City of Louisville
COLORADO • SINCE 1878

CITY COUNCIL COMMUNICATION
AGENDA ITEM 7G

SUBJECT: APPROVAL TO WRITE-OFF OF AN UNCOLLECTIBLE ACCOUNT

DATE: MAY 21, 2024

PRESENTED BY: TRAVIS ANDERSON, REVENUE AND SALES TAX MANAGER

SUMMARY:
Staff is requesting City Council Approval to write off a closed sales tax account with a balance of $492.75 that due to age exceeds our statute ability to collect.

BACKGROUND:
Financial Policy 8.7 authorizes the Finance Director the ability to write off a debt of up to $100.00, if the following criteria have been met:

1) Standard collection measures have been exhausted;
2) Further measures to collect the debt are deemed inappropriate;
3) The characteristics of the debt are such that a write-off is appropriate.

City Code 3.20.060(A) states, "Assessments, collections, and liens: The taxes for any period, together with interest thereon and penalties with respect thereto, imposed by this chapter shall not be assessed nor shall any notice of lien be filed, distraint warrant issued, suit for collection be instituted, or any other action taken to collect the same be commenced, more than three years after the date on which the tax was or is payable. In addition, no lien shall continue after such period, except for taxes assessed before the expiration of such period, in which case such lien shall continue for only one year after the filing of notice thereof."

Over the past year, the Sales Tax Division, within the Finance Department, has undergone a complete staffing turnover. The Division has conducted a thorough review of all accounts with outstanding balances. During this review, we have identified a specific account that presents a unique challenge. Due to the constraints of City Code 3.20.060(A), this account cannot be collected. However, it also does not meet the criteria for write-off as per Financial Policy 8.7.

The account in question is an out-of-city business. The final return submitted to the City was the 12/31/2021 period. The balance due occurred in the 12/31/2020 period, paid on 1/22/2021. On that return, the taxpayer calculated a tax liability of $357.00. Based on the data in the return, the City determined that the actual amount due was $722.00. This led to a tax deficiency of $365.00. A monthly 1% interest was applied to the account ($3.65). The outstanding interest on the account totals $127.75**.** Which makes the total outstanding balance $492.75. Because the liability was created on 1/22/2021, the City can no longer proceed with collection measures. Additionally, once the business closed, the cost of pursuing collections would have likely exceeded the amount received.

RECOMMENDATION:
Staff is proposing that the $492.75 liability be written off. Staff is not requesting a change to the City Code or the Financial Policy as this issue is deemed a unique situation that should be handled on a case-by-case basis.

STRATEGIC PLAN IMPACT:

☒	**Financial Stewardship & Asset Management**	☐	**Reliable Core Services**
☐	**Vibrant Economic Climate**	☐	**Quality Programs & Amenities**
☐	**Engaged Community**	☐	**Healthy Workforce**
☐	**Supportive Technology**	☐	**Collaborative Regional Partner**