

MARTINSVILLE CITY COUNCIL AGENDA
October 28, 2014—7:30 pm

ADDENDUM to regular session

1. Consider approval of a refund resulting from amended bank franchise tax returns for tax years 2010, 2011 and 2012.
2. Consider authorizing refund plus interest due to appeal and audit of Business Personal Property Assessment.

Meeting Date: October 28, 2014

Item No:

Department: City Manager, Commissioner of the Revenue, Treasurer

Issue: Consider approval of a refund resulting from amended bank franchise tax returns for tax years 2010, 2011 and 2012

Summary: In August 2014, the Virginia Department of Taxation notified Virginia Commissioners of the Revenue that a local bank had amended their 2010, 2011 and 2012 Virginia Bank Franchise Tax returns and had requested a rather sizable refund based on the amended returns. The Virginia Department of Taxation audited the returns and reduced the amount of the refund.

Local bank franchise tax is calculated on a percentage of the Virginia bank franchise tax. Affected localities were made aware of the amended returns and their allocated percentage of the refund. The bank had hoped to reach an agreement with all localities regarding interest calculation on the refund, but were advised by the Virginia Department of Taxation that the interest calculation from the localities would have to be agreed upon individually as each locality has differing ordinances that address the interest calculation. The Department of Taxation could not enter into an agreement on behalf of any Virginia locality.

The City of Martinsville's Bank Franchise Tax does not require interest calculation on late payments of the bank franchise tax. Consequently, interest would not be paid on any refunds of this tax. The City's allocated portion of the refund for all years is \$13,090. The Code of Virginia authorizes the City Treasurer to issue refunds up to \$2,500 without prior authorization of City Council. Because the refund amount is over this limit City Council must authorize the City Treasurer to issue the refund.

City Council was briefed on the refund situation in a previous closed session meeting.

Attachments: None

Recommendations: Motion to authorize City Manager to sign refund payment agreement and authorize City Treasurer to issue refund to the bank on or before December 31, 2014 with no calculated interest.

Meeting Date: October 28, 2014
Item No: Addendum
Department: Commissioner of the Revenue, City Treasurer
Issue: Consider authorizing refund plus interest due to appeal and audit of Business Personal Property Assessment

Summary: The Commissioner of the Revenue's office recently had a business appeal the assessment of their business personal property for tax years 2011, 2012 and 2013. The business had not been providing an itemized listing for each of these years and consequently they were statutorily assessed, and the assessment was paid. The business finally questioned the assessment this past spring when the COR's office returned an incomplete itemization to them and advised they would be statutorily assessed again in the absence of a complete listing. The requested itemization had been requested multiple times in prior years and the business failed to provide one. The business eventually appealed the assessment and a walk-through audit was conducted that resulted in clean itemizations for the years in question as well as going forward.

The Code of Virginia authorizes the City Treasurer to issue refunds up to \$2,500 without prior authorization of City Council. Because the refund amount is over this limit, City Council must authorize the City Treasurer to issue the refund.

Attachments: None

Recommendations: Motion to authorize City Treasurer to issue refund of \$7,129.41 plus calculated interest to a city business for overpayment of taxes for the years noted.