

Bill Number 120054

Keith Richardson, Revenue Commissioner

Testimony before the City Council Finance Committee

June 4, 2012

Good afternoon, Chairman Green and Members of the Finance Committee. My name is Keith Richardson, and I am the Revenue Commissioner of the City of Philadelphia. With me today is Frances Ruml Beckley, the Chief Counsel to the Revenue Department. I am here today to testify regarding Bill No 120054.

The Revenue Department is not insensitive to the shortcomings of the present real estate tax collection system, and over the past few years, we have taken steps to improve that system. To give just one example, last November for the first time we sent letters to first-time delinquent real estate taxpayers, explaining that if they did not pay their 2011 real estate taxes by the end of the calendar year, the additions to their tax bill would be capitalized and their tax liability would be liened. Almost four thousand of the roughly thirteen thousand taxpayers who got that letter paid before the end of the year. That not only increased collections but also saved the City roughly \$20,000 when the remaining first-time delinquents had to receive a certified letter this February.

Another improvement recently implemented by Revenue has been increased cooperation with the Law Department in handling payment agreements. Most law payment agreements are now entered into the Revenue system for automated billing and payment processing, which should improve customer service while reducing clerical work. Also a joint committee of Law and Revenue employees has been meeting to work on coordinating the two Departments' positions. Its first priority has been reviewing Interest and Penalty provisions, but that project should be concluded shortly and reviewing payment agreement terms for consistency should be next on the agenda.

At the same time we are improving our own collections, we are working more effectively with co-counsel to collect real estate taxes. We now have two co-counsel actively collecting real estate tax by contacting taxpayers and ultimately taking property to Sheriff Sale. Co-counsel receipts for the first ten months of this fiscal year were \$32.8 million, as compared to \$18.3 million for that period in fiscal 2010 and \$19.4 million for that period in fiscal 2011. While co-counsel receipts are not segregated by tax type, we believe the bulk of that increase was real estate tax.

While we appreciate the good intentions behind Bill Number 120054, we are unable to support the bill in its present form. On the one hand, we believe that the bill is too lenient in requiring Revenue to offer payment agreements to all taxpayers without regard to how many payment agreements the taxpayer has breached in the past, without consideration of whether the taxpayer can afford to pay in full, and without any provision to compensate the City for the time value of money. On the other hand, we believe the bill is too harsh in requiring that all properties not in payment agreements be placed in foreclosure proceedings as soon as taxes are three months delinquent, without regard to the taxpayer's circumstances.

However, I will not go into the details of our concerns with the bill because I understand that Councilman Green plans to hold meetings this summer to consider how we can make our payment agreements more consistent and more accessible and to discuss how we can further improve our enforcement efforts, including Sheriff Sales. As always, we welcome the opportunity to work with Council, the legal services community and other interested parties to determine how we can better serve the City. This concludes my testimony; I'd be happy to answer any questions you may have.