



Legislation Details (With Text)

File #: ID 14-0207 **Version:** 1 **Name:**
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File created: 4/4/2014 **In control:** City Council
On agenda: 4/15/2014 **Final action:** 4/15/2014
Title: Resolution authorizing the reduction of the Property Tax Discount Rate from 1.0% to 0.5% effective with the current tax year (2014) Effective July 1, 2014

Sponsors:

Indexes:

Code sections:

Attachments: 1. Reduction of Tax Discount Rate 2-28-14.pdf, 2. Resolution

Date	Ver.	Action By	Action	Result
4/15/2014	1	City Council	denied	Pass

Resolution authorizing the reduction of the Property Tax Discount Rate from 1.0% to 0.5% effective with the current tax year (2014) Effective July 1, 2014

Department:
Council District: n/a

Public Hearing:
Advertising Date/By:

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Contact 2 and Phone: Rick Lusk, Finance Director, ext 2077

PURPOSE:

The Interlocal Agreement on Tax Collections between the City of Greensboro and Guilford County provides that the same early payment discount rate will apply to County and City property tax collections. The Guilford County Board of County Commissioners have approved lowering the discount rate from 1.0% to 0.5% and are requesting that the Greensboro City Council ratify this change and approve the rate reduction, subject to final approval by the NC Department of Revenue pursuant to N.C.G.S. 105-360. The City and the County must authorize the change by May 1, 2014, in order for the change to be effective with the current tax year (2014).

BACKGROUND:

On February 6, 2014, Guilford County approved lowering the early payment discount rate on annual property taxes levied by the County, to increase tax revenues. By offering a discount, taxpayers are given an incentive to pay their property taxes early. Taxes paid by September 1 of each fiscal year for which taxes are levied will receive a 0.5% discount. Banks and other financial institutions that are escrowing taxes on mortgages are required to pay early if a discount rate is in place. This is very beneficial to the City and the County as we receive one-half to two-thirds of property tax payments in the first two months of the fiscal year that are then used to fund operations during the first half of the fiscal year. Without the discount, taxes would not be due until January 5th and would not be expected to be paid until December or early January, as taxes paid on or after

January 6 are subject to interest charges. Without the discount the City would need to maintain significantly higher cash reserves at each June 30 fiscal year-end to fund operations in the first six months of the following fiscal year, as approximately 74% of General Fund revenues are comprised of property taxes.

BUDGET IMPACT:

The reduction in the early payment discount rate will result in increased property tax revenue of approximately \$454,000 to \$478,000 annually beginning FY14-15. This additional revenue has been included in estimated property tax revenue in the proposed FY14-15 budget.

RECOMMENDATION / ACTION REQUESTED:

The Legal and Financial and Administrative Services Departments recommend approval of the attached resolution authorizing the reduction of the Property Tax Discount Rate from 1.0% to 0.5% effective with the current tax year (2014).