date, 2020 at which a quorum was present and voted.

Tonya B. Lacey, CMC
Clerk of Council