



**CITY OF HARRISONBURG  
COMMISSIONER OF THE  
REVENUE**

**KAREN I. ROSE, MCR**

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409 SOUTH MAIN STREET, HARRISONBURG, VA 22801

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

TO: Eric Campbell, City Manager  
FROM: Karen I. Rose  
DATE: February 6, 2020  
RE: Refund of Business Machinery and Tools for 2016, 2017, 2018 and 2019

**Summary:** Approval of business machinery and tools tax refund for 2016, 2017, 2018 and 2019

**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 business 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:**

TAXPAYER A filed business machinery and tools returns in 2016, 2017, and 2018 using an outside tax firm. In 2019 the business changed to another tax preparation firm. In December 2019, the new tax firm submitted amended machinery and tools returns for the business stating that the former tax preparer had included non-manufacturing assets in the yearly filings. The Code of Virginia §58.1-1101(A)(2) classifies that capital which is personal property, tangible in fact, used in manufacturing as being intangible but machinery and tools, motor vehicles and delivery equipment of such businesses shall not be defined as intangible personal property and shall be taxed locally. Virginia's intangible tax rate is 0. In 2020, the Commissioner of the Revenue office representatives conducted a physical walk through of the manufacturing facility to identify where the actual manufacturing process started and ended as well as an extensive audit of the asset listing was completed to obtain the correct machinery and tools assessments for 2016, 2017, 2018 and 2019. The audit resulted in reducing the amount of the original refunds of the amended returns but still resulted in a refund for those years. Amount of refund: 2016 \$35,651.87; 2017 \$45,925.75; 2018 \$14,049.47; 2019 \$7,738.83.

**Environmental Impact: NONE**

**Fiscal Impact:** The city will refund the business machinery and tools for each year in the amounts of 2016 \$35,651.87, 2017 \$45,925.75, 2018 \$14,049.47, 2019 \$7,738.83 , plus interest as required by law.



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Page 2

**Prior Actions:** None

**Alternatives:** (a) approve and direct business machinery and tools refund  
(b); or

**Community Engagement:** None

**Recommendation:** Staff recommends approval of the application for refund of business machinery and tools.

**Attachments:** Certification Letter from Commissioner of 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.*

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