Item No. 50

# CITY OF FLAGSTAFF STAFF SUMMARY REPORT

To:

The Honorable Mayor and Council

From:

Ranbir Cheema, Tax, Licensing & Rev Manager

Date:

August 4, 2010

**Meeting Date:** 

August 17, 2010

TITLE:

TRANSACTION PRIVILEGE (SALES) TAX WRITE-OFFS FOR FISCAL YEAR

ENDING JUNE 30, 2010

#### **RECOMMENDED ACTION:**

Authorize write-off of Transaction Privilege (Sales) Tax accounts totaling \$4,866.76.

#### **ACTION SUMMARY:**

Staff has exhausted the collection options, therefore, if these accounts are written off, staff will no longer actively pursue collection.

#### DISCUSSION:

## Background/History:

For fiscal year 2010 the city has received approximately \$26.8 million in Transaction Privilege (Sales) tax, Transportation tax and BBB tax revenue. These write-offs are less than 0.02% of that amount. Each of these businesses being written off no longer operates in Flagstaff.

Past five years history is as follows:

Write Off Year	Amt of Write Off	Annual TPT Receipts	% of Receipts
FY 10	\$ 4,866.76	\$ 26.8 million	0.018%
FY 09	\$ 10,345.93	\$ 29.3 million	0.035%
FY 08	\$ 114,078.88	\$ 32.8 million	0.348%
FY 07	\$ 18,563.12	\$ 28.9 million	0.642%
FY 06	\$ 27,106.00	\$ 25.2 million	0.107%

## **Key Considerations:**

Staff has followed standard collection procedures that include filing liens against property, filing claims with the bankruptcy court, filing complaints in city court and, where possible, applying the amounts owed against the credit of the debtor. It is possible that any of these actions could lead to the recovery of some of the delinquent amounts at a later point in time.



There are 15 accounts with a total delinquent amount due of \$4,852.86 on the Sales Tax write off list. Three of the businesses totaling \$670.56 are uncollectible bankruptcies, eight businesses with a total of \$3,022.13 are individuals that are now out of business and amounts due have been put on their credit, remaining four businesses with a total amount due of \$1,160.17 are corporation that are no longer in business.

# Community Benefits and Considerations:

It is sound financial management practice to reduce assets to reflect their true valuation. Failure to write-off accounts deemed uncollectible overstates the asset value of the city.

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N/A

# Financial Implications:

Each year the city anticipates that there will be uncollectible accounts and reserves an amount at year-end for these accounts.

# **Options and Alternatives:**

Council could elect to not write-off these accounts and direct staff to continue collection activity.

#### Attachments/Exhibits:

None

Division Head (Acknowledgment that all reviews have been completed and required approvals initialed below.)

INITIALS	RESPONSIBILITY	DATE	INITIALS	RESPONSIBILITY	DATE
	BIDS/PURCHASES GRANTS LEGAL			FINANCE/BUDGET CONTRACTS IGAS	//
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