

Rev Up Your Revenues

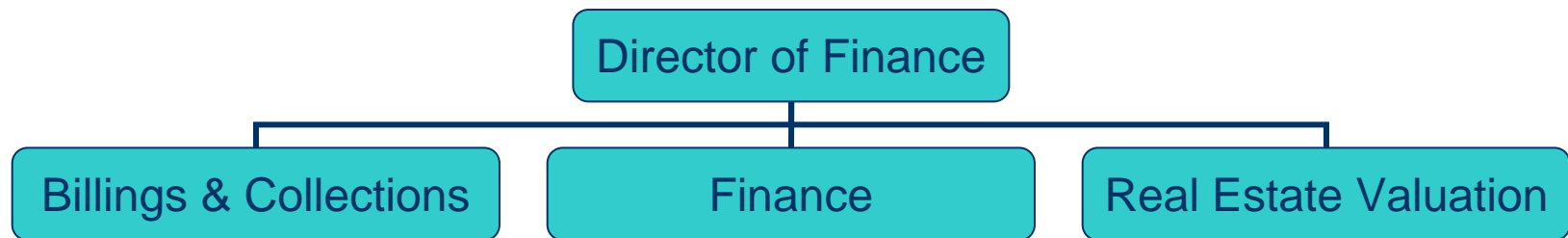
Billings & Collections by Dana Long

VGFOA

Fall Conference 2006



Organizational Chart



Key Services

- Delinquent Tax Collections
 - Personal Property
 - Business License
 - Real Estate
- Accounts Receivable Billings
- Local Tax Administration
- Parking Ticket Administration
- Set-Off Debt Collection
- Bankruptcy Administration



Delinquent Tax Collection \$2M+

- Apply collection actions such as dunning notices, telephone calls, liens, judgments, distress on debtors' accounts to bring about payment on delinquent taxes.
- Coordinate Vehicle Registration Withholding Program with the DMV which allows a “stop” to be placed on registration and license plate renewals
- Administer the “Tax Sale Program” whereby tax delinquent properties are sold for unpaid real estate taxes and nuisance abatements

Tax Sale

- Billings & Collections administers the city's Judicial Sale of Real Property program for delinquent real estate taxes and assessments such as weed abatement and demolitions
- Complex and involved legal process with many detailed steps and procedures
- Up-to-date information is best found at www.roanokeva.gov/taxsale

Accounts Receivable Billings - \$21M

- DBC generates invoices and statements for a wide variety of receivables including bad checks at the civic center, building permits, weed abatements, damage to city property, billings for leases, police reports, intergovernmental billings, vehicular damage to city signs, Emergency Medical Service (ambulance) billings

Bankruptcy Administration

- DBC administers bankrupt accounts for two reasons: 1) to ensure that the city receives the correct amount owed under the bankruptcy plan and 2) to ensure that the city meets the guidelines of the law
- Involves complex laws involving taxes as various tax types are treated differently under the bankruptcy code.

Local Tax Administration - \$27M

- Prepared Food and Beverage Tax (Meals)
- Admissions Tax
- Transient Occupancy Tax
- Consumer Utility Tax
- E-911 Tax
- Rights of Way Use Fee
- Cellular Telephone Tax



Parking Ticket Administration \$650K

- DBC works in conjunction with the Police Department, Fire Department, Airport, and Virginia Western Community College to administer parking tickets including appeals to court – 30,000 tickets per year processed



Set-Off Debt Collection \$450K

- DBC works in conjunction with the state Department of Taxation to submit unpaid city debts (taxes, water bills, parking tickets, library fines etc.) to the state for “offset” against state income tax refunds and lottery winnings.

Collections? What is it?

- Dictionary says: a person employed to collect debts, duties, taxes, etc
- We say: Use of Psychology to bring about an intended action by someone who does not want to comply all while making them feel good about paying their debt or tax obligation

Why do we Collect?

- Revenue
- Equity - It's only fair to those who pay their taxes on time
- Without collections, delinquency ratios tend to increase over time
- Cost Avoidance – It costs more to collect a delinquent account than an account paid timely

Why? continued

- A debtor cannot decide to not pay taxes.
- Debtors tell their friends – who decide to pay on time – word of mouth effect
- Virginia is a great place to be a tax collector!

How to find Debtors.....?

- Don't forget the obvious – Telephone Book
- City Directory
- Cross Reference systems, utility billing, parking tickets, personal property, AR
- ASK..... When talking with debtors, don't forget to ask questions
- Neighbors
- AND.....

The Internet

- www.accurint.com
- www.411.com
- www.555-1212
- www.switchboard.com
- www.whitepages.com
- www.yellowpages.com
- www.WhoWhere?
- www.questdex.com
-and many more

Finding People...called Skip Tracing

- Criss Cross Directories
- US Post Office – NCOA
- Credit Reports
- Caller ID
- Landlord
- DMV Records, State Tax Rolls
- Last employer, other creditors

Collections – The Basics

- Telephone Calls
- Letters
- Statements
- Variations - Have the locality's attorney sign letters, Use "un-marked" blank envelopes, coordinate with utility billing for information on residences
- Find debtors – Use Tools Available
- Cost Avoidance – use of fees and penalties

Project Collect Tax

- <http://www.dor.state.nc.us/collect/>

Water/Sewer Bill Collections

- The greatest tool available –
 - withhold services, e.g. cut-offs
- Other basic collections
- Lien against the real property
- Credit bureau reporting

Parking Ticket Collections

- Past Due Notices
- Use of Late Payment Penalties and Fees
- Publishing Lists
- <http://www.roanokeva.gov/parking>
- Court Summons (in some localities)
- Liens, just like any tax
- Vehicle Registration Withholding
- And, for a stronger effect.....

Parking Ticket Booting



Credit Bureaus

- Report debts to the credit bureau
- Eventually, a debtor will appear to clear their credit records when applying for a loan

Collections – The Nitty Gritty

- Distress – no pun intended
- Liens
- Summons
- VRW
- Tax Sale
- Audits
- Withholding
- Criminal Charges

What is Distress?

- The dictionary defines Distress as: great pain, anxiety, or sorrow; acute physical or mental suffering; affliction; trouble.



Virginia Defines Distress as:

- The seizure of personal property to enforce the payment of taxes, to be followed by its public sale if the taxes are not voluntarily paid.
- It is also called the Writ of Fieri Facias or “Fi Fa”
- The treasurer or sheriff at the direction of the treasurer may seize property of the debtor to satisfy the liability to the locality.

How Does It Work?

- Section 58.1-3941 What may be distrained for taxes? Any goods, chattels, money and bank notes. Specifically assessed property is even subject to distress after it passes into the hands of a bona fide purchaser for value.



What does it really mean?

- The treasurer may issue a distress/seizure warrant to the sheriff (paperwork)
- The Sheriff serves the distress warrant, inventories the property, identifies the property and arranges for storage, if needed, and arranges for a sale or public auction
- Hint: Advertise the sale to get as many buyers as possible at the sale

Distress.....some examples

- Till Taps – levy on the cash register
- Restaurant Equipment
- Personal Property, equipment, automobiles
- Money, bank notes
- Even liquor bottles at a bar



The Check's in the Mail.....



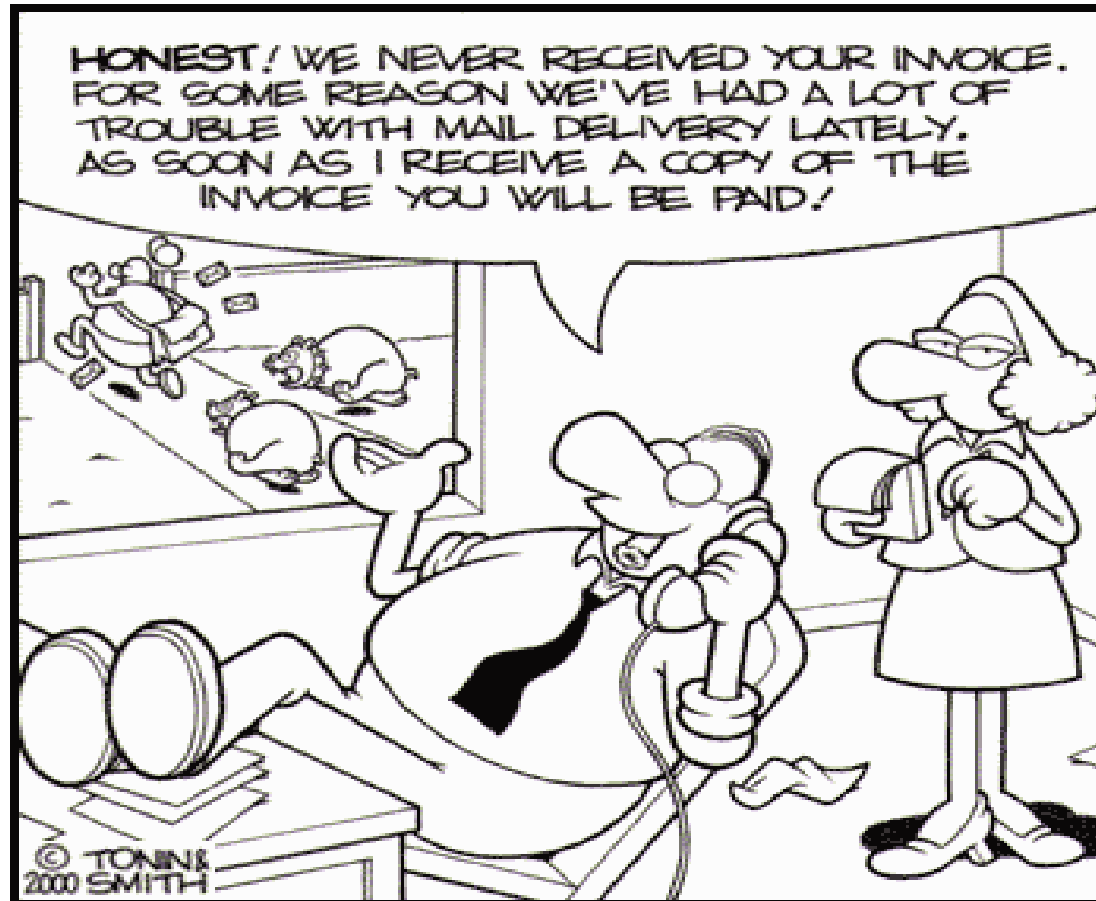
Tax Sales

- Bill In Equity, Judicial Sale of Real Property, Tax Sale, which is it?
- Is it Escheat? And, can it be used today?

Administrative Summons

- Director of Finance Summons
- Treasurer's Summons

I never received the bill



More Collections Tools

- Payment Offsets
- Withholding permits, licenses, services
- Administrative Fees
- Cooperation with other agencies, such as ABC, did you know that it is a violation for a restaurant to not be “financially sound” as evidenced by tax delinquency and they may lose their ABC license

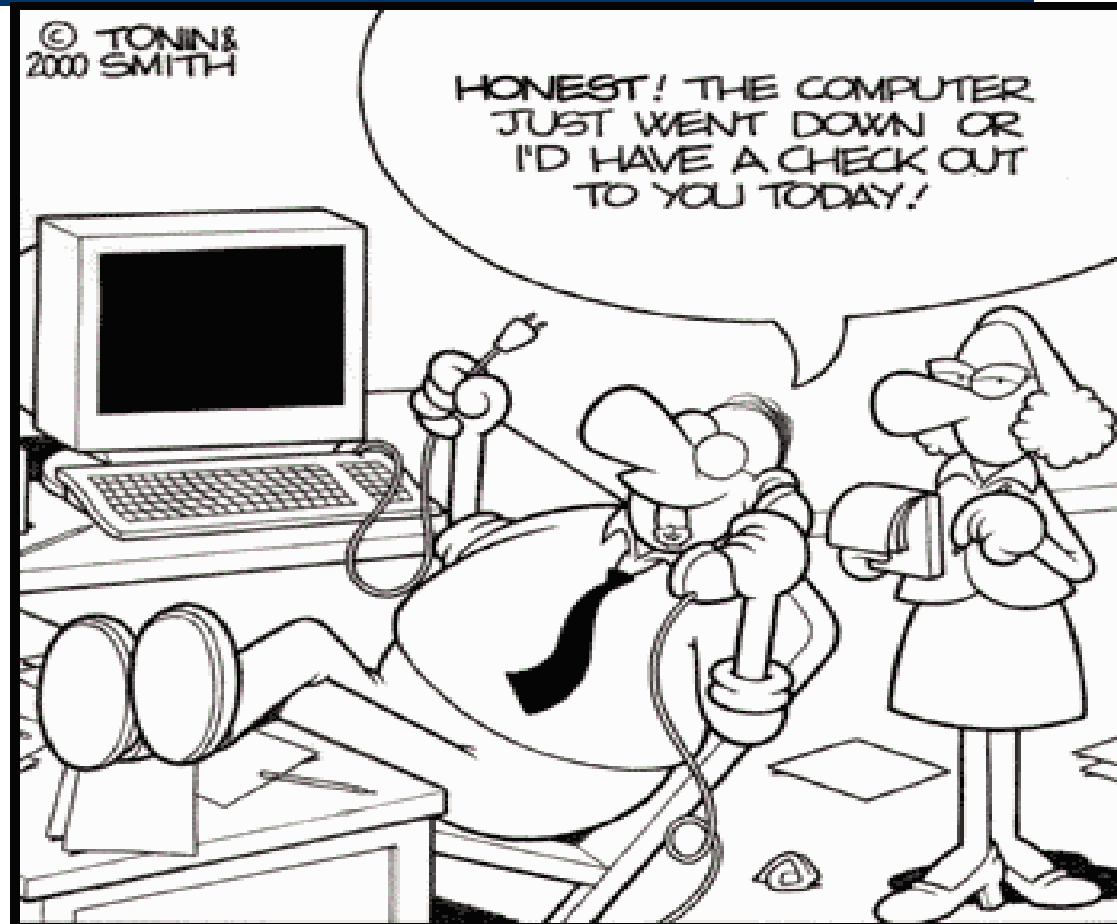
Even Stronger collections

- Class 1 misdemeanor – File a Criminal Complaint Warrant for failure to file and remit Local Taxes, punishable by a fine of up to 12 months in jail or \$2,500 or both
- The “E” Word.....
 - Embezzlement
- The “F” Word.....
 - FCC
- Audits: A strong audit program is necessary for increased collections, decrease in delinquency and to deter non-compliance

Vehicle Registration Withholding

- Program available through the DMV for withholding of vehicle registration and license plate renewals for unpaid taxes and parking tickets. Often called “Stops”
- Incurs a \$20 fee payable by the locality to the DMV. The fee may be passed on to the debtor.
- Must notify debtor 30 days in advance

Honest!



Other Withholding.....

- Code of Virginia provides that decals may be withheld for various tax debts including even parking ticket debts
- Withhold all permits such as zoning, building, development review, etc.. for unpaid real estate taxes

Penalty, Interest, Fees “PIF”

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www.glasbergen.com



“Our terms are net 30 days. If you don’t pay after 30 days, we come after you with a net!”

The “Lien”

- This is the most powerful tool in the collector’s toolbox
- Authorized by 58.1-3952 Code of Virginia



What can be liened?

- Bank accounts
- Wages
- Rents
- Credit Card Companies
- Insurance Companies
- Real Estate Closings
- Commissary Funds
- Department of Finance!!! Wages/ Accounts Payable

Why would I do a lien and not a judgment?

- First, both have advantages and disadvantages.....
- Liens are quick and less costly, no court fees
- They accomplish the same results, obtaining assets of the debtor to pay the liability
- Liens are less cumbersome.....not as much paperwork as a judgment, but they cannot be attached to real property

Creative Uses of the Lien

- Clients of Professionals, such as lawyers
- Retail Establishments, liens on American Express or credit card companies
- Guests in a hotel that owes taxes
- Liens on all cable TV subscribers
- Companies doing business with your locality
- Lien to Anthem or Delta Dental for professionals who owe the locality

How Does it Work?.....

- The treasurer or tax collector issues a tax lien form to the holder of the assets
- The debtor must be copied
- Required to provide a copy of the code and exemptions
- It doesn't have to be certified mail. It may be hand-delivered to the asset holder – for example the bank

How Does it Work?.....

- Timing is important
- Send a cover letter and ask for information back from the employer, if it is a wage lien, i.e. if the person no longer works there, where did they go to work, what is their forwarding address?
- For landlord liens, send a letter to the tenant informing them they are *not* in violation of their lease for paying the rent directly to the locality
- Requires at times some cross-reference and detective work

What if Liens aren't your bag?

- Then try a
 - **Voluntary Wage Assignment**
 - This is a document you provide to the debtor who “voluntarily” gives it to his employer for an agreed upon amount to be deducted from his or her paychecks

Set-Off Debt Collection

- Participate in Department of Taxation's Set-Off Debt Collection program to offset state income tax refunds as well as lottery winnings for all types of unpaid bills from library fines to water bills, from parking garage fees to taxes

Publish Lists of Delinquent Accounts

- Lists of debtors and delinquent accounts may be published in the newspaper or on the Internet! Rapidly gaining popularity.
- Check with your attorney first
- This even applies to parking tickets!
- Name the top 100 or 10 offenders
- ...See VGFOA bulletin –this is required in the State of Wisconsin



Commerce Committee. The letter urges the committee leadership to protect local government franchise authority and other police powers in any rewrite of the 1996 telecommunications law.

The letter specified the committee's top concern is preserving local government authority to manage streets and public right-of-way that no longer undermine municipal revenues. The letter also needs to be updated to reflect current conditions.



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issuance Third Quarter... in the third quarter of... \$1.46 trillion, an... of 4.3 percent from the... issued in the second quarter.

... for the first three quarters of 2005 totaled \$4.18 trillion, slightly lower than the \$4.21 trillion issued for the same period of 2004. Total short- and long-term municipal securities issuance was \$344.8 billion for the first three quarters of 2005, up 8.7 percent compared to the same period of 2004. If the pace continues, total 2005 issuance will surpass the record set in 2003. Many state and local governments have taken advantage of opportunities to refund more expensive outstanding debt to lock in lower funding costs. New capital issues were down 1.6 percent from 2004. □

Delinquent Tax Collection Technique
The State of Wisconsin has already collected \$2 million in back taxes, penalties, and interest from companies and individuals that did not want their names listed on the Internet as delinquent taxpayers. A new state law requires tax scofflaws' names to be posted on the Internet beginning

7,235 names of delinquent taxpayers (5,886 individuals and 1,349 businesses) next year, in hopes of collecting more of the \$771 million outstanding in unpaid taxes. The list includes everyone who owes more than \$25,000. A separate list will name the top 100 offenders. The 100 (67 businesses and 33 individuals) owe \$27.58 million. Prior to the new law, how much each taxpayer paid in taxes was public information but delinquency was protected information. State Revenue Secretary Michael Morgan said the state will update the Web list daily and be delinquent taxpayers will pay up quickly to get their names off it. □

Top Digital Cities
The Center for Digital Government recently released its 2005 Digital Cities Survey, an annual survey examining how city government uses digital technologies to better serve their citizens and streamline operations.

The first-place cities in their respective population categories are: Charlotte, Texas; Madison, Wisconsin; Roanoke, Virginia; and Delray Beach, Florida.

The Center and the National League of Cities developed the survey and invited more than 600 city managers, and chief information officers to participate. The survey grouped cities into four population categories: 250,000 or more, 125,000-249,999, 75,000-124,999 and 30,000-74,999. Officials responded to a set of 22 question survey questions focused on implementation and adoption of online

Survey on Government Communications Tax
A survey on local government communications tax structures has been distributed to a representative sample of both city and county finance officers. It is essential that all GFOA members who receive the survey do their best to complete it.

The survey is a part of the efforts by

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Huntington shuts down bar

Chickadee's closed because of failure to pay city taxes

By **BRYAN CHAMBERS**
The Herald-Dispatch
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brawl earlier this week. Chickadee's, which is located in the 1100 block of 4th Avenue, had its business license revoked for not paying business and occupation taxes or col-

lecting the user fee from its employees since August 2005, city Finance Director Bob Wilhelm said.

Late Monday, several city police officers were called to the bar after a fight spilled out of the establishment and onto 4th Avenue. The fracas occurred during a teenage party at the bar.

At one point, more

than 500 people blocked all four lanes of 4th Avenue, according to a police report. Two off-duty police officers working at the bar had to radio for help after several hundred people had them pinned against a building. Officers had to use pepper spray to disperse the crowd.

"The incident at the bar

brought it to our attention that we just might want to check and see if they were paying their taxes," Wilhelm said. "When we looked into it, we saw that they had not paid, so we shut them down until they decide to come into City Hall and pay."

The owners of the bar could not be reached for

comment Wednesday.

Chickadee's is the ninth business the city shut down since it announced stepped-up efforts in February to collect delinquent taxes and fees. However, it is the first business that the city has shut down in more than two months.

Please see **CLOSE/3C**

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HUNTINGTON — City tax collectors on Wednesday shut down a 4th Avenue bar that was the scene of a large

Close

Continued from 1C

City tax collectors have blamed the temporary stoppage on a heavy workload spurred by the shutdown program. Earning they would be next on the city's list, delinquent business owners have flooded City Hall to pay their taxes and renew their licenses, collections supervisor Mary Beth Miller said.

The shutdown program is a major reason why the city has col-

lected \$1.6 million more in B&O taxes than it projected to collect this fiscal year, Wilhelm said. The budget year ends June 30.

Wilhelm said tax collectors now are prepared to close more businesses in the coming weeks.

"We're back on the hunt," he said.

The Herald-Dispatch
www.herald-dispatch.com

Bankruptcy

- True or False
- If you file bankruptcy, you never, ever have to pay a tax or local bill ever again and you are excused from bill payment...forever!

FALSE

- How does your locality manage bankrupt accounts?
- Attorneys? Professional Collectors? Or Write-Offs
- File a Proof of Claim, Protect the city's assets by properly collecting debts owed.
- Many laws and most of which treat various taxes differently. This leads to the need for staff with specialized training in this area

Tricks of the Trade

- When a debtor falls behind on a “pre-petition” debt, notify the bankruptcy court that the debtor is in violation of the bankruptcy. A debtor may not accrue debt under the bankruptcy until the bankruptcy is discharged
- Petition the bankruptcy court to dismiss the case as the debtor is in violation. If dismissed, the debt may be collected as if there were never a bankruptcy!

Tricks of the Trade II

- Notify the debtor's attorney that the debtor has incurred "post-petition" delinquent debts
- Ask the attorney to notify their client that if the debts are not paid in full within XX days, we will begin legal action against the client, i.e. tax liens, forwarding the account to the city attorney's office, etc..

Tricks of the Trade III

- Notify the Mortgage Company or lienholder that there are delinquent taxes on the property for which they are a deed of trust lien holder. “We are notifying you of this in order for you to protect your interest in this property.” If the taxes are not paid, in full within xx days, we will begin the Judicial Sale of Real Property (tax sale) process. “This process will affect your lien on the property. Time is of the essence, so please respond accordingly.”
- For real property as well as personal property including vehicles.

Tricks of the Trade IV

- Use blank envelopes with no return address and postage stamps (non-metered)
- Have letters written from another party, director of finance or city attorney
- Hand write envelopes
- Use a different return address, e.g. the street address and not your PO Box
- Use color, large bold **“FINAL NOTICE”**

Collections Tried and True

- Letters, letters, statements, and statements
- Telephone calls,
- More telephone calls
- And telephone calls
- Keep track of promises to pay
- Keep track of payment arrangements
- Use Temp Help to manage workload



Resources for the Tax Collector

- Treasurer's Association of Virginia
- Various Law Firms or Collection Agencies
- Newsletter: TACS FACS www.taxva.com

What is the most effective tax collection tool?

- None!
-They are all effective
- Each locality has to decide what works best

This is Why.....

- Virginia is a great place
to be a Tax Collector.....

Top 5 excuses for not paying

- I already paid
- My “fill in the blank” told me I didn’t owe anything
- I paid at the DMV
- I filed bankruptcy a while back
- I NEVER RECEIVED A BILL



Questions?



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Acknowledgements:

- The Staff of Billings & Collections
- Treasurer's Association of Virginia