

## When Doing Nothing Costs Money

By Susan Siegel

Yorktown is owed \$3,000,000 — and every year that town officials do nothing to collect this debt Yorktown taxpayers lose money.

As of December 3, 2015, the owners of 158 parcels owed the taxpayers of Yorktown \$3 million in unpaid taxes and interest, aka liens, from 2005 through 2013. Yes, 2005. That's not a typo. Some of the money is owed by homeowners, some by corporations. Some property owners only owe a few hundred dollars but at least one property owner owes more than \$200,000.

Some examples:

- The owner occupant of a house owes \$169,386 in back taxes and interest *dating back to 2005*.
- The corporate owner of a property that houses multiple dwelling units owes \$120,702 in back taxes and interest for 2011-2013.
- A 9+ acre vacant parcel owes \$67,421 in back taxes and interest for 2006-2013. When the parcel was sold in August, 2015 — for \$10— the title search did not disclose the existence of the liens. And the new owner is in the process of building a single family house on the parcel.
- Two elected officials owe a total of \$22,032 in taxes and interest for 2013 on properties they own or have an ownership interest in.

When town officials do precious little to collect unpaid taxes, their inaction is costly. It's wasteful. It's inexcusable.

**Inaction is costly** in two ways: not only does the town not receive the taxes levied on the property which it relies on to balance the budget, there's an additional cost because when property owners don't pay their taxes, by law, the town has to pay the county and the school district the full amount of the taxes that are due those entities. So it's a double whammy — not only does the town come up short in collecting, it has to actually make payouts on behalf of the delinquent homeowners.

While in most cases, the back taxes are eventually paid —with interest that becomes a welcome non-tax revenue for the town, when it becomes clear that the back taxes will never be paid, the taxes and the foregone interest have to be written off (wiped) from the town's financial books. Like making a withdrawal from your savings account, the dollar value of the uncollectible liens is subtracted from the town's reserves, aka fund balance.

EXAMPLE: In 2010, after a concerted multi-department effort to clean up unpaid back taxes, some dating back to 1995, the town wiped out just under \$1 million in uncollectible liens from the fund balance. Since then, an additional \$907,000 has been wiped from the books for a grand total of almost \$2 million in lost revenue to the town. And there are more liens waiting to be wiped from the fund balance.

**Inaction is wasteful** because each year the town does nothing to collect what it is owed, it ends up losing more and more money.

EXAMPLES: The Sultana Ridge Association, a quasi-homeowners association that owns a pool but exists only on paper, owes the town \$56,505 in taxes for 2008-2013. The Association has no regular source of income and the pool has been closed for several years. As long as the Town Board continues to do nothing to resolve the future

ownership of the property, Yorktown taxpayers will continue to pay the annual county and school taxes on the property.

A second defunct homeowners association currently owes \$56,521 in taxes from 2005-2013. And, like the Sultana pool, taxpayers will continue to pay the annual school and county tax bills until the town decides what to do with the property.

Three vacant adjoining parcels with unpaid taxes as of 2009 were included in the 2011 foreclosure petition, the last foreclosure petition filed by the town. It then took the town 21 months to take title to the property — and another 24 months to try to sell the property at auction. By the time the parcels were sold in November, 2015 for a total of \$11,000, the three properties had cost the town \$18,802 in taxes for 2009-2013, plus an estimated \$5,000 in school taxes for 2014 and 2015. (Combined, the three parcels make a buildable lot. At the November auction, there were no bids at the initial \$23,000 price set by the town. )

**Inaction is inexcusable** because the procedure for collecting delinquent liens is straightforward and mostly an automated clerical process. But it's a procedure that Yorktown officials have been slow to implement — either by choice or neglect. The procedure can include two optional letters, an initial "reminder" letter followed by a stronger "warning" letter. But ultimately, if the optional letters haven't resulted in the taxes being paid, the town files a formal foreclosure petition that gives the delinquent property owner a third chance to pay up before the court allows the town to take title to the property (aka an in-rem proceeding) for non-payment of taxes.

EXAMPLE: Yorktown waited until February, 2015, to send "reminder" letters to people who owed taxes *dating back to 2010*. To date, no warning letters have been sent. And, when asked when they would go out, the town official in charge of the process said she would skip that step and go right to the foreclosure petition. But that hasn't been done yet.

All this leads one to ask: What very specific actions will the new Town Board take, and when, to collect the \$3 million owed to the taxpayers of Yorktown? Yorktown taxpayers have already permanently lost almost \$2 million. If we don't want to see more money lost, it's time for more action and less talk.