



Date of Council Meeting: January 7, 2013

**TOWN OF LEESBURG
TOWN COUNCIL MEETING**

Subject: Personal Property Tax Bills

Staff Contact: Norm Butts, Director of Finance

Background: On October 9, 2012 Council authorized the director of finance to waive penalties and interest on all incorrectly billed personal property tax accounts due October 5, 2012. The purpose of this report is to update Council on the billing problems that occurred, the degree to which the problems have been resolved, why the problems occurred, and steps taken to avoid similar problems in the future.

The Problems: The Town mailed over 41,000 personal property tax bills for a total tax levy of approximately \$1,651,000. Five problem areas were quickly identified.

1 – **Aircraft bills.** An incorrect tax rate was used for aircraft. Due to human error the tax rate was set in the system at 1¢ per \$100 of assessed value instead of 1/10 of 1¢ per \$100. Therefore, for example, a taxpayer with an aircraft valued at \$100,000 would have received a tax bill for \$10.00 instead of \$1.00.

When the bills were printed and we reviewed them, we noticed the error and had our third party vendor pull all aircraft bills and send them to us. We reviewed the bills and determined that eight taxpayers with aircraft should receive a bill. The eight bills were adjusted accordingly and mailed immediately.

2 – **Antique vehicles.** In some instances, taxpayers with antique vehicles received a decal bill for \$25.00 instead of \$1.00. This billing error was not consistent among all antique vehicles. Some taxpayers did receive a correct decal bill of \$1.00. When taxpayers brought this to our attention, we verified in the County assessment system that the vehicle was in fact identified as “antique” and the decal bill was adjusted. We are still currently reviewing the County file in an attempt to determine how the information was transferred to the Town, and how the MUNIS import treated these accounts. However, to date we do not know why this error occurred. We will identify why the error did not occur consistently among all accounts and once this has been determined we will work with MUNIS to update and retest the import.

There were 319 antique vehicles in the file provided by Loudoun County.

3 – **Leased Vehicles.** Some personal property tax bills for leased automobiles were mailed to the lessee instead of the lessor. However, this error did not occur consistently because some leasing companies did receive the tax bills. We reviewed the County file and determined that there is a “flag” that indicates whether or not the vehicle is leased. At this point we do not know why the “flag” was on for some lease situations, but not for others. The County file indicated that there were 862 leased vehicles. We identified the 40 leasing companies involved and determined whether payment had been made. If

payment had not been made, new bills were generated and mailed on or before November 16, 2012 with an extended payment deadline of December 17, 2012.

4 – Truncation of Apt Numbers. In the address line, apartment numbers were truncated and the post office could not deliver those bills. We quickly reviewed all 301 pieces of mail that were returned to us by the post office as undeliverable, wrote the correct apartment number on the envelope, and re-mailed them with a one business day turn-around. In reviewing this error, we noted the correct address was showing in the system; but, the MUNIS program had not included enough spaces in the address line for the entire address to be displayed. MUNIS has programmed additional spaces in the address line at no cost to the Town. This error should not occur in the future.

5 – Delinquent amounts. This was the most serious of all our problem areas and involved 3,047 accounts involving approximately \$83,000.

Delinquent amounts were placed on some personal property tax bills when they were mailed in September. This caused two problems. First, specifically related to 2011 tax bills, some taxpayers received delinquent amounts on their bills that had already been paid. This resulted from data that was incorrectly converted from the legacy HTE system to MUNIS. For the tax year 2011, the bills were set up in the legacy system to have the “state credit” applied to the bill only after the bill had been paid in full. Therefore, if the bill was not paid in full, there was no “transaction” in the legacy system to apply the state credit. Because there was no “transaction” in the legacy system, when this data was transferred over to MUNIS, the amount due included the state credit. This caused a “delinquent amount” on the tax bill.

Second, sometimes when delinquent amounts were posted to bills, the delinquent amount was not applied to the correct vehicle. For example, if a taxpayer had two vehicles and vehicle 1 was not paid in the prior year, the delinquent amount might show up on the tax bill for vehicle 2.

In both cases, when the taxpayer questioned the delinquent amount, we reviewed the account and made immediate corrections as necessary. There are still accounts that need to be corrected because either the taxpayer did not question the delinquent amount and paid the bill, or no payment has been received at all. We are reviewing these accounts one at a time and making adjustments as necessary. Accounts reflecting an overpayment will be refunded and for accounts that have not been paid delinquent notices will be mailed.

These accounts will be adjusted as necessary with either refunds or delinquent bills mailed by January 31, 2013.

Conclusion: As I have told you many times before the personal property tax billing is the most difficult and costly revenue collection program we administer. There are so many moving parts (no pun intended). For example, taxpayers move into and out of Town during the tax year, vehicles are sold or traded during the tax year. In addition, we work with several different “partners” in the storage, conversion, and manipulation of data necessary billing and collecting the tax: the county for

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assessments, MUNIS for our software needs, a third-party vendor for billing, as well as a third-party vendor for lockbox collections.

For tax year 2012 the matter was further compounded by our converting data from our legacy HTE system to MUNIS, a situation fraught with the possibility for error under the best of circumstances.

I assure you we give a great deal of attention to quality control in all our billing and collection programs. The conversion from HTE to MUNIS was no different. Starting more than six months before our August go-live date I met at least weekly with finance supervisors to review progress and discuss problems. Those supervisors met frequently, often on a daily basis, with employees and third-party vendors involved in the project. At the various strategic points along the way testing was done and reviewed by supervisors. During the several years implementation was being considered we experienced staff reductions and turnover. Unfortunately staff training had to be accomplished on-the-job; but always with supervisory review.

I deeply regret any errors we make in any of our collection and disbursement programs. Those programs collectively involve more than \$89 million annually and more than 175,000 individual transactions. I specifically regret the errors we made regarding the 2012 personal property tax billing and will do everything in my power to try and make sure it doesn't happen again.