

**Discussion / Direction**  
on the disposition of unpaid personal property taxes.




# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members

**From:** John Leach, Municipal Administrator 

**Date:** June 17, 2020

**Subject:** Past Due Personal Property Tax Balances

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### Background

The due date for 2019 Property Taxes was August 30<sup>th</sup>, 2019 by 5:00 pm. According to SGC 4.12.150 a penalty of 15% of taxes owed has been added to delinquent accounts. In addition, an interest at a rate of 12% per year is added on the first day of each delinquent month. If the full amount is not paid by March 31, 2019, this debt would normally be turned over to a collection agency.

### Analysis

Personal demand letters were sent to the delinquent account holders on 3/2/2020, in accordance with SGC 4.12.160, to address a total of 56 delinquent accounts. Most accounts were only delinquent by a few dollars or even cents, which could easily be explained by an accounting error or an incorrect estimated tax payment. Some accounts are delinquent by hundreds of dollars, and sometimes even thousands, before applying any penalties or interest. No matter the amount, each account was charged a penalty and applicable interest.

Per SGC 4.40.040 Write-off of uncollectable:

- A. Unpaid debts for which more than one hundred twenty days has elapsed since the date of the bill or invoice, and which are under a cumulative amount of two hundred dollars per customer, may be written off immediately upon approval of the finance director, if they are deemed not to be cost efficient to attempt to collect on.
- B. Unpaid debts for which more than one hundred twenty days has elapsed since the date of the bill or invoice, and which are under a cumulative amount of one thousand dollars per customer, may be written off immediately upon approval of the administrator, if they are deemed not to be cost efficient to attempt to collect on.
- C. Unpaid debts for which more than one hundred twenty days has elapsed since the date of the bill or invoice, and which are over a cumulative amount of one

thousand dollars per customer, may be written off immediately upon approval of the assembly.

- D. Any overdue debt which is not collected within ninety days shall, as a matter of accounting policy, be recorded against the allowance for uncollectable accounts when applicable under governmental accounting guidelines. Collection actions shall not cease, however, until the debt is collected, a statute of limitations is reached, or the debt is written off. Any debt recorded against the allowance for uncollectable accounts, which is subsequently recovered, shall as a matter of accounting policy be recorded as a recovery of bad debt.

### **Fiscal Note**

After forgiving delinquent Personal Property Tax accounts with less than \$200 owed in accordance with SGC 4.40.040, there are six (6) remaining accounts with balances over \$200 owed per enclosure 1. The balance due in total is \$4,537.11 (\$3,253.80 before interest and penalties) on 6 accounts including penalties and interest.

It is important to note that work is already underway in the Legal Department to prepare promissory notes for O'Brien & Sons and the Moose Lodge.

### **Requested Action**

All other accounts with less than \$1000 owed will be turned over to collections or written off if they are deemed not to be cost efficient to attempt to collect.

**I am requesting Assembly direction on any account with more than \$1000 owed.**

Encl: 2019 Personal Property Tax Collection List

Report Criteria:

Include accounts with a positive balance

\* Unpaid billings and unapplied payments exist

Account Number	Primary Owner	Period	Taxes	Interest	Penalty	Miscellaneous	Balance
72017061	Aaron D Bean	12/31/2019	330.00	19.80	149.50	.00	499.30
72017085	Arsenio and Marivic Carbonel	12/31/2019	210.00	12.60	131.50	.00	354.10
72017268	Cody and Tara Johnston	12/31/2019	463.80	27.84	169.57	.00	661.21
72018092	Jonathan McGraw	12/31/2019	1,050.00	63.00	257.50	.00	1,370.50
72018026	O'Brien & Sons Construction	12/31/2019	930.00	55.80	239.50	.00	1,225.30
72017310	Sitka Lodge No. 1350 Loyal Order of Moos	12/31/2019	270.00	16.20	140.50	.00	426.70
Grand Totals:			3,253.80	195.24	1,088.07	.00	4,537.11