

# **HOW TO UTILIZE TECHNOLOGY TO EVALUATE YOUR DELINQUENT TAX PORTFOLIO AND CHOOSE THE APPROPRIATE COLLECTION TOOL TO INCREASE TAX REVENUE**

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# 4 Keys to a Successful Debt Collection Strategy

1. Customer Oriented Operations
2. Up-to-Date Communications
3. Applied Analytics
4. Unified Tax Collection Management



# Customer Oriented Operations

- Focus on making payments easy, efficient and secure for customers (taxpayers)
- With the rise of smartphones, collection agencies should consider accepting or using web-based payment methods.
- Self-service portals such as online payments, payment apps and automated phone calls (Robocalls) can allow for secure and easy collections.
- Pre-programmed portals where debtors (taxpayers) can set up a payment plan, within certain guidelines, and schedule payments without human contact.
- It is proven that when a debtor has an easier time making payments, they are usually more likely to successfully perform within the payment plan arrangement.
- Currently online payment methods are the easiest and most secure way to accept payments.
  - With Tools such as PayPal and Square, you can send invoices (tax bills) and receive payments without a third-party merchant credit card services group, which may charge higher fees and have high restrictions.



# Up-to-Date Communications

- The old ways of Communicating that receive little success may need to be reconsidered or modified.
- Keeping up with the Latest Technologies and Automating your Collections can:
  - Cut Costs, while also helping you see consistent results
  - Enable Quicker Payments
  - Allow your Office to Communicate more Efficiently
  - The key elements to automation and improved processes are:
    - Being willing to try something different
    - Thinking out of the box
    - Tracking the Success of Each Tool
  - The Latest Tools
    - Apps - \$3500 on average
    - Texting and Robocalls – 4-6 cents
    - Efax - \$14.13/mo
    - Adobe Sign - 9.95/mo
  - Improving Customer Experience



# Applied Analytics

Question: What data is important to capture?

- Using analytics in your collection process can help you avoid bad debts and difficult collections.
- With the help of analytics, you can easily assess delinquent taxes, whether they are
  - Weekly, Monthly, Quarterly, Bi-Annually
- Once you know the overall pattern of your taxpayers, you can save them from unwarranted risks they are likely to encounter.
- For example, analytics can help you track taxpayer payments and notify you in case of habitual or gradual lateness
- This allows you to “get ahead” of possible problem accounts.



# Unified Tax Collection Management

- Centralized System is a program that allows all collections personnel to view the same account on the same data base. **Question: What factors are important in choosing a System?**
- When properly set up and maintained, the system has ALL the information available on a particular taxpayer and parcel, easily viewable and searchable. **Question: What information does your system collect?**
- It is important that this system is easy to use and obtains accurate information
- Ideally this system would run dialers and prompt a staff member to work on or review an account (Parcel), and trigger alerts when a problem arises.
- Unified Tax Collection Management includes setting up protocols related to workflow, decision making, customer oriented service and data connectivity.
- All these factors can come together to create a more advanced and personalized tax collection process.
- This type of system and management should serve to:
  - Reduce costs
  - Increase Collections
  - Improve Personal Engagement
  - Help Convert Delinquent Property Owners into Consistent Taxpayers



# Collection Tools

- Payment plans (efficiency?)
  - Set up
  - Follow up
- Delinquent Notices
- Auditor's Advertisement
- Tax Sale (Free Tool)
- Prosecuting Attorney (Bandwidth)
- Land Bank (If you have one)
- and Others

- **Questions:**

- Does your office utilize all of these?
- What other tools do you use?



# Data Analytics

- Data Analytics: analyzing raw data in order to make conclusions about that information.
- Forbes magazine reported organizations using data analytics were five to six percent more successful than those who do not.
- Most Relevant Data for Determining the Appropriate Tool(s) to Utilize
  - Contact Information – Owner Name, Phone Number, Email, Current Mailing Address
  - Start with Entire Tax Roll and Break the Data into Categories
    - SF Residential, 2 Family, 3 Family, Apartment, Commercial, Industrial, Mobile Home, Vacant Land
    - Amount Delinquent – Top 20, >\$20,000, \$19,999-\$10,000, \$9,999-\$5,000, \$5K - \$1K, \$999-\$500, \$499-\$1
    - Number of Years Delinquent
    - Property Values
    - Timing of Payments
- Then Analyze the Data
  - What Consistencies do you See in those Parcels that Pay on Time?
  - What Parcels are More Likely to be Delinquent?
  - What are Motivating Factors?
  - What is the Best Tool to Increase Collections and Reduce Costs?





# Delinquent Collection Tools

How many counties utilize ALL these Tools?

- Delinquent Noticing (?)
  - Before or After Auditor's Advertisement
  - How does your office Send these Notices?
- Tax Sale(?)
- Send to Prosecutor for Foreclosure (?)
- Land Bank (?)



# What is a Tax Sale and Why Do They Exist?

- Tax Lien Sale – Transfer of the Municipality's First Lien Position to an Investor who Pays the Delinquent Taxes to the Municipality.
- Each year billions of dollars in property taxes go uncollected throughout the country
  - Counties face budget shortfalls
  - Citizens who pay taxes are deprived of needed services
  - Schools are forced to rely on levies to meet their needs
  - Counties are searching for alternative collection tools
- Statewide Delinquency – \$1.8 Billion
- Solution: Counties sell tax certificates to private investors
- Tax Liens are sold in 30+/- states; Each state has its own process
- Currently about 44 Counties Conduct Sales in Ohio



# Benefits of a Tax Sale

- Tax Certificate Sale Motivates Delinquent Taxpayers to Pay Their Taxes
- Collect Revenue Immediately which Impacts Current Budget Restraints
- Reduce County Expenses and Limit Resources
- FREE SERVICE – This Process Should NOT Cost Your County a Dime
- Supports Local Schools by Providing an Immediate Revenue Source
- Provide Property Owners with Alternative and Better Payment Options
- More Money in Your DETAC Fund
- Assists to Increase Bond Ratings



# **Tax Sale Statutes / Process (ORC 5721.30-5721.43)**

5721.30 Tax Definitions

5721.31 Selection of Parcels for Tax Certificate Sale

5721.32 Sale of Tax Certificates by Public Auction

5721.33 Negotiated Sale of Number of Tax Certificates

5721.34 Void Certificate where Delinquency was Previously Satisfied

5721.35 Tax Certificate vest First Lien Previously held by the taxing district

5721.36 Transferring a Tax Certificate

5721.37 Filing Request for Foreclosure



# Tax Sale Statutes / Process cont.

5721.371 Private Attorney Fees

5721.38 Right to Redeem

5721.381 Payment of Certificate Redemption Price before Foreclosure

5721.39 Judgment of Foreclosure

5721.40 Forfeiture of Parcel Remaining Unsold after Two Sales

5721.41 Interest Charges

5721.42 Issuing Additional Tax Certificates – Subsequent Liens

57.21.43 Prohibiting Demand Payment during **Year** (30 days) following Purchase



# QUESTIONS?

Feel Free to Contact me for More Information

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