

**BOARD OF SUPERVISORS
FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE
ACTION ITEM**

SUBJECT: **Proposal to Change the Business Tangible Personal Property Filing Date to March 1 beginning in Calendar Year 2017**

ELECTION DISTRICT: Countywide

CRITICAL ACTION DATE: October 11, 2016

STAFF CONTACTS: Robert S. Wertz, Jr., Commissioner of the Revenue
J. Philip McAleavy, Deputy Commissioner Business Tax

PURPOSE: Loudoun County Ordinance 860.04(d) requires that owners of business tangible personal property report it for taxation by April 15. This item recommends the filing due date be changed to March 1 beginning in calendar year (CY) 2017.

RECOMMENDATIONS: The **Commissioner of the Revenue** recommends that the Finance/Government Operations and Economic Development Committee recommend to the Board of Supervisors that staff be directed to advertise a public hearing on December 14, 2016 to discuss amending Chapter 860.04(d), *Filing of Returns; Penalty for Late or Nonfiling* of the Codified Ordinance of Loudoun County, to change the due date of business tangible personal property tax filings to March 1 beginning in CY 2017.

BACKGROUND: Under Chapter 860.04(d) of the Loudoun County Ordinances, business tangible personal property (BTPP) tax filings are due annually by April 15. The taxpayer may request in writing, an extension of up to thirty days. BTPP revenues have increased significantly over the past five years. In CY 2013, BTPP taxes assessed were \$70 million, and have increased to approximately \$155 million for CY 2016, primarily due to the large amount of new computer equipment moving into data centers in the County. The growth in this revenue line is expected to continue for the foreseeable future as new data centers are built and equipment in existing data centers is replenished. Since the tax is based on the cost of equipment self-reported by property owners, and has grown exponentially, it has become extremely difficult to accurately forecast BTPP tax revenue prior to the filing deadline. Under the current timetable, the Board customarily sets the real estate tax rate in the first business meeting of April, which is prior to the present BTPP filing deadline of April 15. Since BTPP tax revenue now represents a more significant source of

tax revenue that materially affects revenue estimates for the County budget and the setting of the real estate tax rate, moving the filing date up to March 1 will allow the Board to consider the most up-to-date revenue projections from this tax during budget deliberations.

ISSUES: The filing and payment of Business Professional and Occupational License taxes is March 1, and a change to the due date for BTPP tax filings will increase customer initiated contact to answer questions and address issues they encounter during the filing processes concentrating workload spread over two deadlines into one.

The present April 15 filing deadline aligns with the Federal Income Tax filing date. Under this proposal, owners of business personal property located in Loudoun County as of January 1 would be required to report it approximately 45 days earlier than the present deadline. While the date for paying the tax would not change, taxpayers may dislike reporting their equipment for assessment purposes earlier.

FISCAL IMPACT: A change to the filing date will not affect the amount of taxes assessed, but will allow for more accurate forecasting of revenue from BTPP assessments.

ALTERNATIVES:

1. Recommend the ordinance amendment proposed by the Commissioner of the Revenue.
2. Do not recommend the ordinance amendment proposed by the Commissioner of the Revenue.

DRAFT MOTIONS:

1. I move that the Finance/Government Operations and Economic Development Committee recommend that the Board of Supervisors direct staff to advertise a public hearing on December 14, 2016 to discuss amending Chapter 860.04(d), *Filing of Returns; Penalty for Late or Nonfiling* of the Codified Ordinance of Loudoun County, to change the due date of business tangible personal property tax filings to March 1 beginning in CY 2017.

OR

2. I move for an alternate motion.

ATTACHMENTS:

1. Loudoun County Ordinance 860.04(d)

1 **860.04 FILING OF RETURNS; PENALTY FOR LATE OR NONFILING.**

2 Pursuant to Section 58.1-3916 of the Code of Virginia of 1950, as amended, annual returns of
3 tangible personal property, machinery and tools, and merchants' capital shall be filed with the
4 Commissioner of the Revenue.

5 (a) The deadline for filing of such tax returns for tangible personal property, and all motor
6 vehicles, boats and trailers, whether or not used in a trade or business shall be February 1 of the
7 year in which such return is required to be filed, except that the tax return for any motor vehicle
8 or trailer that acquires a situs within the County after February 1 of the tax year shall be filed no
9 later than sixty days after the motor vehicle, boat or trailer acquires such a situs.

10 (b) No tax returns for motor vehicles, boats or trailers with a situs in Loudoun County need be
11 filed with the Commissioner of the Revenue, provided that:

12 (1) A personal property tax return on any such motor vehicle, boat or trailer has previously
13 been filed with the Commissioner;

14 (2) There has been no change since the previous filing in the owner's name and address; and

15 (3) There has been no change since the previous filing to the status or situs of the motor
16 vehicle, boat or trailer.

17 (c) The effective date of Section [860.04](#)(b) shall be January 1, 1997.

18 (d) The deadline for filing such tax returns for business tangible personal property (excluding
19 motor vehicles, boats and trailers used in a trade or business), machinery and tools and
20 merchants' capital shall be ~~April 15~~ **March 1** of the year in which such return is required to be
21 filed.

22 (e) Any person required to file a return, upon a request in writing to the Commissioner, may
23 receive an extension of up to thirty days. Any person receiving such an extension but failing to
24 file such return shall be subject to the penalty provided herein, to be assessed from the next day
25 following the last day of the extension. Any person not receiving such an extension but failing to
26 file such return shall be assessed the penalty from and including the return due date.

27 (f) The Commissioner of the Revenue is hereby directed to impose a penalty of ten percent of
28 the tax assessable on such return for the nonfiling or late filing of a tax return required to be filed
29 with such Commissioner as provided in this chapter, pursuant to Section 58.1-3916 of the Code
30 of Virginia of 1950, as amended. Any such penalty when so assessed shall become a part of the
31 tax.

32 (Ord. 97-11. Passed 11-5-97; Ord. 02-02. Passed 1-8-02.)

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