



CITY OF PHILADELPHIA  
DEPARTMENT OF REVENUE

September 27, 2023

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 Frank Breslin, CPA

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 is the central focus of the top half of the page. Below the title, a semi-transparent white banner contains the text.

# City Charge Off Report Fiscal Year 2023



CITY OF PHILADELPHIA  
DEPARTMENT OF REVENUE  
TAX | WATER | LAW

## Report

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### 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 2013 is \$8,549,758 which represents receivables aged in the past ten years. Tax rates for 2013 were 4.462% City and 5.309% School. In 2013 the City received 45.67% of Real Estate Tax and the School District received 54.33%. The proposed charge offs are \$3,904,674 for the City portion and \$4,645,083 for the School District portion.

### Self-assessed City and School taxes

These accounts represent taxes reported by the taxpayer. The charge off amount is for fiscal year 2017 which represents receivables aged in the past six years. The proposed charge off is \$24,759,922. The total proposed charge off is comprised of \$21,756,054 in self-assessed taxes receivable and \$3,003,868 in School District taxes receivable.

### Office of Administrative Review

- ALARMS-These accounts represent fines for false alarm activations exceeding two false alarms per registration year. The charge off represents additional receivables aged past 36 months. The proposed charge off is \$857,300.
- SWEEPS-These accounts represent fines issued for infractions of the Philadelphia Code that covers 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 \$4,345,949.
- 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 \$685,275.

### 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 \$183,482,473 represents adjustments for the variance between billed amounts vs. insurance payments received in fiscal year 2023. This amount includes \$2,011,764 in closed accounts; \$19,352,325 for aged debt for fiscal year 2022 and \$162,118,384. for actual insurance adjustments.

## Report

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### License & Inspection

- 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 represent fiscal year 2022. The proposed charge off is \$340,484.
- Community Life Improvement Program (CLIP) – These accounts represent claims for expenditures by the City relating to the Community 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 2022. The proposed charge off is \$1,136,584.
- Other Nuisance Liens – These accounts represent claims for the expenditures by the City for demolition, site improvement, sealing, stucco and asbestos work. These accounts have liens imposed upon them. The charge off amount represents fiscal year 2022. The proposed charge off is \$11,929,043.

### 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 2017. The proposed charge off is \$3,236,925.

### Police Overtime

These accounts represent charges to outside organizations for work performed by the Police Department. The charge off amount represents fiscal year 2017. The proposed charge off is \$93,087.

### 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 \$16,708 representing the amount due for fiscal year 2023.

**Report**

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**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 \$6,163,718 represents the total fiscal year 2023.

**Courts – Philadelphia Traffic Court**

These accounts represent fines and other charges collected by the Philadelphia Traffic Court that are due to the City. The proposed charge off for FY 2023 is \$0.

**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 2023 is \$33.

**Riverview Nursing Home**

These accounts have represented per-diem costs that exceeded residents’ income, Social Security and Medicaid reimbursements. Riverview was barred by State regulation from charging Social Security recipients more than their actual income. There is no charge off for the 2023 period because the facility is closed.

**Hotel Rental Tax Fund**

These accounts represent the Hotel Tax on short-term rentals. The charge off amount represents fiscal year 2017. The proposed charge off is \$238,493.

**Vehicle Rental Tax Fund**

These accounts represent the Vehicle Rental Tax on vehicle rentals. The charge off amount represents fiscal year 2017. The proposed charge off is \$0 as there is no receivable for 2017.

## Report

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### Water Fund

The Water Fund submits the following categories of delinquent and uncollectible Water Fund accounts receivable, herein, totaling \$5,848,241 to the Accounts Receivable Panel for exclusion from Water Fund statements. The total includes \$1,941,736 Pre-petition Bankruptcy Balances, \$332 in Low Income Arrearages and \$3,906,173 in Delinquent Accounts over 1-year old.

*Cover Photo credit: M. Fischetti for VISIT PHILADELPHIA*

**TAX ACCOUNTS RECEIVABLE CHARGE OFF BASED ON 6/30/2023 STATEMENT OF ACTIVITY**

Tax Type	Receivables Charge Off as of 6/30/2022	Proposed Accounts Receivables Charge Off 6/30/2023	Cumulative Accounts Receivables Charge Off 6/30/2023
Real Estate Tax	88,933,770	3,904,674	92,838,444
Total City's Real Estate Tax	<u>88,933,770</u>	<u>3,904,674</u>	<u>92,838,444</u>
Wage Tax	399,126,580	8,067,485	407,194,065
Earnings Tax	109,995,364	1,278,508	111,273,872
Net Profits Tax	65,199,010	3,274,032	68,473,042
Business Income and Receipts Tax	522,315,160	8,546,895	530,862,055
Amusement Tax	2,216,478	6,135	2,222,613
Parking Tax	12,803,101	143,780	12,946,881
Valet Parking Tax	1,571,493	905	1,572,398
Realty Transfer Tax-Audits	5,624,596	228,600	5,853,196
Outdoor Advertising Tax	60	-	60
Tobacco Tax	59,442	17,044	76,486
Miscellaneous Tax	343,193	20,457	363,650
Philadelphia Beverage Tax	-	172,213	172,213
			-
Total City Self-Assessed Tax	<u>1,119,254,477</u>	<u>21,756,054</u>	<u>1,141,010,531</u>
<b>TOTAL CITY TAXES</b>	<b><u>1,208,188,247</u></b>	<b><u>25,660,728</u></b>	<b><u>1,233,848,975</u></b>
Real Estate Tax	114,073,491	4,645,083	118,718,574
			-
Total School Real Estate Tax	<u>114,073,491</u>	<u>4,645,083</u>	<u>118,718,574</u>
Liquor Tax	60,911,738	998,558	61,910,296
Use and Occupancy	54,699,612	1,458,569	56,158,181
School Income Tax	19,608,430	546,741	20,155,171
			-
Total School Self-Assessed Tax	<u>135,219,780</u>	<u>3,003,868</u>	<u>138,223,648</u>
<b>TOTAL SCHOOL TAXES</b>	<b><u>249,293,271</u></b>	<b><u>7,648,951</u></b>	<b><u>256,942,222</u></b>
<b>TOTAL CITY AND SCHOOL TAXES</b>	<b><u>1,457,481,518</u></b>	<b><u>33,309,679</u></b>	<b><u>1,490,791,197</u></b>

**CITY AND SCHOOL CHARGE OFF  
COMPARISON OF ALL CHARGE OFF ITEMS OVER 3 YEARS  
FOR FISCAL YEAR END 2023**

<b>CITY</b>	<b>6/30/2021</b>	<b>6/30/2022</b>	<b>6/30/2023</b>
<b>Total Real Estate Tax</b>	<b>5,204,297</b>	<b>5,229,850</b>	<b>3,904,674</b>
<b>SELF-ASSESSED TAXES RECEIVABLE (GENERAL FUND)</b>			
Wage Tax	10,383,900	8,628,397	8,067,485
Earnings Tax	15,211,653	1,972,352	1,278,508
Net Profits Tax	6,009,749	3,288,601	3,274,032
Business Income and Receipts Tax	11,191,545	7,556,081	8,546,895
Amusement Tax	30,432	43,956	6,135
Parking Tax	209,226	148,243	143,780
Valet Parking Tax	119,571	122,943	905
Realty Transfer Tax-Audits	582,535	510,837	228,600
Outdoor Advertising Tax	0	60	0
Tobacco	5,613	11,438	17,044
Miscellaneous Tax	0	0	20,457
Philadelphia Beverage Tax	0	0	172,213
<b>Total Self Assessed Taxes</b>	<b>43,744,224</b>	<b>22,282,908</b>	<b>21,756,054</b>
<b>OTHER TAXES RECEIVABLE (SPECIAL FUND)</b>			
Hotel Tax	29,430	33,610	238,493
Vehicle Rental Tax	20	76	0
<b>Total Other Taxes</b>	<b>29,450</b>	<b>33,686</b>	<b>238,493</b>
<b>AGENCY RECEIVABLE (GENERAL FUND)</b>			
Office of Administrative Review-False Alarms	727,339	775,900	857,300
Office of Administrative Review-Burglar Alarm Registration Fees	211,375	434,195	685,275
Office of Administrative Review-Sweeps	4,610,947	5,208,909	4,345,949
Fire Department-Emergency Medical Services	208,424,867	150,168,074	183,482,473
L & I-Clean & Seal	401,099	433,676	340,484
L & I-Blight/Clip	803,426	958,745	1,136,584
L & I-Other Nuisance Liens	9,841,508	4,490,888	11,929,043
Solid Resource Fee	3,394,808	3,393,608	3,236,925
Police	26,813	46,565	93,087
Register of Wills	6,520	8,302	16,708
Courts-1st Judicial District	3,426,427	1,813,568	6,163,718
Courts-Traffic	0	3,130	0
DHS-Children & Youth	0	0	0
<b>Total Agency Receivable (General Fund)</b>	<b>231,875,129</b>	<b>167,735,560</b>	<b>212,287,546</b>
<b>AGENCY ACCOUNTS RECEIVABLE (SPECIAL FUND)</b>			
Airport-aggregate Receivables	857,910	2,017	33
Riverview-Forgiveness	2,915,627	2,587,845	0
<b>Total Agency Accounts Receivable (Special Fund)</b>	<b>3,773,537</b>	<b>2,589,862</b>	<b>33</b>
<b>WATER FUND</b>			
Pre-Petition Bankruptcies	1,613,354	1,982,335	1,941,736
Low Income Arrearages	14,299	4,134	332
Delinquent Accounts (Over 1 year old)	17,045,352	7,406,520	3,906,173
<b>Total Water Fund</b>	<b>18,673,005</b>	<b>9,392,989</b>	<b>5,848,241</b>
<b>SCHOOL</b>			
<b>Total Real Estate Tax</b>	<b>6,258,913</b>	<b>6,735,032</b>	<b>4,645,083</b>
<b>SCHOOL TAXES RECEIVABLE</b>			
Liquor Tax	1,836,537	1,825,638	998,558
Use and Occupancy Tax	3,226,060	1,234,073	1,458,569
School Income Tax	773,819	1,846,606	546,741
<b>Total Self Assessed School Taxes</b>	<b>5,836,416</b>	<b>4,906,317</b>	<b>3,003,868</b>
<b>GRAND TOTAL</b>	<b>315,394,971</b>	<b>218,906,204</b>	<b>251,683,992</b>



**AGENCY RECEIVABLE CHARGE OFF**

**FISCAL YEAR 2023**

**AGENCY RECEIVABLE (GENERAL FUND)**

Office of Administrative Review-False Alarms	\$	857,300
Office of Administrative Review-Burglar Alarm Registration Fees	\$	685,275
Office of Administrative Review-Sweeps	\$	4,345,949
Fire Department-EMS	\$	183,482,473
License & Inspection-Clean & Seal	\$	340,484
License & Inspection-Clean & Seal-CLIP Programs	\$	1,136,584
License & Inspection-Other Nuisance Liens	\$	11,929,043
Solid Resource Fees	\$	3,236,925
Police	\$	93,087
Register of Wills	\$	16,708
Courts-1st Judicial District	\$	6,163,718
Courts-Traffic	\$	-
DHS-Children and Youth	\$	-
<b>TOTAL AGENCY RECEIVABLE (GENERAL FUND)</b>	<b>\$</b>	<b>212,287,546</b>

**AGENCY RECEIVABLE (SPECIAL FUNDS)**

Aviation Fund	\$	33
Hotel Tax	\$	238,493
Riverview	\$	-
Vehicle Rental Tax	\$	-
<b>TOTAL AGENCY RECEIVABLE (SPECIAL FUND)</b>	<b>\$</b>	<b>238,526</b>
	<b>\$</b>	<b>212,526,072</b>

**SUMMARY OF CHARGE OFF ACCOUNTS  
TAXES AND AGENCY ACCOUNTS REVIEW  
PANEL MEETING FISCAL YEAR ENDING  
JUNE 30, 2023**

	<u>CITY</u>	<u>SCHOOL</u>	<u>TOTAL</u>
Taxes*	\$ 25,660,728	\$ 7,648,951	\$ 33,309,679
Agency Receivable-General Fund	\$ 212,287,546	\$ -	\$ 212,287,546
<b>Subtotal</b>	<b>\$ 237,948,274</b>	<b>\$ 7,648,951</b>	<b>\$ 245,597,225</b>
Agency Receivable-Special Funds	\$ 238,526	\$ -	\$ 238,526
Water Fund	\$ 5,848,241	\$ -	\$ 5,848,241
<b>Subtotal</b>	<b>\$ 6,086,767</b>	<b>\$ -</b>	<b>\$ 6,086,767</b>
<b>TOTAL</b>	<b>\$ 244,035,041</b>	<b>\$ 7,648,951</b>	<b>\$ 251,683,992</b>

*\*Includes Real Estate and Self Assessed Taxes*



CITY OF PHILADELPHIA  
DEPARTMENT OF REVENUE  
WATER REVENUE BUREAU

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August 02, 2023

To: Accounts Review Panel, City of Philadelphia  
From: James M. Gilbert, Revenue Accounting Manager, Water Revenue Bureau  
Subject: Accounts Review Panel Agenda for the Fiscal Year Ending June 30, 2023

The Water Fund submits the following categories of delinquent and uncollectible Water Fund accounts receivable, herein, totaling **\$5,848,241** to the Accounts Receivable Panel for exclusion from Water Fund financial statements. The total includes \$1,941,736 Pre-petition Bankruptcy Balances, \$332 in Low Income Arrearages and \$3,906,173 in Delinquent Accounts over 1-year-old.

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

CC: Frank Breslin, 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, 2023**

The Water Revenue Bureau, on behalf of the Water Fund, submits accounts receivable balances totaling **\$ 5,848,241.00.** (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 - \$1,941,736.23**

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 2023. 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 - \$ 332.00**

For the Fiscal year ending June 30, 2023, 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. Delinquent Accounts (Over 1-year-old) - \$ 3,906,173**

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

	<u>FY 23</u>	<u>FY 22</u>	<u>FY 21</u>
<b>Pre-Petition Bankruptcy Balances</b>	\$1,941,736	\$1,982,335	\$1,613,354
<b>Low Income Arrearages</b>	\$332	\$ 4,134	\$14,299
<b>Delinquent Accounts (Over 1- year- old)</b>	<u>\$3,906.173</u>	<u>\$7,406,520</u>	<u>\$17,045,352</u>
<b>Total</b>	<b>\$5,848,241</b>	<b>\$9,392,989</b>	<b>\$18,673,005</b>