

DEPARTMENT OF TAXATION

2024 Fiscal Impact Statement

1. **Patron** Michael A. Cherry

3. **Committee** House Finance

4. **Title** Local Tax; Omitted taxes; Installment agreements

2. **Bill Number** HB 226

House of Origin:

X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow the governing body of a locality to authorize its treasurer or other collecting official to enter into installment agreements with taxpayers who have been assessed with omitted taxes, including any penalty and interest, over a term of up to 72 months. The bill would also require that the installment agreement provide for the payment of current tax obligations, with payments credited to current tax obligations as they come due.

If enacted during the regular session of the 2024 General Assembly, this bill would become effective July 1, 2024.

6. **Budget amendment necessary:** No.

7. **No Fiscal Impact.** (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

This bill would have no impact on state or local administrative costs.

Revenue Impact

This bill would have no impact on state or local revenues.

9. **Specific agency or political subdivisions affected:**

All localities

10. **Technical amendment necessary:** No.

11. Other comments:

Omitted Taxes

If the commissioner of the revenue or tax-assessing officer of a locality ascertains that (i) any local tax has not been assessed for any tax year of the three preceding tax years, (ii) that any local tax has been assessed at less than the law required for any one or more of the three preceding tax years, or (iii) that the taxes for any cause have not been realized, such commissioner or officer is required to list and assess the omitted taxes at the rate or rates prescribed for that year. The commissioner or officer must also include penalty and interest at current statutory rates.

Authority of Local Governing Bodies

Local governing bodies are broadly authorized to provide, by ordinance, the time for filing local license applications and annual returns of taxable tangible personal property, machinery and tools, and merchants' capital taxes. Local governing bodies may also, by ordinance, (i) establish due dates for the payment of local taxes, (ii) may provide that payment be made in a single installment or in two equal installments, (iii) may offer payment type or installment payment options, (iv) establish penalties for failure to file such applications and returns and for nonpayment in time, (v) provide for payment of interest on delinquent taxes, and (vi) provide for the recovery of reasonable attorney's or collection agency's fees actually contracted for, not to exceed 20 percent of the delinquent taxes and other charges so collected.

The governing body may further provide by resolution for reasonable extensions of time, not to exceed 90 days, for the payment of real estate and personal property taxes and for filing returns on tangible personal property, machinery and tools, and merchants' capital, and the business, professional, and occupational license tax, whenever good cause exists.

Notwithstanding this broad authority given to local governing bodies with respect to the timing, filing, and payment of local taxes, these bodies are not currently authorized to allow treasurers or other collecting officials to enter into installment agreements for the payment of omitted taxes.

Proposal

This bill would allow the governing body of a locality to authorize its treasurer or other collecting official to enter into installment agreements with taxpayers who have been assessed with omitted taxes, including any penalty and interest, over a term of up to 72 months. The bill would also require that the installment agreement provide for the payment of current tax obligations, with payments credited to current tax obligations as they come due.

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cc : Secretary of Finance

Date: 1/14/2024 VB
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