# CITY OF WINCHESTER, VIRGINIA

## PROPOSED CITY COUNCIL AGENDA ITEM

**CITY COUNCIL/COMMITTEE MEETING OF:** 12/16/2014 **CUT OFF DATE:** _____

PRESENTATION _X__

**ITEM TITLE:** Nonprofit Organization Activities Subject to Local Taxation

**STAFF RECOMMENDATION:** N/A

**PUBLIC NOTICE AND HEARING:**

**ADVISORY BOARD RECOMMENDATION:**

**FUNDING DATA:**

**INSURANCE:**

The initiating Department Director will place below, 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 Director's initials for approval or disapproval address only the readiness of the issue for Council consideration. This does not address the Director's recommendation for approval or denial of the issue.

| DEPARTMENT | INITIALS FOR APPROVAL | INITIALS FOR DISAPPROVAL | DATE |
|---|---|---|---|
| 1. | | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. City Attorney | | | 12/11/2014 |
| 6. City Manager | | | |
| 7. Clerk of Council | KJV for E. Freeman | | 12/11/14 |

Initiating Department Director's Signature: _____ 12/11/14 Date

CITY ATTORNEY'S OFFICE Received DEC 11 2014 4:45PM WINCHESTER, VA

APPROVED AS TO FORM: 12/11/2014 CITY ATTORNEY

Revised: October 23, 2009

# CITY COUNCIL ACTION MEMO

**To:** Honorable Mayor and Members of City Council

**From:** Ann T. Burkholder, Commissioner of the Revenue

**Date:** 11/20/2014

**Re:** **Nonprofit Organization Activities Subject to Local Taxation**

---

**THE ISSUE**: Certain business activities and special events of nonprofit organizations may be subject to local business and excise taxation, an area which has been historically overlooked.

**RELATIONSHIP TO STRATEGIC PLAN**: This is a matter of fair and equitable taxation in accordance with state and local code.

**BACKGROUND:** Typically one reads City Code with respect to activities of for-profit entities. Council action earlier this year regarding a specific nonprofit organization prompted the Commissioner's office to conduct a comprehensive review regarding activities of nonprofit entities in general.

(Refer to accompanying memorandum)

**BUDGET IMPACT:** Additional revenue estimate unknown.

**OPTIONS:** Amend or leave intact the current City Code

**RECOMMENDATIONS:** As both the Commissioner of the Revenue and Treasurer have limited resources available to administer current City Code with regard to special events, it is the hope of both offices that an eventual Special Events Policy, currently under development, will include a comprehensive fee structure in lieu of certain individual local taxes.

Winchester commissioner of the revenue Virginia

Ann T. Burkholder, Commissioner of the Revenue
15 North Cameron Street
Winchester, VA 22601
Email: commrevenue@winchesterva.gov

Telephone: (540) 667-1815
FAX: (540) 667-8937
TDD: (540) 722-0782
Website: www.winchesterva.gov

To: Honorable Mayor, Members of City Council

From: Ann T. Burkholder, Commissioner of the Revenue

Date: December 11, 2014

**SUBJECT: Non-Profit Organization Activities Subject to Local Taxation - Update on Policies in Practice across the State**

Following a report on non-profit organization activities subject to local taxation, several councilors inquired about practices in place across the state. An informal survey of other localities yielded the following:

- Very few localities have addressed taxation of local non-profit organizations except in cases of receipts from an unrelated trade or business
- Several localities have explored the matter and decided against it for one or more of reasons, such as:
  - High cost to administer relative to additional revenue received
  - Inability to fully assess in a fair and equitable manner
  - Appreciation of community value provided by such organizations and desire to build good will
- One locality reported that as cost of assessment and collection would exceed revenue, that locality now specifically exempts excise taxation of non-profit organizations
- One locality reports that it actively pursues excise taxation of local non-profit organizations. The commissioner's office has added a full-time employee expressly for this purpose due to the high number its local non-profit organizations and the need to assess as fairly and equitably as possible, yet discovery remains a challenge
- In localities where the governing body's concern is focused on the cost of services provided by the locality during special events hosted by non-profit organizations, those localities often recoup a percentage of those service costs through a special events fee policy. Such policies vary from lump-sum tiered fees based upon size of the event to an actual cost reimbursement for each service provided.

While this information may be useful to Council in determining whether to pursue changes to local code, in the meantime the commissioner remains obligated to administer applicable City Code as written.