COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON FINANCE

Room 400, City Hall
Philadelphia, Pennsylvania
Monday, December 1, 2014
10:25 a.m.

PRESENT:
COUNCILWOMAN MARIAN B. TASCO, CHAIR
COUNCILWOMAN CINDY BASS
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN WILLIAM K. GREENLEE
COUNCILMAN BOBBY HENON
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN CURTIS JONES, JR.
COUNCILMAN DENNIS O'BRIEN
COUNCILMAN DAVID OH
COUNCILWOMAN BLONDELL REYNOLDS BROWN
COUNCILMAN MARK SQUILLA

BILLS 140209, 140238, 140828, and 140884

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COUNCILWOMAN TASCO: Good morning. Sorry to keep you waiting, but we now have a quorum in the presence of Councilwoman Blondell Reynolds Brown, Councilman O'Brien, Councilwoman Blackwell, Councilman Jones is the Majority Leader and always a member of a committee, and Councilwoman Blackwell and Tasco. And Councilwoman Bass is here and Councilman Oh. They're not members of the Committee, but they're participating in the hearing.

We will now have the Clerk read the bills that we will hear today.

THE CLERK: Bill No. 140209, an ordinance amending Chapter 19-2600 of The Philadelphia Code, entitled "Business Income and Receipts Taxes," by providing for certain exclusions and deferrals relating to businesses distressed as a result of nearby public works projects, all under certain terms and conditions.

Bill No. 140238, an ordinance amending Title 19 of The Philadelphia

12/1/14 - FINANCE - BILL 140209, etc.

Code, entitled "Finance, Taxes and Collections," to provide for automatic transfer of delinquent taxes and fees to a qualified third party law firm or collection agency; all under certain terms and conditions.

Bill No. 140828, an ordinance amending Chapter 19-3900 of The Philadelphia Code, entitled "Tax Exemptions for Longtime Owner-Occupants of Residential Properties," by extending the deadline to apply for the exemption authorized by this Chapter on behalf of certain property owners who were eligible for the exemption in the first year that it was available, but who missed the deadline to apply; all under certain terms and conditions.

Bill No. 140884, an ordinance amending Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by modifying the definition of "Net Income" with respect to distributions from S corporations; all under certain terms and conditions.

COUNCILWOMAN TASCO: Thank you very much.

We will now call on Commissioner Tolson to hear Bill 140209.

(Witness approached witness table.)

COUNCILWOMAN TASCO: Councilwoman, you want to wait until she testifies?

COUNCILWOMAN BASS: Yes.

COUNCILWOMAN TASCO: Thank you.

Good morning.

COMMISSIONER TOLSON: Good morning. Good morning, Chairwoman Tasco and members of the Committee on Finance. My name is Clarena Tolson. I'm the Revenue Commissioner and Chief Collections Officer for the City of Philadelphia. I'm here today to testify on Bill No. 140209, introduced by Councilwoman Bass.

This bill amends Chapter 19-2600 of The Philadelphia Code,

12/1/14 - FINANCE - BILL 140209, etc.

entitled "Business Income and Receipts Taxes," by providing for certain exclusions and deferrals relating to businesses distressed as a result of nearby public works projects, all under certain terms and conditions.

This credit is for businesses that are near a public works project that lasts 30 or more days and obstructs access to the business, and reports net income that is 10 percent lower than the prior year.

As introduced, this legislation would grant qualifying businesses a credit against the Business Income and Receipts Tax equal to 50 percent of the difference in sales compared to the year before. The amount of the credit is capped at 20,000 per business and $1 million overall annually. Eligible businesses may also defer $10,000 of taxes due after the credit for up to three years.

My staff and I have modeled the

12/1/14 - FINANCE - BILL 140209, etc.

impacts of this bill using recent tax data and worked with the Councilwoman and her staff to target the proposed tax credit only to those negatively impacted by the public works project and in a manner that is proportional to the harm caused to the business as a result of the disruption. These changes include a requirement only businesses with reductions in both sales and profits are eligible for the credit; that the amount of the credit cannot be more than the loss in profits sustained by the taxpayer; and removes a provision that would allow for deferrals of tax balances remaining after the credit, as 94 percent of retail business (and 100 percent retail business with sales less than $2.2 million) would see their entire BIRT bill for the year erased by this credit. There would be a significant operational and information technology investment needed to implement the deferral program, but there would be no utilization or benefit to taxpayers as there is no need for it.

These changes, to more closely tie the credit to the harm inflicted by the public works projects and others, are critical amendments. The Administration's support for this bill is based upon our mutually agreeable language to amend the proposed legislation.

Thank you for the opportunity to testify today.

COUNCILWOMAN TASCO: Thank you very much.

The Chair recognizes Councilwoman Bass.

COUNCILWOMAN BASS: Thank you, Madam Chairwoman.

First, I'd like to thank Councilwoman Tasco and the other members of the Committee on Finance for hearing testimony on Bill No. 140209 today. This bill would provide tax credits for businesses whose profits are harmed by

12/1/14 - FINANCE - BILL 140209, etc.

public works projects. We can all name streets that are in desperate need of a facelift, but this maintenance should not happen at the expense of small businesses who are working to make ends meet.

And just as an aside, I can think of two examples in particular. Councilwoman Blackwell, I know you're very familiar with Market Street when the El project was done. And I was just out there recently. It looks great, beautiful along Market Street in West Philadelphia, but basically wiped out the businesses along that corridor, and the same thing, to some degree, along Germantown Avenue in my district where we had a number of public works projects which had a significant financial impact on the businesses around Cresheim and also further down on Germantown Avenue in Germantown.

So how do we address the needs of those businesses? We want our public works projects to proceed, but we want to make sure that we don't wipe out businesses that are in desperate need of those dollars and the access that their customers need to be able to come into their business.

This legislation aims to lessen the burden on businesses whose bottom lines are impacted by construction or other City projects that make it more difficult for customers to access their establishment. And I'd also like to thank the Department of Revenue and the Commissioner for her recommendations in helping to craft this legislation. We truly have been working together, and we're really supportive. They've been really supportive, and we want to thank them for that and for their support, and also for the Chamber of Commerce, which has been strong supporters of this bill as well.

So I just want to say thank you very much for your support and help with this matter.

12/1/14 - FINANCE - BILL 140209, etc.

COUNCILWOMAN TASCO: Thank you very much. We appreciate your testimony.

Are there any questions from the panel?

(No response.)

COUNCILWOMAN TASCO: Is there anyone else here to testify on this bill?

Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: Thank you.

Let me thank Councilwoman Bass for this legislation. With that, we could have gotten this then. People really, really suffered on that project, and all we did was complain. So I commend you. Very, very important legislation. It will make a major, major difference to small businesses in the community and on our commercial corridors.

Thank you.

COUNCILWOMAN TASCO: Thank you.

COUNCILMAN JONES: Councilwoman?

12/1/14 - FINANCE - BILL 140209, etc.

COUNCILWOMAN TASCO: Councilman Jones.

COUNCILMAN JONES: Thank you, Madam Chair.

I too want to echo support for the legislation publicly. In another life, I worked at the Philadelphia Commercial Development Corporation, and we suffered through construction in many areas, whether it was Frankford Avenue or Market Street and the construction of the El, and business interruption like that can devastate a business. We went from 50 or so family-owned businesses on Market Street. Councilwoman Blackwell and I share that street, and we've been devastated.

So this type of assistance can go a long way in keeping the lights on and keeping people in businesses. So thank you for proposing this option.

Thank you, Madam Chair.

COUNCILWOMAN TASCO: Thank you.

The Chair recognizes that

12/1/14 - FINANCE - BILL 140209, etc.

Councilman Johnson is here and Councilman Henon joined the Committee.

Councilwoman Brown, do you have a question?

COUNCILWOMAN BROWN: Yes, I do.

The observations and comments made by Councilmembers Blackwell and Jones bear repeating, because it was heart-wrenching to watch and listen and not be able to do anything for ten years to those hundreds of businesses that ultimately died on the Market Street corridor. And you do need to be commended. I am curious to know the effective date that this will become active.

COUNCILWOMAN TASCO: This ordinance shall take action in --

COUNCILWOMAN BASS: 2015.

COUNCILWOMAN TASCO: Thank you.

Any other questions from the Committee?

(No response.)

COUNCILWOMAN TASCO: Thank you

12/1/14 - FINANCE - BILL 140209, etc.

very much for your testimony.

We now call on Commissioner Tolson for Bill No. 140828.

COMMISSIONER TOLSON: Good morning again. My name is Clarena Tolson, Revenue Commissioner and Chief Collections Officer.

COUNCILWOMAN TASCO: Could you speak into the mic, please. We're having a hard time today. It's just not my ears, since the young folks can't hear either.

COMMISSIONER TOLSON: It's the mic.

Good morning, Chairwoman Tasco and members of the Committee on Finance. My name is Clarena Tolson. I am the Revenue Commissioner and Chief Collections Officer for the City of Philadelphia. I'm here today to testify in support of Bill No. 140828, introduced by Councilman Johnson.

This bill amends Chapter 19-3900 of The Philadelphia Code,

12/1/14 - FINANCE - BILL 140209, etc.
entitled "Tax Exemptions for Longtime Owner-Occupants of Residential Properties," by extending the deadline to apply for the exemption authorized by this Chapter on behalf of certain property owners who were eligible for the exemption in the first year that it was available, but who missed the deadline to apply; all under certain terms and conditions.

We support this bill because no homeowner eligible for LOOP should miss out their opportunity to enroll in this valuable program and because it is consistent with current policies and programs. The Department of Revenue is committed to ensuring that everyone pays their fair share, meaning that everyone must pay their bills, but that those bills should include any and all discounts that they are entitled to. We have continued accepting applications for the LOOP program since its launch and have not denied a single application for

12/1/14 - FINANCE - BILL 140209, etc.

lateness. Bill 140828 codifies the Department's practices into law, and we appreciate the efforts of all Councilmembers and their staffs who have worked to get homeowners enrolled in this program.

Shortly, the Department will be engaging in a new round of outreach for properties that were eligible for LOOP for 2014 but never applied. We would be happy to discuss those efforts with you at a later time.

Thank you again for giving me the opportunity to testify today.

COUNCILWOMAN TASCO: Are there any questions for this witness?

Councilman Johnson, you have a comment?

COUNCILMAN JOHNSON: Yes. Thank you.

Good morning, Ms. Tolson. How are you this morning?

COMMISSIONER TOLSON: Good morning, sir.

12/1/14 - FINANCE - BILL 140209, etc.

COUNCILMAN JOHNSON: Just one question. Do we have numbers of eligible residents who have enrolled in the LOOP to date?

COMMISSIONER TOLSON: To date, there are 17,611 properties that have been approved. That's as of September.

COUNCILMAN JOHNSON: And the total amount budgeted for the LOOP program is how much?

COMMISSIONER TOLSON: The total amount budgeted is -- one moment, sir -- 20 million.

COUNCILMAN JOHNSON: So roughly 3 million left going into the new year?

COMMISSIONER TOLSON: Seventeen thousand properties.

COUNCILMAN JOHNSON: Oh, 17,000 properties. Excuse me. Okay. Thank you.

COUNCILWOMAN TASCO: Thank you.

Any other questions?

(No response.)

COUNCILWOMAN TASCO: We now

12/1/14 - FINANCE - BILL 140209, etc.

call on Commissioner to testify on Bill No. 140884.

COMMISSIONER TOLSON: Good morning. My name is Clarena Tolson, Revenue Commissioner and Chief Collections Officer. I'm here today to testify in support of Bill No. 140884, introduced by Councilman Kenney.

This bill amends Chapter 19-1800 of The Philadelphia Code, entitled "School Tax Authorization," by modifying the definition of "Net Income" with respect to distributions from S corporations; all under certain terms and conditions.

This bill alters the base upon which the school income tax is imposed upon with regard to S corporations to define the taxation of income from S corps as occurring when the funds are received or credited. This amendment puts into legislation the recent regulations promulgated by the Department, which is to be effective for tax year 2014, barring any hearing requests before today. The regulation change has been advertised and made available to the public and online for the required 30 days. Given that the bill codifies a policy sought by the Administration and the sponsor alike, we are happy to support this legislation.

I should add that the bill -- our regulation changes will be effective at the end of today. That's the end of our 30-day period.

To ensure that taxpayers are aware of this change, an explanatory flyer will be included with all school income tax forms. Our website and customer service teams will be updated and the new treatment will be highlighted in our seminars for tax professionals, which reach over 1,000 accountants, tax attorneys, and other tax preparers for the tax season. Additional outreach will be conducted as needed.

Thank you for giving me the

12/1/14 - FINANCE - BILL 140209, etc.

opportunity to testify today.

COUNCILWOMAN TASCO: Thank you. What's an S corporation?

COMMISSIONER TOLSON: I'm going to ask our CPA, Mr. Tilahun Afessa, to define that for you properly.

(Witness approached witness table.)

COUNCILWOMAN TASCO: We just need clarification about what this bill is all about.

COMMISSIONER TOLSON: I understand, but I dare not give you the accurate technical definition.

COUNCILWOMAN TASCO: Good morning.

MR. AFESSA: Good morning.

COUNCILWOMAN TASCO: Just give us information as to what this bill is about and who it impacts and why.

MR. AFESSA: My name is Tilahun Afessa and I'm the Director of Policy in the Revenue Department.

This bill -- before this bill

12/1/14 - FINANCE - BILL 140209, etc.

was introduced, S corporations' distribution is taxed based on the earning of the S corporation itself.

COMMISSIONER TOLSON: Excuse me one second.

MR. AFESSA: An S corporation is a small corporation, but number of shareholders are limited to 50. It changes every year. It's the federal designation. They are small businesses. Their shareholders -- I mean, the S corporation is taxed as partnership just like partnership for the federal purposes, and their distribution is subject to the tax by the federal government. Philadelphia residents who are members of the S corp who are receiving distribution are taxed on their income. So since the S corporation is not subject to the net profit tax, the individual shareholders or Philadelphia resident shareholders are taxed on their distributed share. Prior to this amendment, we're taxing upon their

12/1/14 - FINANCE - BILL 140209, etc.

earnings, just like the federal government and the state. This bill changes it to a distribution. From now on, starting from 2014, as the Commissioner testified, we have the revelation which will be in effect starting 2014. We will be taxing S corporation distributions received by Philadelphia residents upon their receiving the money, not upon when they're earning it, before distribution. So this is the policy change and the decision made, and this bill makes it, by ordinance, exactly what the regulation is purporting to do starting from 2014.

COUNCILWOMAN TASCO: So I'm a shareholder of an S corporation and I'm not taxed on my dividend until I get it.

MR. AFESSA: Exactly.

COUNCILWOMAN TASCO: Is that what you're saying?

MR. AFESSA: Exactly.

COUNCILWOMAN TASCO: Prior to that --

12/1/14 - FINANCE - BILL 140209, etc.

MR. AFESSA: Prior to that, starting from 2007 up to the end of 2013, they've been taxed when they earn the income, before they receive it.

COUNCILWOMAN TASCO: Before they receive it.

MR. AFESSA: Before they receive it.

COUNCILWOMAN TASCO: All right.

Any other questions?

(No response.)

COUNCILWOMAN TASCO: I guess not. Since I don't own any shares, I just thought I'd ask.

Thank you very much for your testimony.

MR. AFESSA: Thank you.

COUNCILWOMAN TASCO: Next we have Bill 140238, and, Ms. Tolson, are you testifying on this bill?

COMMISSIONER TOLSON: Yes.

COUNCILWOMAN TASCO: Please proceed.

COMMISSIONER TOLSON: Good

morning again. I soon have to pay rent here.

My name is Clarena Tolson, Revenue Commissioner and Chief Collections Officer. I'm here today to testify on Bill No. 140238, introduced by Councilman Oh.

This bill amends Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," to provide for automatic transfer of delinquent taxes and fees to a qualified third party law firm or collection agency.

Earlier this month -- I'm sorry; middle of last month, I testified before this Committee about the tremendous progress we have made in collecting past due taxes for the City and School District, bringing in more than $100 million in past due real estate taxes. This is the first time that prior-year real estate collections have exceeded that level. In Fiscal 2014, we collected $909 million for the School

12/1/14 - FINANCE - BILL 140209, etc.

District, $16 million more than was budgeted.

We are proud of the progress made possible by legislative changes and budgetary allocations by this body. We are continuing this momentum to ensure everyone pays their fair share for schools and City services.

On behalf of the School District, we collected over $90 million in prior-year taxes. That is more than a $25 million increase compared to the previous year. It is also $25 million more than was collected when the City held a tax amnesty to encourage those that failed to file to pay to become compliant. With the right tools, staff, partners, and resources, we can make a significant impact. The story is similar with respect to the General Fund, with real estate tax delinquent collections increasing from 35 million in Fiscal '13 to 48 million in Fiscal '14 and wage earnings and net profits delinquent

12/1/14 - FINANCE - BILL 140209, etc.

collections more than doubling the year before.

To achieve these and other improvements in delinquent collections, we must apply tactics that will most effectively and efficiently induce payment. Some accounts will pay as soon as they're aware of their debt; other requires more, quote/unquote, nudging. The goal is to obtain payment as quickly and as efficiently as possible. To do this, we allocate debts to different enforcement paths.

Of the tax debts, close to 30 percent do not require enforcement because it is either in payment agreements, in bankruptcy, under appeal or has been established within the last 90 days. Of the remaining debt, we use a combination of internal staff, co-counsel, and outside collection agencies to pursue the delinquency.

Tools we use to collect taxes include our commercial activity license

12/1/14 - FINANCE - BILL 140209, etc.

revocation program, which allows us to close businesses that fail to meet their obligation, and sequestration program where a court-appointed receiver collects rents from tenants and uses the funds to repay tax debts. These two programs, new in Fiscal '14, generated more than $30 million in collections. We have also increased the use of the Sheriff Sale process and we will continue to do that.

We share the vision of this bill, to collect as much past due tax as possible to fund needed City services and our schools. However, we cannot support Bill No. 140238, which would appear to assign all delinquent accounts to a third-party collection agency after one year and possibly to the Controller.

Our recent success stems from being able to analyze the most efficient and effective enforcement strategy for each account rather than providing the same treatment in every case. Sometimes that is assigning a debt to a third-party

12/1/14 - FINANCE - BILL 140209, etc.

collection agency, but sometimes other tactics are more likely to produce the desired results. Moreover, as members of this body well know, the desired result frequently includes keeping a taxpayer in his or her home and out of court, while bringing the taxpayer into compliance or moving properties that are unlikely to ever pay and have become a blight on their community back onto the tax rolls and into productive and good use. Automatic referral to third-party collection reduces the City's ability to influence the desired outcome, making it less likely we can continue to achieve these dual ends appropriately.

To further enhance the City's ability to match debt with the best enforcement strategy, the Department of Revenue is making major technology investments to improve our ability to target the right enforcement strategy to the right account. We are in the final contract negotiations for a data warehouse and collections case management system. The data warehouse will contain tax and water debt information as well as other city, state, and federal data sets. It will enable matching and linkage among them. This will represent a quantum leap forward in identifying who owes the City and School District money and how best to target them. As we build up a history of debt and payment information in the system, we will be able to score accounts; that is, predicting the likelihood of payment and the most effective tool to use against that.

The case management system will allow tremendously improved tracking of collection efforts in an account-level basis. It will automate certain tasks such as triggering of a letter to a debtor or moving a case to the most appropriate enforcement path.

Not only do we expect these systems to start producing results as quickly as 90 days after project kickoff,

12/1/14 - FINANCE - BILL 140209, etc.

but the $7.5 million cost will only be paid to the vendor if and when collections increase above a certain baseline level.

With the right people, technology, and partners, the Department of Revenue will be able to continue to reduce the outstanding debts owed to the City and School District and ensure that everyone pays their fair share in the future. The Department of Revenue and everyone that relies upon City services and the School District appreciates Council's continued support in these collection efforts.

While we appreciate the good intentions of the bill, we cannot agree that it would ultimately work in the best interests of taxpayers, schools, and the City. Indeed, if implemented, the one-size-fits-all approach would represent a step backwards.

We thank you for the opportunity to testify today, be happy to

12/1/14 - FINANCE - BILL 140209, etc.

answer any questions you may have.

COUNCILWOMAN TASCO: Thank you very much.

The Chair recognizes Councilman Oh, who is the sponsor of this bill.

COUNCILMAN OH: Thank you very much. I didn't make an opening statement, so I'd like to pretty much kind of respond and make some clarifications.

It was when the media reported a half billion dollars in uncollected debt at a time when we were faced with AVI and increasing property taxes that people became aware of the fact that the City had this very large uncollected delinquent tax owed and that, in many cases, these delinquent taxes had been unacted upon, other than sending notices continuously, and I believe that the average age of the uncollected tax delinquencies are about ten years.

The different organizations have estimated that over $150 million of

12/1/14 - FINANCE - BILL 140209, etc.

this half billion dollars is collectible. And I agree that Commissioner Tolson has done a great job in collecting the taxes that are owed currently and is doing a great job, but that is in spite of the poor system that we have here in Philadelphia. Over many administrations, there has been a continuous failure to collect taxes.

This is not a one-size-fits-all approach and, in fact, it does not automatically transfer the file to a third-party collection agency at all. What it does is, it does not allow for the City to fail to take action. That action may be to forego the taxes. It may be to negotiate. It may be to do a number of things, but what it does not allow the City to do is to simply ignore the delinquent tax and let it build up over ten years.

Under this legislation, the City, which would have the tax collection responsibilities, would ultimately after one year, if it took no action on the delinquency, other than sending notices, it didn't enter into an agreement, it didn't contact the taxpayer, it didn't work out a payment plan, it took no action, it would give the Controller the option to request the file and to then use the Controller's own tax collection third-party entities. However, upon the request, the City would then have 30 days to take action. That action may be to evaluate the file, to enter into negotiation, to forego or to whatever it wants to do.

So this mechanism is not that it automatically sends the file to a third-party collector who will theoretically go to court. What it does is, it provides a layer where if the City, with its many tools to choose from, chooses to take no action to resolve this matter or to negotiate this matter, then the Controller has the option to request the file.

12/1/14 - FINANCE - BILL 140209, etc.

I think one of the problems that we're trying to address is the fact that many people who are poor and who are senior and who are needy, they need the services, and I understand that there's concern that they be acted upon and that they cannot afford to pay these taxes. I think those things should be addressed in terms of the services that they need and that they should not be forced out of their homes. However, I think that the policy that seems to have permeated Philadelphia's Administration is that because some cannot afford to pay, many who can pay simply do not because they understand that if they are speculators or out-of-town landlords or other business folks, that it's part of their strategy to simply buy property or invest in property and not pay the taxes, because there isn't a policy of collecting. If at the end of ten years or 15 years someone passes away or someone purchases a property, at that

12/1/14 - FINANCE - BILL 140209, etc.

point in time these taxes may be paid or not. Some of these taxes are 25, 30 years old. We have heard that in our hearings.

I think if there is going to be some action taken to recognize that some people cannot afford to pay taxes, that that should be done up front. We should let them know, not let them worry about that, not overburden them. But for those who can pay, I think it would be a good policy for this City to let folks know that when you come into Philadelphia, you should assume that you're going to pay your taxes.

But I am open-minded. I do understand the concerns and I look forward to further testimony.

Thank you.

COUNCILWOMAN TASCO: The Chair recognizes Councilman Jones.

COUNCILMAN JONES: Thank you, Madam Chair, and I'm going to not take a long time, because my colleague is very

12/1/14 - FINANCE - BILL 140209, etc.

interested in this, but a couple of clarification questions.

First of all, I agree that we started this process, this journey under AVI because we realized there was a half billion dollar receivable and that we got down to what that receivable could actually be collected upon. Then we started talking about certain ways to ramp up, and so you got the tap on the shoulder to be moved over. I don't know if it was a punishment or what, but we sought you out to do this.

COUNCILWOMAN TASCO: She did such a good job in Streets.

COMMISSIONER TOLSON: I'm here to serve, Councilman, however I could help you.

COUNCILMAN JONES: So one of the things that -- two-pronged. Internally, we took a trip up to Harrisburg and an unknown tax collector, revenue czar who was told that -- we heard that he did it better than most,

12/1/14 - FINANCE - BILL 140209, etc.

his name was, I think, Tom Wolf was really doing a yeoperson's job of bringing in revenues, and what we did was, we saw under the continuum of collections that he had certain methodologies on how he did it. He had predictive dialers. He had modernized equipment. And then we said in the budget that this is what we wanted for the Revenue Department to have. Has that been implemented at this point?

COMMISSIONER TOLSON: Yes, sir. So we are probably within days of signing our data warehouse agreement. I feel comfortable saying that work has already begun, and that said, even without the contract in place, our staff is moving full pace, and as you're aware, that's been a couple of years in the making.

The Revenue Department has been very serious. Commissioner Keith Richardson was adamant and was very intuitive in terms of his understanding of how the needs of the Department and

12/1/14 - FINANCE - BILL 140209, etc.

the technology and trying to move this forward in that stead. So when I came into place, we were quite well underway in terms of doing just what you're talking about.

COUNCILMAN JONES: So you had to ramp up. I'm assuming that's personnel training as well on these types of machines that we'll be able to, in a period of time in the next year or so, see marked increases in collection?

COMMISSIONER TOLSON: That's correct. But even absent the technology and infrastructure changes, we've already made some major strides within the agency to change, one, the external and internal culture and understanding about what we are -- why we are here, what our role is within the major scheme of things, creating a climate where we want people to understand that they must pay their fair share and that there are predictable consequences if they do not.

So I am certainly in agreement

12/1/14 - FINANCE - BILL 140209, etc.

with you, Councilman Oh, with regard to the need for everybody to understand they should pay their fair share, and the City is quite diverse in terms of its needs. We have to meet people where they are, address the concerns and needs that they have individually as property owners, and encourage them to get into programs that can help those that may be more challenged than others to not pay. And for those that are able to pay that simply don't pay because they thought we were not going after them, I think that they are beginning to understand that it is a new day in the Department of Revenue. We now have a Deputy Commissioner for Collections. Mr. Marco Muniz is in the audience here. He is working with our Chief Counsel, Frank Paiva, and together I think they're going to be a fierce team of collectors on behalf of the City and School District.

COUNCILMAN JONES: So my response from the Block Captains Boot

12/1/14 - FINANCE - BILL 140209, etc.

Camp we do annually was, they loved you as Commissioner of Streets. You were so nice. But you scared them when you came out and said, I will take your house, don't make me do it. So I believe you.

The second part of this question is the ability to lien properties outside of the City of Philadelphia, the authority to say if a person is tax delinquent in West Philly, North Philly, to go to their Conshohocken or Bucks County home and lien their property. Where are we on that reciprocity?

COMMISSIONER TOLSON: I'm going to ask Mr. Paiva to come up just so we can complete this story, but I'll start it while he moves to the microphone.

We've been working with the courts on doing the implementation of that very program. We've done it on a small scale so far, but you can talk about where we are overall in terms of the overall administrative process.

12/1/14 - FINANCE - BILL 140209, etc.

(Witness approached witness table.)

MR. PAIVA: Good morning, Council. My name is Frank Paiva. I am the Chief Revenue Counsel.

Act 93 is the law that you're referring to, and what that law did was, it enabled cities throughout the Commonwealth, municipalities throughout the Commonwealth to transfer their liens on properties that are delinquent within their jurisdiction to a property outside of the jurisdiction that is owned by the same delinquent. Now, what has transferred is actually a personal judgment. It's not actually a lien as we would normally view a real estate lien.

COUNCILMAN JONES: Does it cause clouded title?

MR. PAIVA: Yes. It will prevent them from selling it without getting paid. And so it acts as a judgment. It wouldn't have the priority of a municipal claim, which would be the top priority, super priority, but it would have priority in time.

Now, when laws are passed, there is a need for implementation, and what we're still working with the courts on is to try to get local rules passed here in Philadelphia that will enable us to take advantage of this law, and what we're doing internally is, we're looking to try to determine what are good candidates. I mean, clearly we have a lot of delinquents. Now, can we hook up the delinquent to a property that they have outside this jurisdiction. And so that we're working on now, even though we don't have the procedure in place.

COUNCILMAN JONES: How far are we away from implementation? And I go by fiscal years.

MR. PAIVA: You know, it's --

COUNCILMAN JONES: Rough guess.

MR. PAIVA: Well, I would say it would happen in the first half of the new year. That would be, I think,

12/1/14 - FINANCE - BILL 140209, etc.

realistic. These always seem to take longer.

COUNCILMAN JONES: And then my final question is, does this bill exempt owner-occupied residential properties from going into that third-party lien situation?

COMMISSIONER TOLSON: Nothing is exempt.

COUNCILMAN JONES: So nothing is exempt. So Mrs. Johnson on Peach Street who one year ago was working becomes delinquent in the second year can wind up on this list?

COMMISSIONER TOLSON: Yes.

MR. PAIVA: If she owns a house, let's say, down the shore --

COMMISSIONER TOLSON: No. He's talking about --

MR. PAIVA: Okay. Excuse me.

COUNCILMAN JONES: All right. Thank you.

COUNCILWOMAN TASCO: Thank you very much.

12/1/14 - FINANCE - BILL 140209, etc.

The Chair recognizes Councilman Johnson.

COUNCILMAN JOHNSON: Yes. Thank you, Madam Chair.

I just had a few questions, Commissioner Tolson, as well as your Deputy Commissioner for Collections.

In terms of -- I know there were some new practices put in place regarding the collection of taxes, and so I know we've made some improvements. So can you give me the dollar amount that we have collected over the last year in terms of improvement-wise, please?

COMMISSIONER TOLSON: Yes. Last year we collected $102 million in delinquent taxes.

COUNCILMAN JOHNSON: And that's an increase of what percentage compared to the prior year?

COMMISSIONER TOLSON: Somebody will whisper that number to me very shortly.

COUNCILMAN JOHNSON: That's

okay. Oftentimes we don't get credit for actually improving some systems, so I want to get an idea of what systems were actually put in place, their actual dollar amount that we have started to collect, and then moving forward what can we do to accelerate that -- what could be done to accelerate that process.

COMMISSIONER TOLSON: Yes. I think that the systems I mentioned earlier have been major improvements, the revocation of the commercial activity license. I think that certainly there may have been some negative press over some activity that we took, but what it also did was to make everyone aware that the City is serious about collecting the tax dollars that are owed and that we have unfortunately had to move in a harsh manner against those who have not paid their taxes for extended periods of time.

The sequestration program has been very successful. We are very appreciative of Judge Herron for his

12/1/14 - FINANCE - BILL 140209, etc.

leadership in this stead. In that case, we are using a private entity that, for lack of a better word, acts as a receiver for the City. We are allowed to take over the property and then take the rents to pay off the taxes. Again, we don't like to have to do that, but after we have exhausted other means of work with other efforts with some taxpayers, we have to go to that extreme level.

For Fiscal '15, the bills that will be coming out very shortly, people will be seeing a new type of -- some people will be seeing a new type of bill. We're piloting a bill that will show people not only their 2015 taxes, but also their delinquent taxes on the same bill so that people are not confused that they only have one portion to pay. They'll start to understand they have a history that they need to be paid.

I think that we are also working very well with our counsel in some contracts that he has tied to chase

12/1/14 - FINANCE - BILL 140209, etc.

property owners and the relatives of property owners to make sure the bills get to the right location. So it's been a very aggressive program that's already occurred in 2014. 2015 we'll look to have even more effort put in place to continue that work.

When the data warehouse comes online, we think that within a short period of time we'll have -- we'll see some motion and I expect that -- it may miss this fiscal year, but it will be close to the end of this fiscal year where we will see a bump in work from that.

You asked the question about how much --

COUNCILMAN JOHNSON: Percentage increase, yeah, of collections.

COMMISSIONER TOLSON: In delinquent school tax, went up 25 percent.

COUNCILMAN JOHNSON: Okay. And what are your projections for delinquent

12/1/14 - FINANCE - BILL 140209, etc.

tax collections for this upcoming year?

COMMISSIONER TOLSON: For Fiscal '15?

COUNCILMAN JOHNSON: Yeah, for '15. Do you project outward for the next several years?

COMMISSIONER TOLSON: Yes. I don't think I have that number here, Councilman. I will gladly work with you.

COUNCILMAN JOHNSON: Because there will be a baseline number at a minimum that you know you're going to collect, correct?

COMMISSIONER TOLSON: Yes. So our baseline goal for all of our taxes is $2.7 billion.

COUNCILMAN JOHNSON: Okay.

COMMISSIONER TOLSON: 910 million for the schools, but I'll get you more detailed information. I think you're looking for just the real estate number, and I'll have to go get that for you.

COUNCILMAN JOHNSON: Thank you

very much.

COMMISSIONER TOLSON: I don't have that here.

COUNCILWOMAN TASCO: Excuse me. I'm sorry. I was on another committee.

Any other questions?

COUNCILWOMAN BROWN: Yes.

COUNCILWOMAN TASCO: Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you.

Good morning.

COMMISSIONER TOLSON: Good morning.

COUNCILWOMAN BROWN: Share with us, please, currently what percentage of delinquent taxes are referred to third-party tax collectors.

COMMISSIONER TOLSON: Approximately two-thirds.

COUNCILWOMAN BROWN: Approximately what?

COMMISSIONER TOLSON: Two-thirds.

COUNCILWOMAN BROWN: And if you

12/1/14 - FINANCE - BILL 140209, etc.

would, describe the types of matters or circumstances that are referred to third-party tax collectors.

COMMISSIONER TOLSON: There is no single type. All types of taxes, all types of circumstances with regard to those taxpayers are referred, save for things like bankruptcy, accounts that are in dispute, somebody has an appeal in to the Tax Review Board.

COUNCILWOMAN BROWN: So there are triggers in the system that a flag goes up to alert you that this is a unique circumstance and, therefore, requires subsequent alternative review?

COMMISSIONER TOLSON: That's correct.

COUNCILWOMAN BROWN: So can you outline what some of those triggers might be? Death, as has been mentioned by the sponsor of the bill, bankruptcy. Would divorce be on that hit list?

COMMISSIONER TOLSON: No. That would not be a flag in the system to say

12/1/14 - FINANCE - BILL 140209, etc.

not to transfer it to the collection agency. It would really be those that are under dispute and those that are in bankruptcy. However, when there are special circumstances that people bring to our attention and the City is managing that account, we're able to not necessarily flag and assist them, but work with the taxpayer in terms of how we pursue our efforts with them.

COUNCILWOMAN BROWN: Very well.

What type of circumstances do you feel do not lend themselves towards referral to a third-party collector? Are there any?

COMMISSIONER TOLSON: Any type can go to a third-party collector. We simply need to be able to manage the terms of how that -- what the goals are. I mean, the goal is not to have payment without regard to the circumstances. You wouldn't put up for Sheriff Sale somebody's property that somebody is injured, somebody who has extreme

12/1/14 - FINANCE - BILL 140209, etc.

circumstances or, say, even a modest amount of debt.

COUNCILWOMAN BROWN: Or even what?

COMMISSIONER TOLSON: Modest amount of debt. You wouldn't want to sell a property that had $500 worth of delinquency on it. A case like that, you have to use some judgment with regard to how you want to manage the situation.

COUNCILWOMAN BROWN: And what currently is the interface with the Controller's Office? Systemically what happens with what you do and what the Controller Office does around collections?

COMMISSIONER TOLSON: Collections really is managed within the law group, the Law Tax Bureau of the Revenue Department.

COUNCILWOMAN BROWN: Okay.

COMMISSIONER TOLSON: So they were once called the Tax Bureau over in the Law Department. Now they are part of

12/1/14 - FINANCE - BILL 140209, etc.

the Revenue Department. They are on assignment to us, and they are responsible per the Charter for the collection of delinquent debt.

COUNCILWOMAN BROWN: Okay. Last spring I sat down with Herb Wetzel when there was a lot of percolating discussion around this issue of revenue collections or tax collections, and he showed me a grid that listed property tax owners who had not paid their taxes for ten years or more, and interestingly enough, the number -- I wish I could remember the hard data -- did not live in Philadelphia and were landlords, if you will.

So what consideration or procedures within the Department are driven towards that particular type of real estate owner?

COMMISSIONER TOLSON: Yes. We have a couple of types of payment agreements that are provided. There's one for owner-occupants called OOPPA,

12/1/14 - FINANCE - BILL 140209, etc.

which Council remembers that it passed not long ago, and that one offers terms based upon the income level of the property owner. And for those that have the lowest level of income, they're considered Tier 4 in the system. They may pay as little as $25 per month to support the payment of their taxes, keep their property off of any potential listing for collection as long as they're current in their payment.

COUNCILWOMAN BROWN: Is it fair to say that many of them in that pool might be seniors?

COMMISSIONER TOLSON: For sure.

We also offer support to senior citizens who are of a certain income level. There's a senior citizen discount that is offered for their taxes as well.

For those who own their properties but are not occupants and instead are landlords or commercial properties, for those we offer a standard payment agreement, which means that they

12/1/14 - FINANCE - BILL 140209, etc.

will put down 50 percent of whatever their debt is and then make payment agreements over time.

COUNCILWOMAN BROWN: This is an aside, but your comment regarding owners who live in the property but is a rental property triggers another question. So just switch gears for a moment. On the refuse collection tax, what is the law? That you have to live in the property -- so it's a multi-unit property, duplex, and the law says if you live in the property, are or are you not required to pay the refuse collection tax? What's the law?

COMMISSIONER TOLSON: You pay $150, half of the tax if you live in a duplex and you live in one half and you rent the other half.

COUNCILWOMAN BROWN: Okay. I need to share that with a constituent who hit me with that question last week. Okay. All right. I think that's it for now. Thank you.

COUNCILWOMAN TASCO: I have a landlord who just won't understand that. Every election day he's in my ear. He just doesn't want to have to pay, because his mother-in-law lives in the place.

In looking at the landlords who do not live in the properties and who live outside of the City, are you more stringent on them in going after them for the taxes? Because we see a lot of, particularly in the 9th Councilmanic District, a little bit in the Lower Northeast, a number of folk from New York came down, bought houses, are renting them out. So I'm not sure if you've done -- and we'll look at Herb's data to see just how many of them are at least in my district who are not paying their taxes but are renting.

COMMISSIONER TOLSON: Yes. I think it's fair to say that we've begun a collaborative relationship with the Department of License and Inspections that working -- we're trying to build an

12/1/14 - FINANCE - BILL 140209, etc.

understanding that working with the City and owning property in the City brings a significant responsibility, and that's a comment that Councilman Oh was saying, that helping people understand that if you do business here, that there's certain expectations; that we are beginning to collaborate there; that our law group is starting to do some focused effort on trying to understand properties that are outside the City and what best -- I'm sorry; property owners outside the City and what best motivates them to pay. We are finding some success that those who are outside the City when they are reminded that their properties can go for Sheriff Sale or will go to Sheriff Sale, they are often encouraged to either do something about it or say that they don't want to be bothered with the property anymore, they make a declaration about that.

COUNCILWOMAN TASCO: I didn't understand what you just said.

12/1/14 - FINANCE - BILL 140209, etc.

COMMISSIONER TOLSON: So if a property owner is in another state, they will either more closely -- once they understand that we will follow them to that next state, provide billing, advise them that their property will go to Sheriff Sale, that they are very interested in trying to either resolve it or declare that they are not going to be able to resolve it and turn the property over to the City.

I just had in my office a few weeks ago a property owner from North Carolina and he has ten properties in the City, of which eight were tax delinquent, and we had to share with him that we were going to move to sell all of his properties because of his delinquency. And he didn't want to have to continue to come back to Philadelphia to address the problem, so instead he got into a payment plan for most of them, and then for one or two of them, he said, I can't pay the taxes and it really should just go to

12/1/14 - FINANCE - BILL 140209, etc.

Sheriff Sale or something else should happen to them, because he made it clear to us what was going to be his position on that.

So those type of -- developing strategies for different types of property owners is helpful, and part of our data warehouse and case management system will be aided in that. And then we are also consolidating our strategies to understand what property owners own multiple properties. So joining together that I just described with you for that property owner in North Carolina that had not just one property but multiple properties can be tied together to address a single taxpayer and trying to use strategies to address that, as well as looking at consolidating water bills along with real estate taxes for the purpose of pursuing Sheriff Sales.

COUNCILWOMAN TASCO: Okay. Any other questions?

COUNCILMAN OH: If there are no

12/1/14 - FINANCE - BILL 140209, etc.

other questions, can I ask some questions?

COUNCILWOMAN TASCO: Councilman Oh.

COUNCILMAN OH: Thank you very much.

From your testimony, Commissioner, I'm gathering or my impression is that there's two groups of taxpayers, those who can afford to pay and those who cannot afford to pay, and that there is a desire to certainly protect and to assist those who cannot afford to pay so that we don't kick them out of their homes, which creates more problems, but at the same time, we want to certainly collect the taxes from those who can pay and simply are not paying. Is that a fair enough summary?

COMMISSIONER TOLSON: Councilman, I think that trying to simplify the testimony, that does simplify it, yes, and I think that we want everyone to pay their fair share.

12/1/14 - FINANCE - BILL 140209, etc.

COUNCILMAN OH: Yes.

COMMISSIONER TOLSON: So for owner-occupants who make a de minimus amount of money or have income of very small levels, we try to work with them.

I had a gentleman in my office two months ago whose income was less than $600 per month, and some of us might wonder how this one lived on the type of income, but people do it every day.

COUNCILMAN OH: Yes.

COMMISSIONER TOLSON: And he owes a significant amount of real estate taxes for his property. And certainly in terms of public policies, it's probably cheaper to keep him in his property versus having him outside of his property.

COUNCILMAN OH: Agreed.

COMMISSIONER TOLSON: So I was happy to sign him up for a payment plan of $25 per month. That is what is allowed under the OOPPA.

COUNCILMAN OH: So my question

is this, that there is in fact programs and there is legal authority for you to deal with persons who cannot afford to pay their taxes such as the gentleman you just described? And I think everybody is happy that you did that, because that person has so little money, they cannot afford to pay, and it's better to keep him in his home, but you already have that ability; is that correct?

COMMISSIONER TOLSON: Yes. We have some of those tools and we continue to work on it and we continue to reach out to those who have not engaged the City as yet. As you're aware, that is oftentimes very difficult to sometimes help people help themselves.

COUNCILMAN OH: True.

COMMISSIONER TOLSON: So we continue to work on that. I think that is something that is an area where we feel we're falling a little short, not for lack of effort but just the reality of who has signed up. So we have a lot

12/1/14 - FINANCE - BILL 140209, etc.

more work to do in that area.

COUNCILMAN OH: So the concern that I raise is that because your office already has the power to do that, that it should be done uniformly, transparent, available, and fair to all; that anyone who needs that help, the City can work with them within a year. But by providing that service to some and not pursuing the tax collection from others; in other words, another person in the same situation doesn't enter an agreement for 15 years, a person in the same situation enters an agreement of paying 25 a month. In other words, why wouldn't everyone be subject to the same opportunities so that the City can resolve these matters more quickly?

COMMISSIONER TOLSON: Let me just clarify, Councilman. I don't want to suggest that we don't pursue taxes for some people. We pursue taxes from everyone. I think that my statement about everyone paying their fair share is

12/1/14 - FINANCE - BILL 140209, etc.

just to relate that that level of payment may be different for some versus another. You could have two people in similar houses with different incomes, but because one is a senior citizen that makes $15,000 a year in Social Security and that's it, their tax bills will be slightly different. That's the fair share.

COUNCILMAN OH: Right.

COMMISSIONER TOLSON: But each of them has to pay whatever is their fair share, and that's the point that I was trying to make. So it is not that we don't pursue payment from anyone. We pursue it from everyone.

With regard to our desire to have those who have not paid, I make that comment only from the standpoint of there are those who we have pursued, we've sought legal remedy for them, we have judgments for them, and they may not pay. We have found that some people have not paid because they didn't think they will

12/1/14 - FINANCE - BILL 140209, etc.

ever get caught. We are changing that around.

So the ship has not made a 180 as yet, but we are certainly headed in the right direction and we believe that we are well underway, and once we have some additional tools in the toolkit -- and believe me when I say to you that our private partners, our co-counsel, the lawyers that we work with, collection agencies with attorneys, collection agencies, are integral into the plan to collect all the taxes that are due to the City.

Now, our collection agencies, right now we have two co-counsel that we work with. They don't both perform at the same level. One performs better than the other, but they are both valuable to us in the process of collecting the taxes for the City. As we divide up what is due to the City each year and trying to spread that out, we could not do it alone. We need to be able to work with co-counsel. We need to be able to work with collection agencies.

We have an early distribution of our overdue taxes that occurs every year. We've been moving that up over time. The intent is to get people as soon as possible with regard to what they owe the City of Philadelphia and the School District, to address them frequently and to help them understand that the debt will not go away.

COUNCILMAN OH: Thank you. I'll just finally ask that of the $500 million of long-term uncollected delinquencies, what portion of that -- has that total number gone down? I know it increases per year and then some of it may be collected. Where are we with that number as of today?

COMMISSIONER TOLSON: There's $365 million in real estate tax principal that is due to the City, and that number is going down as we increase our collections. And we can share some more information with you at a later time. I should have a report for activity from last year hopefully by the end of this week that I can share with you I think you'll find very helpful.

COUNCILMAN OH: All right. Thank you very much.

Thank you very much, Madam Chair.

COUNCILWOMAN TASCO: Commissioner, if you under this bill would be required to report the accounts to the Controller and would authorize the Controller to request transfer of delinquent accounts with which the Commissioner must comply, then what happens to those delinquencies? Are they automatically transferred to a third party?

COMMISSIONER TOLSON: That's what the legislation would do.

COUNCILWOMAN TASCO: And so under what rules would the third party operate? Are they able to just go and

12/1/14 - FINANCE - BILL 140209, etc.

take a person's property? While you work with the homeowner or the owner to try and work out a payment, these properties are just given to this third party, whose really goal is to collect the taxes and whatever and we have no more control over that.

COMMISSIONER TOLSON: My understanding -- and I could be corrected on this. My understanding is that the goal for the legislation is to have the foreclosure.

COUNCILWOMAN TASCO: So the third-party collector has no responsibility for trying to work out a payment plan with the homeowner or property owner?

COMMISSIONER TOLSON: They may, but I think that the goal was to seek foreclosure on all the properties that are delinquent.

COUNCILMAN OH: May I respond to that when you get a chance?

COUNCILWOMAN TASCO: Beg your

12/1/14 - FINANCE - BILL 140209, etc.

pardon?

COUNCILMAN OH: May I respond to that when you're done?

COUNCILWOMAN TASCO: Well, I have a real concern about that, because looking at -- I don't mind going after people who are taking advantage of the City, some of these landlords who don't live in the City, who come in to make money off of the property, don't pay the property tax. That's different. I'm not sure I want to give them to a third party. But in looking at the information that we have seen in the last few weeks relative to delinquent taxes, a lot of them in my district are senior citizens and they moved in the area when they were younger, two-family, now the husband is dead, the wife or the husband is on Social Security and barely making it. So I would not like to see them homeless, because then we still have to take care of them. They come to us. So they belong in their homes, and I'm not sure

12/1/14 - FINANCE - BILL 140209, etc.

that I want to see them on the street or not being able to stay in their homes.

So that's my concern about this piece of legislation. At least we can work with them, and I dare say the majority of them do pay something. I would dare say the majority of them do pay something.

COMMISSIONER TOLSON: Absolutely.

COUNCILWOMAN TASCO: And these other people who are getting away with it, then we need to be more aggressive in going after them --

COMMISSIONER TOLSON: We agree.

COUNCILWOMAN TASCO: -- as a city, without going to a third party.

COMMISSIONER TOLSON: We agree.

COUNCILWOMAN TASCO: Councilwoman Blackwell.

COUNCILWOMAN BLACKWELL: I totally agree with all of that our Chairperson has said. And we already have collection agencies. They collect.

12/1/14 - FINANCE - BILL 140209, etc.

And we try to reach out for people in need and where we already have a relationship with people who understand that we have to call for people in need. To bring someone else in, which is why we so often oppose privatization, because forget the public and the public in need and seniors and people who are destitute, that's a hard pill for us to be asked to swallow.

Thank you.

COUNCILWOMAN TASCO: We have a 37 percent poverty rate in this City and we have to be very mindful of that.

COMMISSIONER TOLSON: And I would add that we have nearly 94 percent pay their real estate taxes on time, and I'm certainly thankful to the many seniors and people in poverty who do pay their bills on time.

COUNCILWOMAN TASCO: My neighbor doesn't like that refuse tax, but he's in my ear all the time. But he pays it. I tell him he has to pay it.

12/1/14 - FINANCE - BILL 140209, etc.

There's nothing I can do about it.

Any other comments or questions?

Councilwoman Brown.

COUNCILWOMAN BROWN: Thank you. Thank you very much, Madam Chair Lady.

I want to echo my deep concerns too about how we treat seniors, and know that your office has been wonderful in attending the senior citizen forums that we have throughout the City where every single year, even after eight years, we discover seniors who are not aware of the procedures you have in place to help them along the way, because they want to do the right thing, but too often they simply are not aware of the tools that you have there at the Revenue Department. So just kudos to always making sure that your department is represented at these forums. And when we don't do that, then they end up in poverty anyway and we still, as Councilwoman said, still have to take care of them.

12/1/14 - FINANCE - BILL 140209, etc.

So I think we have to be smart about how we help them do the right thing and not -- and leave, quite frankly, foreclosure as not an option, but help them in other ways to get done what they want to do anyway.

Thank you.

COUNCILMAN OH: And if I may respond. I'd just like to point out that the purpose of my bill is not to move things to foreclosure. Actually, the point of the bill is to ensure that the City does not choose inaction as an option, which has led to a large amount of long past overdue delinquencies, including people who can pay. And so I think the issue is not the City can't work with people who are poor and unable to, but that the City has chosen -- and no aspersions on the Commissioner. She's done a great job, but she was put in after the publicity was made, and for a long time the City has not handled this in a uniform and fair manner. And I think the point of this bill is not to foreclose on people, but rather to ensure that the City takes action. If the year has passed should a third party, be it the Controller, whomever this legislation indicates, requests a file, the City has another 30 days to enter into agreement or to forego or do a payment plan or whatever it chooses to do, but it just simply requires that the City do it in a timely fashion as opposed to taking no action for ten or 15 years.

Thank you.

COUNCILWOMAN TASCO: Well, I think that we're talking of the past. We moved now to the 20th century and we have Ms. Tolson, who is doing a good job in moving that department into the 20th century, and maybe next year we'll get to the 21st century, but at least it's a beginning and they've done a good job of collecting the taxes. I don't want some collector calling my seniors harassing them, giving them heart attacks and high

12/1/14 - FINANCE - BILL 140209, etc.

blood pressure. So I'll take the City. They're doing a good job. She does it with compassion and she still collects the taxes. So that's where I am on this bill, and we'll talk about it.

COUNCILMAN OH: Thank you.

COUNCILWOMAN TASCO: Yes.

COUNCILWOMAN BROWN: I do have a question for the sponsor of the bill.

Please help us understand why 12 months or one year became the number, the trigger for subsequent action.

COUNCILMAN OH: Based on best practices studies looking at municipalities across the United States that have been able to get a higher number of tax collections and also have done so without harming those who are indigent or poor, the key has been that they do it in a year pretty much universally, a year, maybe two years. But the point of it is by doing it that way, it becomes predictable and stable, because most of tax collection is voluntary. What the City is able to do is get people who want to pay or who is going to pay to pay. You may get more people, but the problem is with people who choose not to pay as a business strategy or other things, but when they enter a jurisdiction where it appears uniform, transparent, unmovable, that because of that they pay voluntarily, and that has been the key to it.

COUNCILWOMAN TASCO: Well, I think we're going to go after these business people who come in, rent those properties, and don't pay. I think that's the audience we need to go after, and she's moving in that direction. And we already have people who are collecting taxes, so they know where we stand on going after those individuals.

Any other questions or comments?

(No response.)

COUNCILWOMAN TASCO: Next to testify is Mr. Butkovitz, the Controller.

12/1/14 - FINANCE - BILL 140209, etc.

Are you sure you want to come up here? And Jason Salus, Treasurer of Montgomery County. Didn't you get the message?

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: Excuse me. Councilwoman Blackwell will take over for me.

COUNCILWOMAN BLACKWELL: Good afternoon -- good morning.

CONTROLLER BUTKOVITZ: Good morning.

COUNCILWOMAN BLACKWELL: Welcome. Feel free to identify yourself for the record and begin your testimony.

CONTROLLER BUTKOVITZ: Well, good morning, Chairman Blackwell, Councilman Oh, the other members of the Committee. I want to introduce, I have my First Deputy Controller, Bill Rubin, here, as well as our Policy Director, Dr. Jeffrey Hornstein.

I'd like to thank you and the other members of the Finance Committee

12/1/14 - FINANCE - BILL 140209, etc.

for the opportunity to testify today on Bill No. 140238 regarding the City's tax collection efforts and enforcement.

As I have previously stated, uncollected taxes, along with fines and fees, are placing an extreme burden on the City's ability to provide necessary services for all citizens. Our office has made it a priority to identify hundreds of millions of dollars worth of revenue and saving opportunities related to delinquencies.

However, for the City to realize these revenues, the Administration and all appropriate departments and agencies need to take necessary actions to collect the delinquent balances owed.

For example, our review of the Department of Revenue's delinquent real estate taxes found the City and School District lost a combined total of $120 million over two years, Fiscal Years 2011 and 2012, as a result of poor collections and enforcement. This is a serious revenue loss, and it demonstrates how the effects of poor real estate collections are hurting all Philadelphians.

The reasons for the poor collection rate included:

During the time of the review, the City made no attempt to send out late notices to property owners after the March 31st due date and instead waited nine months to contact them.

Payment plans were ineffective and often difficult to enforce once a property became delinquent.

Once a property was moved from delinquent to foreclosure, it took nearly two and a half years and sometimes reportedly upward of six years to move the property to more responsible ownership, one of the worst records of any large United States city.

While Bill No. 140238 does take necessary steps for the City to become more aggressive in its delinquent tax

12/1/14 - FINANCE - BILL 140209, etc.

collections, I would suggest examining additional recommendations that were also provided in our review. This includes:

Report delinquent property owners to credit bureaus; improve the City's contractor efforts to contact past due property taxpayers immediately following the tax deadline; annually assess its tax lien digest to identify a poll of redeemable quality liens and consider the feasibility of redeeming those liens through a negotiated bulk tax lien sale.

Along with stepping up enforcement procedures, the Department of Revenue needs to provide adequate oversight of the billing and collection functions of other City departments. As we found in our latest annual financial audit of all departments, Revenue did not routinely provide guidance to the departments to regularly communicate with department personnel performing the billing and receivable duties, some of

12/1/14 - FINANCE - BILL 140209, etc.

whom were not trained as accountants.

The Department of Revenue needs to monitor all City departments responsible for billing and collecting tax revenues.

In addition, while I agree with the bill's current language of requiring the Department of Revenue to provide a monthly report to the Controller's Office containing any and all tax delinquencies that have occurred in the previous month, there is an issue about whether the Controller's Office can assume responsibility for the accounting and transferring of the collection process to a qualified third-party law firm or collection agency.

This potentially presents a conflict of interest between the City Controller's current authority and duty to the City of Philadelphia to prepare the annual City accounting financial report, which audits the receivables or delinquent accounts for all monies owed the City. In addition, it could impede our independence, which would preclude us from performing any financial opinion audits. This is a matter of -- what would be necessary as a pre-condition to this would be to get an opinion from the GAO, who writes The Yellow Book, because there are certain functions that our office does perform that would conceivably be considered a conflict of interest right now. We do pre-audit function, we issue checks, and yet we audit, but I would want to call the Councilman's attention to the fact that there is an issue there and that's an issue that would have to be resolved. And, of course, the second issue, you know I'm always happy to help and it always comes in with a request for the necessary money and staffing to perform the additional function.

So, in my opinion, City Council needs to amend the bill as it currently stands and, as it stands right now, remove the language from Section 19-513 Subsection (3).

With that said, in Philadelphia there is much room for improvement in collecting what is owed. I believe that positive results can be achieved if appropriate action is pursued.

Thank you.

COUNCILWOMAN BLACKWELL: Thank you very much. We're ready to entertain any questions on this.

(No response.)

COUNCILWOMAN BLACKWELL: As you may know, Mr. Controller, we appreciate the job that you and your team does, but we're also -- we have other people in the back who collect taxes and who we call, and I'm worried about paying more to -- certainly without further discussion on this issue, expanding the role to get more money when at this point we can come up with a system to more expedite what we need to collect if we decide that's what we want to do. But we're still worried about that little old lady, and we think we got collection agencies now that are responsive and that we're used to working with. We are afraid to update that and to try to increase more collections for those who have not. Different, if you have it, you pay it, as was said over and over again, but the people who don't and who can't afford, as Councilman Oh said, that's a whole different story.

CONTROLLER BUTKOVITZ: But the City can define the standards for payment agreements. City Council has got the ability to say that people within certain income criteria or with other criteria are going to be given a certain amount to pay. This is really driven by the Inquirer's extensive analysis of data from many cities indicating that Philadelphia was in a category virtually by itself, only Philadelphia and Detroit, that everybody else in the country manages to get this done. And there are people who are hard-pressed in many

12/1/14 - FINANCE - BILL 140209, etc.

cities, and I think you raise a legitimate point and it's one that we have always been -- you know, when we dealt with the tax amnesty and so on, we understand that there are, what was it, 12 percent of the people in the City are living on $12,000 or $15,000 a year and that they cannot survive on that amount of money. But I think the remedy for that is the Council provide in the legislation, just as they did in the LOOP legislation and as has -- this is really a pretty well-established precedent that you figure out what the level is, what the threshold is for survival or for relief and you just put that into the law. Because the City can't afford to carry half a billion dollars and then write off probably a quarter of a billion dollars in unpaid taxes.

Our review of the Five Year Plan shows we're going to be in a narrow margin coming over the next five years. There's going to be increasing demands for the City to continue to contribute more to the schools, although we have a new Governor. Really what happened in the Legislature probably indicates that the situation for the schools is not going to be fundamentally different. So when you're weighing the obligations that the City is going to have to do to take care of people who need service, there's got to be revenue to balance that. And I totally agree with not squeezing the people who just cannot do it, but I think there's a way you can do that.

COUNCILWOMAN BLACKWELL: Thank you.

Do we have more questions from members of the Committee?

(No response.)

CONTROLLER BUTKOVITZ: Well, thank you.

COUNCILWOMAN BLACKWELL: Thank you. Thank you to you and the team. Thank you. Thank you for coming over.

Well, members of the Committee,

12/1/14 - FINANCE - BILL 140209, etc.

I think we'll wait to see what the Chairperson would like to do.

Is there anyone else who wants to testify on this bill?

(Witness approached witness table.)

COUNCILWOMAN BLACKWELL: Thank you.

MR. SALUS: Can I begin?

COUNCILWOMAN BLACKWELL: Please identify yourself and make your testimony.

MR. SALUS: Good morning. My name is Jason Salus and I'm the Treasurer of Montgomery County.

Members of the Committee, thank you for inviting me to speak with you today.

In January of 2012, I had the privilege of being sworn in as Montgomery County Treasurer. One of the units in my office is the Tax Claim Bureau, which is responsible for collecting delinquent county, municipal, and school property

12/1/14 - FINANCE - BILL 140209, etc.

taxes. The focus of my testimony this morning will be on some of the reforms that we've made in recent years to delinquent tax collection procedures in Montgomery County as well as to provide a brief snapshot of the results of our approach.

Beginning in 2012, the Montgomery County Tax Claim Bureau began utilizing a new vendor, Northeast Revenue Services, for delinquent tax collection mechanics. While my senior staff directs and manages this third-party vendor, their independent expertise has allowed us to significantly streamline our collection efforts.

By default, the Montgomery County Tax Claim Bureau collects delinquent real estate taxes utilizing provisions of the Real Estate Tax Sale Law, also known as RETSL, which provides for delinquent tax notifications and the use of bulk real estate tax sales to collect chronically delinquent accounts.

12/1/14 - FINANCE - BILL 140209, etc.

Delinquent taxes are returned to our office by the local tax collectors in each of our municipalities and school districts each January. The Tax Claim Bureau utilizes several notification procedures as prescribed in RETSL to inform a taxpayer that their real estate taxes have become delinquent. These notifications include a courtesy letter, a notice of Return and Claim which is delivered to the taxpayer by certified mail, and reminder letters. If the certified Return and Claim mailing is not deliverable, it is posted on the property physically. If the property remains delinquent into the following year, the owner is advised of the beginning of Upset Sale proceedings in a public notice of sale letter from the Bureau as well as a subsequent Sheriff posting on the property and public advertisements.

Through the course of the mandatory annual bulk real estate sales as prescribed in RETSL, all delinquent

12/1/14 - FINANCE - BILL 140209, etc.

parcels that are not entered into a payment plan or protected by bankruptcy or a hardship plan that we offer move to sale within two years of delinquency. The bulk sales are a powerful and cost-effective tool and result in uniform enforcement of delinquencies. These sales are conducted in coordination with my office and our third-party collector, not the County Sheriff. Parcels are offered for Upset Sale in the second September after their delinquency. So this September we offered for sale properties that were delinquent on their 2012 taxes.

The minimum bid for a parcel at Upset Sale is taxes, costs, and municipal liens. All other liens and mortgages remain attached to those parcels at Upset Sale. Historically, over 80 percent of the parcels listed for this first sale, this Upset Sale, make payment or enter into payment plans prior to the sale commencing.

12/1/14 - FINANCE - BILL 140209, etc.

Parcels exposed but not sold at our Upset Sale are then eligible for private sale. For these over-the-counter sales, potential buyers may submit a bid to the Tax Claim Bureau. Prior to any private sale being finalized, all taxing authorities - the County, the School District, and the municipality - must approve those bids. Private sales also include all liens and mortgages and encumbrances at the time of sale.

Properties still not sold are advertised for a judicial Free and Clear Sale for a minimum bid of costs. The minimum bid of the Free and Clear Sale is much less than the tax balance, but has the effect of getting the property into the hands of a new taxpayer owner. Delinquent taxes, liens, and mortgages are divested from the parcel at the time of sale, and more valuable properties receiving higher bids will result in recovery of some or all delinquent taxes.

Parcels not sold at that sale

12/1/14 - FINANCE - BILL 140209, etc.

are transferred to a repository, which is similar to a land bank, where prospective buyers can make over-the-counter offers for as little as $500. While bids over the minimum will be applied to collection costs and tax balances, the main effect is to get those properties into the hands of new owners and back on the tax rolls.

In September 2012, on my recommendation and supported by the findings in the Commonwealth Court case Pennsylvania Land Title Association versus East Stroudsburg Area School District, the Montgomery County Commissioners adopted a resolution enabling the Tax Claim Bureau to use both the RETSL law, as described above, as well as the Municipal Claims and Tax Lien Act, MCTLA, concurrently for collection purposes. This followed similar legislation in Berks, Washington, and York Counties. In Montgomery County, we refer to this as the Hybrid Program.

The MCTLA further incentivizes

12/1/14 - FINANCE - BILL 140209, etc.

payment of delinquent tax balances by passing along the 5 percent collection charge to the delinquent taxpayer. Therefore, this fixed percentage is now borne by the delinquent taxpayer rather than the county or municipalities and school districts. Additionally, the MCTLA also enables the Tax Claim Bureau to file a delinquent tax lien within the County Prothonotary if payment is not made. When a lien is filed, a 1 percent legal fee is assessed on the delinquent balance.

As a result of this unique RETSL-MCTLA hybrid approach, taxing authorities that have opted into our program have realized dramatic improvements in their collection rates as well as reduced collection costs. Immediately following the implementation of the program, collections increased 400 percent during the first 50 days of 2013 compared to that same period in 2012. By December 2013, after our first full year

12/1/14 - FINANCE - BILL 140209, etc.

of operating the Hybrid Program, we saw one-year collection rates rise by more than 7 points to nearly 69 percent compared to when the County used only the Real Estate Tax Sale Law prior to my administration.

Through November 2014, our overall two-year collection rate for delinquencies was 94.58 percent. This speaks to the impact again of the bulk real estate Upset Sale, which took place this September, resolving many of the chronic 2012 tax year delinquencies.

And I'd also point out that that 94.58 percent does not include interest and we've not excluded bankruptcies and difficult-to-collect accounts. That's a total apples-to-apples comparison.

The hybrid approach has also helped some of our local taxing authorities resolve chronic delinquencies where they exist. For example, when the Norristown Area School District, one of

12/1/14 - FINANCE - BILL 140209, etc.

the most financially challenged school districts in the county, returned their collections to the Tax Claim Bureau in January 2013, we found delinquencies going back as far as nine years. In previous years, the District had been utilizing only the MCTLA and had focused on short-term collections rather than resolving longstanding chronic delinquencies. Our team worked closely with the District to identify these long-term delinquencies and moved chronically delinquent parcels through the collection process expeditiously. As a result, in the first year through December 2013, the Tax Claim Bureau collected approximately $7 million of a total $10 million delinquent real estate tax balance that had been returned to us in January 2013. Three million dollars of that was from properties with at least two years of delinquency. After being with the Tax Claim Bureau for over 18 months, most of these chronic

12/1/14 - FINANCE - BILL 140209, etc.

delinquencies have been resolved and the District has seen an overall increase in collections and a decrease in outstanding tax liens.

The Norristown School District's recently completed June 2014 audit illustrates this point best. In June 2011, the Norristown Area School District had outstanding tax liens totalling $5.1 million. By June 2013, that number had jumped to $6.7 million in outstanding delinquencies. By June 2014, through the work of the Tax Claim Bureau and District staff, that number fell to $5.7 million, a decrease of $1 million, or 15 percent. As a result, the District's cash position has also improved.

Finally, one of the most important aspects of our approach in Montgomery County is to work closely with taxpayers to resolve their delinquencies early and efficiently. This helps taxpayers avoid having liens filed against them and incurring fees throughout the process. The Tax Claim Bureau works with delinquent taxpayers who have not defaulted on prior agreements to establish realistic payment plans made up of monthly installments to satisfy the delinquent balance. Additionally, the Bureau offers qualified taxpayers who are experiencing financial difficulty the opportunity to apply for hardship agreements, which allow for even more flexibility than a standard payment plan. My office also works closely with various County departments and non-profit agencies that may be able to aid individuals experiencing financial hardship.

In closing, there's no silver bullet in our delinquent tax collection toolbox. Each mechanism is important in the operation of a cohesive, successful program. However, the RETSL-MCTLA Hybrid Program administered through Northeast Revenue Services and overseen by my

12/1/14 - FINANCE - BILL 140209, etc.

office has proven effective in Montgomery County. Should the City of Philadelphia consider implementing any of these elements of the program, my team would be happy to provide any guidance and assistance that would be helpful.

Thank you.

COUNCILWOMAN TASCO: Thank you very much.

Anyone have questions?

(No response.)

COUNCILWOMAN TASCO: I do. You all went to the -- I'm sorry I missed your beginning. I went out. Is this the Retail Estate Law Sale?

MR. SALUS: Real Estate Tax Sale, RETSL.

COUNCILWOMAN TASCO: And then what you did, you contracted out to a firm to collect the taxes?

MR. SALUS: Correct. They do the day-to-day mechanics of sending out the notices and taking in the payments, but it's all based on guidelines that is

12/1/14 - FINANCE - BILL 140209, etc.

set by my office and the County.

COUNCILWOMAN TASCO: Was that also due to your leasing this out or farming it out or placing out, was due to the fact you didn't have the staff?

MR. SALUS: There was another vendor actually in place prior to my administration. This was an organizational decision made by the County probably about a half a dozen years ago. So this vendor provided continuity from what the County in terms of how we operated logistically previously.

COUNCILWOMAN TASCO: So you had someone prior to that, this company coming in?

MR. SALUS: The County did, correct.

COUNCILWOMAN TASCO: The County had someone.

MR. SALUS: Correct.

COUNCILWOMAN TASCO: But you also changed Commissioners too, didn't you?

MR. SALUS: We did.

COUNCILWOMAN TASCO: Let me ask you a question. What part of your county -- Montgomery County is pretty big. Where do you have the highest delinquency in terms of your townships?

MR. SALUS: In terms of rates, delinquency rates, I would say it's probably Norristown and Pottstown. The Norristown School District has had, as I said, a number of challenges. They had a number of issues with landlords that owned hundreds of properties. We collect for Pottstown borough, but not the Pottstown School District, so I can't speak in great detail to that.

COUNCILWOMAN TASCO: In Norristown are you talking about landlords who are renting or are you talking about homeowners? You're not talking about homeowners in Norristown.

MR. SALUS: In terms of delinquencies?

12/1/14 - FINANCE - BILL 140209, etc.

COUNCILWOMAN TASCO: Yes.

MR. SALUS: It's both.

COUNCILWOMAN TASCO: It's both?

MR. SALUS: It's both.

COUNCILWOMAN TASCO: The largest percentage is what? Landlords who rent?

MR. SALUS: Landlords? I don't have that data with me. I would say that of what we collect, the greatest concentration of delinquent landlords is probably in Norristown. To quantify it, I could get back to Council with that.

COUNCILWOMAN TASCO: So it's similar to some of the areas we have in Philadelphia, which Norristown is similar in terms of economics to some of the areas of Philadelphia, right?

MR. SALUS: There's challenges, yes.

COUNCILWOMAN TASCO: Yes.

MR. SALUS: They have challenges.

COUNCILWOMAN TASCO: Okay. I

think that's it.

Any other questions?

(No response.)

COUNCILWOMAN TASCO: Thank you very much.

MR. SALUS: Thank you.

COUNCILWOMAN TASCO: Next we have Mr. Thomas Ginsberg.

(Witness approached witness table.)

COUNCILWOMAN TASCO: Good afternoon. Thank you for coming and thank you for your testimony.

MR. GINSBERG: Thank you very much. I'm Thomas Ginsberg. Thank you very much for the opportunity to present our research about Philadelphia's property tax delinquency challenge.

Pew's Charitable Trusts Philadelphia research initiative looks at key public interest issues in the City. We seek to inform the discussion and we do not take positions on City legislation.

12/1/14 - FINANCE - BILL 140209, etc.

Our initial study, released about 18 months ago, looked at Philadelphia compared to 35 other mostly large localities nationwide in Fiscal 2010-'11. That was the last year that comparable data was available for all these cities. At that time, Philadelphia's same-year delinquency rate; that is, the percentage of property taxes unpaid within the same initial year that they were due, was 9 percent. That was roughly in line with rates in other high-poverty cities, but it was more than double the 36 city median rate of 3.8 percent. Among those 36 cities, Philadelphia had the fifth highest delinquency rate.

Our study found that some of the other cities had a variety of ways of keeping property tax delinquency lower than Philadelphia did. They included keeping the number of new delinquencies in check through prompt and clear action to collect taxes as soon as they become

12/1/14 - FINANCE - BILL 140209, etc.

due. They also adhered to strict timetables for following through on threats of Sheriff Sale or tax lien sales. We also found that long-term multi-year delinquencies were a major problem for Philadelphia. Our study concluded that the City over time should have been able to collect about 30 percent of its total outstanding property tax debt if it used all of its statutory powers. At the time, the figure came to about 155 million out of the 515 million that was due.

Since our study was released, there have been several changes in the way Philadelphia handles unpaid property taxes. Many of those were testified here today. Those changes include the City Council's vote for a strict one-year deadline for the City to take action on delinquencies, along with its enactment of a new uniform system of catch-up payment plans for residential owner-occupants. The City, along with its contracted tax collection firms and the Sheriff's Office, have made internal procedural and payment changes that have allowed more resources to be dedicated to pursuing delinquencies and more foreclosed properties to go into line for auction. In addition, the City's real estate market, as reflected in the number and the price of homes for sale, has picked up since our last study, and that market activity in turn can help keep the pipeline of foreclosed properties moving and the threat of foreclosure sale credible.

In the past two years, Philadelphia's delinquency rate has improved modestly, both in absolute terms and in comparison to the other cities in our initial study. Philadelphia's same-year delinquency rate fell below 7 percent in Fiscal 2011-'12. That followed the trend across all the cities, according to our updated analysis. As a group, their median delinquency rate went

12/1/14 - FINANCE - BILL 140209, etc.

from below 4 percent to below 3 percent. Since Philadelphia's delinquency rate fell at a slightly faster clip, the City has now improved its overall ranking, moving from that fifth highest delinquency rate now to ninth highest out of the 36 cities.

The delinquency rate is still relatively high and the City faces other tests such as whether its payment plan payers will continue to default at a higher rate like they were. Still, the falling delinquency rate shows that Philadelphia is moving in the right direction.

Thank you for giving me this opportunity. I'll answer any questions you have.

COUNCILWOMAN TASCO: Thank you very much for your testimony. We appreciate your coming out.

Any questions?

(No response.)

COUNCILWOMAN TASCO: Well, at

12/1/14 - FINANCE - BILL 140209, etc.

least there's a ray of hope here. I think the change, improvement is a result of our Revenue Department as well as the will of this Council to see that people pay their taxes. Thank you.

MR. GINSBERG: Thank you.

COUNCILWOMAN TASCO: Next we have Ms. Sharon Humble and Richard Perr.

(Witnesses approached witness table.)

COUNCILWOMAN TASCO: And, Ms. Humble, we don't need that testimony. We'll put it in the record.

MS. HUMBLE: That's what it's for. Thank you.

COUNCILWOMAN TASCO: Since we know basically what you do, could we ask you some questions?

MS. HUMBLE: Sure.

COUNCILWOMAN TASCO: You've heard the testimony. You've been here all day, all morning, in terms of what is happening with the Revenue Department and our ability to increase collections.

What are you doing in order to help our Revenue Department increase the tax collection and what are some of the procedures you use in collecting taxes? Please identify yourself and tell us what you do.

MS. HUMBLE: Sure. My name is Sharon Humble. I'm the Managing Partner for Linebarger, Goggan, Blair and Sampson in Philadelphia. We are one of the City's co-counsel in third-party collections.

So to clarify, presently the City is utilizing third-party collection vendors, both law firms and agencies. So we help the City with that. Once the accounts are turned over to our firm, we start by doing regular monthly and sometimes more-than-once-a-month collection notices to the taxpayers, advising them of their need to pay and the availability of the different programs for them to pay.

So, for example, if they need a

payment plan agreement, if they are the long-term owner-occupants, they can still get the OOPPA agreements. We advise them of all these matters so that they can come forward and pay.

So we understand the bill that's proposed, those options would still be available to any taxpayers whose accounts might be turned over to third-party collectors, just as they are now. So we offer in-person taxpayer assistance. So the taxpayers can come into our office, they can get a payment history, they can meet with the taxpayer assistants to have their accounts explained to them and how to pay. We listen to them regarding financial reasons that they may not be able to pay at the moment and we enter them into payment agreements. We then administer the payment agreements with the monthly payment amounts and with breach letters going out if they miss payments and then with default and warning of default

12/1/14 - FINANCE - BILL 140209, etc.

letters if they are getting close to missing a payment. If they still do not pay or if they default, those accounts get targeted for Sheriff Sale, because often we have to do that in order to motivate payment. Some of these properties are owned, as you know, by these absentee landlords or absentee investors and it is part of their business plan not to pay until they are forced to pay. And so we can file a lawsuit and they still may not pay at that point because it may not meet their timing, until it's actually set for Sheriff Sale. So one thing that does help and one thing that has been occurring in the last few years has been the expansion of the court's capacity to handle more of these filings and the Sheriff's Office's capacity to handle more of these filings and then to distribute the funds that come in so that more can be handled and faster.

Additionally, one of the things

12/1/14 - FINANCE - BILL 140209, etc.

that distinguishes Philadelphia from some of these other jurisdictions that you've heard about is that Philadelphia has a large number of vacant and abandoned properties that make up the tax delinquent portfolio. So since there is nobody to write the check or to enter the payment agreement, those properties are moved through Sheriff Sale to put them in the hands of a new owner, who will then pay the taxes and maintain the properties. So in that way, part of this tax collection process is part of sustainable communities for the City, because we're getting those properties back onto the revenue-producing tax rolls. So that's a large part of what we do.

One thing I did want to note regarding this bill and the City's present practice is, the City presently is doing better at faster assignment of accounts than the bill provides for. Starting when we were first retained by

12/1/14 - FINANCE - BILL 140209, etc.

the City in 2004, accounts were not assigned out for collection unless they were at least in their third year of delinquency. Starting in 2009, the City changed that practice and started referring out accounts within their first year of delinquency. The accounts would come in about May or June. And starting this year, in 2014, the City improved on its already improved fast turnaround and assign the new accounts in February. I mean, within eight weeks of the liens getting filed. So that's a very rapid response to getting those accounts into collection, and we think the City should be applauded for that. So they have really raised the bar, and we would suggest that any bill that might go through or any changes to City law at least meet the standard that the City has set right now for fast collections.

So, again, any account that comes to us, the City retains control, because the City has not sold the lien.

12/1/14 - FINANCE - BILL 140209, etc.

So, therefore, the City mandates the standards for payment plan agreements. The City mandates the standards for how the accounts are treated. If they want penalty or interest waivers, the City is still in charge of that. And so the senior citizens, the persons who are financially hardshipped are still protected.

COUNCILWOMAN TASCO: Are you familiar with any of the companies who would under this bill be given the sole control of a case how they operate or would operate? Are they any more effective than you are in what you're doing? What gives them -- I guess what would give them the ability to be more effective than what we're doing now?

MS. HUMBLE: I mean, there's no difference. This does not call for the accounts to be assigned out to somebody who could do it faster. It would basically result in these accounts that come to our firm or whoever else the City

12/1/14 - FINANCE - BILL 140209, etc.

might hire to do it faster, but our firm is a national leader in collecting government receivables, and I would say that our firm probably collects more than any other law firm in the nation of delinquent real estate taxes.

And so this does not afford them any new tools than we have access to already. And so, if anything, the City does not want to experience a loss of momentum in what we're already doing to collect the taxes. And we have new programs that we're always putting in place and upgrades to continue to meet the demands of both the technology requirements as well as the people who want to acquire the properties.

COUNCILWOMAN TASCO: Okay.

Any questions?

Councilwoman.

We do have another hearing that's coming in on us right now, so we're going to move quickly.

COUNCILWOMAN BLACKWELL: That's

right. But we want to thank you for your ability to being willing to negotiate with some of these people in need. It is really hard when people come and it's going to be especially hard during the holiday time, people who just don't have it. And so we appreciate our ability to work together to help people in need.

MS. HUMBLE: Sure. And I just want to make sure that my panel mate here has a chance to speak, because he is here speaking on the Collectors Association, and our firm is a long-term member of MACA and so we respect a great deal of what he is doing.

MR. PERR: Thank you. And we just wanted to make --

COUNCILWOMAN TASCO: Identify yourself for the record.

MR. PERR: I'm sorry. Richard Perr. I'm with Fineman, Krekstein and Harris here in Philadelphia. I also sit on the Board of Directors of the Mid-Atlantic Collectors Association,

12/1/14 - FINANCE - BILL 140209, etc.

which represents over 150 agencies, employing over 10,000 people in this area.

We just want to emphasize that there are third-party agencies in this area who are trained to have the ability, who are law-abiding, who are ethical, who continue to do this work throughout this region and are more than capable of handling the tasks that are put forward by the City in whatever manner and direction they were given. Collection agencies act and recover in Pennsylvania last year $2.5 billion back into the economy. This is individuals and companies who are trained to do this, who do so effectively, and who do so within the rights of the people who are being collected upon. And I noticed comments throughout this morning and I wanted to emphasize that members of MACA are ethically trained. They go through continuing education, and they respond and are directed by specifically the instructions given to them by their clients. So as the commentary has come about regarding seniors, regarding other people who are in need, third-party collectors already work with their clients and with individuals to make sure that payments are necessary and affordable, and it's done in a respectful and appropriate manner.

So we support the legislation and say that there already in place are dozens and dozens of agencies that are here to help the City that work within the law and are more than happy to help participate both if this legislation is passed and otherwise.

So thank you.

COUNCILWOMAN TASCO: So you come in to support the bill?

MR. PERR: Yes.

COUNCILWOMAN TASCO: Sharon, are you coming to support the bill?

MS. HUMBLE: I'm here to support the bill. I do agree with the memo provided by the Law Department that there is some changes that would need to be made because of the Charter's authority over collections. But we do support it. Our firm basically owns in-house a large collection agency with the predictive dialers and the call centers and the mailing houses, and I think sometimes people don't realize that.

COUNCILWOMAN TASCO: Okay.

Any questions or comments?

(No response.)

COUNCILWOMAN TASCO: Thank you very much.

MS. HUMBLE: Thank you very much for your time. We appreciate it very much.

COUNCILWOMAN TASCO: Is there anyone else here to testify on this bill, Bill 140238?

(No response.)

COUNCILWOMAN TASCO: There being none, we will now go into our

12/1/14 - FINANCE - BILL 140209, etc.

public meeting.

The Chair asks Councilwoman Blackwell to offer the amendment to Bill 140209.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chair. I move that Bill No. 140209 -- I move that the amendment to Bill No. 140209 be adopted.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved and seconded that the amendment to Bill 140209 be adopted.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Is there any opposition?

(No response.)

COUNCILWOMAN TASCO: Now I ask Councilwoman Blackwell to move Bill 140209.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chair. I move that Bill No. 140209, as amended, be reported out of Committee with a favorable recommendation

12/1/14 - FINANCE - BILL 140209, etc.

and a recommendation for a suspension of the rules so as to permit first reading at our next session of Council.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved that Bill No. 140209, as amended, be reported out of Committee with a favorable recommendation and the rules of Council be suspended so this bill can be heard at Council's next session.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Is there any opposition?

(No response.)

COUNCILWOMAN TASCO: Thank you. There being none, the motion is carried.

The Chair recognizes Councilwoman Blackwell for Bill No. 140884.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chair. I move that Bill 140884 be reported out of Committee with a favorable recommendation and also a recommendation for a suspension of the rules so as to permit first reading at our next session of Council.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved and seconded that Bill 140884 be reported out of Committee with a favorable recommendation and a request that the rules of Council be suspended so this bill can be heard at Council's next session.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: The motion is carried.

We will hold Bill, at the request of the sponsor, 140238 until the call of the Chair.

COUNCILMAN OH: Thank you.

COUNCILWOMAN TASCO: Now, I was trying to wait for Councilman Johnson, but we have another committee waiting. Let us move with Bill 140828.

12/1/14 - FINANCE - BILL 140209, etc.

Councilwoman.

COUNCILWOMAN BLACKWELL: Thank you, Madam Chair. I move that Bill No. 140828 be reported out of Committee with a favorable recommendation and also that the rules of Council be suspended so as to permit first reading at our next session of Council.

(Duly seconded.)

COUNCILWOMAN TASCO: It has been moved and properly seconded that Bill 140828 be reported out of Committee with a favorable recommendation and that the Council rules be suspended so this bill can be heard at Council's next session.

All in favor?

(Aye.)

COUNCILWOMAN TASCO: Is there any opposition?

(No response.)

COUNCILWOMAN TASCO: There being none, the motion is carried.

There being no further business

12/1/14 - FINANCE - BILL 140209, etc.

before this Committee today, we are adjourned.

Thank you all for coming.

(Committee on Finance concluded at 12:15 p.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter, and that this is a true and correct transcript of same.

MICHELE L. MURPHY
RPR-Notary Public

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