City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cncl.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Councilmembers

FROM: Irvin Corley, Jr., Director
Anne Marie Langan, Deputy Director AML

DATE: February 14, 2008

RE: Unique Construction Company Personal Property Tax Issue ***(Line Item 7 on today's Neighborhood and Community Services Standing Committee agenda)***

During the public comment portion of the Neighborhood and Community Services Standing Committee, Committee Chair, Councilmember Watson, directed the Fiscal Analysis Division to investigate the concerns of Charles E. Brooks, Jr., owner of Unique Construction Company regarding a notice he received from the City of Detroit Finance Department Assessment Division dated November 15, 2007 stating that his business was expected to file a personal property statement for the purpose of paying personal property taxes.

Mr. Brooks was surprised that this was required, as it had never been requested of him prior to this year. Attached is a copy of the documents he received from the Assessment Division via Tax Management Associates (TMA), a hired consultant firm.

After the committee had finished, we explained to Mr. Brooks that the annual filing of the personal property statement for Detroit businesses has always been required by the Michigan Property Tax Act. However, the Assessment Division has not made securing this data a top priority for the past ten years, which is exactly how long Mr. Brooks has been in business as Unique Construction. The letter he received is the city's attempt to take corrective action and have all businesses in the city comply with the laws and ordinances.

Mr. Brooks understood this and said that he would be contacting his accountant and sending these documents to him in order to comply with all laws and ordinances.

Council will recall that in October 2007, the Administration came to Council requesting authorization of a budget amendment as well as a contract for Tax Management Associates, Inc., to assist the city with this personal property tax

backlog and restore the collections to the city to a more adequate level. Attached are copies of the Budget Amendment Letter from the Administration as well as the report our office did prior to Council's authorization of the TMA contract. The Administration believed that there were 10,000 "discovered" accounts and that the city would collect approximately $1.044 million, after fees to TMA were paid.

Perhaps Council, in one of their standing committees, would like to hear from the Assessment Division as to how this project has developed and what sort of response they've had from the businesses. Fiscal also thinks that since this was a new effort to get all businesses to comply, there might have been some sort of public announcement on the city's website to warn businesses that this was coming. Finally, the city's web site should have a comprehensive list of what is required of businesses, including personal property assessments and taxes.

Attachments (11)

cc: Council Divisions
Auditor General
Norman White, Finance Director
Linda Bade, Assessor
Pamela Scales, Budget Director
Mr. Charles E. Brooks, Jr., Unique Construction, 4234 Lakewood Street, Detroit 48214

CITY OF DETROIT
FINANCE DEPARTMENT
ASSESSMENT DIVISION
BOARD OF ASSESSORS

COLEMAN A. YOUNG
MUNICIPAL CENTER
2 WOODWARD AVE, SUITE 824
DETROIT, MICHIGAN 48226

YOU MUST RESPOND WITHIN THIRTY DAYS

11/15/2007

TMA # 920954
Please write the TMA # on your statement

DISCOVERY
UNIQUE CONSTRUCTION
4234 LAKEWOOD ST
Detroit, MI 48215-2386

RE: **DELINQUENT** 2007 Business Personal Property Statement

To Whom It May Concern:

Annually, on or before February 20 of each year, businesses in the City of Detroit are required by the Michigan Property Tax Act to file Form L-4175, (form 632) the personal property statement. This form reports the cost of personal property to the Board of Assessors for each business location in the city for the purpose of personal property taxation. The Board of Assessors is required by Michigan Compiled Laws (MCL) 211.10 to assess all personal property located within the city annually. A personal property statement has not been received for the business location listed at the top of this letter for tax year 2007 and possibly others.

The City of Detroit has hired Tax Management Associates, Inc. (TMA) to help locate all business locations delinquent in filing the personal property statement. You are being contacted because a survey of the city conducted by TMA has indicated that you are operating in the city, and have not filed the personal property statement. A 2007 personal property statement has been included with this letter. You are requested to complete the statement and return it to TMA in the enclosed envelope for processing. Directions for completing this form are available at http://www.michigan.gov/documents/taxes/632_2007_181916_7.pdf

The Board of Assessors has the statutory right to estimate the value of a business which does not timely file the appropriate form with the assessors' office. If the Board of Assessors does not receive the statement from you within 30 days of the date of this letter, the Board will estimate a value for your business. If the Board estimates a value due to your failure to provide one, you forfeit your right to appeal that value with the State Tax Commission, (STC). MCL 211.154 allows a local assessment unit to petition the STC to assess property omitted from the tax roll for the current and 2 prior years.

All correspondence or inquiries should be sent to TMA at 869 Old US 23, Suite 600, Brighton, MI 48114. TMA can be reached by phone at **1.866.649.8434** or by email at Discovery@tma1.com between 9am and 5pm, Monday through Friday. If you feel you have received this letter in error, please contact TMA immediately. If you have evidence of a paid 2007, 2006, or 2005 tax bill for the above-cited location, please provide a copy in the return envelope. Otherwise, please complete and mail the personal property statement as soon as possible.

Thank you,

Valdenise Jefferson

Valdenise Jefferson, Assessor

KWAME M. KILPATRICK, MAYOR

Michigan Department of Treasury
627, Formerly L-4154 (Rev. 5-06)

Office Use Only

Assessor or Equalization Director's Notice of Property Incorrectly Reported or Omitted From Assessment Roll

		File Number
Issued under authority of Section 211.154, MCL. **MUST BE TYPED OR PRINTED LEGIBLY.**	Email Address	Assessment Unit Number

Name of Assessor or Equalization Director Filing this Notice	Telephone Number	Assessor Certification Number
Linda M. Bade and Valdenise Jefferson	**313.224.6989**	**5030 and 7905**

Name of Assessing Unit	Address (Number, Street, City or Post Office and ZIP)
City of Detroit	**824 Coleman A. Young Municipal Center, Detroit, MI 48226**

PROPERTY AND ASSESSMENT ROLL INFORMATION

Name(s) of Property Owner(s)
Unique Construction

Owner's Address (Number, Street, City, State and ZIP)
4234 Lakewood Street, Detroit, MI 48215-2386

County Where Property is Located	City or Township or Village and Township
Wayne	**Detroit**

School District	Intermediate School District	Community College District
Detroit	**Detroit**	**WCCC**

Property Index Number (or enter property description below)	Property Classification
21992867.00	**Personal Property**

Is this property assessed on the Industrial Facilities Tax Assessment Roll, the Commercial Facilities Tax Assessment Roll, the Technology Park Facilities Assessment Roll or the roll for Public Act 189 of 1953? ☐ Yes ☒ No If yes, specify which roll.

Answer the following question if this notice is for personal property. Did the owner complete and deliver a personal property statement that was accepted as filed and actually used in making the assessment that was confirmed by the March Board of Review for each year that this notice covers? ☐ Yes ☒ No If no, indicate the years in which a statement was not timely filed.

Property Description

Personal Property

Assessed Value
Complete the applicable Assessed Value lines below when the notice is for a change in Assessed Value.

Taxable Value
Complete the applicable Taxable Value lines below when the notice is for change in Taxable Value. For most personal property, the figures on the lines below will be the same as the figures under Assessed Value. For omitted real property, the amount of omitted Taxable Value may be less than the amount of omitted Assessed Value (see page 6 of State Tax Commission Bulletin 3 of 1995).

Year(s) For Which Notice Was Given	Assessed Value on Assessment Roll	Requested Assessed Value	Year(s) For Which Notice Was Given	Taxable Value on Assessment Roll	Requested Taxable Value
2007	**0**	**17,770**	**2007**	**0**	**17,770**
2006	**0**	**17,770**	**2006**	**0**	**17,770**
2005	**0**	**17,770**	**2005**	**0**	**17,770**

Reason for This Notice. Attach supporting information. For incorrectly reported personal property, include a copy of the **timely-filed personal property statement** and the **amended personal property statement**. For omitted real property, provide a **record card or other documentation** showing that the omitted real property was not previously included in the assessment.

Personal Property Discovery. No personal property statement (L-4175) was received by the city for this business for any of the years indicated. The business has been contacted, and a delinquent personal property statement submitted, or the account was estimated based on best information available.

Continue and sign on page 2.

Michigan Department of Treasury
632 (Rev. 10-07)

Parcel No.
21992867.00

L-4175 **2008**

2008 Personal Property Statement (As of 12-31-07)

PROPERTY CLASS CODE 252

FROM: (Name and Address of Assessor)

CITY OF DETROIT
FINANCE-ASSESSMENT DIVISION
TWO WOODWARD AVENUE SUITE 824
DETROIT, MI 48226

TO: (Name and Address of Taxpayer)

01185/006
UNIQUE CONSTRUCTION
4234 LAKEWOOD ST
DETROIT, MI 48215-2386

Please file by February 20, 2008.* Read instructions carefully. Additional notices are found in the instructions. Form approved by STC on 10-02-07. Issued under authority of P.A. 206 of 1893.

Square Feet Occupied	Michigan Sales Tax No.	Check One Only:
Preparer's Name, Address and Telephone Number and E-mail address **Phone:**		☐ Sole Proprietorship ☐ Partnership ☐ Limited Liability Co. MI ID# _____ ☐ Corporation MI ID# _____

Location(s) of Personal Property Reported on This Statement. LIST ALL LOCATIONS. Attach additional sheets if necessary.

4234 LAKEWOOD

ASSESSMENT CODE C

Date of Organization	Date Business Began at above location
Assumed Names Used by Legal Entity, if any	
Names of Owner(s) or Partners (If sole proprietorship or partnership)	
If Sole Proprietorship, Taxpayer's Residential Address	
Legal Name of Taxpayer	
Address Where Personal Property Records are Kept	
Name of Person in Charge of Records	Taxpayer Telephone No.
Description of Taxpayer's Business Activity and NAICS Code	

SUMMARY AND CERTIFICATION. Complete ALL questions.

1. Have you excluded any exempt "Special Tools" from this statement?	☐ Yes	☐ No	If Yes, state total original cost excluded _____
2. Have you excluded any air and water pollution control facilities and/or wind or water energy conversion devices for which an exemption certificate has been issued?	☐ Yes	☐ No	If Yes, attach itemized list.
3. Have you, to the best of your knowledge, reported all of your assessable tangible personal property located in Michigan to the appropriate assessment jurisdiction?	☐ Yes	☐ No	If No, attach explanation.
4. Did you hold a legal or equitable interest in personal property assessable in this jurisdiction which you have not reported on this statement (see instructions)?	☐ Yes	☐ No	If Yes, attach itemized list.
5. Are you a party (as either a landlord or a tenant) to a rental or lease agreement relating to real property in this jurisdiction?	☐ Yes	☐ No	If Yes, complete Section O.
6. Have any of your assets been subjected to "rebooking" of costs for accounting purposes or been purchased used (see instructions)?	☐ Yes	☐ No	If Yes, attach itemized list.
7. Is any of your property "daily rental property," per P.A. 537 of 1998?	☐ Yes	☐ No	If Yes, attach Form 3595.
8. Have you reported all fully depreciated or expensed assets that are assessable?	☐ Yes	☐ No	
9. Are other businesses operated at your location(s)?	☐ Yes	☐ No	If Yes, attach itemized list.

Enter zero if appropriate.

			Assessor Calculations
10. Grand total from page 2	10a.		10b.
11. Grand total from page 3	11a.		11b.
12. Grand total from page 4	12a.		12b.
13. Total cost of Idle Equipment from Form 2698	13a.		13b.
14. Total cost of Personal Property Construction in Progress	14a.	X .50	14b.
15. Total cost of Cable TV, Utility and Wind Energy Assets from Forms 3589 & 4565	15a.		15b.
16. Total cost of cellular site equipment from Form(s) 4452	16a.		16b.
TOTAL			
ASSESSOR'S ADJUSTMENT(S)			
EXEMPTION(S)			
TRUE CASH VALUE			
ASSESSED VALUE (50% of TCV)			

The undersigned certifies that he/she is an owner, officer and/or the duly authorized agent for the above named taxpayer and that the above summary, with its supporting documents, provides a full and true statement of all tangible personal property owned or held by the taxpayer at the locations listed above on December 31, 2007.

Signature of Certifier	Date

INSTRUCTIONS. Read carefully to obtain directions for the allocation of your personal property to Sections A - N.

All Tangible Personal Property in your possession at this location, including fully depreciated and expensed assets, must be reported in one of the Sections A through N. If you had "Move-Ins" of used property, you must also complete Form 3966, *2008 Taxpayer Report of Personal Property "Move-Ins"* Occurring *During 2007*. "Move-Ins" are items of assessable personal property (hereafter referred to as "property") that were not assessed in this city or township in 2007, including (1) purchases of used property, (2) used property you moved in from a location outside this city or township, (3) property that was exempt in 2007 (such as exempt Industrial Facilities Tax property), and (4) property that you mistakenly omitted from your statement in 2007. "Move-Ins" DO NOT include property that has been moved from another location WITHIN this city or township or that was assessed to another taxpayer within this city or township in 2007 (i.e., property reported by a previous owner or previously leased property reported by the lessor in 2007). All "Move-Ins" must be reported on this page 2 and on Form 3966. Do not report 2007 acquisitions of new property on Form 3966.

Did you have "move-ins"? ☐ Yes ☐ No

SECTION A: Including Furniture and Fixtures			Assessor Calculations
2007		.91	
2006		.80	
2005		.69	
2004		.61	
2003		.53	
2002		.47	
2001		.42	
2000		.37	
1999		.33	
1998		.29	
1997		.27	
1996		.24	
1995		.22	
1994		.19	
1993		.12	
Prior		.12	
TOTALS	A1		A2

SECTION B: Including Machinery and Equipment			Assessor Calculations
2007		.89	
2006		.76	
2005		.67	
2004		.60	
2003		.54	
2002		.49	
2001		.45	
2000		.42	
1999		.38	
1998		.36	
1997		.33	
1996		.31	
1995		.29	
1994		.28	
1993		.23	
Prior		.23	
TOTALS	B1		B2

SECTION C: Including Rental Videotapes and Games			Assessor Calculations
2007		.76	
2006		.53	
2005		.29	
2004		.05	
Prior		.05	
TOTALS	C1		C2

SECTION D: Including Office, Electronic, Video and Testing Equipment			Assessor Calculations
2007		.84	
2006		.64	
2005		.55	
2004		.49	
2003		.44	
2002		.41	
2001		.38	
2000		.35	
1999		.33	
1998		.31	
1997		.29	
1996		.28	
1995		.26	
1994		.25	
1993		.17	
Prior		.17	
TOTALS	D1		D2

SECTION E: Including Consumer Coin Operated Equipment			Assessor Calculations
2007		.92	
2006		.85	
2005		.77	
2004		.69	
2003		.61	
2002		.54	
2001		.46	
2000		.38	
1999		.30	
1998		.23	
1997		.15	
Prior		.15	
TOTALS	E1		E2

SECTION F: Including Computer Equipment			Assessor Calculations
2007		.60	
2006		.44	
2005		.32	
2004		.24	
2003		.19	
2002		.15	
2001		.08	
Prior		.08	
TOTALS	F1		F2

COST GRAND TOTAL (for page 2)

TAXPAYER: Add totals from cost columns of Sections A-F (A1-F1). Enter grand total here and carry to line 10a, page 1.

$

TRUE CASH VALUE GRAND TOTAL (for page 2)

ASSESSOR: Add True Cash Value totals from Sections A-F (A2-F2). Enter grand total here and carry to line 10b, page 1.

$

SECTION L - Detail of Leases (This Section is Completed by Leasing Companies)

Equipment that you lease to others should be reported under this section. Notice: You must also complete Sections A - F on Page 2. See instructions. You may use attachments in lieu of completing this section if the attachments contain the information requested below, in the same format, and if you complete the Tables on Page 2. Attach additional sheets, if necessary.

Are you a manufacturer of equipment? ☐ Yes ☐ No

Lease No.	Name & Address of Lessee	Location of Equipment	Type of Equipment	Lease Period (Mo.)	Monthly Rental	1st Year in Service	Manufacturer Cost	Original Selling Price

Total Original Selling Price _____

SECTION M - Leasehold Improvements

All Leasehold Improvements made at your place of business should be reported under this section, even if you believe that the improvements are not subject to assessment as Personal Property. Provide as much detail as possible so that the assessor can determine whether an assessment should be made. You may attach additional explanation and/or copies of "fixed asset" records, if the documents attached provide all of the information requested below and if you insert the total original cost in "Total Cost Incurred" below. Trade fixtures and installation costs of machinery and equipment must be reported in Sections A through I. See instructions. Any Personal Property reported in this section should not be reported elsewhere on Form L-4175.

Year Installed	Description (Describe in detail)	Original Cost	STC Multiplier	True Cash Value Assessor's Calculation
	Total Cost Incurred	M1		M2

SECTION N - Buildings and Other Structures on Leased or Public Land and All Freestanding Signs and Billboards

Costs of Freestanding Communications Towers and Equipment Buildings at Tower sites (unless reported on Form 4452), and Costs of Freestanding Signs and Billboards must also be reported under this Section. Any Personal Property reported in this section should not be reported elsewhere on Form L-4175. Attach additional sheets, if necessary.

☐ Check this box if you believe that these structures are already assessed as part of the real property.

Address or Location of Building	Year Originally Built	Total Capitalized Cost	True Cash Value Assessor's Calculation *
	Total Capitalized Cost	N1	N2

SECTION O - Rental Information. See Instructions. (Attach additional sheets, if necessary.)

IF YOU ARE THE TENANT

Name and address of landlord _____

Is your landlord the owner of the property? ☐ Yes ☐ No If you are a sublessee, enter the name and address of the owner of the property _____

IF YOU ARE THE LANDLORD

Name and address of tenant _____

Are you the owner of the property? ☐ Yes ☐ No If you are a sublessor, enter the name and address of the owner of the property _____

TO BE COMPLETED REGARDLESS OF WHETHER YOU ARE THE LANDLORD OR TENANT

Address of property rented or leased _____

Date that current lease or rental arrangement started _____.

Date current lease will expire, if other than a month to month tenancy _____. Monthly rental $_____

Are there options to renew the lease? ☐ Yes ☐ No

Expenses (e.g. taxes, electric, gas, etc.) paid by the tenant _____

Square feet of space occupied by the tenant _____

Assessor Value
O2

COST GRAND TOTAL (for page 4)

TAXPAYER: Add Total Cost Incurred from Section M and Total Capitalized Cost from Section N (M1 and N1). Enter grand total here and carry to line 12a, page 1.

$

TRUE CASH VALUE GRAND TOTAL (for page 4)

ASSESSOR: Add True Cash Value totals from Sections M-O (M2-O2). Enter grand total here and carry to line 12b, page 1.

$

* **Note to Assessor:** Certain buildings and structures on leased land (but not including freestanding signs and billboards) must be assessed on the real property roll. See Bulletin 1 of 2003.

File

Finance

CITY OF DETROIT
BUDGET DEPARTMENT

2 WOODWARD AVE., SUITE 1100
DETROIT, MICHIGAN 48226
PHONE 313•224•6260
FAX 313•224•2827
WWW.CI.DETROIT.MI.US

October 9, 2007

Honorable City Council;

RE: Budget Amendment for Finance Assessors

The Assessor believes that there are personal property accounts that are not on the tax roll. Personal property tax is only assessed against commercial and industrial properties. Michigan law does not tax residential personal property. Tax Management Associates, Inc. (TMA) has helped the city in the past with the personal property tax audit and is able to perform discovery of these missing accounts. They estimate that there are approximately 10,000 businesses that will be discovered during this review. All items discovered prior to the December 2007 tax date will be included in the 2008 tax revenue. This will be additional revenue that the city has not billed or collected. A very general estimate of $3.7 million of new personal property tax proceeds can be achieved. To complete this project, it will cost $3 Million over two fiscal years. For FY 2007-08 it will cost $2.2 Million.

We are proposing funding this project with reimbursement funds from the IRS. [redacted] In light of the error made, the city retained a law firm to assist us with filing claims for refund with the IRS. We recently received payment totaling $2,042,064.76, which represents a portion of the funds to be recovered. We anticipate receiving additional reimbursement from the IRS.

This project will pay for itself in the very next fiscal year with additional tax revenue that we will collect every year. We are requesting to amend the FY 2007-08 Budget by increasing Assessors by $2 million to fund the contract (CPO # 2746686) and increasing Finance Administration revenue account by $2 million to reflect the reimbursement from the IRS.

Respectfully Submitted,

Pamela C. Scales
Budget Director

APPROVED

BUDGET DIRECTOR

MAYOR'S OFFICE

cc. Kandia Milton, Mayor's Office
Roger Short, CFO

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX (313) 224-2783
E-Mail: co-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director ICJ

DATE: November 1, 2007

RE: Contract No. 2746686-Tax Management Associates, Inc.-Personal Property Discovery, Not to Exceed $3 Million, 100% Funding **(Recommend Approval)**

The Detroit City Council Budget, Finance and Audit Committee received this contract on Monday, October 29 and it was referred to the Fiscal Analysis Division for review.

The committee members agreed to put the contract on the Formal Session for Tuesday, November 6 for a vote because it is urgent, which we will explain why later in the report. But the committee members are waiting for this report to determine if there are any major problems that would warrant pulling the contract from the formal.

Contract Description

The Tax Management Associates, Inc. (TMA) contract is a professional services contract for the purpose of discovering unreported commercial and industrial personal property. TMA would use various methodologies, such as electronic canvassing of business personal property tax returns and real property parcels, and canvassing databases and electronic resources from government providers, publicly accessible databases, or private resources, to "discover" businesses with the purpose of adding any unreported business personal property to the City's tax roll. A business contacted by letter would be informed of the statutory responsibility to file a business personal property rendition and the City's intent to assess the business for personal property at that location. TMA would assist the City in contacting and following up with discovered businesses and creating a database of these businesses.

The contract allows for the City to subscribe to TMA's in-house business personal property valuation system, called the Cost Assessment Valuation System, or CAVS, to more reliably determine the taxable value of any personal property associated with a particular business type. We do not know what the

annual subscription fee would be. The Board of Assessors would determine if it is cost effective to subscribe to the system. We understand the Assessor would estimate the value of any unreported business personal property. The burden of proof is with the taxpayer to determine a value otherwise. The Board of Assessors could change the valuation based on any proof. So, the CAVS maybe essential in determining what any final value should be.

For businesses that fail to file a business personal property tax return, or who fail to file a return perceived as accurate by the City staff, the contract's Scope of Services mentions TMA could also provide audit services. Audits are typically recommended for businesses with a reported or assumed true cash value greater than $50,000. TMA would conduct the audit services under a separate contract. If businesses were audited, TMA audit staff would allow the City staff to attend all parts of the audit process in order to train them in these additional audit methodologies. The Board of Assessors would recommend if any accounts should be audited, and any TMA audit contract would come to Council for approval.

Finally, the TMA contract provides City staff training. As part of the discovery project, TMA would train City staff in the discovery process, the listing, and the assessment of business personal property accounts. Based on City request, TMA would train City staff in TMA methods to ensure the City could successfully implement discovery strategies after the termination of the project. On January 31, 2008, TMA would provide a training manual to City staff on its discovery process.

Fee Schedule and Cost/Benefit of TMA Contract

The TMA contract is basically a "no cost" contract. It is a one-year contract, with an option to renew for one year. Per Exhibit B-Fee Schedule of the contract, TMA charges a fee based only on business personal property discovered and added to the City's tax roll. For business personal property with a true cash value below $10,000, TMA's fee would be $200. $300 is the fee for business personal property with a true cash value above $10,000.

TMA has estimated that 10,000 businesses are currently missing from the City's tax roll and could be added back based on the discovery services provided the City under this contract. Approximately 40% are expected to have less than $10,000 in true cash value, and the remaining 60% would be greater than $10,000. Table 1 below depicts cost versus projected revenue from this discovery project.

Table 1

Cost of Services
Accounts with True Cash Value (TCV) < $10,000: fee is **$200** per account
Accounts with TCV > $10,000: fee is **$300** per account

Number of Discovered Accounts		Average TCV	City Revenue (47 mills)	Per Account Cost	Total Cost	Net City Revenue (90% Collection)
40%	4,000	$10,000	$940,000	$200	$800,000	$126,000
60%	6,000	$20,000	$2,820,000	$300	$1,800,000	$918,000
Totals	10,000		$3,760,000		$2,600,000	**$1,044,000**

Based on Table 1, the City could net approximately $1.04 million from the one year of service under this contract. After the first year cost, the City would receive property tax revenue from the discovered business personal property until it fully depreciates.

In addition, the Board of Assessors could petition the State Tax Commission to place any discovered business personal property on the City's tax roll for the current year, **and two years prior.** Under this contract, TMA would process the necessary paperwork for the Assessor to sign for submission to the State Tax Commission, at no charge to the City. Therefore, the City could recoup additional revenue from discovered business personal property from previous years as well. So, it appears the benefits far outweigh the cost of the service.

There is some risk, however. The above analysis assumes a 90% collection rate. The actual collection rate could come in lower. But the Assessment Division would rely on the Finance Department's in-house enhanced collection efforts for the City's business personal property accounts. Council should note that only delinquent real property taxes go to Wayne County for collection. Delinquent personal property accounts do not.

It should be noted too that even though the TMA contract is not to exceed $3 million, the Administration is asking for Council to approve a budget amendment for approximately $2,042,100 to cover two-thirds of this contract for now. It is assumed the final one-third would be covered in next year's budget, if Council approved this contract. The budget amendment also appeared before the Budget, Finance and Audit Committee this past Monday. The Fiscal Analysis Division continues to have outstanding questions regarding this amendment. The results of our analysis will be submitted to Council under separate cover.

Meanwhile, Council could still consider approving this contract during the formal session on Tuesday, November 6th, since there is over $3.9 million currently available in the Assessment Division's appropriation in Finance to accommodate the TMA contract. And, it is very possible our concerns on the budget amendment could be addressed and Council could vote on it before you go on your winter recess.

Urgency of TMA Contract and Rationale for TMA

Linda Bade, Chief Assessor, feels that the number of personal property accounts and valuation seem out of line with normal growth patterns based on a ten-year review of the accounts. Personal property accounts went from 21,796 valued at $1,603,340,500 in 1997 to 13,766 valued at $1,646,721,974 in 2007. The cumulative growth of the personal property value was only 2.7% in 10 years. Ms. Bade felt the decline in the number of accounts was too steep to simply be attributed to out-of-business. She also indicated that the State Tax Commission has expressed some concern.

Ms. Bade researched remedies through her Assessor colleagues in the region and state. She learned that TMA was respected in the field of personal property taxation, familiar with the City's operation and software, performed well during the audit contract previously with the City, and had a proven program of work to discover unreported personal property. Ms. Bade discovered that while CPA firms routinely perform audit functions, they rarely, if ever, specialize in discovery for taxation purposes.

Council should be reminded that you approved a TMA personal property audit contract in April 2004 for the purpose of ensuring the accuracy of the City's existing personal property. The contract was for $744,000 and it was grant funded by the State. TMA conducted similar services throughout the State. This audit allowed for corrections to the City's tax roll for the years 2005, 2006 and 2007.

As a result of this audit function, TMA assisted the City in increasing its personal property taxable value for the period 2005 through 2007 by over $7 million. In addition, net tax revenue to the City was approximately $305,500 in year 2005 alone. Documentation supporting these figures is located in our office for review.

Therefore, given the decline in personal property accounts and minimal growth in the City's personal property valuation, Assessors elected not to RFP this project, but instead desired to hire TMA as a sole source contractor because of their specialized expertise, previously experience with the City and reputation, and discover unreported personal property accounts as soon as possible by December 31, 2007, or the tax day, in order to add these accounts to the City's 2008 tax roll. In addition, Ms. Bade feels the services provided by this contract should help give a better understanding of the personal property tax revenue and

also send the message that the City intends to assess fairly across a class of property.

The Fiscal Analysis Division feels the urgency of hiring this contractor, as a sole source is reasonable.

It should be noted that TMA is headquartered in Charlotte, North Carolina. However, its business personal property audit division has been in existence for 20 years, and has now completed 100,000 audits for its state and local government clients. TMA's audit division is now the nation's largest provider of these services with over 400 clients in 13 states. In addition, during this time period, TMA discovered $29 billion in taxable personal property, which has added $450 million in additional tax services to local jurisdictions. TMA has conducted statewide projects in both Michigan and Kentucky.

TMA Contract and the City's Privatization Ordinance

The Assessment Division currently has only four appraisers working in the personal property section. TMA has over 50 auditors to help in this project. Therefore, Ms. Bade feels the Assessment Division is incapable of providing the services proposed by TMA, especially in this short time period to get as much discovered unreported business personal property in a database by December 31st to be added on the City's 2008 tax roll.

We agree with the Research and Analysis Division that the TMA contract provides services to expand the capacity of the Assessments Division and provides training for City employees to provide these same services. Therefore, this contract is not a privatization of services provided by current City employees.

If Council should approve the TMA contract, and based on contract results, Finance may request for additional staff in the Assessment Division, along with additional equipment and training, to bring the discovery process more, or completely, in-house in a future budget request.

Recommendation

Based on the above analysis, the Fiscal Analysis Division recommends approval of the TMA personal property discovery contract.

cc: Council Divisions
Auditor General's Office
Roger Short, Chief Financial Officer
Linda Bade, Chief Assessor
Pamela Scales, Budget Director
Kandia Milton, Mayor's Office