



## CITY OF HARRISONBURG CITY MANAGER

409 SOUTH MAIN STREET, HARRISONBURG, VA 22801  
OFFICE (540) 432-7701 • FAX (540) 432-7778

TO: Eric Campbell, City Manager  
FROM: Wesley Russ, Assistant City Attorney  
DATE: 4/7/2020  
RE: Ordinance to relieve taxpayers from penalties and interest associated with late remittances of meals taxes and transient occupancy taxes

**Summary:** Consider adopting an emergency ordinance to relieve taxpayers from penalties and interest associated with late remittance of meals taxes and transient occupancy taxes first due and owing between April 20, 2020 and June 20, 2020.

**Background:** Taxes on meals and transient occupancy (hotels, etc.) are typically collected on behalf of the city and due on the 20th of each month. Failure to remit these taxes when due can result in penalties and interest. Under this ordinance, businesses are not relieved of their obligation to remit the meals and transient occupancy taxes already collected or to continue to collect and remit meals and transient occupancy taxes moving forward. However, businesses will not be penalized or required to pay interest on remittances, so long as they are received on or before June 20, 2020.

**Key Issues:** Staff has serious concerns with the proposed ordinance for several reasons. Meals and transient occupancy taxes are held in trust by businesses. The funds never belong to the businesses. Failure to remit these taxes can have serious legal ramifications. Staff is concerned that delaying due dates for these taxes may be viewed as the city's endorsement of businesses using the money they have collected or will collect for any purpose other than remitting it to the city. Again, using collected meals or transient occupancy taxes for any purpose other than remitting them to the city could result in serious legal consequences and should not be tacitly approved. Staff also is concerned that relieving penalties and interest from late remittance of meals and transient occupancy staff may encourage all restaurant and motel/hotel owners to delay payment of funds collected and will likely increase the problems associated with nonpayment. The ordinance may encourage those restaurants and motels which could remit the collected fees with little hardship to delay payment.

**Environmental Impact:** None

**Fiscal Impact:** The city relies on meals and transient occupancy taxes to provide revenue to fund city services. Normally meals tax revenue is approximately \$1.2 million dollars a month and transient occupancy taxes are around \$300,000 per month. While these amounts obviously will be significantly reduced due to the measures taken in response to the COVID-19 pandemic, this ordinance would still result in a reduction in amounts remitted to the City.

**Prior Actions:** None



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**Alternatives:** (a) Adopt and enact the emergency ordinance as presented;  
(b); or Decline to adopt the emergency ordinance.  
(c)

**Community Engagement:** None

**Recommendation:** Staff recommends not approving the ordinance as presented.

**Attachments:** Draft Emergency Ordinance

**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.*

