



Conor M. Baldwin
Chief Financial Officer

Allison Chamber
Deputy CFO

MEMORANDUM

TO: Eileen M. Donoghue, City Manager *EMD*

FROM: Conor Baldwin, Chief Financial Officer *CB*

CC: Kelly Oakes, City Treasurer/ Collector

DATE: August 15, 2020

SUBJECT: MOTION RESPONSE: 8/11/2020 by C. Elliott - C. Elliott - Req. City Mgr. / CFO Report On Possible Options To Reduce The Demand Fees On Taxes Established By State Law

Collection costs imposed on delinquent local taxpayers are governed by law (G.L. c. 60, § 15). The requirement to demand overdue accounts to the City is further codified in the City of Lowell Code of Ordinances (§28-11). These charges are fixed dollar amounts that are added to the outstanding tax by law, not at the discretion of local officials. Demand fees for real estate tax bills are added to the tax bill if a balance remains unpaid by the taxpayer after the final due date on the fourth quarter bill (May 1st). The addition of demand fee to the tax bill is a required component of the collection process under the law. For both motor vehicle excise and real estate taxes, the collector may only waive accrued interest and collection costs where the total amount accrued is \$15 or less. Under an amendment passed by the Legislature, effective July 1, 2008 (G.L. c. 60, § 15), the law was changed to provide that the charge for issuing a demand is “not more than \$30.” Previously, the charge was \$5. The amendment did not include any language indicating that the collector is to determine the actual amount to be charged within the \$30 limit, rather, the Department of Revenue has published regulations confirming that the amount must be set by each city or town. Additionally, once the fee is set at \$30, the Collector’s office has no ability to reduce or waive these fees once added.

As a general rule, the power to set fees and charges resides in the municipality’s legislative body unless otherwise provided by statute or charter. On March 24, 2009, the City Council voted to set the demand fee at \$30. Enclosed with this memorandum is a report on a comparative survey conducted by the finance department on the existing demand fee of other Massachusetts municipalities. One option available to the Council would be to amend the fee schedule to set the fee at a reduced amount, less than \$30. A financial consequence of this action, however, would be a loss of revenue in the general fund during an already difficult time for the city budget. The city issues an average of 18,000 demand charges each year and a reduction of the demand fee would result in a loss of approximately \$270,000 in revenue. The reduction in the fee would necessitate a cut in expenses commensurate with the loss of revenue. An additional challenge to this change, operationally, would be that the City Treasurer/Collector’s Office would have no official guidance or policy on a taxpayer’s eligibility for a waiver, but would nevertheless have discretion to waive the fee under the statute.



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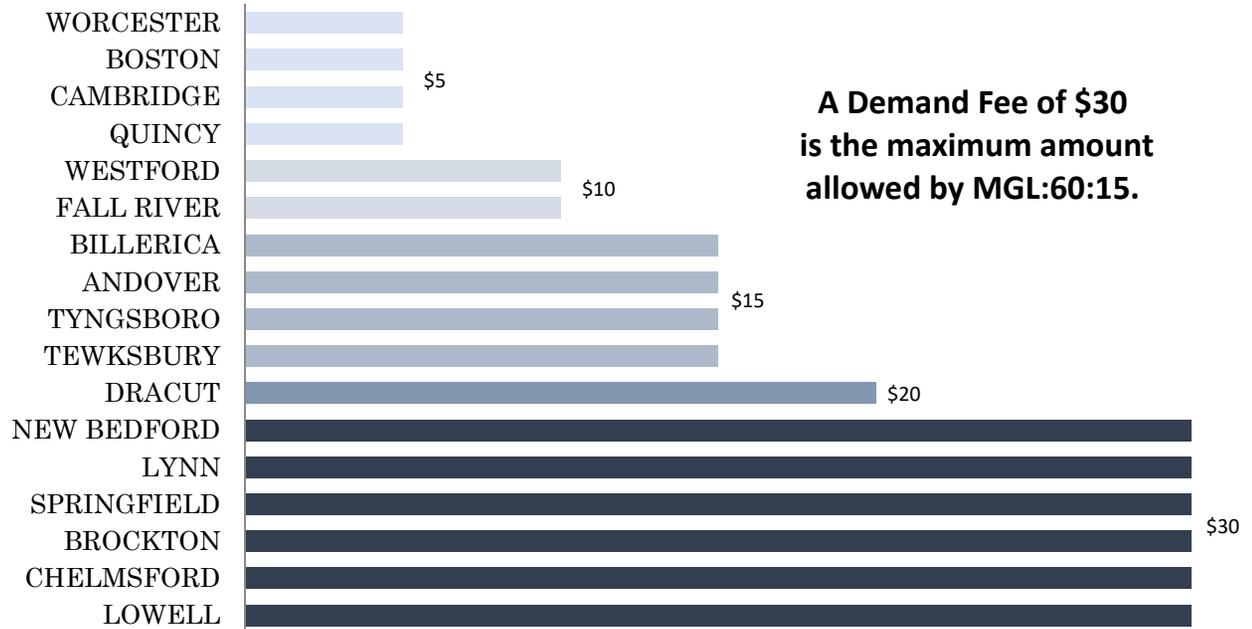
Another, more viable option available to the Council would be to file a home rule petition with the legislature to provide for relief to taxpayers. The finance department has drafted legislation, which could be referred by the law department to be reviewed and prepared in the proper form for a vote. The draft legislation addresses the challenging issue of defining a “needy” taxpayer. To achieve this as objectively as possible, the determination is based on income and census data. Provided a taxpayer qualifies, this legislation would provide relief from both demand fees and 50% of delinquent interest. This special legislation is patterned after general legislation enacted in 2003. It provides only temporary relief, since there would be only a slight chance of passage if the relief were made permanent.

The current City Council has already taken action to assist Lowell residents, financially, by extending the fourth quarter tax bill in FY2020 from May 1, 2020 to June 1, 2020 and forbearing all penalties and interest on taxes, including motor vehicle excise taxes, to June 30th, 2020. The normal procedure each year for motor vehicle excise tax bills, with a due date of April 8th, 2020, has commenced and any bills still outstanding are 129 days past due, as of the date of this memorandum.

Please let me know if there are any questions.

CITY	DEMAND FEE	POPULATION
LOWELL	\$30	106,519
CHELMSFORD	\$30	33,802
BROCKTON	\$30	93,810
SPRINGFIELD	\$30	153,060
LYNN	\$30	90,329
NEW BEDFORD	\$30	95,072
DRACUT	\$20	29,457
TEWKSBURY	\$15	28,961
TYNGSBORO	\$15	11,292
ANDOVER	\$15	33,201
BILLERICA	\$15	40,243
FALL RIVER	\$10	88,857
WESTFORD	\$10	21,951
QUINCY	\$5	92,271
CAMBRIDGE	\$5	105,162
BOSTON	\$5	617,660
WORCESTER	\$5	181,045

MUNICIPAL DEMAND FEES



Motor Vehicle Excise Collection Process

Example 1:

- **Model Year:** 2019
- **Make:** KIA
- **Blue Book Value** = \$13,740

- **Excise Tax Due: \$343.50 (Due 4/8/2020)**
 - Tax Rate = \$25 per \$1,000 assessed value
 - $\$13,740 / \$1,000 = \$13.74$
 - $\$13.74 \times \$25 = \$343.50$

- **Amount Due on 8/15/2020:**
 - Principal Amount: \$343.50
 - Demand Fee: \$30
 - Warrant Notice: \$12
 - Warrant Issued: \$10
 - Interest Accrued: \$8.47
 - **TOTAL DUE: \$403.97**

Demand Process: Steps for Example 1

1. **Demand** (1st Late Notice) – *completed*
 - a. 14 days to pay;
 - a. 12% interest from due date (*City revenue*);

b. \$5-\$30 late fee (*City revenue*).

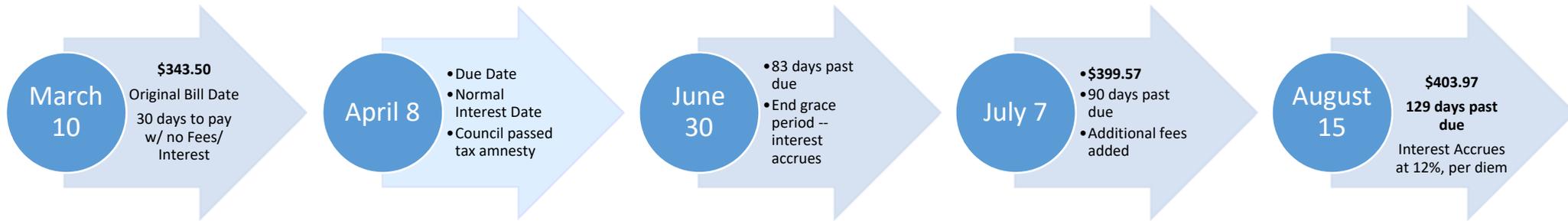
2. **Warrant** (2nd Late Notice) - *completed*
 - a. 30 days to pay;
 - b. Continuation of interest (*City revenue*);
 - c. \$22 additional late fee (*Deputy Collector revenue*).

3. **Service Warrant** (3rd Late Notice) - *pending*
 - a. Due immediately;
 - b. Continuation of interest (*City revenue*);
 - c. \$17 warrant service fee (*Deputy Collector revenue*).

4. **Registry Hold** – *pending*
 - a. Prevents renewal of license and registration;
 - b. Continuation of interest (*City revenue*);
 - c. \$20 release fee (*RMV revenue*)

Although not required, Lowell typically waits at least one week between each stage to allow for payments in transit.

FLOW CHART – MV COLLECTION PROCESS



Home Rule Petition for Limited Tax Amnesty – City of Lowell

This legislation, which authorizes a Limited Tax Amnesty (“LTA”) program, is intended provide temporary relief from fees and interest levied upon Lowell citizens that are in arrears with regard to motor vehicle excise taxes. It is patterned after provisions of Chapter 46, §113 of the Acts of 2003 as amended, which provided municipalities with the ability to implement a local option temporary tax amnesty program.

Amnesty Coverage

This LTA will provide a waiver for demand fees on outstanding motor vehicle excise tax bills assessed in accordance with General Laws Chapter 60A, as well as 50% of all interest that has accrued on such bills, provided the taxpayer meets all other qualifications.

This LTA will not apply to real estate or personal property taxes, boat excise taxes, water and sewer bills, or parking tickets, however payment of outstanding parking tickets will be a prerequisite for qualification.

This LTA will not apply to any warrant fee or Massachusetts Registry of Motor Vehicles fee. Rights to these fees are held by private firms or the Commonwealth of Massachusetts.

Amnesty Period

The amnesty period will take effect with the passage of this legislation, and will extend six months from that date, but in no event extend beyond June 30, 2021.

Amnesty Eligibility

To be eligible, a Lowell taxpayer must be in need of assistance. For the purposes of this LTA, need exists if the taxpayer is a member of a household with an income of less than \$60,745 for a 4-person household, which is the estimated Lowell median household income as reported by the U.S. Census Bureau’s Table B19001 “Household Income in the Past 12 Months (in 2018 Inflation-Adjusted Dollars),” using the data set 2018: American Community Survey 1-Year Estimates. Income shall be verified using the taxpayer’s 2019 Federal tax return and shall be deemed eligible if the applicant is within the published margin of error for their particular household size. Income documentation must be supplied with payment, and

To be eligible, a taxpayer must not have outstanding parking tickets or late fees on parking tickets, and

To be eligible, a taxpayer must make full payment of all motor vehicle excise tax and interest not waived. If payment is returned, the waiver demand fees and interest will be rescinded, and the taxpayer will be deemed ineligible for the remainder of the Amnesty Period. Payment may be made by the taxpayer or anyone acting on the taxpayer’s behalf.

Amnesty participants do not forfeit local abatement rights.

Payments made prior to the passage of this legislation are ineligible, and no demand fees or interest will be waived retroactively.

Definitions

Taxpayer: the person assessed the excise and personally liable for its payment.

Payment: payment received by the collector on or before the close of business on the date it is due under this legislation. As with any local tax or excise payment, it is not sufficient simply to mail the payment, or send it by delivery agent other than the United States Postal Service, on or before the due date. If payment is made by mail a signed copy of Form 1040 or 1040EZ must be included.

Income: adjusted gross income as it appears on line 37 of Form 1040 or line 4 of Form 1040EZ on the taxpayer's 2019 Federal tax return. If the taxpayer was not required to file a tax return because the taxpayer's income was too low, the taxpayer must provide a signed and notarized statement to that effect.

This Act shall take effect upon its passage.