

ORDINANCE NO.

FILE OF CITY COUNCIL

BILL NO. 37 - 2017

JUNE 7, 2017

AN ORDINANCE

Amending the 2017 General Fund Budget by appropriating funds from the unappropriated balance of the General Fund in the amount of Two Hundred Twenty-Five Thousand (\$225,000) Dollars for property tax refunds.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF ALLENTOWN:

SECTION ONE: That City Council authorizes a supplemental appropriation from the cash reserves to the unappropriated balance of the General Fund in the amount of Two Hundred Twenty-Five Thousand (\$225,000) Dollars as follows:

**Department of Finance
Bureau Revenue and Audit**

000-02-0602-0001-90	Refunds	\$ 225,000.00
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SECTION TWO: That this Ordinance will take effect ten (10) days after final passage.

SECTION THREE: That all Ordinances inconsistent with the above provisions are repealed to the extent of their inconsistency.

- **What Department or bureau is Bill originating from? Where did the initiative for the bill originate?**

Revenue and Audit Bureau

- **Summary and Facts of the Bill**

The City budgeted \$250,000 for 2017 tax refund claims in account 000-02-0602-0001-90 ("90 account"). Due to a recent Lehigh County Board of Assessment Appeals agreement, on March 24, 2017, Revenue and Audit was required to issue City Real Estate Tax refunds to Hospitality City Center OP LP, One City Center OP LP and Schoens Allentown LLC for a portion of taxes paid on certain properties located in the Neighborhood Improvement Zone for the years 2014, 2015, 2016 and 2017. The amount refunded to these three entities from the 90 account were \$102,301.22.

Additionally, we are aware that there will be an assessment agreement issued from the Board of Appeals for Two City Center OP LP that has not been ordered yet. This order is expected to be issued during the 2017 budget year. After reviewing the terms of the agreement, the City has calculated an expected tax refund claim for Two City Center OP LP to be in the amount of \$125,000 for the years 2014, 2015, 2016 and 2017.

The Revenue and Audit Bureau cannot foresee with any reasonable level of certainty the size of annual tax claims for City Real estate Tax and Business Privilege Tax, both of which are funded from the 90 expenditure account. Currently, our refund expense needs cannot survive the Two City Center refund. The account has a balance of \$77,227.99, with committed funds of about \$52,000.

We are directed by 72 P.S. §5566.b(a) of Commonwealth Statute "to make, out of budget appropriations of public funds , refund of such taxes...to which the political subdivision is not entitled" to all the other tax refunds claimants among City taxpayers. Because four (4) taxpayers essentially depleted the entirety of the appropriated funds, we ask that amount owed to these one-time and expected refund claimants be restored by budget transfer ordinance in the amount of \$225,000

- **Purpose – Please include the following in your explanation:**
 - **What does the Bill do – what are the specific goals/tasks the bill seek to accomplish**
 - **What are the Benefits of doing this/Down-side of doing this**

- **How does this Bill related to the City's Vision/Mission/Priorities**

The bill seeks to replenish the tax refund account in the City's budget to due a handful of refunds that consumed almost the entire appropriated amount. There is a significant necessity and urgency in accomplishing this fund transfer because taxpayers are statutorily entitled to a timely and complete refund in full for any overpayment. With uncommitted funds of about \$25,000 to cover the rest of the budget year, only a speedy allocation of additional funds into this account can ensure that taxpayer's are not financially disadvantaged by the City's inability to honor refund claims. By statute and by mission, the City does not obfuscate or equivocate on returning funds paid into its treasury that were not due to it. Sufficient funds for valid and verified refund petitions must be at all times available.

- **Financial Impact – Please include the following in your explanation:**
 - **Cost (Initial and ongoing)**
 - **Benefits (initial and ongoing)**

The cost of the NIZ property tax refunds are significant and unavoidable. We run the risk of other taxpayer's taking legal action against the City at increased cost if we fail to issue timely refunds for tax overpayment claims

- **Funding Sources – Please include the following in your explanation:**
 - **If transferring funds, please make sure bill gives specific accounts; if appropriating funds from a grant list the agency awarding the grant.**

- **Priority status/Deadlines, if any**

This should be given top priority and approved at the earliest possible date

- **Why should Council unanimously support this bill?**

Refunding tax overpayments is not discretionary. The City honors hundreds of tax refund claims from the 90 account annually. Given the current balance, the Revenue and Audit Bureau likely not be able to honor any refunds past May of 2017 without the requested appropriation.