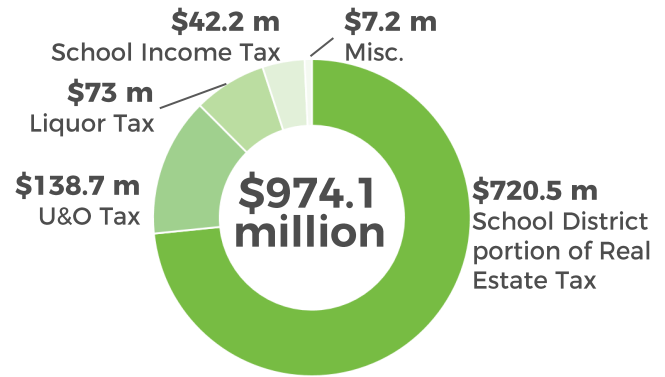


# Delinquency Report:

## Taxes that Support the School District

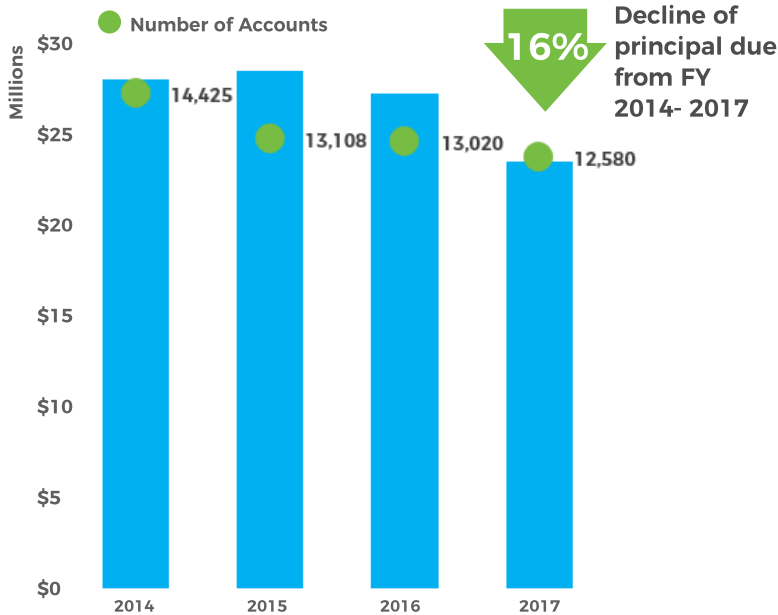
By using technology and strategic enforcement methods, the City of Philadelphia has reduced the number of delinquent accounts and principal owed, while increasing tax collections that support the School District of Philadelphia.

This report focuses on Liquor Tax, School Income Tax (SIT), and Use & Occupancy (U&O) Tax delinquency. The report for Real Estate Tax delinquency is located here — <https://beta.phila.gov/documents/tax-delinquency-trend-action-reports/>.



### How are our collection efforts going?

School District Taxes Delinquency\*  
Liquor Tax, SIT and U&O Tax



**Success with audit & discovery tools initially uncovered new delinquent accounts, which Revenue reduced by 16% in the last three years.**

Revenue has pushed delinquency down by:

- Improving data sharing with the Commonwealth of Pennsylvania, IRS, and Liquor Control Board to uncover underreported sales
- Utilizing the data warehouse to identify Commercial Activity License (CAL) Revocation candidates
- Developing better outreach and education strategies

\*Principal only

### Moving the needle on delinquent Liquor Tax collections

In Fiscal Year 2016,

**1,937** delinquent accounts  
**3 in 4** delinquent accounts were out of business

**48%** of delinquent accounts that are still in business require no further action on the part of the City. These include accounts in:

- payment agreements,
- bankruptcy,
- under appeal, or
- established in the last 90 days.

The City is actively working to collect from **52%** of the open delinquent businesses.

In Fiscal Year 2017,

The number of delinquent accounts fell to **1,095**  
The number of delinquent accounts out of business fell by half and was **1 in 4**

#### Did you know?\*

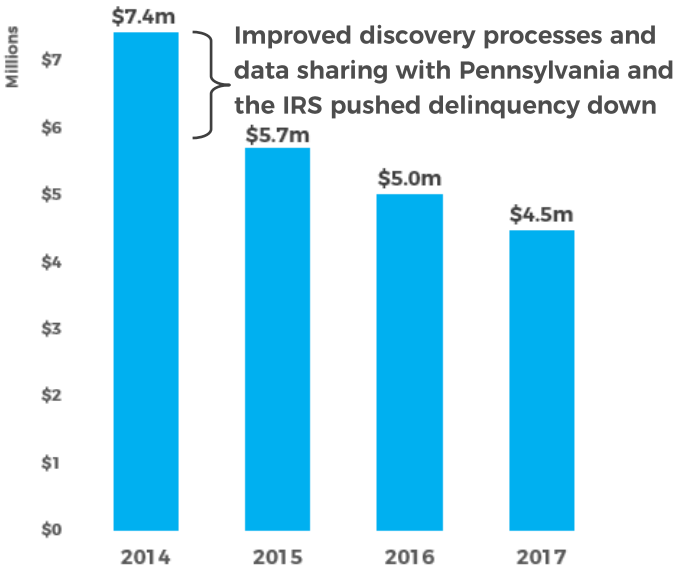
The City has increased delinquent Liquor Tax collections through:

- The **CAL Revocation program** that revokes the activity licenses of businesses that fail to pay the City. In 2017, almost 80% of delinquent businesses complied and paid \$1.4 million in Liquor Tax to the City.
- **Tax audit** procedures that examine prior tax records to verify their accuracy. In 2017, businesses that owed Liquor Tax paid \$3.3 million to the City.

\*Refers to Principal only

## How have School Income Tax collections improved?

### SIT Delinquency\*



### Did you know?

Data sharing with the IRS allows the City to find taxpayers who claimed dividend income to the IRS, but not the City. The Discovery Unit sends assessment bills to the taxpayers that the City finds.

Discovery Unit FY 2017 statistics -



\*Principal only

## What is the status of Use and Occupancy Tax debt?

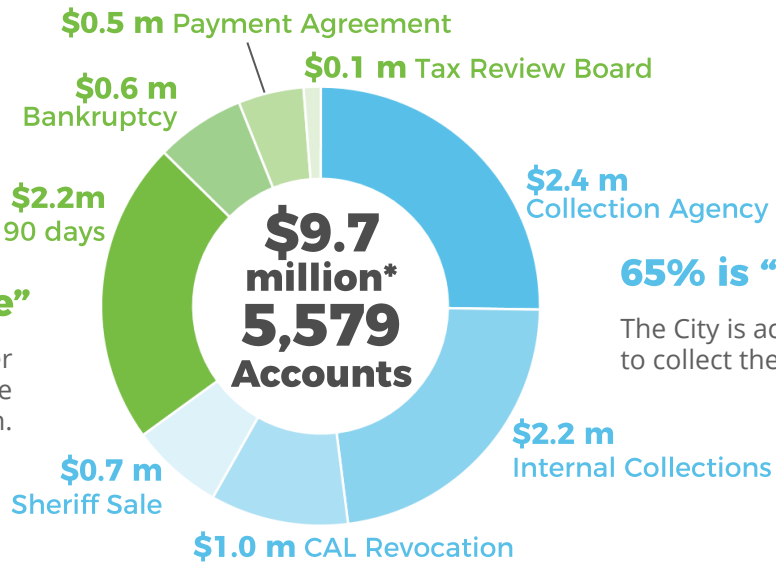
**\$1,748**

Average U&O debt

### 35% is "non-Actionable"

These accounts require no further action on the part of the City or the City is barred from collection.

Est. in the last 90 days



### 65% is "Actionable"

The City is actively working to collect these accounts.

\*Active principal: refers to delinquent periods after January 1, 2011

## What are Revenue's next collection strategies ?

**Better data sharing at the Federal and State level and consistent audit and discovery processes will reduce delinquent accounts and improve collections**

Moving forward, the City will continue to

- Use data analytics to score accounts and predict the most effective enforcement tool
- Utilize the data warehouse to identify targets for commercial activity license revocation and legal enforcement



### Notes about this data

This report uses data current through September 2017. Amounts in this report refer to principal due for active and inactive periods. Active periods refers to periods after January 1, 2011. Older debts, interest and penalties are much less likely to be collected and are often reduced or waived when payment does occur. Presenting the active, principal delinquency is reflective of reasonable expectations for collections.