

MEMORANDUM

To: Mayor and City Council

From: Chris Pike, Finance Director

Date: July 13, 2015

Subject: **Tax Assessment Freeze Refunds**

ITEM DESCRIPTION

To approve issuance of refunds for property taxes and assignment of interest rate to the refund amount.

BACKGROUND

Last month, Senator Fran Millar noted the City was not correctly applying homestead exemptions to account for the 2010 referendum to extend the valuation freeze for homeowners. Since that time, the City has been working with the County to identify the properties involved to get the refunds issued. The County determined 2,748 parcels are affected with refunds totaling around \$145,000. That amount will be refunded.

The issue is whether to extend interest and if so, at what rate. At present, the IRS applies 3% interest for overpayments due interest. Also, the County applies 12% simple interest for refunds due to appeals. The interest owed at that 12% rate would be about \$18,000.

Since these refunds are returning prior year taxes, a budget amendment will come at a later date if necessary to use prior year funds (reserves) as well as adjust the current year budget for the effect of the freeze on 2015 taxes.

RECOMMENDED ACTION

It is respectfully requested that Council determine an interest rate to apply and authorize the release of funds to the County for the refunds.