

Wrapping It All Up:

Settlement, Collection %, and Write-Offs

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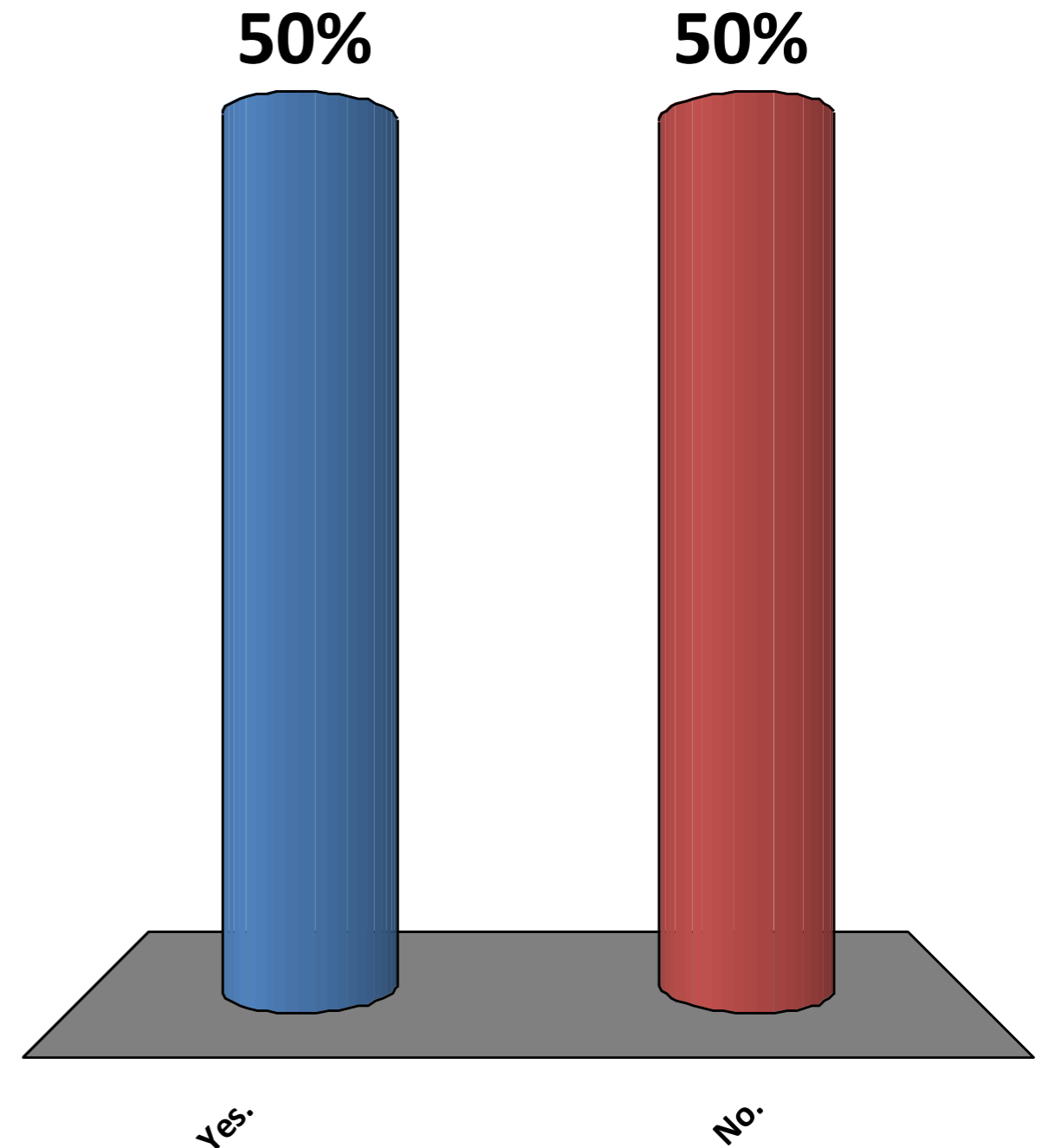


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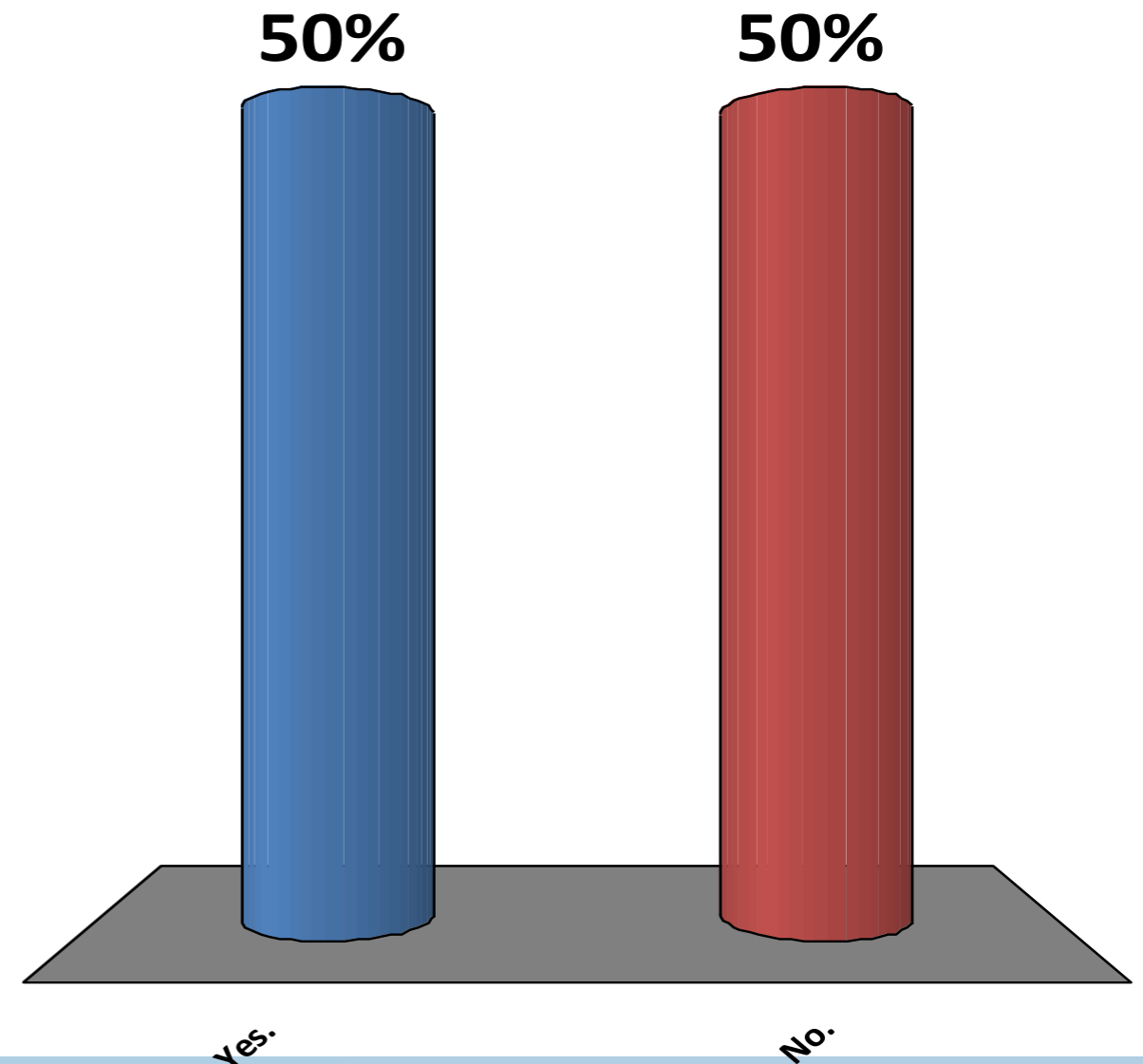
Do you create an annual settlement?

- A. Yes.
- B. No.



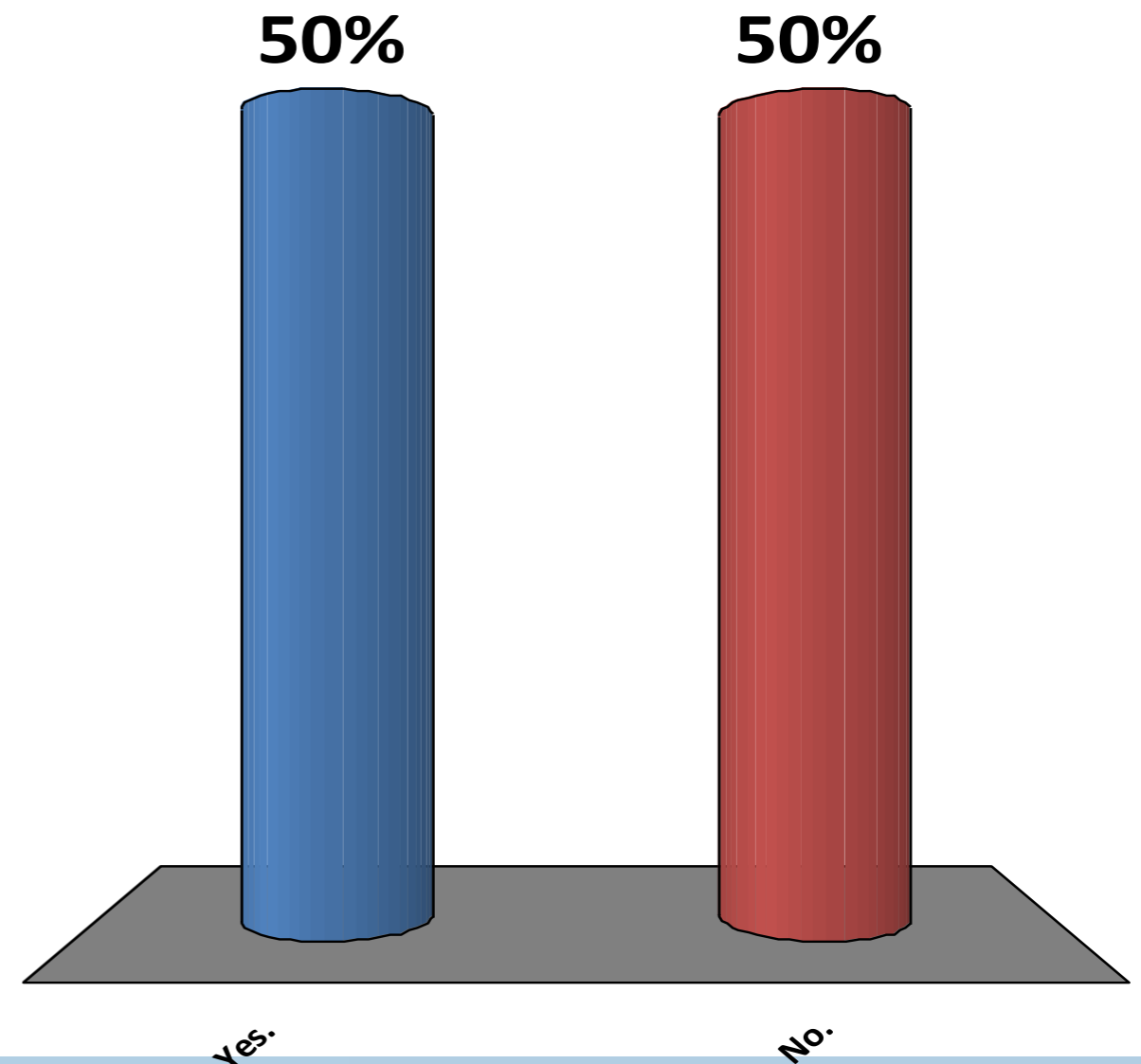
Do you include a collection percentage as part of your annual settlement?

- A. Yes.
- B. No.



Do you calculate the collection percentage as part of your government's annual budget process?

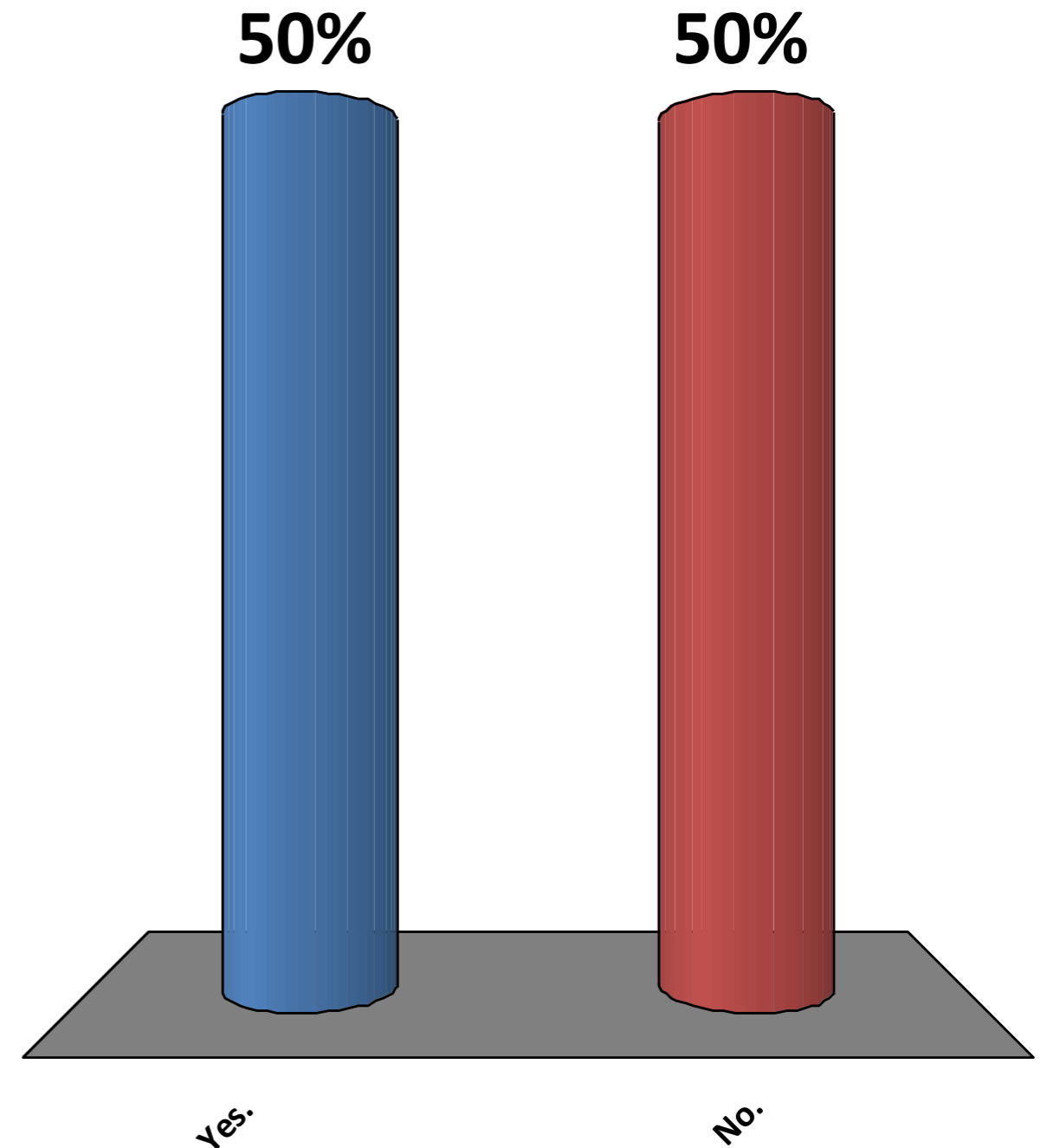
- A. Yes.
- B. No.



Do you write off taxes annually?

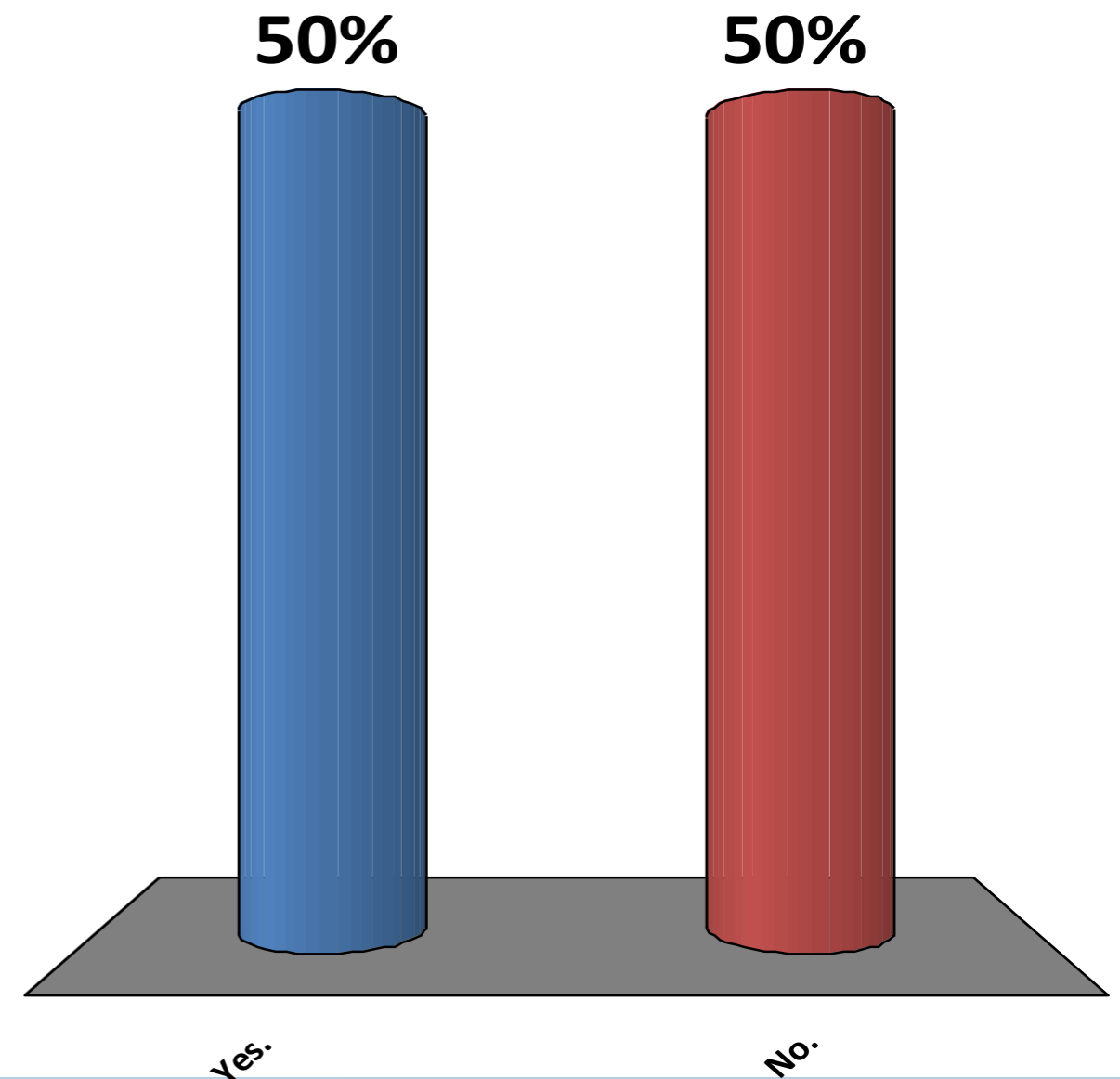
A. Yes.

B. No.



Do you use the insolvents list to write off taxes annually?

- A. Yes.
- B. No.



Three Main Topics Today

1. The Annual Settlement
2. Writing Off Old Uncollected Taxes
3. Calculating the Collection Percentage

Three Very Different Goals

1. The Annual Settlement:
 - identify what money came in the door
2. Writing Off Old Uncollected Taxes
 - relieve collector of responsibility
3. Calculating the Collection Percentage
 - evaluate tax office performance
 - help determine next year's tax rate

THE ANNUAL TAX SETTLEMENT



G.S. 105-373

- G.S. 105-373 is the statute covering the aspects of the annual “Tax Settlement.”
- It describes in detail the mechanics of the Tax Settlement and the items required to be included in the Tax Settlement.
- The Tax Settlement occurs as soon as possible after the July 1st date has past. It is effective with June 30th statistics.



Preliminary Report

- A list of the persons owning real property who have not paid and the principal amount owed by each person.
- A list of the persons who do not own real property, but whose personal property amounts remain unpaid.
- The Tax Collector may attach an explanation of collection attempts on the personal property.



Settlement for Current Taxes

The Tax Collector is Charged with the following:

- The total amount of all taxes in his hands for collection for the year-including original amounts and discoveries added.
- All penalties, interest, and costs collected in connection with taxes for the current year
- All other sums collected by him.



Settlement for Current Taxes

The Tax Collector shall be credited with:

- All sums representing taxes for the year deposited by him to the credit of the taxing unit.
- Releases duly allowed by the governing body
- The principal amount of taxes constituting liens on real property
- The principal amount of taxes included in the insolvent list
- Discounts allowed by law
- The principal amount of taxes appealed to PTC not resolved.



Deposition of Tax Receipts After Settlement

Uncollected taxes allowed as credits in the settlement, whether represented by tax liens held by the taxing unit or included in the list of insolvents, shall be recharged to the tax collector or someone designated by the governing body.



Settlement at End of Term

- When any tax collector fails to succeed himself at the end of his term or resigns, he shall on the last business day of his term make a full settlement for all taxes & deliver records to his successor.
- If a settlement is not made by the tax collector, the chief accounting officer is charged with making a report in the nature of a tax settlement.



Settlement for Delinquent Taxes

- Annually, at the time for settlement, the total amount of taxes in his hands for collection for prior years, shall settle with the governing body of the taxing unit.
- The settlement for prior years shall be made in whatever form is satisfactory to the chief accounting officer & governing body of the taxing unit.



Penalties

In addition to any other civil or criminal penalties provided by law, any member of governing body, tax collector or chief accounting officer who fails to perform any duty imposed upon him by this section shall be guilty of a Class I misdemeanor.



Insolvents

- The Governing Body shall enter upon its minutes the names of the persons owing taxes (but who listed no real property) whom it finds to be insolvent, and it shall by resolution designate the list as the insolvent list to be credited to the tax collector in the settlement.



Relief From Collecting Insolvents

- The Governing Body of any taxing unit may, in its discretion, relieve the tax collector of the charge of taxes owed on the insolvent list that are five or more years past due-when it appears such taxes are uncollectible.



Relief from Collecting Taxes on Classified Motor Vehicles

- The board of county commissioners may, in its discretion, relieve the tax collector of the charge of taxes on classified motor vehicles that are one year or more past due and are uncollectible.





Durham County Tax Administration

2014 Tax Settlement

Presented By:

Kimberly Simpson, Tax Administrator

Introduction:

Per N.C. General Statute 105-373 the Tax Collector must make a report of settlement for the fiscal Year 2014-2015 and prior years.

The Tax Collector has delivered a list of persons owing taxes to the Clerk to the Board Of County Commissioners.



2014 County Levy

Real/Personal Property

<i>Total Billed</i>	<i>Actual Collections</i>	<i>Uncollected</i>	<i>% Collected</i>
\$233,147,638.82	\$232,150,312.43	\$997,326.39	99.57%

Public Service

<i>Total Billed</i>	<i>Actual Collections</i>	<i>Uncollected</i>	<i>% Collected</i>
\$4,051,305.42	\$4,051,305.42	-0-	100%

Motor Vehicles

<i>Total Billed</i>	<i>Actual Collections</i>	<i>Uncollected</i>	<i>% Collected</i>
\$14,629,121.41	\$14,627,040.40	\$2,081.01	99.99%



Total County Levy

<i>Total Billed</i>	<i>Actual Collections</i>	<i>% Collected</i>
\$251,828,065.65	\$250,828,658.25	99.60%



5 Year Comparison By Category

Real/Personal

<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/15</u>
99.20%	99.32%	99.49%	99.47%	99.57%

Public Service

<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/15</u>
100%	99.98%	100%	100%	100%

Motor Vehicles

<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/15</u>
92.67%	90.97%	91.39%	97.49%	99.99%



5 Year Comparison Overall Collection Rate

<u>6/30/11</u>	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/15</u>
98.88%	98.86%	99.02%	99.34%	99.60%



5 Year Collection Rate Graph



5 Year Comparison Prior Year Collections

6/30/11	\$2,508,154.02
6/30/12	\$2,161,410.23
6/30/13	\$2,548,978.95
6/30/14	\$2,218,839.22
6/30/15	\$1,499,302.10



How Do We Compare With Other Counties?

Information compiled from top ten counties in population.

Durham's rank in the top ten counties.

Comparison of collection rate growth.



COUNTY RANKINGS

PERCENTAGES

	2011	2012	2013	2014	2015	Amt Inc/Dec
Wake	98.64	98.93	98.98	99.34	99.76	0.42
Buncombe	98.67	98.84	99.04	99.42	99.70	0.28
Durham	98.88	98.86	99.02	99.34	99.60	0.26
Mecklenburg	98.12	98.12		99.31	99.51	0.20
Union	97.42	98.01	98.21	98.71	99.25	0.54
Cumberland	97.48	97.53	94.42	98.50	99.15	0.65
Guilford	97.99	97.96	97.60	98.83	98.99	0.16
Forsyth	97.81	97.91	98.05	98.43	98.89	0.46
New Hanover	98.69	98.56	98.46	98.61	98.72	0.11
Gaston	96.15	96.34	96.89		98.56	0.00

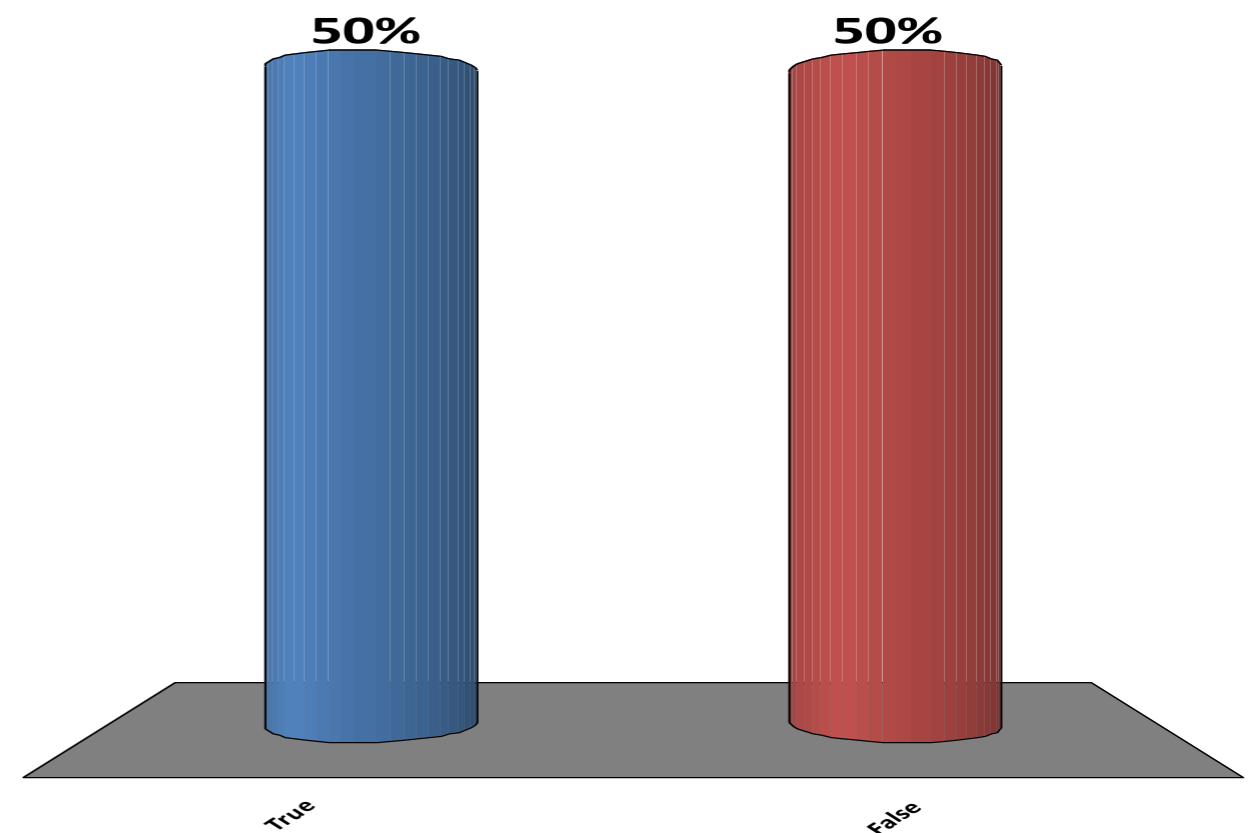


Writing Off Old Taxes

The Machinery Act permits local governments to write off all property taxes that are more than 10 years past due.

A. True

B. False



No Automatic 10-Year Write-Off

- 105-378(a)
 - Bars collection remedies after 10 years
 - No mention of write off
- 105-373(a)(4):
 - Uncollected taxes “shall” be recharged

Insolvents List

- Only legal method to write off taxes
- Only for taxes that are NOT lien on RP
- Part of annual settlement

Insolvents List: 2 steps

1. Ask governing board to add this year's uncollected taxes that are not lien on RP to insolvents list
2. After on list for 5* years, ask governing board to relieve collector of responsibility

**1 year for RMV taxes—but we shouldn't have any more of those!*

What about old taxes that are liens on real property?

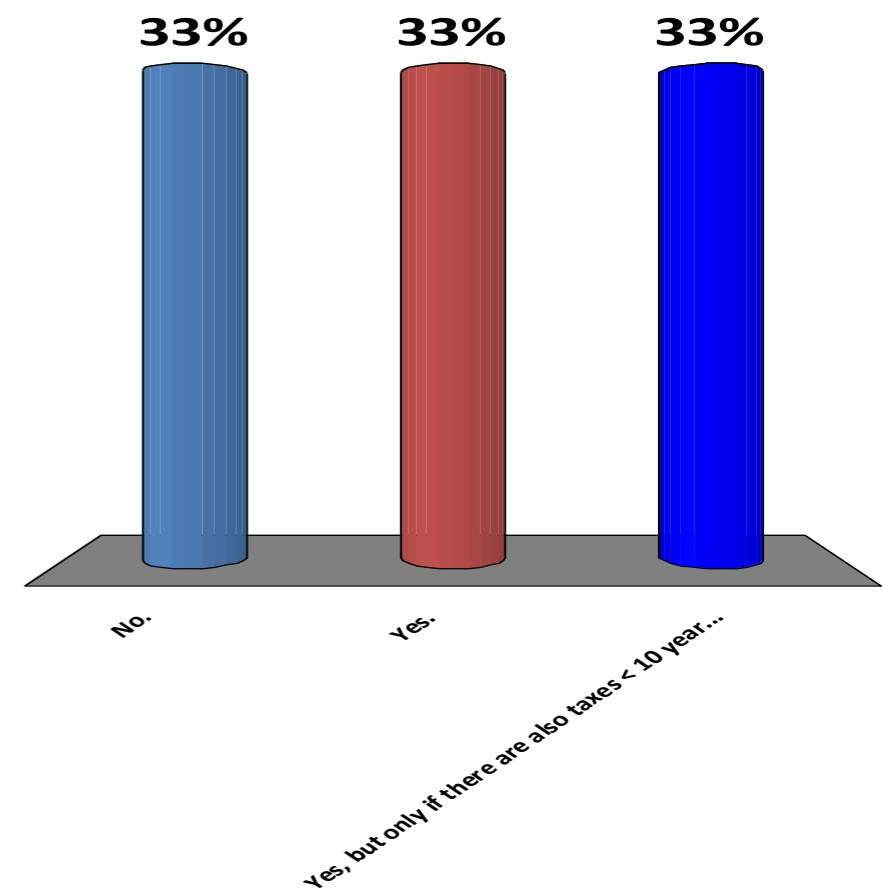
One Option that Might Work

- Collector in charge of delinquent taxes makes settlement annually
- Re-charge that collector with delinquent taxes only from the nine prior years
- Delinquent taxes 9 years and older are never charged to a collector, can be removed from the books

A few questions about old taxes . . .

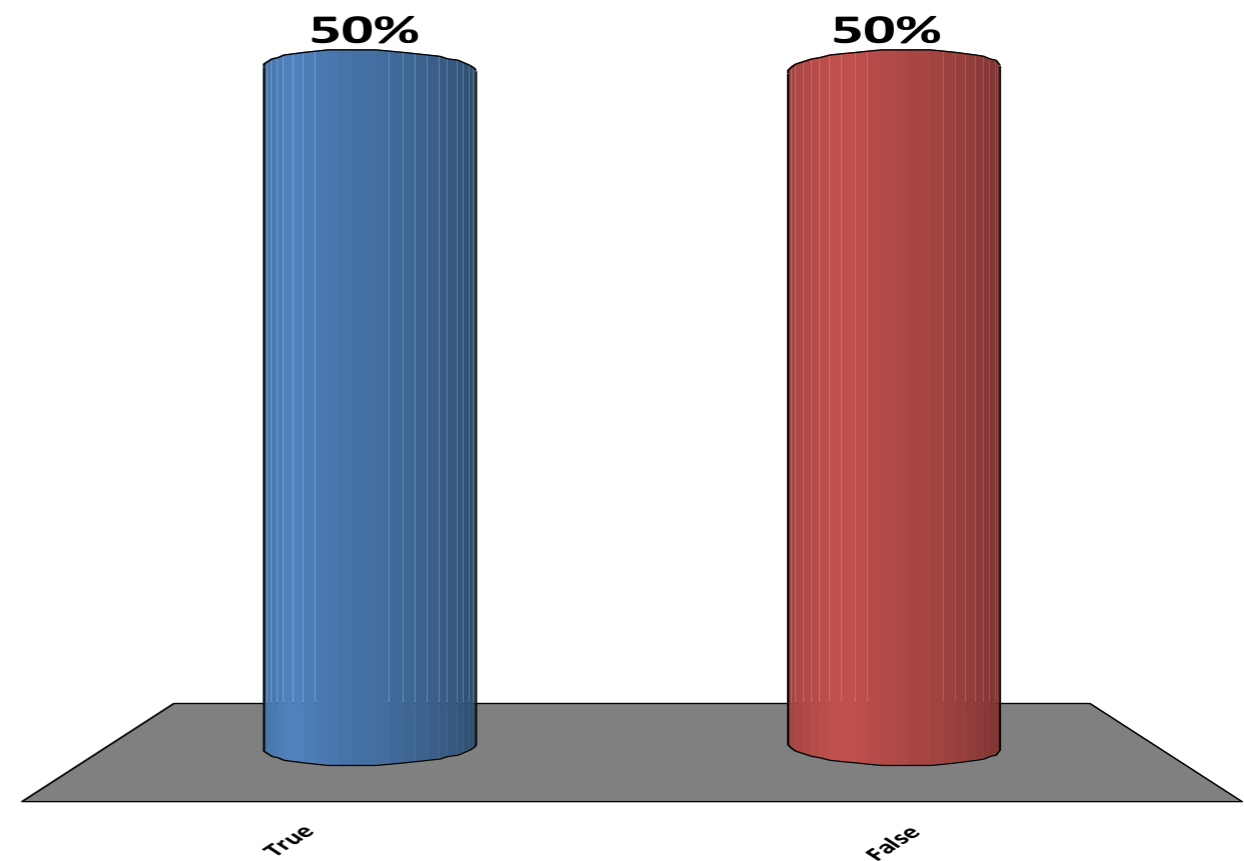
May taxes more than 10 years past due be included in a tax foreclosure proceeding?

- A. No.
- B. Yes.
- C. Yes, but only if there are also taxes < 10 years past due also included in the foreclosure proceeding.



If a taxpayer voluntarily mails a payment for tax that is more than 10 years past due, the tax office may not accept it.

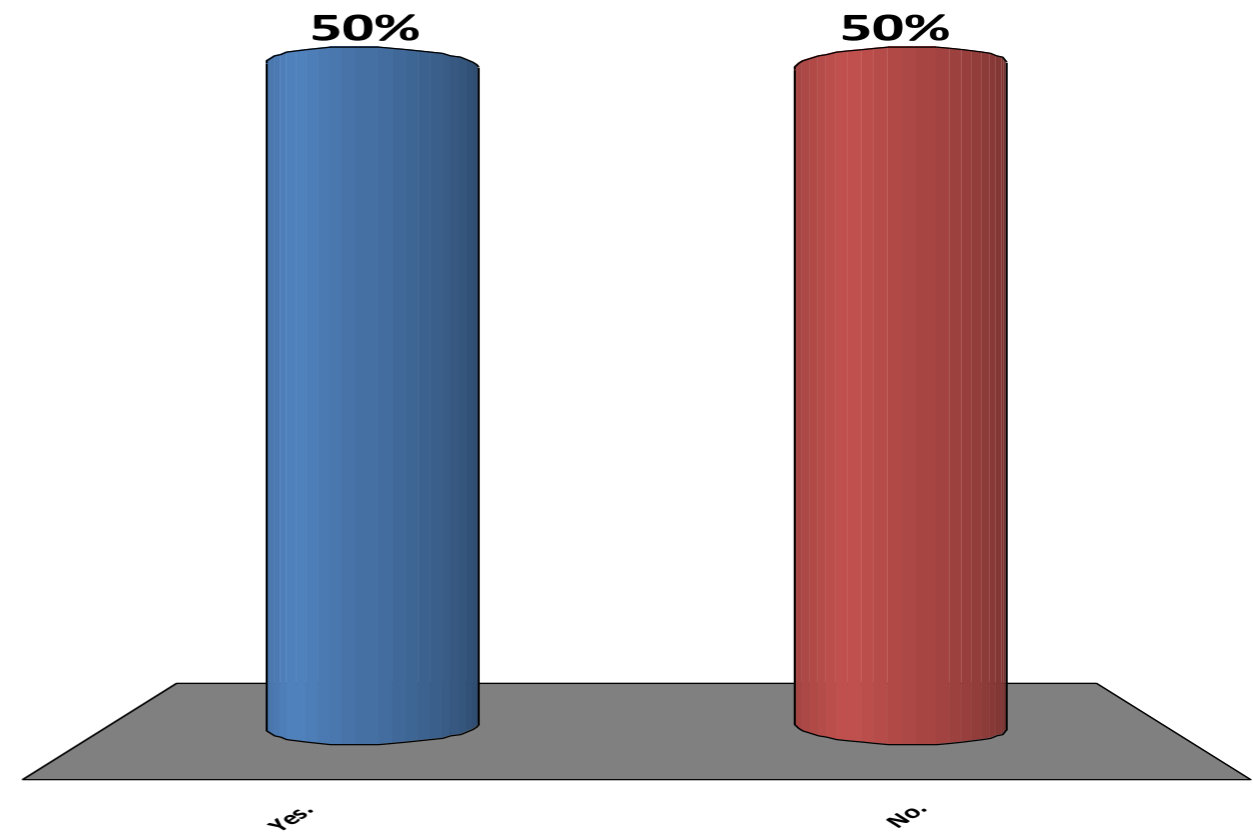
- A. True
- B. False



If a tax has been placed on the insolvents list, may the collector use enforced collections for that tax?

A. Yes.

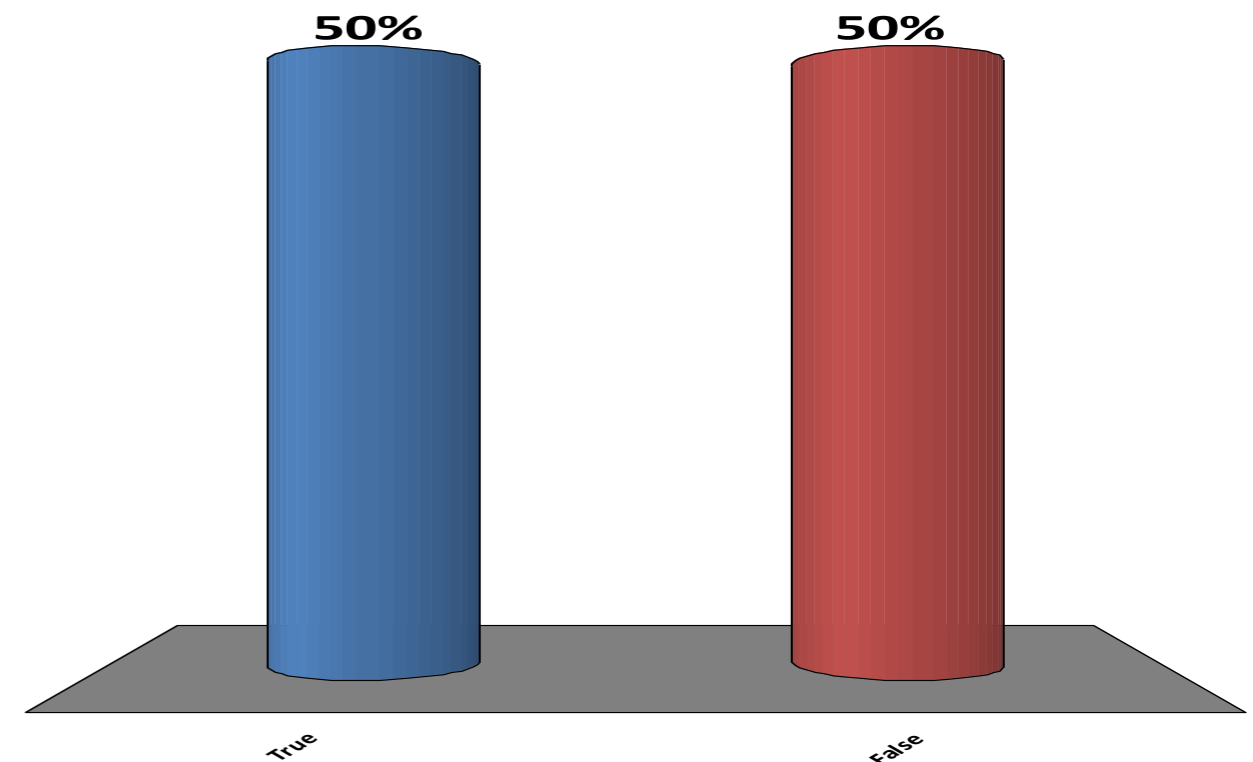
B. No.



The tax collector must terminate an existing wage garnishment if it extends past the 10-year statute of limitations.

A. True

B. False





Tax Collection Rate

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NC Department of State Treasurer, State and Local Government Finance

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North Carolina Department of State Treasurer
State and Local Government Finance

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AGENDA

- How to calculate tax collection percentage for financial reporting/budgetary restriction purposes
- Tax collections and their affect on the budgeting process
- SLGFD audit review process
- The effect of tax collection percentage on bond ratings



Average Current Year Tax Collection Percentages Statewide and By Population Grouping

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
<u>Statewide</u>	97.17%	97.19%	97.29%	97.34%	97.97%
Broken down by Population:					
100,000 and Above	97.65%	97.68%	97.79%	97.82%	98.37%
50,000 to 99,999	96.19%	96.08%	96.29%	96.41%	97.23%
25,000 to 49,999	95.64%	95.81%	95.47%	95.50%	96.73%
24,999 and Below	94.79%	94.54%	95.13%	95.38%	96.05%



Calculating the Collection Percentage

STEP 1: Determine the total net levy for the year

- Original levy, including an estimate of levy for vehicles
- PLUS:
 - Discoveries made (meaning the date the tax office changes the electronic record) on or before December 31
- MINUS:
 - Releases
 - Discounts



Calculating the Collection

Percentage

STEP 2: Determine how much was collected for the year

- Total collected during the year
- PLUS:
 - Any collections of current year taxes that were collected by another entity and have not yet been remitted to you
 - Collection fees that are deducted from what has been remitted to you for the current year



Calculating the Collection

Percentage

- LESS:
 - Collections that relate to another tax year – either receipts for prior years' taxes or prepayments of coming year taxes
 - Penalties, interest, service fees, etc. that you receive
 - Collections for special districts located within unit



Calculating the Collection Percentage

Step 3: Once have all the data, just do the math

- Current year's taxes collected: \$54,380,102
Net Levy (Adjusted Levy): \$55,534,264

= 97.92%

- See handouts from Carolina County



Estimating Tax Collection Percentage As Part of The Budgeting Process

- The following are required in a budget ordinance in order to levy taxes:
 - The estimated tax collection percentage, which is limited by General Statute 159-13(b)(6).
 - the estimated collection rate for budgeted purposes cannot exceed the prior year's actual rate
 - “*Prior year*” means the year preceding the year for which the budget is being adopted
 - Requires unit to estimate final tax collection percentage as part of the budget preparation process
 - The dollar amount of property being levied upon



Estimating Tax Collection Percentage As Part of The Budgeting Process

- Tax collection percentage in March/April should be close to actual percentage at June 30
- Can adjust budget for discoveries after ordinance has been adopted
 - Budget at same percentage used for original budget



SLGFD Audit Review Process

- Review schedules –
 - Analysis of Current Tax Levy
 - Schedule of Ad Valorem Taxes Receivable
- Common Reporting Problems
 - Including special districts in calculations
 - Math errors
 - Collection percentage should be calculated to two decimal places



SLGFD Audit Review Process

- Consider collection percentage in overall evaluation of fiscal position of unit
- Also consider dollar amount of uncollected taxes
- Look at effect of motor vehicle collections on overall collection rate
- Consider outside factors that may influence collection rate – loss of major taxpayers, high unemployment rates, etc.



SLGFD Audit Review Process

- Typically encourage municipalities to allow counties to collect taxes on their behalf
 - Economies of scale
 - Allows limited municipal staff to concentrate on other duties
 - Eliminate an internal control concern in municipality
- Encourage use of debt set-off program



Tax Collections and Bond Ratings

- Tax collections don't directly affect bond ratings
- Rating agencies look at collection rate as one indicator of financial status of government
- Also looked at as indicator of economic health of geographical area
- If collections rate materially differs from surrounding governments, will need to explain
- Trend in collections is important; agencies want to see improvement over time if collections rate is low



Estimating Tax Collection Percentage As Part of The Budgeting Process

- GS 159-15 was amended in 2001 to allow governments to change tax rate after budget ordinance adopted
- Must be as a result of material change in expected revenues
- Change must be made prior to January 1
- Change can increase or decrease tax rate
- Change must be made through a budget amendment





Thank You!

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