



Deschutes County Board of Commissioners
1300 NW Wall St., Suite 200, Bend, OR 97701-1960
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AGENDA REQUEST & STAFF REPORT

For Board Business Meeting of June 29, 2015

Please see directions for completing this document on the next page.

DATE: June 23, 2015

FROM: Andrea Perkins Tax/Finance 541-388-6538

TITLE OF AGENDA ITEM:

Consideration of signature of Order No. 2015-031 Cancelling Uncollectible Personal Property Taxes of \$40,121.07.

PUBLIC HEARING ON THIS DATE? No

BACKGROUND AND POLICY IMPLICATIONS:

Personal property taxes are considered to be uncollectible when the cost of collection exceeds the amount of tax, or when it is no longer reasonable or feasible to pursue collection. It has been the County's procedure to cancel uncollectible personal property tax accounts once every year or two. The last cancellation was approved by the Board on June 23, 2014 in the amount of \$37,141.65.

FISCAL IMPLICATIONS:

It is recommended that the Board approve cancellation of \$40,121.07 in personal property taxes deemed uncollectible. The attached letter explains the process staff followed to exhaust all avenues to collect these taxes. Exhibit A and B provide additional details on each account to be cancelled.

RECOMMENDATION & ACTION REQUESTED:

Motion: To approve signature of Order No. 2015-031.

ATTENDANCE: Wayne Lowry or Andrea Perkins as necessary.

DISTRIBUTION OF DOCUMENTS:

Copy to Andrea Perkins, Chief Deputy Tax Collector, Tax Department

June 23, 2015

To: Deschutes County Board of County Commissioners

From: Wayne Lowry, Deschutes County Tax Collector *WNL*
Andrea Perkins, Deschutes County Deputy Tax Collector
Laurie Craghead, Deschutes County Assistant Legal Counsel

RE: Request for Order to Cancel Uncollectible Personal Property Taxes

Your approval is requested to cancel \$40,121.07 in personal property taxes. On a percentage basis, the \$40,121.07 represents 0.58 % (.0058) of the personal and manufactured structure taxes levied in the 2014-15 tax year (\$6,142,294.13 and \$791,440.26, respectively).

A summary of prior cancellations by tax year is as follows:

2001-02	\$ 53,965.00
2003-04	29,291.00
2004-05	26,537.00
2006-07	49,553.67
2008-09	86,903.57
2009-10	49,139.64
2010-11	37,277.91
2011-12	51,958.84
2012-13	136,431.43
2013-14	37,141.65

The \$40,121.07 consists of: 1) four uncollected manufactured structure accounts totaling taxes of \$2,238.29 and 2) 17 uncollectible personal property accounts totaling \$37,882.78.

Categorically, the items being cancelled are as follows:

1. Manufactured Structures:	
a) Abandoned under ORS 90.675 (1 account)	\$ 144.95
b) Removed without our knowledge (3 accounts)	<u>2,093.34</u>
	\$ 2,238.29
2. Personal Property:	
a) Bankruptcies (3 accounts)	\$ 4,440.30
b) Business failures (10 accounts)	29,864.01
c) Took personal property and left area (4 accounts)	<u>3,578.47</u>
	\$ 37,882.78
TOTAL (21 accounts)	<u>\$ 40,121.07</u>

Pursuant to Oregon law, Laurie Craghead, Assistant Legal Counsel, has reviewed the amounts to be cancelled and agrees that these accounts are not collectible.

The Tax Department staff has used a reasonable and consistent level of collection effort to try to collect the taxes while minimizing the collection costs and negative relations with the taxpayer. Abandoned manufactured structures are governed by certain laws and statutes that provide for the cancellation of taxes. Bankruptcies are pursued to the extent permitted by U.S. bankruptcy law.

Oregon law requires that a final personal property return be filed to terminate the taxation of business property. This frequently does not occur, resulting in the continued assessment and taxation of property that is no longer being used in a business and may no longer exist. A portion of the taxes included under dissolved corporations and business failures (item 2b above) relate to taxes imposed on non-existent businesses and/or assets.

We have modified aspects of our collection process to accommodate the realities of the current economic climate. We have significantly increased the use of garnishments of wages and checking accounts. We also have increased the number of attachments of personal property tax accounts to real property accounts. We have successfully collected a number of personal accounts where the business owner's personal residence is being foreclosed upon by their lender. Lenders tend to pay the taxes promptly in order to extinguish our priority lien. We have also employed preventative measures such as sending letters to local leasing companies and banks reminding them of their responsibility to satisfy tax liens when repossessing business equipment. The response to these tools has produced positive results.

REVIEWED
SL
LEGAL COUNSEL

For Recording Stamp Only

BEFORE THE BOARD OF COUNTY COMMISSIONERS OF DESCHUTES COUNTY, OREGON

An Order Cancelling Uncollectible Personal
Property Taxes of \$40,121.07

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ORDER NO. 2015-031

WHEREAS, Wayne Lowry, the Deschutes County Tax Collector, pursuant to ORS 311.790 has petitioned the Board of County Commissioners to cancel delinquent personal property taxes on certain personal property accounts on the grounds that the taxes are wholly uncollectible; and

WHEREAS, the Deschutes County Legal Counsel has determined that the taxes requested to be cancelled by the Deschutes County Tax Collector are wholly uncollectible, and joins in that request; and

WHEREAS, ORS 311.790 provides that the Board of County Commissioners may cancel taxes when the Tax Collector and the County Counsel request in writing that the taxes are uncollectible; now, therefore,

THE BOARD OF COUNTY COMMISSIONERS OF DESCHUTES COUNTY, OREGON, HEREBY ORDERS as follows:

Section 1. The Deschutes County Tax Collector is hereby authorized and directed to cancel the uncollectible manufactured structures property taxes described in Exhibit "A" attached hereto and, by this reference, incorporated herein, in the principal amount of \$2,238.29 and uncollectible personal property taxes described in Exhibit "B" attached hereto and, by this reference, incorporated herein in the principal amount of \$40,121.07.

Dated this _____ of _____, 2015

BOARD OF COUNTY COMMISSIONERS
OF DESCHUTES COUNTY, OREGON

TAMMY BANEY, Chair

ANTHONY DEBONE, Vice Chair

ATTEST:

Recording Secretary

ALAN UNGER, Commissioner

EXHIBIT "A"

UNCOLLECTIBLE 2014 MANUFACTURED STRUCTURES

Account No.	Name	Years Owning	Taxes	Total Taxes	Comments
187335	HILDRETH, MINDY	2013-14 2014-15	\$68.47 \$76.48	\$144.95	Abandoned and then dismantled on site by the park manager. Value was \$4,750 on the assessment roll. Home removed from the assessment roll.
244382	NORRIS, MIKE	2008-09 2009-10 2010-11 2011-12 2012-13	\$101.97 \$91.89 \$66.75 \$53.18 \$50.52	\$364.31	Home was moved here in 2007 and never set up. It was stored and then removed without County knowledge. Have been in contact with Norris since the home was removed and he will not pay for something that he no longer has.
211655	HOAGLIN, ROBERT N & ROBERTA K	2008-09 2009-10 2010-11 2011-12 2012-13 2013-14	\$84.80 \$87.54 \$70.09 \$61.63 \$58.01 \$61.10	\$423.17	This home was a meth lab. The State of Oregon hired Smaf Environmental to clean it up. The home, travel trailer and all out-buildings were removed. It appears that neither the assessor's office nor tax office were notified of this in 2008 when it occurred.
152441	HILL, MICHAEL DEAN	2006-07 2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14	\$151.21 \$156.84 \$229.20 \$227.03 \$158.30 \$127.63 \$124.29 \$131.36	\$1,305.86	Code enforcement required this home to be removed. Several unsuccessful attempts to collect the taxes from Michael Hill. He lived on disability and did not work so we could not garnish. The home was placed there as a hardship. His parents who own the real property are trying to sell the property. We discussed with the parents to include the taxes in closing but it was unsuccessful. Mr. Hill's parents did provide a cell phone number which we used to contact Mr. Hill. After that call Michael then changed his cell number.
Total Mfd Write-off				\$2,238.29	

					EXHIBIT B UNCOLLECTIBLE 2014 BUSINESS PERSONAL PROPERTY TAXES
Account No.	Name	Years Owing	Taxes	Total Taxes	Comments
255346	CEDAR CREEK LANDSCAPING	2013-14	\$225.14	\$225.14	Corporation is registered in the state of Washington with a Bend PO Box. He is was a non-filer and the value had to be forced by the assessor's office. Owner made one payment. Personal property was not attached to real property because owner deeded it to Frances Payne.
256610	MARTIN LUMBER CO	2013-14	\$275.55	\$275.55	Went out of business and dissolved their corporation in 2013. Sent a letter to Valerie Martin in 2014 explaining why taxes are owed. No response. Assessor's office marked the account inactive due to business closure. They struggled to make timely tax payments during their last few years of business.
256789	HDTL INC SOBA-SISTERS	2009-10 2010-11	\$257.94 \$172.67	\$430.61	Owner sent a letter in 2008 stating he sold the equipment and released his interest in it. Owner stated that a sales agreement was sent to assessor and was disputed. Nothing was ever resolved and the last assessment was in 2010. Account has been changed to inactive
196702	CENTRAL OREGON RESTORATION SERVPRO OF DESCHUTES-CROOK- JEFFERSON	2012-13	\$591.40	\$591.40	Last assessed in 2012-13. Dissolved corporation 11-23-2012 Owner filed bankruptcy
192227	SUTTERFIELD BROS CONSTRUCTION	2012-13 2013-14	\$401.05 \$342.38	\$743.43	Made several calls to the owner. No response
219244	JIM & MARK'S ALIGNMENT	2009-10 2010-11	\$251.66 \$491.89	\$743.55	Last assessment was in 2010. Correspondence with both owners Owners made a few small payments. They were always late with their payment to the state of Oregon for their corporation registration. The cost of searching for and seizing the equipment outweighs the recovery.
264338	PITA PIT OF CENTRAL OREGON LLC	2012-13	\$891.36	\$891.36	Last assessed in 2012. The landlord Ron Cole, supposedly sold business personal property on Craigslist. All equipment was gone when new tenant moved in. David Howland is the person who owned Pita Pit and he had other financial problems including bankruptcy.
255590	DESCHUTES CLASSICS QUIZNO'S CLASSIC SUBS	2013-14	\$906.73	\$906.73	Talked to three different parties involved in this operation. Mark Pelly, from Independence Bank, who said that Terry liquidated the equipment but did not satisfy the lien. Terry O'neil the business operator said the landlord Larry Mielke purchased the equipment from Terry and Terry sent the proceeds to Independence Bank. None of the parties involved will pay. The company was administratively dissolved in 2012.

202948	RANCHERO BEND LLC RANCHERO MEXICAN GRILL & CANTINA	2013-14	\$997.66	\$997.66	According to Fratzke Commercial Leasing, Jose Balcazar was several months behind in lease payments and was facing eviction. The owner loaded up the equipment on New Year's Eve and removed it from the building. Met with property manager and verified through inspection that the property was no longer on premise. Additional search for Jose Balcazar produced a man who teaches Small Business Ownership to Latinos at COCC. An email was sent and he responded stating he was not the Jose Balcazar in question.
265794	SOUND LEASING CORPORATION	2012-13 2013-14	\$1,056.88 \$555.36	\$1,612.24	Several attempts to reach via phone. The website appears to be inactive. Last assessment was 2013. Contacted Anjou Salon and found out their lease with Sound Leasing was paid in full so the Salon now pays the taxes on this piece of equipment. The company is registered in the state of Washington.
266203	ORSILLO, JAMES AMALIA'S	2012-13 2013-14	\$1,226.11 \$817.78	\$2,043.89	Last assessment was 2013. Owners home was foreclosed upon. James does have a mailing address in Milwaukie, OR. Searched Milwaukie address on Clackamas county's assessor and it is not a residential home owned by James Orsillo. No response from Owner.
264302	NEIGHBORHOOD GOURMET PARTNERS ALLYSON'S KITCHEN	2010-11 2011-12	\$1,299.62 \$1,369.93	\$2,669.55	A creditor sold the personal property.
190988	SUMMIT ACCOMMODATORS INC	2009-10	\$2,957.54	\$2,957.54	This company had been in legal trouble and owes money to many different people. Some of the principals have even been convicted of fraud. Summit Accommodators has been in bankruptcy.
218689	ELIJADOR BAR & GRILL INC	2011-12 2012-13	\$1,581.82 \$1,570.08	\$3,151.90	Incorporated in 2011 and in late 2012 filed an administrative dissolution. Owner said equipment went back to the lien holder. This was the business of Baltazar Chavez, who has Baltazar's.
208166	TIMBERLINE AUTOMOTIVE LLC	2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15	\$448.17 \$454.26 \$485.41 \$488.53 \$482.02 \$483.36 \$479.67 \$482.23	\$3,803.65	Spoke to owner who disclosed financial troubles due to poor health. Spoke to landlord who confirmed that the owner is very ill with cancer.
219205	CASCADE GARDEN MARKET LLC	2008-09 2009-10 2010-11 2011-12	\$1,054.36 \$1,591.20 \$1,609.06 \$1,582.96	\$5,837.58	In 2012 spoke to Laurie Rowe. She confirmed that she and her husband, John entered into a sales contract with Greg Miller to purchase Cascade Garden Market. The contract included the personal property. The business struggled and the Rowes ceased operating the business and returned all of the equipment. Contacted previous owner and he said the Rowes have not returned the equipment. Miller said he would have his attorney contact us. Nothing ever developed.
266196	BOURBON STREET BEND	2011-12 2012-13 2013-14	\$3,349.83 \$3,324.85 \$3,326.32	\$10,001.00	Bourbon Street was formed in 2010 and administratively dissolved in 2012. Gavin McMichael tried to file bankruptcy but it was denied by the bankruptcy judge due to lack of honesty. Several attempts to contact him met with no response.
TOTAL BUSINESS PERSONAL PROPERTY				\$37,882.78	