

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** David B. Albo

3. **Committee** House Finance

4. **Title** Local taxes; collection

2. **Bill Number** HB 1425

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would reduce the period of delinquency before which sheriffs, attorneys, or private collection agents may be used to collect delinquent local taxes from six months to three months. This bill would also remove the exclusion of real estate taxes from the local taxes that a treasurer may refer to private collection agents for collection.

Finally, this bill would allow a governing body to appoint or hire one or more private collection agents to collect any local taxes or other charges that have been delinquent for the required three-month time period. Any private collection agent so appointed or hired would be entitled to exercise, for purposes of collecting the taxes or other charges referred to him, the powers conferred by law upon the treasurer.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

This bill would have no impact on state revenues. The impact of this bill on local revenues is unknown. However, to the extent accelerating the transfer of delinquent bills increases collections, there would be a revenue gain for localities.

9. Specific agency or political subdivisions affected:

All localities.

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Under current law, the treasurer in any county, city, or town, with the approval of the local governing body, may employ the services of private collection agents to assist with the collection of any local taxes, other than real estate taxes, that remain delinquent for a period of six months or more and for which the statute of limitations has not yet run.

Current law also provides that a governing body may appoint or hire, with the approval of the treasurer, one or more attorneys to collect any local taxes or other charges that have been delinquent for six months or more. Any attorney so appointed or hired shall be entitled to exercise the powers conferred by law upon the treasurer for purposes of collecting the taxes or other charges referred to him.

Alternatively, the governing body may place local taxes or other charges that have been delinquent for six months or more in the hands of the sheriff of the county or city for collection, or employ a local delinquent tax collector. Such sheriff or local delinquent tax collector shall be entitled to exercise for the purpose of collecting taxes or other charges referred to him the powers conferred by law upon the treasurer.

Virginia law gives the treasurer or other tax collector of any county, city, or town the right to apply in writing to any person indebted to or having in his hands the estate of a taxpayer or other debtor for payment of taxes, or other charges collected by the treasurer, more than thirty days delinquent out of such debt or estate. This includes the right to reach the wages and bank account of a taxpayer for payment of taxes that are more than thirty days delinquent by requesting the garnishment in writing. If the debtor of a taxpayer fails to pay the amount that should be recovered from the taxpayer's debt or estate, the treasurer or collector may then procure a summons directing the debtor to appear in court, where proper payment may be enforced.

The power to garnish the wages, bank account, or other accounts of a taxpayer by applying in writing is among the powers that an attorney, sheriff, or local delinquent tax collector is entitled to exercise upon appointment by a local governing body to collect local taxes.

Proposed Legislation

This bill would reduce the period of delinquency before which a treasurer or governing body may use a sheriff, attorney, or private collection agent to collect delinquent local taxes from six months to three months.

This bill would also allow local treasurers to refer real estate taxes to private collection agents for collection, in addition to other local taxes that may currently be referred to private collection agents.

Finally, this bill would allow a governing body to appoint or hire one or more private collection agents to collect any local taxes or other charges that have been delinquent for the required three-month time period. Any private collection agent so appointed or hired

would be entitled to exercise the powers conferred by law upon the treasurer for purposes of collecting the taxes or other charges referred to him. This would allow private collection agents to exercise governmental collection powers, such as seizing a taxpayer's wages and seizing property, without first receiving a court order.

cc : Secretary of Finance

Date: 1/23/2011 KLC
HB1425F161