



CITY OF HARRISONBURG COMMISSIONER OF THE REVENUE

KAREN I. ROSE, MCR
CTYCOMM@HARRISONBURGVA.GOV

409 SOUTH MAIN STREET, HARRISONBURG, VA 22801

OFFICE (540) 432-7704 • FAX (540) 432-7781

TO: Eric Campbell, City Manager
FROM: Karen I. Rose, Commissioner of the Revenue
DATE: March 31, 2020
RE: Refund of Bank Franchise Taxes for 2012, 2013 and 2014

Summary: Approval of Bank Franchise tax refund for 2012, 2013 and 2014

Background: § 58.1-3981 of the Code of Virginia requires City Council approval of any refunds in excess of \$2,500. To provide Council with adequate information to determine approval while also maintaining confidentiality pursuant to Code of Virginia §58.1-3, the bank name has been redacted on the Certificate of the Commissioner of the Revenue. The original version of the Commissioner's certification is on file in the Commissioner's office, protected by attorney-client privilege, and will be signed by the City Attorney and provided to the Treasurer following Council approval.

Key Issues: The Bank filed and paid Bank Franchise taxes for tax years 2012, 2013 and 2014. Banks pay Virginia Bank Franchise tax in lieu of business license and personal property tax. This tax is based on the bank's total equity capital minus retained earnings and taxable real estate in the Commonwealth. The tax rate is \$1 per \$100 of 1% with a maximum tax of \$18,000,000. The Bank Franchise tax return is processed by the Virginia Department of Taxation and 80% of the tax is due to the localities where the bank has branches. The tax due each locality is determined by the localities' percentage of deposits in the Commonwealth. The Bank filed returns in 2013, 2014, and 2015 for the tax years 2012, 2013, and 2014 respectively and paid the amount of monies indicated on those returns. The Bank then filed timely amended returns for those years claiming they did not subtract retained earnings and historic credits from their returns. The Department of Taxation initially denied the amended filings over a dispute pertaining to the retained earnings. In October 2019, the Tax Commissioner overruled the denials and sided with the Bank. The Commissioner of the Revenue office received the official notification for refund in the mail February 28, 2020 and received no prior notifications from the Virginia Department of Taxation. After some negotiations, the Bank has agreed not to seek any interest on the refunded monies if refunded by May 1, 2020. The refund is \$24,376 for 2012; \$21,610 for 2013; and \$29,382 for 2014 for a total refund of \$75,369.

Environmental Impact: n/a

Fiscal Impact: The city will refund the bank franchise tax in the amount of \$75,369 for 2012 through 2014 without interest.

Prior Actions: none



**CITY OF HARRISONBURG
COMMISSIONER OF THE
REVENUE**

KAREN I. ROSE, MCR
CTYCOMM@HARRISONBURGVA.GOV

409 SOUTH MAIN STREET, HARRISONBURG, VA 22801

OFFICE (540) 432-7704 • FAX (540) 432-7781

RE: Refund of Bank Franchise Taxes for 2012, 2013 and 2014

Page 2

Alternatives: (a) Approve and direct bank franchise tax refund
(b); or

Community Engagement: n/a

Recommendation: Staff recommends approval of the application for refund of bank franchise tax.

Attachments: Certification letter from the Commissioner of the Revenue

Review:

The initiating Department Director will place in Legistar, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda. The completion of review only addresses the readiness of the issue for Council consideration. This does not address the recommendation for approval or denial of the issue.

###