

2006 PROPOSED BUDGET – DELINQUENT TAX FUND

Summary by Legislative Reference Bureau – Fiscal Review Section

<u>2004 Actual</u>	<u>2005 Budget</u>	<u>2006 Proposed</u>
\$1,000,000	\$1,000,000	\$1,000,000

Purpose and Use of Fund

When a tax-deed property is sold or transferred for City use, the net profit or loss on the transaction is charged to the Delinquent Tax Fund Appropriation Account. The Delinquent Tax Fund provides tax levy authority to fund the loss or shortfall resulting from the sale of tax-deed parcels, and to provide a reserve for delinquent taxes based on prior uncollectables. Thus, it provides a mechanism to finance uncollectable taxes without affecting the City's tax levy.

All costs related to maintenance, destruction or hazardous-waste removal by the City prior to the City's acquisition of it are funded by the Delinquent Tax Fund. After the property is acquired by the City through the *in rem* procedure, the Department of City Development maintains and manages the tax-deed property using funds from its budget.

2006 Budget Highlights

1. The Delinquent Tax Fund in the General Fund is used exclusively to absorb losses on sales of delinquent tax properties acquired by the City prior to July 1, 2001. Delinquent taxes foreclosed on or after July 1, 2001 are accounted in the Special Revenue Delinquent Tax Fund.
2. According to the "2004 Assessments and Taxes" booklet prepared by the Assessor's Office, the City holds 2,459 tax-deed properties with an estimated total value of \$11,014,595.
3. In 2006, \$1.0 million will be dedicated to the Delinquent Tax Fund Appropriation Account. This is the same level of funding provided in the 2005 Budget.
4. In addition to *in rem* foreclosures, state law now permits *in personam* actions against delinquent taxpayers. Each time *in personam* is used successfully, it allows the City to recover unpaid property taxes from the delinquent taxpayer's personal financial resources, rather than requiring the City to take possession of another tax-delinquent property that the City must then maintain and market for sale. In December, 2001, the Common Council authorized the City to enter into an agreement with the Kohn Law Firm for the collection of various receivables, including those resulting from *in personam* actions. Since then, this agreement has been amended several times and now authorizes the firm to pursue these actions on the City's behalf.

Prepared By: **Jeff Osterman**
Legislative Fiscal Analyst
LRB
286-2262