

# Town of Windsor

## Memorandum

February 9, 2021

**TO:** The Honorable Mayor and Town Council

**FROM:** William G. Saunders, IV, Town Manager WGS IV

**SUBJECT:** Change in Real Estate Tax Terms

### Background

As you are aware, there have been issues with real estate and property tax billing, even after switching to the MUNIS software to be more compatible with the systems that Isle of Wight County uses. While we have similar software now, there are still other factors that differ between the Town and County in regard to this data sharing.

Many elements have been changed in recent weeks/months in order to make data sharing, bill generation and the accompanying staff duties more consistent between the Town and County and this should pay dividends in future years; however, only those changes that could be approved administratively have been made thus far.

A large factor that requires the Town Council's attention is the changing of the real estate tax billing period from a calendar year (As it currently is in the Town) to a fiscal year (As it currently is in the County). We are fortunate that this year was not a real estate re-appraisal year; if it were, the first six months and the last six months of the calendar year would have been under two different tax rates, which would have required running them separately, effectively doubling the required staff time. Other considerations for this change are that the number of adjustments that would potentially have to be made is greatly increased, as well as the County having to split the data set for two half-years of their data.

### Specifics

The change from a calendar format to a fiscal one is pretty straight-forward and is one that needs to be made, but two items must be considered:

The first item is how to handle the one-time change in revenue. When we switch from a calendar year to a fiscal year, there will be the potential of receiving eighteen (18) months' worth of real estate revenue in one fiscal year; the entire calendar year's revenue, plus the period from January through June of that fiscal year's revenue. This could either result in a six (6) month tax revenue windfall in that fiscal year, or Council could decide not to collect for that six months, resulting in the normal annual expected real estate tax revenue for the fiscal year. However, forgiving six

months of tax revenue to the current owner of a property could be seen as an equity issue, as the previous and subsequent owners of that same property will not be afforded that relief.

Revenue Options

Option 1 - Receive the additional six (6) months' tax revenue.

Option 2 - Forgive the additional six (6) months' tax revenue.

The second item, is when the billing would take place (Due dates in December, June, or both). Currently, we bill near the end of the calendar year. We could continue to bill late in the calendar year (December due date), but we would be billing for six months into the future that way, which would result in a potential for a large number of adjustments. If we switched to billing near the end of the fiscal year (June due date), there would be fewer adjustments and many taxpayers may prefer to have a six month separation between real estate and personal property tax due dates, but we would not receive the expected revenues until near the end of the fiscal year. Alternatively, we could bill twice, evening out the revenue stream and potentially reducing adjustments, but doubling the staff time and expenses of billing.

Billing Options

Option 1 - Bill with a December due date.

Option 2 - Bill with a June due date.

Option 3 - Bill with both December and June due dates.

Option 4 - Bill with both December and June due dates only the first year if the additional six (6) months' revenue is received in order to break up the payments for that year.

[For reference, the amount of real estate tax revenue projected for FY20-21 was \$206,000.]

**Recommended Action**

Receive the additional six (6) month's tax revenue, bill with both December and June due dates in that one year only, and bill with June due dates in future years.