



CITY OF PHILADELPHIA
DEPARTMENT OF REVENUE

September 25, 2024

ACCOUNTS REVIEW PANEL

RE: Accounts Receivable Charge-Off

Dear Members:

The attached annual Accounts Review Panel agenda and supporting statements reflect receivables that are recommended for charge-off. This recommendation is made in accordance with the principles set forth in Statement No. 1 by the National Council of Governmental Accounting (NCGA), as adopted by the Governmental Accounting Standards Board (GASB).

It is emphasized that this charge-off is for financial statement presentation purposes, and the proposal does not cancel taxpayer liabilities, nor delete liens recorded with the court. Moreover, the charge-off has no immediate impact on enforcement measures to recover delinquent taxes. The purpose of the annual charge-off is to ensure that both the City and School District receivables reflect their net realizable values.

Consistent with our established practice, the Self-Assessed Tax receivables are exclusively comprised of arrearages that extend beyond the Statute of Limitations. The enforcement procedures covering those taxes will remain in force, notwithstanding the reduction of receivable balances for financial statement presentation purposes.

The Agency Receivable facet of the charge-off consists of Licenses and Inspection charges and miscellaneous balances from various other departments that are deemed uncollectible.

All accounts charged off because of this recommendation are subject to reversal and reinstatement if circumstances make them collectible.

Very truly yours,

Commissioner Kathleen McColgan
Chief Collections Officer

A photograph of Philadelphia City Hall, a grand neoclassical building with a prominent clock tower, set against a blue sky with white clouds. The building's facade is light-colored stone with many windows and columns. In the foreground, several people are sitting on a low concrete wall, and others are walking on the sidewalk. A modern glass structure is visible on the left side of the frame.

City Charge Off Report Fiscal Year 2024



CITY OF PHILADELPHIA
DEPARTMENT OF REVENUE
TAX | WATER | LAW

Report

Real Estate Taxes

These accounts represent Real Estate Tax for the City and the School District. The total proposed charge off amount for tax year 2014 represents \$9,549,505 which represents receivables aged in the past ten years. Tax rates for 2014 were .6018% City and .7382% School. Distribution is 44.91% City and 55.09% School. The proposed charge offs are \$4,288,683 for the City portion and \$5,260,822 for the School portion.

Self-assessed City and School taxes

These accounts represent taxes reported by the taxpayer. The charge off amount represents fiscal year 2018 which represents receivables aged in the past six years. The proposed charge off is \$23,877,286. The total proposed charge off is comprised of \$19,130,023 in self-assessed taxes receivable, \$191,702 in Parking Tax receivable and \$4,555,561 in School District taxes receivable.

Office of Administrative Review

- ALARMS-These accounts represent fines for false alarm activations exceeding the two false alarms per registration year. The charge off represents additional receivables aged past 36 months. The proposed charge off is \$77,875.
- SWEEPS-These accounts represent fines issued for infractions of the Philadelphia Code that cover personal conduct (e.g., smoking on public transit) or minor property owner violations (high weeds, failure to recycle, litter). The charge off represents additional receivables aged past 36 months. The proposed charge off is \$931,691.
- BURGLAR ALARM REGISTRATION FEES-These accounts represent annual charges for burglar alarm systems. The charge off represents additional receivables aged past 36 months. The proposed charge off is \$73,931.

Report

Fire Department-Emergency Medical Services (EMS)

These amounts represent charges to individuals who were provided with emergency medical services by emergency medical personnel. The total charge off amount of \$231,186,149 represents adjustments for the variance between billed amounts vs. insurance payments received in fiscal year 2024. This amount includes \$26,915,829 for bad debt/aged for fiscal year 2024 and \$204,270,320 actual insurance adjustments and closed accounts.

Licenses & Inspections

- **Clean and Seal**—These accounts represent claims for expenditures by the City for cleaning and sealing condemned properties for protection of public health and safety. These accounts have liens imposed upon them. The charge off amounts represents fiscal year 2023. The proposed charge off is \$450,992.
- **Community Life Improvement Program (CLIP)**—These accounts represent claims for expenditures by the City relating to the Community of Life Improvement Program (CLIP). The work is done only after the property owner has refused to correct the problem. These accounts have liens imposed upon them. The charge off amount represents fiscal year 2023. The proposed charge off is \$1,675,158.
- **Other Nuisance Liens**—These accounts represent claims for the expenditures by the City regarding demolition, site improvement, sealing, stucco and asbestos work. These accounts have liens imposed upon them. The charge off amount represents fiscal year 2023. The proposed charge off is \$13,639,274.

Solid Resource Fee

These accounts represent charges on any commercial establishment or multi-unit property receiving City collection of rubbish and recycling materials. The charge off amount represents receivables aged past six years which relates to fiscal year 2018. The proposed charge off is \$2,779,755.

Report

Police Overtime

These accounts represent charges to outside organizations for work performed by the Police Department. The charge off amount represents fiscal year 2018. The proposed charge off is \$70,724.

Register of Wills

These accounts represent probate fees based on estimates of decedent's assets. When the true value of assets is finally determined, the probate fees are adjusted. The proposed charge off is \$13,209 representing the amount due for fiscal year 2024.

Courts – First Judicial District of PA – Clerk of Courts

These accounts represent fines and other charges collected by the Courts of the First Judicial District (excluding Traffic Court) that are due to the City. The total write-off of \$4,030,930 represents the total fiscal year 2024.

Aviation Fund

These accounts represent receivables from marginal carriers that no longer use the Airport's facilities or are out of business. The total proposed charge off for fiscal year 2024 is \$18.

Hotel Rental Tax Fund

These accounts represent the Hotel Tax on short-term rentals. The charge off amount represents fiscal year 2018. The proposed charge off is \$162,935.

Report

Water Fund

The Water Fund submits the following categories of delinquent and uncollectible Water Fund accounts receivable, herein, totaling \$14,581,414 to the Accounts Receivable Panel for exclusion from Water Fund statements. The total includes \$3,035,466 Pre-petition Bankruptcy Balances, \$48 in Low Income Arrearages and \$11,545,900 in Delinquent Accounts over 1-year old.

Cover Photo credit: M. Fischetti for VISIT PHILADELPHIA

TAX ACCOUNTS RECEIVABLE CHARGE OFF BASED ON 6/30/2024 STATEMENT OF ACTIVITY

Tax Type	Receivables Charge Off as of 6/30/2023	Proposed Accounts Receivables Charge Off 6/30/2024	Cumulative Accounts Receivables Charge Off 6/30/2024
Real Estate Tax	92,838,444	4,288,683	97,127,127
Total City's Real Estate Tax	92,838,444	4,288,683	97,127,127
Wage Tax	407,194,065	2,996,452	410,190,517
Earnings Tax	111,273,872	3,276,191	114,550,063
Net Profits Tax	68,473,042	3,777,490	72,250,532
Business Income and Receipts Tax	530,862,055	8,138,712	539,000,767
Amusement Tax	2,222,613	5,379	2,227,992
Realty Transfer Tax-Audits	5,853,196	807,608	6,660,804
Outdoor Advertising Tax	60	1,410	1,470
Tobacco Tax	76,486	1,798	78,284
Miscellaneous Tax	363,650	1,540	365,190
Philadelphia Beverage Tax	172,213	123,443	295,656
Total City Self-Assessed Tax	1,126,491,252	19,130,023	1,145,621,275
TOTAL CITY TAXES	1,219,329,696	23,418,706	1,242,748,402
Real Estate Tax	118,718,574	5,260,822	123,979,396
Total School Real Estate Tax	118,718,574	5,260,822	123,979,396
Liquor Tax	61,910,296	1,015,162	62,925,458
Use and Occupancy	56,158,181	2,950,691	59,108,872
School Income Tax	20,155,171	589,708	20,744,879
Total School Self-Assessed Tax	138,223,648	4,555,561	142,779,209
TOTAL SCHOOL TAXES	256,942,222	9,816,383	266,758,605
Parking Tax	12,946,881	191,702	13,138,583
Valet Parking Tax	1,572,398	-	1,572,398
TOTAL SPECIAL FUND TAXES	14,519,279	191,702	14,710,981
TOTAL CITY, SCHOOL & SPECIAL FUND TAXES	1,490,791,197	33,426,792	1,524,217,989

**CITY AND SCHOOL CHARGE OFF
COMPARISON OF ALL CHARGE OFF ITEMS OVER 3 YEARS
FOR FISCAL YEAR END 2024**

CITY	6/30/2022	6/30/2023	6/30/2024
Total Real Estate Tax	5,229,850	3,904,674	4,288,683
SELF-ASSESSED TAXES RECEIVABLE (GENERAL FUND)			
Wage Tax	8,628,397	8,067,485	2,996,452
Earnings Tax	1,972,352	1,278,508	3,276,191
Net Profits Tax	3,288,601	3,274,032	3,777,490
Business Income and Receipts Tax	7,556,081	8,546,895	8,138,712
Amusement Tax	43,956	6,135	5,379
Realty Transfer Tax-Audits	510,837	228,600	807,608
Outdoor Advertising Tax	60	0	1,410
Tobacco	11,438	17,044	1,798
Miscellaneous Tax	13,734	20,457	1,540
Philadelphia Beverage Tax	0	172,213	123,443
Total Self Assessed Taxes	22,025,456	21,611,369	19,130,023
OTHER TAXES RECEIVABLE (SPECIAL FUND)			
Hotel Tax	33,610	238,493	162,935
Vehicle Rental Tax	76	0	0
Parking Tax	148,243	143,780	191,702
Valet Parking Tax	122,943	905	0
Total Other Taxes	304,872	383,178	354,637
AGENCY RECEIVABLE (GENERAL FUND)			
Office of Administrative Review-False Alarms	775,900	857,300	77,875
Office of Administrative Review-Burglar Alarm Registration Fees	434,195	685,275	73,931
Office of Administrative Review-Sweeps	5,208,909	4,345,949	931,691
Fire Department-Emergency Medical Services	150,168,074	183,482,473	231,186,149
L & I-Clean & Seal	433,676	340,484	450,992
L & I-Blight/Clip	958,745	1,136,584	1,675,158
L & I-Other Nuisance Liens	4,490,888	11,929,043	13,639,274
Solid Resource Fee	3,393,608	3,236,925	2,779,755
Police	46,565	93,087	70,724
Register of Wills	8,302	16,708	13,209
Courts-1st Judicial District	1,813,568	6,163,718	4,030,930
Courts-Traffic	3,130	0	0
DHS-Children & Youth	0	0	0
Total Agency Receivable (General Fund)	167,735,560	212,287,546	254,929,688
AGENCY ACCOUNTS RECEIVABLE (SPECIAL FUND)			
Airport-aggregate Receivables	2,017	33	18
Riverview-Forgiveness	2,587,845	0	0
Total Agency Accounts Receivable (Special Fund)	2,589,862	33	18
WATER FUND			
Pre-Petition Bankruptcies	1,982,335	1,941,736	3,035,466
Low Income Arrearages	4,134	332	48
Delinquent Accounts (Over 1 year old)	7,406,520	3,906,173	11,545,900
Total Water Fund	9,392,989	5,848,241	14,581,414
SCHOOL			
Total Real Estate Tax	6,735,032	4,645,083	5,260,822
SCHOOL TAXES RECEIVABLE			
Liquor Tax	1,825,638	998,558	1,015,162
Use and Occupancy Tax	1,234,073	1,458,569	2,950,691
School Income Tax	1,846,606	546,741	589,708
Total Self Assessed School Taxes	4,906,317	3,003,868	4,555,561
GRAND TOTAL	218,919,938	251,683,992	303,100,846

AGENCY RECEIVABLE CHARGE OFF

FISCAL YEAR 2024

AGENCY RECEIVABLE (GENERAL FUND)

Office of Administrative Review-False Alarms	\$	77,875
Office of Administrative Review-Burglar Alarm Registration Fees	\$	73,931
Office of Administrative Review-Sweeps	\$	931,691
Fire Department-EMS	\$	231,186,149
License & Inspection-Clean & Seal	\$	450,992
License & Inspection-Clean & Seal-CLIP Programs	\$	1,675,158
License & Inspection-Other Nuisance Liens	\$	13,639,274
Solid Resource Fees	\$	2,779,755
Police	\$	70,724
Register of Wills	\$	13,209
Courts-1st Judicial District	\$	4,030,930
Courts-Traffic	\$	-
DHS-Children and Youth	\$	-
TOTAL AGENCY RECEIVABLE (GENERAL FUND)	\$	254,929,688

AGENCY RECEIVABLE (SPECIAL FUNDS)

Aviation Fund	\$	18
Hotel Tax	\$	162,935
Riverview	\$	-
Vehicle Rental Tax	\$	-
TOTAL AGENCY RECEIVABLE (SPECIAL FUND)	\$	162,953

**SUMMARY OF CHARGE OFF ACCOUNTS
TAXES AND AGENCY ACCOUNTS REVIEW
PANEL MEETING FISCAL YEAR ENDING
JUNE 30, 2024**

	<u>CITY</u>	<u>SCHOOL</u>	<u>TOTAL</u>
Taxes*	\$ 23,418,706	\$ 9,816,383	\$ 33,235,090
Other Taxes-Special Fund	\$ 354,637	\$ -	\$ 354,637
Subtotal	<u>\$ 23,773,343</u>	<u>\$ 9,816,383</u>	<u>\$ 33,589,727</u>
Agency Receivable-General Fund	\$ 254,929,688	\$ -	\$ 254,929,688
Agency Receivable-Special Funds	\$ 18	\$ -	\$ 18
Water Fund	\$ 14,581,414	\$ -	\$ 14,581,414
Subtotal	<u>\$ 269,511,120</u>	<u>\$ -</u>	<u>\$ 14,581,432</u>
TOTAL	<u>\$ 293,284,463</u>	<u>\$ 9,816,383</u>	<u>\$ 303,100,846</u>

**Includes Real Estate and Self Assessed Taxes*



CITY OF PHILADELPHIA
DEPARTMENT OF REVENUE
WATER REVENUE BUREAU

August 10, 2024

To: Accounts Review Panel, City of Philadelphia
From: Accounting Division , Water Revenue Bureau
Subject: Accounts Review Panel Agenda for the Fiscal Year Ending June 30, 2024

The Water Fund submits the following categories of delinquent and uncollectible Water Fund accounts receivable, herein, totaling **\$14,581,413.61** to the Accounts Receivable Panel for exclusion from Water Fund financial statements. The total includes \$3,035,465.52 Pre-petition Bankruptcy Balances, \$ 48.00 in Low Income Arrearages, \$11,181,061.64 in WBR Delinquent Accounts over 1-year-old.and \$ 364,838.45 PWD Delinquent Accounts over 1- Year old.

The categories of accounts requested to be charged-off, are within the attached detailed summary.

CC: Kathleen McColgan, Revenue Commissioner
Randy E Hayman, Water Commissioner
Susan Crosby, Deputy Revenue Commissioner, Water Revenue Bureau
Mark D. Harvey, Director of Operations
Lawrence Yangalay
Paul Danella, Director of Accounting Operations

**CITY OF PHILADELPHIA
WATER FUND
ACCOUNTS REVIEW PANEL REQUEST FOR
CHARGE-OFF OF
WATER AND SEWER ACCOUNTS RECEIVABLE
FISCAL YEAR ENDING JUNE 30, 2024**

The Water Revenue Bureau, on behalf of the Water Fund, submits accounts receivable balances totaling **\$ 14,581,413.61** (see-attached schedule titled “**Summary of Water Fund - Water and Sewer Account Proposed Charge-offs**”) to the Accounts Review Panel for exclusion from the accounts receivables of the Water Fund financial statements. These account balances are no longer considered valid assets reasonably expected to be collected during the normal operating business period.

The criteria for charge-off includes the age of the account balances, the condition under which they accrued, the condition of the property, the financial condition and present employment of the debtor, the liability of others for payment of debtor’s account, debtor’s estate; and all other matters relevant to the collection of the receivable.

The following is a detailed description of the categories Water and Billing Accounts Receivable that the Accounts Review Panel is being asked to consider for charge-off.

1. Pre-Petition Bankruptcy Balances - \$3,035,465.52

Submitted for consideration are pre-petition bankruptcies receivable balances of the Water Revenue Bureau accounts where the Bureau was certified by the Federal bankruptcy court as a customer’s creditor during fiscal year 2024. The balances are deemed uncollectible because of the Water Revenue Bureau’s legal limitation to collect the pre-petition accounts receivable while before the court, and because the proceeds the City of Philadelphia receives after the Court rules the bankruptcy cases are a small percentage of the original arrearage that was submitted.

Under Water Revenue Bureau bankruptcy procedures, pre-petition balances are charged-off the accounts receivables balance of the financial statements after the Water Revenue Bureau is identified by the Federal Bankruptcy court as a customer’s creditor in bankruptcy proceedings. These balances remain on the database until the court rules on a settlement amount. Removal of abated balances then occurs at that time. Remaining balances are subject to enforcement if not paid. The account is paid at the transfer of ownership occurs when proceeds are available.

2. Low Income Process

The following account balances to be charged off are the result of the Low-Income customer process of the Water Revenue Bureau.

Low Income Arrearages - \$ 48.00

For the Fiscal year ending June 30, 2024, these account balances placed in deferment after customers had applied for assistance using the several grant sources available. The eligibility requirements to have the balances suspended in the low-income program are:

- The customer must complete a detailed application and submit supporting financial documentation.
- The customer's income falls below the poverty level, established under Federal Government guidelines.
- They must maintain their required payment agreements.
- Submit to an annual review of their income eligibility.

To qualify for a Low-Income Agreement, a customer must:

- Live in the property for which the application is being made.
- Verify that their total household income is within Federal low-income guidelines.
- Submit Social Security numbers for each person who lives in the property.
- Provide evidence of all expenses such as utility bills, gas bills, and mortgage payments.
- Provide or allow a current meter reading.
- Must have an operating automatically read meter (AMR) installed.
- Apply for all available grants

The level of assistance is based on the following:

- Water usage
- The ability to pay current water and sewer bills
- The status as a property owner, tenant or occupant

The Water Revenue Bureau retains records of accounts receivable balances (including lien charges) for fifteen (15) years after they have been removed from the financial statements. If transfer of ownership occurs and proceeds are available, the seller will pay off the balance owed.

3. WRB Delinquent Accounts (Over 1-year-old) - \$ 11,181,061.64

These account balances represent delinquent customer account balances that are more than 1-year-old, despite various collection efforts.

4. PWD Delinquent Accounts (Over 1-year-old) - \$ 364,838.45

These PWD account balances represent delinquent customer account balances that are more than 1-year-old, despite various collection efforts.

	<u>FY 24</u>	<u>FY 23</u>	<u>FY 22</u>
Pre-Petition Bankruptcy Balances	\$3,035,465.52	\$1,941,736	\$1,982,335
Low Income Arrearages	\$48.00	\$ 332	\$4,134
Delinquent Accounts (Over 1- year- old)	\$11,181,061.64	\$3,906,173	\$ 7,406,520
<u>PWD</u>			
Delinquent Accounts (Over 1- year- old)	\$ <u>364,838.45</u>	\$ <u>0.00</u>	\$ <u>0.00</u>
Total	\$14,581,413.61	\$5,848,241	\$9,392,989.

Current Residential Bankruptcy FY Balances as of June 30, 2024

TYPE	COUNT	BALANCE
BNKRPT07	59	\$227,409.74
BNKRPT11	35	\$93,212.28
BNKRPT13	474	\$1,924,026.24
	568	\$2,244,648.26

Current Commercial Bankruptcy FY Balances as of June 30, 2024

TYPE	COUNT	BALANCE
BNKRPT07	5	\$756.44
BNKRPT11	93	\$762,313.41
BNKRPT13	11	\$27,747.41
TOTAL	109	\$790,817.26

Current Total Bankruptcy FY Balances as of June 30, 2024

TYPE	COUNT	BALANCE
BNKRPT07	64	\$228,166.18
BNKRPT11	128	\$855,525.69
BNKRPT13	485	\$1,951,773.65
TOTAL	677	\$3,035,465.52

Current and Old WRAP FY Balances as of June 30, 2024

	Residential	Commercial	Balance
Current WRAP	\$48.00	\$0.00	\$48.00
OLD WRAP**	\$0.00	\$0.00	\$0.00
TOTAL	\$48.00	\$0.00	\$48.00

** OLD WRAP balances were added back into customers' main account balances in December 2009 - January 2010. Therefore, there are no balances remaining in the OLD-WRAP debt collection path as of June 30, 2024.

