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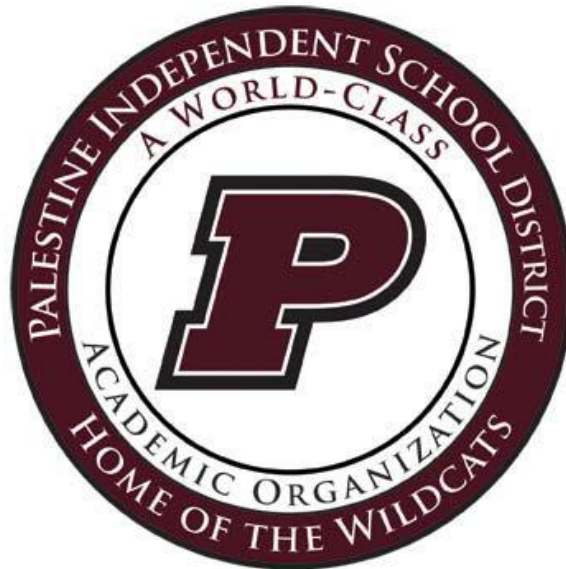
*The Solution To All Your Collection Needs™*

Attorneys at Law

# **REPORT ON DELINQUENT PROPERTY TAX COLLECTIONS**

*for the*

## **PALESTINE INDEPENDENT SCHOOL DISTRICT**



October 15, 2018

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*The Solution to all Your Collection Needs™* Attorneys at Law

October 15, 2018

Mr. Jason Marshall  
Superintendent  
Palestine Independent School District  
1007 East Park  
Palestine, Texas 75801

**Re: Palestine Independent School District - Report on Delinquent Property Tax Collections**

Dear Mr. Marshall:

I am enclosing for you and the Board of Trustees copies of our latest Report on Delinquent Property Tax Collections. Our report details our activities undertaken to collect the delinquent taxes due to the Palestine Independent School District. The report also explains the procedures we follow to ensure that each property owner is notified of their tax delinquency, and the legal steps that will be taken when prompt payment of the taxes is not made.

We believe that our collection procedures provide the District with maximum recovery of its delinquent taxes in the shortest period of time possible. In addition to our collection activities, we will advise the District on any ad valorem tax matter.

We appreciate the opportunity to represent the Palestine Independent School District in the collection of its delinquent taxes, and invite your questions and comments in order that we may better serve your needs.

Sincerely,

*Robert L. Meyers*

Robert L. Meyers



# MCCREARY, VESELKA, BRAGG & ALLEN, P.C.

## ATTORNEYS AT LAW

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*“The Solution To All Your Collection Needs™”*

The goal of our tax collection program is to collect the greatest amount of tax in the shortest period of time. **McCreary, Veselka, Bragg & Allen** believes it has met this goal for the **Palestine Independent School District**.

Tax Collections generally fall into two categories, current tax collections, the collection of the current levy of taxes within the fiscal year in which they are assessed, and delinquent tax collections, taxes that are unpaid and referred to a law firm for collection. It is our belief that an effective delinquent tax collection program will not only result in the quick recovery of delinquent taxes, but will also enhance current collections. When the taxpaying public is aware that the **District** aggressively, but fairly, pursues unpaid taxes, there is more incentive for a property owner to timely pay their current taxes.

The following are some of the significant points contained in our report.

### *CURRENT TAX COLLECTIONS*

- The **District’s** Total Annual Tax Collections (current and delinquent taxes, penalties and interest) actually **exceed** the amount of taxes that have been levied. (Chart Page 2)
- As of the date of this report, the **District** has collected **98.18% to 99.37%** of the taxes that were levied for each of the last five years. (Chart Page 3).

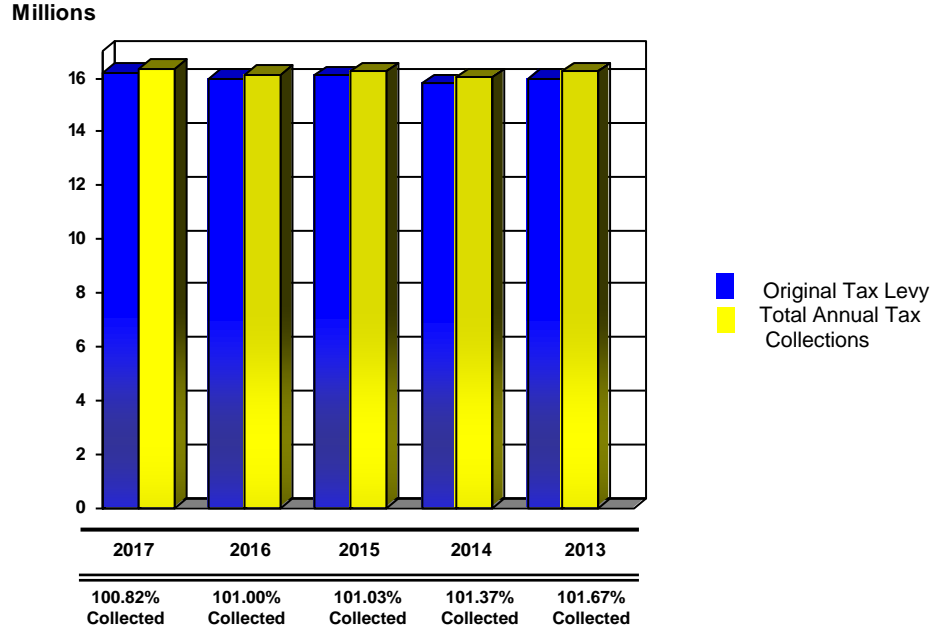
### *DELINQUENT TAX COLLECTIONS*

- We have collected **41.10%** of the taxes referred to us in July 2018, **64.53%** of the taxes referred to us in July 2017, and **76.21%** of the taxes referred in July 2016. The balance of these taxes is being quickly and efficiently collected. (Charts Pages 4-5).
- In order to collect the **District’s** delinquent taxes during this report period we have:
  - Sent over **5,223** Delinquent Tax Notices
  - Filed **117** Delinquent Tax Suits
  - Recovered **46** Judgments, and
  - Posted **93** properties for sale

## TOTAL ANNUAL TAX COLLECTIONS

In the last five years, the District’s Total Annual Tax Collections *actually exceeded the amount of taxes that were levied*. The District has collected **100.82%** to **101.67%** of the taxes levied for each of the last five years.

*The District historically collects over **100%** of its tax levy each year.*



For the last five years the amount of the Current Taxes collected added to the Delinquent Taxes, Penalties and Interest also collected is greater than the amount of taxes levied by the District for that year. Thus, the District is assured that each year it will collect over 100% of the taxes that are levied. (The amounts listed have been adjusted for tax office corrections.)

### TOTAL ANNUAL TAX COLLECTIONS (OCTOBER 1 THROUGH SEPTEMBER 30)

Tax Year	Original Tax Levy (Adjusted)	Total Annual Tax Collections	Percent Collected
<i>2017</i>	\$16,218,857	\$16,352,620	100.82%
<i>2016</i>	\$15,972,459	\$16,131,567	101.00%
<i>2015</i>	\$16,078,748	\$16,244,056	101.03%
<i>2014</i>	\$15,793,824	\$16,009,463	101.37%
<i>2013</i>	\$15,967,579	\$16,234,311	101.67%

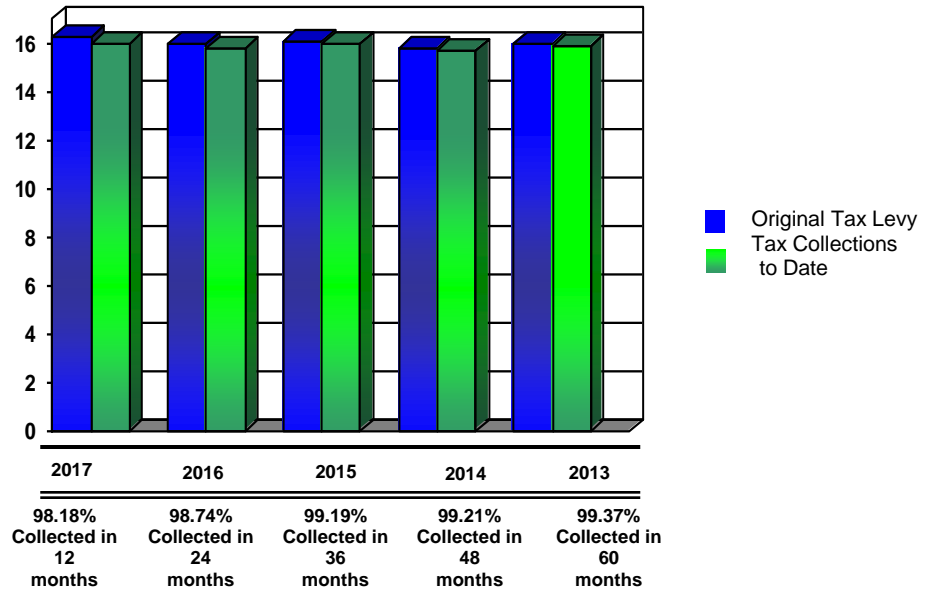


## COLLECTION OF TAX LEVY

Ultimately over 99% of the District’s taxes are collected. Listed below are the last five tax years. As of September 30, 2018, **98.18** to **99.37%** of the taxes levied for the tax years 2013 through 2017 have been recovered. For each of the tax years prior to 2013, the District has collected over 99.00% of the taxes that were levied.

**Millions**

*The District ultimately collects over **99.00%** of its taxes.*



This Chart above and the Table below list the actual amount of taxes levied for the past five years and the amount and percentage of each year’s tax levy that have been collected. The amounts included are original tax amounts only *and do not include penalties and interest that have also been collected.*

It is a historical reality that a small percentage of each year’s tax levy will be uncollectable due to a number of reasons such as insolvent business personal property accounts, bankruptcies, tax deferrals, medical hardships, and the fact that some property owners are judgment proof. Therefore, the cumulative percent collected, while extremely high, will never be one hundred percent.

### COLLECTION OF TAX LEVY (TAX COLLECTIONS FROM OCTOBER 1 OF EACH TAX YEAR THROUGH SEPTEMBER 30, 2018)

<i><b>Tax Year</b></i>	<b>Original Tax Levy (Adjusted)</b>	<b>Tax Collected to Date</b>	<b>Percent Collected</b>	<b>Number of Months of Collection</b>
<i><b>2017</b></i>	\$16,218,857	\$15,924,119	98.18%	12
<i><b>2016</b></i>	\$15,972,459	\$15,771,545	98.74%	24
<i><b>2015</b></i>	\$16,078,748	\$15,949,106	99.19%	36
<i><b>2014</b></i>	\$15,793,824	\$15,669,556	99.21%	48
<i><b>2013</b></i>	\$15,967,579	\$15,866,309	99.37%	60

## COLLECTION STATUS OF DELINQUENT TAXES

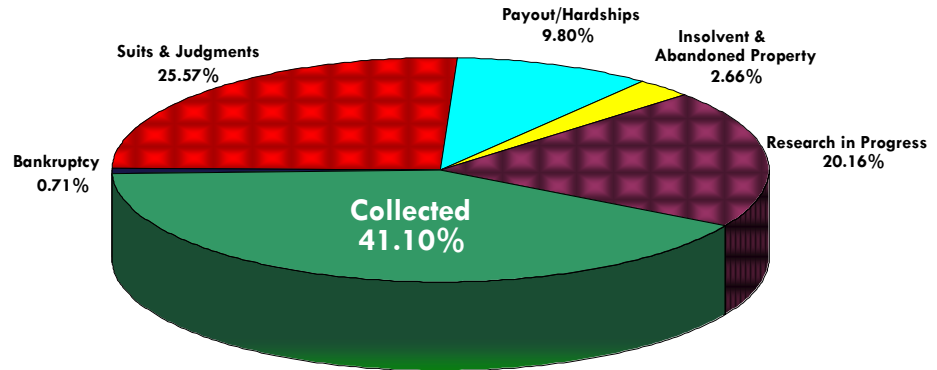
Each July 1, the District refers its unpaid delinquent taxes from the prior year to us for collection. The following charts depict the success we have had in collecting the taxes referred to us. As of September 30, 2018, we have collected:

- **41.10%** of the 2017 taxes that were referred to us on July 1, 2018 (3 months)
- **64.53%** of the 2016 taxes that were referred to us on July 1, 2017 (15 months)
- **76.21%** of the 2015 taxes that were referred to us on July 1, 2016 (27 months)

While we are collecting a very high percentage of the delinquent taxes, there are still taxes remaining unpaid. We are diligently continuing to conduct title, ownership and address research on the remaining tax accounts.

### COLLECTION STATUS OF 2017 DELINQUENT TAXES

*MVBA has collected **41.10%** of the **2017** taxes that were referred to us.*



**Delinquent Taxes Collected: \$216,508**

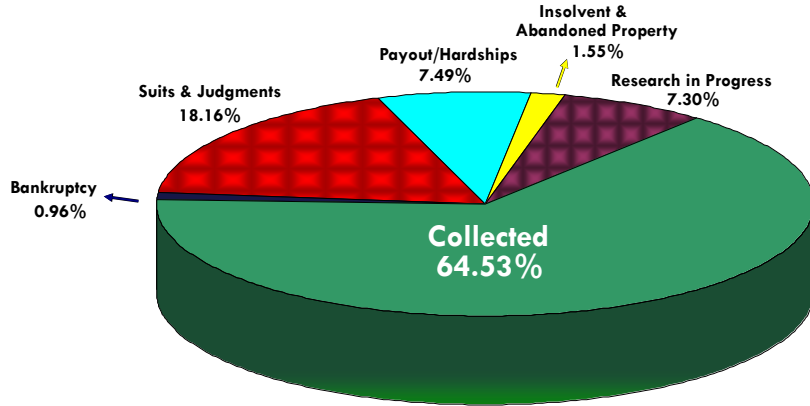
Category	Total Due (7/1/18)	Collected	Bankruptcy	Suits & Judgments	Payout & Hardships	Insolvent & Abandoned Property	Research in Progress
<b>Amount</b>	\$526,761	<b>\$216,508</b>	\$3,764	\$134,679	\$51,611	\$14,009	\$106,191
<b>Percent</b>		<b>41.10%</b>	0.71%	25.57%	9.80%	2.66%	20.16%





**COLLECTION STATUS OF 2016 DELINQUENT TAXES**

MVBA has collected **64.53%** of the **2016** taxes that were referred to us.

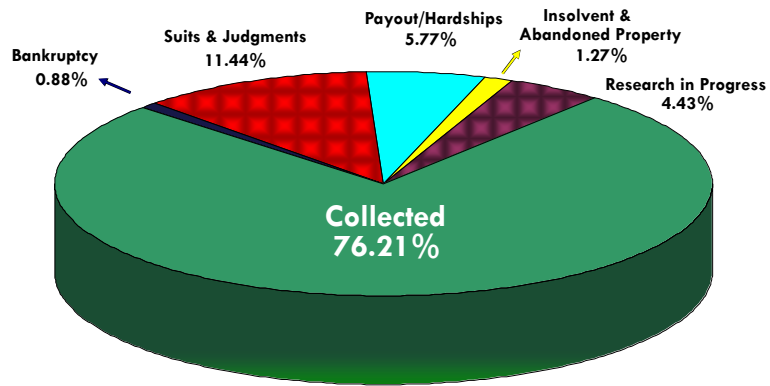


**Delinquent Taxes Collected: \$365,578**

Category	Total Due (7/1/17)	Collected	Bankruptcy	Suits & Judgments	Payout & Hardships	Insolvent & Abandoned Property	Research in Progress
<b>Amount</b>	\$566,492	<b>\$365,578</b>	\$5,453	\$102,882	\$42,448	\$8,784	\$41,347
<b>Percent</b>		<b>64.53%</b>	0.96%	18.16%	7.49%	1.55%	7.30%

**COLLECTION STATUS OF 2015 DELINQUENT TAXES**

MVBA has collected **76.21%** of the **2015** taxes that were referred to us.



**Delinquent Taxes Collected: \$415,251**

Category	Total Due (7/1/16)	Collected	Bankruptcy	Suits & Judgments	Payout & Hardships	Insolvent & Abandoned Property	Research in Progress
<b>Amount</b>	\$544,893	<b>\$415,251</b>	\$4,769	\$62,335	\$31,435	\$6,941	\$24,161
<b>Percent</b>		<b>76.21%</b>	0.88%	11.44%	5.77%	1.27%	4.43%

## **THIS OUTSTANDING LEVEL OF COLLECTIONS DID NOT SIMPLY HAPPEN.**

We have worked diligently collecting these taxes. MVBA has conducted a comprehensive delinquent tax collection program, which provides for:

- Regular and systematic mailing of delinquent tax notices to delinquent property owners.
- Thorough title examinations and ownership verification on selected delinquent tax accounts.
- Pre-litigation notices to all property owners and lienholders on each delinquent tract of real property; and
- The filing and prosecuting of delinquent tax suits to judgment and the final sale of the property to satisfy the tax delinquency if payment arrangements were not satisfactory made.

We believe that these charts graphically depict the results of MVBA's aggressive delinquent tax collection program.

## **DEFINITIONS AND COMMENTS REGARDING CHARTS ON PAGES 3, 4 & 5**

### **Lawsuits/Judgments**

MVBA files delinquent tax suits for the collection of delinquent taxes. Often property owners enter into payment arrangements subsequent to the filing of suit. Further prosecution of these delinquent tax suits is abated as long as the taxpayer complies with the payout agreement. If the property owner makes no effort to pay after suit is filed and citation is served, or if the taxpayer defaults on a payout agreement, judgment is sought. If taxes remain unpaid, subsequent to judgment, an order of sale is issued and the property is posted for sale.

### **Bankruptcy**

When a property owner files bankruptcy collection activity is prohibited under the United States Bankruptcy Code. MVBA monitors the progress of bankruptcy cases and filed appropriate motions and objections with the Bankruptcy Court to insure that the tax claims and the tax liens are accorded the highest possible priority. The amount of the claims that will ultimately be paid, particularly in Chapter 7 cases, cannot be estimated.

### **Insolvent Personal & Abandoned Real Property**

Tax accounts on which delinquent notices mailed by MVBA have been returned to us by the U. S. Postal Service as undeliverable or accounts for which the Appraisal District or Tax Office has been unable to determine an address. MVBA is engaged in an extensive address research program. When new addresses are found, notices are promptly sent. However, without an accurate address personal

property delinquent taxes are, as a practical matter, uncollectable. Some of these accounts represent mobile homes that are no longer in the County. In most cases, the Appraisal District has no knowledge of the whereabouts of the owners of these mobile homes. These accounts are uncollectable because collection activity against the owners is effectively precluded. There are numerous business personal accounts where the business is no longer operating. When a business ceases operation, often the owner leaves the County and/or State. Even if the owners of the business can be located, they are usually “judgment proof”. Many of these businesses were corporations which are either defunct or have no assets. The whereabouts of the owners of a few real property accounts are unknown. These are unimproved lots or vacant acreage tracts making it extremely difficult to locate the owners. In some cases, the record owners are deceased and their heirs are unknown or cannot be located. The owners of these vacant and abandoned properties will be served with citation by publication and the properties sold at tax sales.

#### **Pre-Litigation Payouts/Deferrals & Hardships**

Property owners enter into written installment payment agreements pursuant to §33.02 of the Property Tax Code prior to suit being filed. These payment agreements are tailored to the individual taxpayer’s ability to pay based on their particular financial problems. As a result of the payout agreements, a steady flow of tax payments is received.

There are also, taxpayers who have claimed the over-65 deferral provided by the Tax Code, which prevents the collection of the delinquent taxes assessed against their homesteads. In addition, a few property owners have been designated as hardship cases. Hardship cases are those in which the property owners have documented severe medical conditions or acute financial problems that warrant unusual consideration. Designation as a hardship merely delays collection but does allow for the eventual collection of the taxes.

#### **Research in Progress**

This segment refers to those accounts, which do not have any known impediment to the collection process or specific collection activity pending. MVBA has sent several notices of delinquency on each account. We are continuing to place additional accounts under litigation. However, we stress that there may be circumstances which may preclude the collection of some of these taxes. These may include bankruptcies, insolvent or closed businesses, hardship cases, and/or incorrect addresses which are unknown. Nevertheless, MVBA will continue to use all appropriate to collect the delinquent taxes that are due.

## DELINQUENT PROPERTY TAX COLLECTION ACTIVITY

(October 1, 2017 through September 30, 2018)

### *TAXPAYER NOTIFICATION*

Our experience has proven that the right notice to the right person at the right time results in the payment of taxes to our client. For this reason, *McCreary, Veselka, Bragg & Allen* sends a series of letters to property owners both before and after we have filed a delinquent tax suit against a property owner and the property. Listed below are various types of notices sent by MVBA to property owners notifying them of their tax delinquency and the status of legal action taken by MVBA to collect the taxes.

Many delinquent accounts are collected as a result of giving the property attention to finding the correct address of a property owner. Delinquent accounts with unknown or incorrect addresses are researched by MVBA through the use of Texas Motor Vehicle registration information, internet databases, telephone directories, city directories, utility records, voter registration records, assumed name files and the records of the Secretary of State. When MVBA obtains new addresses, notices are immediately sent informing the property owner of their tax, and notifies the Tax Office of the new address so that the tax records can be updated.

<i>Type of Notices</i>	<i>Number of Notices</i>
<b>Initial Notices</b> are polite, but pointed, notices designed to remind the delinquent property owner of their tax liability and urging voluntary payment of the taxes due.	2,301
<b>Delinquent Notices</b> are more insistent notices requiring payment of the delinquent taxes and inform the property owner that a tax lien has attached to their property and they are personally liable for the tax.	1,534
<b>Demand Notices</b> are sent on selected accounts giving notice that if the taxes are not paid, a delinquent tax suit will be filed against the property owner and the property.	1,388
<b>TOTAL NOTICES</b>	<b>5,223</b>



### *LITIGATION*

MVBA files delinquent tax suits when property owners and all other parties whom MVBA has determined to have an interest in the property fail to respond to the notices sent to them. Delinquent tax suits filed by MVBA seek a personal judgment against the property owner and foreclosure and sale of the property to satisfy the tax delinquency. When all delinquent taxes, penalties and interest have been paid to the taxing jurisdiction, and all costs of court have been paid in the lawsuit, the lawsuit is dismissed against both the property owner and the property.

<i>Number of Suits</i>	<i>Number of Properties</i>	<i>Amount Due</i>
117	156	\$302,393

### *JUDGMENTS*

When the property owner and all parties who have an interest in the property have been served with citation, MVBA notifies the property owner and all other defendants in the lawsuit of the date at which a hearing will be held in District Court to seek a judgment against the property owner and the property. MVBA recovers judgments against the property owner and the property, authorizing sale of the property in order to recover the delinquent taxes, penalties and interest owed. If the property owner pays the total amount of taxes, penalties, interest and costs after judgment has been rendered by the District Court, the judgment is released against both the property owner and the property.

<i>Number of Judgments</i>	<i>Number of Properties</i>	<i>Amount Due</i>
46	78	\$155,766

## ***TAX SALES***

Should the property owner fail to respond to the notice of judgment, MVBA proceeds with a Sheriff's Sale of the property. MVBA publishes a Notice of Sale in the local newspaper and sends copies to the property owner and all other defendants in the delinquent tax suit, as required by law. In many instances, the property owner either pays the taxes prior to sale or enters into satisfactory arrangements for the payment of the taxes, in which case the property is withdrawn from the Sheriff's Sale. Properties offered for sale are either conveyed to purchasers, or if no acceptable bid is made on the property, conveyed to the taxing units in lieu of payment of taxes. MVBA assists the Sheriff in conducting the sale and prepares the deeds to the purchasers, finalizes the sale papers and supervises the distribution of the sale proceeds to the taxing authorities in order to satisfy the tax delinquency.

<i>Date of Sale</i>	<i>Properties Posted for Sale</i>	<i>Properties Paid/Payout</i>	<i>Properties Sold/Conveyed into Trust</i>	<i>Amount Due</i>
12/5/2017	34	9	25	\$76,845
3/6/2018	20	13	7	\$39,343
6/5/2018	21	10	11	\$43,544
9/4/2018	18	8	10	\$46,086
<b>TOTAL</b>	<b>93</b>	<b>40</b>	<b>53</b>	<b>\$205,818</b>

## ***BANKRUPTCY LITIGATION***

*McCreary, Veselka, Bragg & Allen's* bankruptcy department closely supervises those individuals and corporations that file for protection under the bankruptcy laws who owe taxes. Through our fully computerized bankruptcy tracking system, MVBA files and monitors all claims for taxes owed by the bankrupt debtor. Proofs of Claim are filed by MVBA to assert the amount of tax, penalty and interest due when the bankruptcy is filed. Administrative claims are filed to seek recovery of taxes that arise after the debtor has filed bankruptcy. Our attorneys review all Motions and Plans for Reorganization filed by the debtor or any other creditor with the Bankruptcy Court, aggressively assert the tax claims, and defend the tax liens of our clients to the fullest extent allowed under the Bankruptcy Code.

<i>Type</i>	<i>Number of Bankruptcies</i>	<i>Number of Properties</i>	<i>Amount Due</i>
<b>Proofs of Claim</b>	9	10	\$33,889



***FEE FOR SERVICES***

*All of our  
collection services  
are provided at no  
cost to the district*

MVBA provides all legal representation for a contingent fee of the delinquent taxes, penalties and interest collected. Our attorney fees are paid entirely by the delinquent property owners upon payment of the delinquent taxes as an additional penalty pursuant to the Texas Tax Code.