



CITY & BOROUGH OF WRANGELL PUBLIC HEARING AGENDA

Tuesday, March 14, 2017
6:30 – 7:00 p.m.

Location: Assembly Chambers, City Hall

1. Call to Order
2. Roll Call
3. Public Hearing Items:
 - a. **PROPOSED ORDINANCE No. 930:** AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS OF TITLE 5, REVENUE AND FINANCE, OF THE WRANGELL MUNICIPAL CODE RELATING TO PENALTIES AND INTEREST ON LATE PAYMENTS OF SALES TAX AND PROPERTY TAX (*second reading*)
4. Written Testimony
5. Oral Testimony
6. Adjournment

Agenda Item 3a

CITY & BOROUGH OF WRANGELL

BOROUGH ASSEMBLY PUBLIC HEARING AGENDA ITEM March 14, 2017

INFORMATION:

PROPOSED ORDINANCE No. 930: AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS OF TITLE 5, REVENUE AND FINANCE, OF THE WRANGELL MUNICIPAL CODE RELATING TO PENALTIES AND INTEREST ON LATE PAYMENTS OF SALES TAX AND PROPERTY TAX

Attachments:

- 1. Proposed Ordinance No. 930**
- 2. Memo from Finance Director Burgess**

CITY AND BOROUGH OF WRANGELL, ALASKA
ORDINANCE No. 930

AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND
BOROUGH OF WRANGELL, ALASKA, AMENDING
CERTAIN SECTIONS OF TITLE 5, REVENUE AND
FINANCE, OF THE WRANGELL MUNICIPAL CODE
RELATING TO PENALTIES AND INTEREST ON LATE
PAYMENTS OF SALES TAX AND PROPERTY TAX

BE IT ORDAINED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF
WRANGELL, ALASKA:

[The changes to the existing code are shown as follows: the words that are underlined are
to be added and the words that are **[bolded and in brackets are to be deleted.]**]

SEC. 1. Action. The purpose of this ordinance is to amend certain sections of Title
5, Revenue and Finance, of the Wrangell Municipal Code, specifically Section 5.04.360, Penalty
and interest for late payments of property tax, and Section 5.08.100, Penalty and interest on late
payments of sales tax, to promote compatibility between the policies concerning calculation and
accrual of interest for late property tax payments and late sales tax payments and the
programming and functional capabilities of the Finance Department's accounting and cash
receipts software.

SEC. 2. Amendment of Section. Section 5.04.360, Penalty and interest for late
payments of property tax, of the Wrangell Municipal Code is amended to read:

5.04.360 Penalty and interest for late payments.

When the general tax provided for in this chapter is not paid on or before the due date, penalties
and interest will accrue as follows:

A. A penalty of 10 percent of the unpaid taxes shall be added thereto immediately upon
delinquency.

B. Interest at an annual rate of **[10]** 12 percent shall accrue upon all unpaid taxes, not
including penalty, from the due date until paid in full. When interest is applied, it shall be
calculated and accrue on a **[daily]** monthly basis.

SEC. 3. Amendment of Section. Section 5.08.100, Penalty and interest for late
payments of sales tax, of the Wrangell Municipal Code is amended to read:

5.08.100 Penalty and interest.

In the event a return is not made or the appropriate tax not paid within one month following the reporting quarter, **[such failure is presumed willful and, regardless of willful or inadvertent,]** a penalty of five percent of such tax as is unpaid shall be added to such tax for the first month of delinquency or any fraction thereof, and an additional five percent shall be added for each additional month of delinquency or fraction thereof, until the total penalty of 15 percent has accrued. Interest at the rate of 15 percent per year from the date of delinquency until paid shall accrue **[in the same manner]** monthly. The borough assembly may upon a verified showing of medical necessity, as the reason for a failure to pay sales tax in a timely manner, waive all or any portion of the penalty and/or interest assessed hereinabove. Such penalty and interest shall be collected in the same manner as the tax.

SEC. 4. Classification. This ordinance is of a permanent nature and shall be codified in the Wrangell Municipal Code.

SEC. 5. Severability. If any portion of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

SEC. 6. Effective Date. This ordinance shall be effective upon adoption.

PASSED IN FIRST READING: February 28_____, 2017

PASSED IN SECOND READING: _____, 2017

David L. Jack, Mayor

ATTEST: _____
Kim Lane, Borough Clerk

MEMORANDUM

To: Mayor David Jack and Assembly

From: Lee Burgess, Finance Director

Subject: Ordinance

Date: February 22, 2017

Background:

Wrangell Municipal Code Title 5 states 10% interest per year is charged for late payments of property taxes, and 15% per year for late payments of sales tax. This interest accrues daily. The sales tax chapter and section says interest shall accrue “in the same manner” as sales tax penalty, which is confusing to some, but the finance department has always taken this to mean that sales tax interest should also accrue daily.

In practice, the daily nature of this interest accrual creates two problems. The first is that there are often timing issues between when taxpayers pay what they believe they owe in interest and when payments are actually received or postmarked, at which point more interest has accrued. This leaves relatively small remainder amounts of tax owed which finance staff must spend considerable time trying to collect from customers who believe their tax bill is satisfied.

The second problem resulting from the daily accrual of interest is that it prevents us from taking full advantage of the Borough’s accounting software’s ability to automate significant aspects of this process, which would save significant finance department time.

Changing the interest accrual from daily to monthly will solve most if not all of these issues. It will allow significant elements of sales and property tax collection to be automated by the Borough’s new accounting software, it should significantly reduce the occurrence of slight underpayment of taxes, penalty and interest and the time spent addressing collection of small remainder due.

The recommended changes also include increasing the property tax interest rate to 12% from 10%. The reason for this is two-fold: 1) The monthly accrual of interest creates small “grace periods” in the middle of months whereby taxpayers under the new accrual method will pay slightly less than if the interest were still accruing daily, and 2) the 12% divides evenly into the twelve months making calculations easier for taxpayers and in general.

Attachments:

1. Memo from Finance Director Burgess
2. Proposed Ordinance No. 930

Recommendation:

Move to approve Ordinance No. 930.