

# BUSINESS INCOME & RECEIPTS TAX DELINQUENCY GROWS IN FY2024



## WHAT IS BIRT?

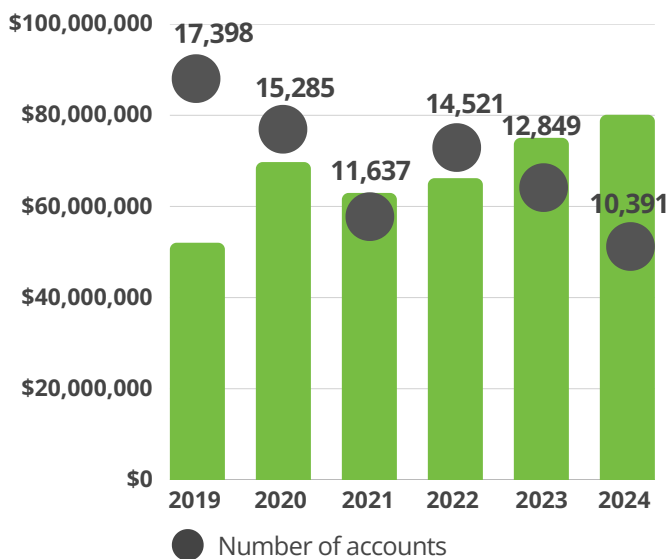
The Business Income and Receipts Tax (BIRT) is a two-part tax on businesses' gross receipts and net income.

Despite the overall increase in BIRT delinquency in FY24, there are positive indicators that the City's collection strategies are laying the foundation to return to consistent reductions in BIRT delinquency.

After years of steady reductions in the delinquent active principal for the BIRT, the amount has increased each year since 2021. The pandemic introduced challenges for businesses that contributed to the rise in delinquency. This report reflects active principal, or delinquent periods after January 1, 2019

The active principal BIRT delinquency in FY2024 is the highest since FY2015 when there was nearly \$88 million in BIRT debt.

### TOTAL ACTIVE PRINCIPAL BIRT DEBT AND NUMBER OF ACCOUNTS



**7%**

Increase in delinquent principal from FY23 - FY24

**\$5m**

Increase in delinquent principal from FY23 - FY24



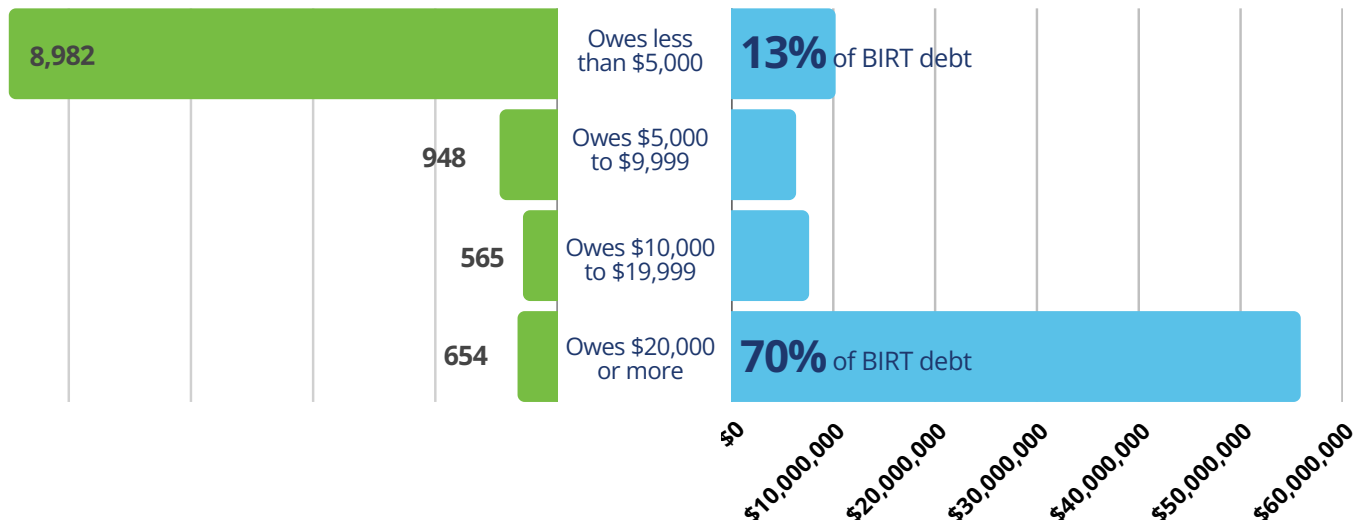
## DEBT BY AMOUNT OWED

OVER **80%**  
of accounts owe less than \$5,000

JUST **6%**  
of accounts owe \$20,000 or more

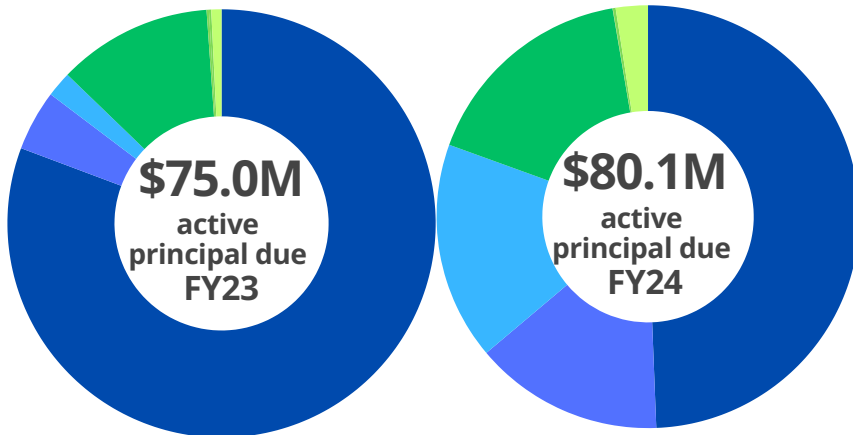
### NUMBER OF ACCOUNTS

### TOTAL ACTIVE PRINCIPAL DEBT





## HOW HAS THE DISTRIBUTION OF DELINQUENCY CHANGED SINCE FY23?



Comparing the status of active principal BIRT delinquency between FY23 and FY24 shows promising signs for delinquent tax collections.

**The reduction in BIRT debt in Internal Collections, and increases in other “actionable” categories, reflects the return of all pre-pandemic enforcement actions against delinquent taxpayers, such as CAL Revocation, more frequent billing, and sending accounts to collection agencies.**

Businesses with delinquent BIRT may have their Commercial Activity License revoked (CAL Revocation). The amount of BIRT debt subject to CAL Revocation increased by \$12 million, or over 820%, from FY23 to FY24.

Another positive development, the amount of BIRT debt in payment agreements increased by \$1.4 million from FY23. Revenue’s collection efforts are a key driver to spur taxpayers to enter into payment agreements.

### CHANGE FROM FY23 TO FY24

**“non-Actionable” +\$6.0M ▲ 63%**

The City is barred from collection on these accounts (in green), or the debt is in a payment agreement.  
TOTAL FY23 \$9.6M FY24 \$15.6M

**Est. in previous 90 days from June 30 +\$4.7M ▲ 54%**

FY23 \$8.8M FY24 \$13.4M

**Under Appeal -\$115K ▼ -86%**

FY23 \$134K FY24 \$19K

**In Bankruptcy +\$42K ▲ 33%**

FY23 \$129K FY24 \$171K

**In a Payment Agreement +\$1.4M ▲ 240%**

FY23 \$578K FY24 \$2.0M

**“Actionable” -\$944K ▼ -1%**

The City is using various enforcement strategies (in blue) to collect these debts.  
TOTAL FY23 \$65.5M FY24 \$64.5M

**Internal Collections -\$21M ▼ 35%**

FY23 \$61M FY24 \$40M

**Collection Agency +\$8.2M ▲ 237%**

FY23 \$3.4M FY24 \$11.6M

**CAL Revocation +\$12.0M ▲ 827%**

FY23 \$1.4M FY24 \$13.4M



## WHAT ARE REVENUE’S NEXT COLLECTION STRATEGIES?

In Fiscal Year 2025, the City has resumed the use of the enforcement strategies that were paused or adjusted in response to the COVID-19 pandemic while offering pathways to compliance for businesses.

This includes the expanded billing and collections tools in the new tax system, such as increasing the frequency of delinquent tax billing. This ensures we reach delinquent businesses sooner, so they can resolve their debts before accruing additional costs, improving tax compliance.

### Notes about this data:

This report uses data current through June 2024. Amounts in this report refer to principal due for active periods after January 1, 2019.

Older debts, including interest, penalties, and other fees are often less likely to be collected. Presenting the active principal delinquency reflects reasonable expectations for collection.

