

# City of Alexandria, Virginia

## MEMORANDUM

DATE: APRIL 21, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: BUDGET MEMO # 74 : NON-PROFIT OFFSET FOR  
TRANSPORTATION TAX

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Councilwoman Hughes asked a question last Saturday, April 16<sup>th</sup>, after the effective tax rate public hearing about the extent to which the City might be able construct an “offset” for non-profits who otherwise might have to pay any transportation add-on tax on commercial property. Non-profits in the City include 501-C-3 charitable organizations, but also include other types of non-profits such as 501-C-6’s who may be trade associations or specific interest lobbying associations. If non-profits own their own property and that property is taxable then the non-profit would be directly liable for the add-on tax. If the non-profit is already real property tax exempt, then it would not be directly liable for the add-on tax.

- (1) The City Attorney believes that under current laws we could construct a “tax relief” program, which would be an expenditure of City General Funds to non-profits who are affected by such a tax. This tax may be limited only to those who own real property and pay a real estate tax. It may or may not also extend to those whose rent includes a pass-through of real estate taxes. This expenditure would be authorized by the City Charter’s provision that authorizes activities in pursuit of general health and welfare. Transportation add-on tax revenues could not be used for this relief program.
- (2) Unfortunately, at this time City staff has no way to know what the cost of such relief would be if the intent is to provide a 1 for 1 offset. Staff does not readily have information (without researching real estate and other files) on the extent to which non-profits pay real estate taxes. The City’s Business license categories include a category called exempt. We have the business address listed for these businesses (not all of which are non-profit), but do not have the information to determine if they own or rent or if the property is commercial or residential (i.e., subject to the add-on tax).
- (3) To construct a tax relief program would require rules describing who is eligible and how much relief would be provided (perhaps based on some proof of an effect on costs). An application and review process of some sort and staff hours to run it would be necessary

to develop. At this time, without such rules and formulas, we have no way to estimate the cost of such a program.

- (4) Non-profits generally do not pay the BPOL tax unless they have unrelated business income (such as a trade association selling its members insurance).