

Policy Briefing Summary

City Council



Regarding:	Resolution to approve Business License Tax Refund of \$94,169.79, plus applicable interest
Staff Contact(s):	John Hunt, Chief Deputy City Attorney, Jason Vandever, City Treasurer
Presenter:	Todd Divers, Commissioner of the Revenue
Date of Proposed Action:	April 20, 2026

Issue

For the Council of the City of Charlottesville, Virginia's ("City Council"), review and consideration, attached is a Resolution authorizing the refund of taxes paid in error by an out-of-state contracting business ("Taxpayer").

Background / Rule

The Taxpayer erroneously filed for and paid a business license tax in the City of Charlottesville, Virginia ("City"), on work performed in Albemarle County, Virginia ("County"), for tax years 2021 through 2025. In accordance with the statute of limitations imposed by Virginia Code §§ 58.1-3980 and 58.1-3981 (current year plus three (3) prior years), the refund and interest due for tax years 2023, 2024, and 2025 under Sec. 14-12 of the Code of the City of Charlottesville, Virginia ("City Code"), and Virginia Code § 58.1-3703.1 were approved by City Council on March 16, 2026, pursuant to City Code Sec. 30-6(b).

Subsequent to the discovery by the Commissioner of the Revenue ("COR") of the assessment error and reporting of same to Taxpayer, Taxpayer informed COR of the County's intent to assess for the maximum allowable back taxes under Virginia Code § 58.1-3703.1(A)(4)(b) --- current year plus up to six (6) prior years in cases of fraud or failure to apply for a license --- despite there being no evidence of fraud or intentional failure to file, and there being clear guidance from the Commissioner of the Virginia Department of Taxation that a six (6)-year lookback is at the assessing official's discretion and not mandatory.

Therefore, to avoid double taxation of Taxpayer, and so that the "ends of justice may be served," the COR sought authorization from the Circuit Court of the City of Charlottesville, Virginia ("Court"), per Virginia Code § 58.1-3984(D), for authority to correct the erroneous tax assessments levied by the City on Taxpayer in the fourth (2022) and fifth (2021) tax years out, which are beyond the statute of limitations established by Virginia Code §§ 58.1-3980 and 58.1-3981.

On March 26, 2026, the Court entered an Order granting the COR authority to correct Taxpayer's erroneous tax assessments for tax years 2022 and 2021, in the total amount of \$94,169.79, plus interest per Virginia Code §§ 58.1-3703.1(A)(2)(e) and 58.1-3916.

Analysis

The total amount of tax paid in error is \$94,169.79:

2022 - \$68,396.98

2021 - \$25,772.81

It is the COR's determination that this amount should be refunded to the Taxpayer. City Code Sec. 30-

6(b) requires City Council approval for any tax refunds resulting from an erroneous assessment in excess of \$10,000.

Per City Code Sec. 30-6(b), the COR has provided the City Attorney with information necessary to enable him to consent to the COR's determination that the tax paid by the Taxpayer was erroneous and should therefore be refunded. The City Attorney, COR, and City Treasurer have therefore approved the refund for presentment to City Council.

Financial Impact

The refund will reduce the current year's Business License Tax revenue (GL 410150) by \$94,169.79, plus a yet to be determined amount of interest.

Recommendation

The COR, City Treasurer, and City Staff recommend City Council adopt the attached Resolution approving the above-described tax refund, plus interest as determined by the Virginia Code, to the Taxpayer.

Recommended Motion (if Applicable)

"I move to adopt the Resolution authorizing a refund of \$94,169.79, plus interest as determined by the Virginia Code, to the Taxpayer for business license tax paid in error for tax years 2021 and 2022."

Attachments

1. Tax Refund Resolution