



CITY OF EDEN

Memorandum

To: Honorable Mayor and Members of City Council

From: Brad Corcoran, City Manager

Date: February 4, 2015

Re: Resolution Eliminating The Early Tax Payment Discount

As each of you is aware, all of the County's municipalities with a property tax rate (excludes Wentworth) contract with the County for property tax collection. A total of \$50,600 has been included in the current budget for this contract.

The contract with the County stipulates that Eden agrees to adopt the same early tax payment discount rate as the County. While this is a contractual mandate, each municipality must take action to change the discount for their jurisdiction.

Rockingham County and all of its municipalities with a property tax rate currently have a 1 percent early tax payment discount for taxpayers that pay their property taxes before September 1. This discount allows the County and Eden to receive more revenue earlier in the year than it would with no discount, as banks must pay property taxes that have been escrowed (approximately 20 percent of all tax revenue) during a discount period if one is offered. Large industries often do the same. Based on the latest data available, 41 counties offer some level of early payment discount.

The discount was a financial win-win when interest rates were high. Citizens benefited through a small discount for early tax payment and the County and municipalities benefited by banking the tax revenue early and drawing interest. Interest rates have significantly declined in recent years, however, as seen on the next page:

Average Actual County Interest Rates

2006	2007	2008	2009	2010	2011	2012	2013	2014
5.418%	5.341%	3.143%	1.923%	0.601%	0.557%	0.646%	0.365%	0.416%

The higher pre-recession interest rates allowed the County and municipalities to not only recover any revenue loss from the discount but to financially gain from this program. Now, with interest rates near 0%, the discount is costly to the County and the municipalities. For example, the County forfeited \$200,000 and Eden forfeited \$23,483 in property tax revenue through the discount in the current fiscal year.

On January 20, 2015 Mayor Tuggle and I met with representatives from Rockingham County who explained their intent to eliminate/suspend the early tax payment discount until such time as the interest rates rise.

At this point it is recommended the City Council move forward by doing the following:

- A. Fulfill our contractual mandate by adopting the enclosed resolution to adopt the same early tax payment discount rate as the County – i.e. to eliminate the early tax payment discount.
- B. Work with the other municipalities in Rockingham County to study possible alternatives for the collection of future municipal taxes to determine the most equitable, efficient and cost-effective method of future tax collection.

Please feel free to let me know if you have any questions concerning this matter.

**RESOLUTION
ELIMINATING THE EARLY TAX PAYMENT DISCOUNT**

WHEREAS, Rockingham County, desiring to encourage the timely payment of ad valorem taxes, adopted a Resolution on April 5th, 1993, by authority of NCGS §105-360, offering a discount for payment of taxes prior to their statutory due date of September 1; and

WHEREAS, the City of Eden contracts with the County for property tax collection; and

WHEREAS, the agreement with the County requires the City of Eden to adopt the same early tax payment discount rate as the County; and

WHEREAS, this discount is advantageous to the taxpayer and the municipality, as the taxpayer receives a small discount and the municipality benefits by receiving revenue early in the fiscal year to provide municipal services; and

WHEREAS, the City of Eden has been notified by Rockingham County of their intent to eliminate the early payment discount so that the Rockingham County can collect an estimated \$200,000 in additional revenue from county tax payers; and

WHEREAS, it is of the opinion of the City Council of the City of Eden that elimination of the tax discount will be perceived by the citizens of the City as a hidden tax increase for major industries and employers, small businesses, and homeowners; and

WHEREAS, the City Council of the City of Eden, in conjunction with other municipalities, will study the collection of future municipal taxes to determine the most equitable, efficient, and cost-effective method of future tax collection;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Eden that in order to meet our contractual obligations the city hereby adopts the same early tax payment discount as the County and that the early tax payment discount is eliminated.

APPROVED, ADOPTED AND EFFECTIVE this 17th day of February, 2015.

CITY OF EDEN

By: _____
Wayne R. Tuggle, Sr., Mayor

ATTEST:

Sheralene Thompson, City Clerk