



MOTION: GERLACH

SECOND: DUFFY

May 28, 2024
Regular Meeting
Ordinance No. 24-15

RE: **Conforming the Landlord License Tax Structure to State Code Requirements by Increasing the Amount of Gross Receipts Exempt from Taxation**

ACTION: **APPROVED: Ayes: 6; Nays: 0; Abstain: 1**

FIRST READ: May 28, 2024 **SECOND READ:** May 28, 2024

Sec. I. Introduction.

The City of Fredericksburg imposes an annual business license tax on every person who, as principal and owner of such property, engages in the business of renting to others real property in the City. This tax is referred to as the "landlord tax." This tax was first imposed in the City on January 1, 1969, and so it is permitted to continue under the grandfathering clause in Va. Code §58.1-3703(A)(7).

The City's landlord license tax structure has remained unchanged since 1973, in that it exempts the first \$3,600 gross rental income from taxation each calendar year. The City applies an annual license tax of \$25 or \$0.16 on each \$100 of gross receipts from the rental, whichever is greater. In practice, under the "whichever is greater" language, the City in fact exempts the first approximately \$20,000 gross rental income each year.

However, the applicable Virginia Code provision requires the City to exempt the first \$50,000 in business gross revenues from taxation, but permits the City to apply an annual license fee on these revenues. City Council therefore wishes to conform the City's tax structure on landlords to the Virginia Code effective the current calendar year (CY2024), which is also the tax year for these businesses.

Sec. II. City Code amendment.

City Code §70-363, "Renting real property located in City," is hereby amended as follows:

Sec. 70-363. Renting real property located in City.

- A. ~~On and after January 1, 1969, e~~Every person, who, as principal, engages in the business of renting to others real property in the City, ~~and who receives or is entitled to receive in excess of \$3,600 gross rental income in a calendar year from one or more parcels of real~~

~~property located in the City, shall pay for the privilege of doing such business an annual license tax fee of \$25 or and an annual license tax of \$0.16 on each \$100 of gross receipts from the rental of all such real property during the next preceding calendar year, whichever is greater.~~

- B. The annual license tax imposed by this section shall be computed *only* on the gross rental income in excess of ~~\$3,600~~ \$50,000 from all such rental property for the next preceding calendar year. ~~No license shall be required where gross receipts do not exceed \$3,600.~~ There is hereby exempted from the operation of this section rent derived from the operation of hotels, motels, hospitals, convalescent and nursing homes and boardinghouses, and rents received by the City, the state, or the federal government.
- C. The business of renting to others real property mentioned in this section shall be construed to mean a course of dealing with respect to renting real property which requires the time, attention and labor of the person so engaged for the purpose of earning a livelihood or profit, and it shall be construed to imply a continuous and regular course of dealing, rather than an irregular or isolated transaction.

Sec. III. Effective date.

This ordinance is effective immediately.

Votes:

Ayes: Devine, Frye, Duffy, Gerlach, Graham, Holmes


Nays: None

Abstain: Mackintosh

Absent from Vote: None

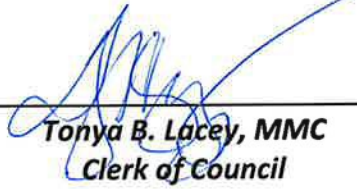
Absent from Meeting: None

Approved as to form:


Kelly J. Lackey, City Attorney

Clerk's Certificate

I, the undersigned, certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Ordinance No. 24-15, duly adopted at a meeting of the City Council meeting held May 28, 2024 at which a quorum was present and voted.



Tonya B. Lacey, MMC
Clerk of Council