



## Takoma Park City Council Meeting – January 10, 2018 Agenda Item 3

### Voting Session

Resolution approving a Settlement Agreement with Priti's Fashion and Jewelry, LLC for payment of business personal property taxes owed to the City of Takoma Park

### Recommended Council Action

Vote on the Resolution

### Context with Key Issues

Priti's Fashion and Jewelry, LLC ("Priti's") operates a retail gold jewelry and boutique clothing store at 1157 University Blvd. East in the City of Takoma Park, Maryland. Priti's was formerly located in the Takoma-Langley area of Prince George's County and then moved its business to its current location in the City of Takoma Park, Montgomery County, Maryland. Despite Priti's move, the Maryland State Department of Assessments and Taxation ("SDAT") continued to assess Priti's as a business located in Prince George's County for tax years 2013-2015. Upon correcting its tax location with SDAT, Priti's was billed for personal property taxes ("PPT") owed to Montgomery County and to the City of Takoma Park for tax levy years 2013-2016, in the total amount of approximately \$300,842.53 (representing Takoma Park PPT of \$219,435.37<sup>1</sup>; Montgomery County PPT of \$556.78; and substantial interest on these past-due taxes).

With the support of the City, Priti's asked SDAT to reassess Priti's business personal property because it believed that the assessed value of its inventory was erroneous and unreasonably high. In June 2017, Priti's filed Amended Annual Reports and Personal Property Returns (Form 1) for 2013-2016. Based on the Amended Annual Report and Personal Property Returns, SDAT, by Notice dated July 3, 2017, adjusted the Town (Takoma Park) Base Assessment for Priti's and issued revised personal property tax bills for Tax Levy Years 2013-2016. The revised PPT due to the City of Takoma Park from Priti's totals \$88,532.29 for Tax Levy Years 2013-2016 and interest on the 2013-2016 PPT, through December 31, 2017, is due in the amount of \$53,710.35.

Priti's does not have the funds to pay the total PPT and/or interest balance owed to the City and the City has been working with Priti's to resolve the PPT issue without a debilitating financial impact on Priti's business. The City and Priti's have agreed to a tentative settlement to resolve the payment of Priti's PPT to the City for for Tax Levy Years 2013-2016, as follows:

Priti's will pay to the City the sum of \$90,000.00 in monthly installments of \$3,000.00 with the first payment to commence upon execution of a Settlement Agreement by all parties and subsequent monthly installments to continue on the 1<sup>st</sup> day of each month until paid in full.

---

<sup>1</sup> Priti's commercial inventory is fully taxable in the City of Takoma Park which results in substantial personal property tax bills.

If all scheduled monthly installments are paid, then the total settlement will be paid in 2½ years. The Settlement Agreement will include a severability clause providing that if a waiver of interest or any other term of the agreement is declared illegal by a court, then the agreement would be reformed to be legal and enforceable, including increasing the payment sum and/or term.

The Settlement Agreement between the City and Priti's is contingent upon approval of the terms of the settlement by the City Council.

### **Council Priority**

Maintain a fiscally sustainable government by collecting business personal property taxes owed to the City.

### **Environmental Impact of Action**

We do not believe this action will have an environmental impact.

### **Fiscal Impact of Action**

The City will collect personal property taxes owed by a Takoma Park business for tax levy years 2013-2016. If the Settlement Agreement is fully performed, then the City will receive \$90,000.00 in installments of \$3,000.00 per month over the next 2½ years.

### **Racial Equity Impact of Action**

Approval of Council Settlement Agreement with Priti's Fashion and Jewelry, LLC will benefit a business operating in Ward 6, where 81.5% of residents are non-white.

### **Attachments and Links**

Proposed Resolution

Introduced by: \_\_\_\_\_

Resolution Date: \_\_\_\_\_, 2018

**CITY OF TAKOMA PARK, MARYLAND**

**RESOLUTION NO. 2018-\_\_**

**A Resolution Approving a Settlement with Priti's Fashion and Jewelry, LLC for Payment of Business Personal Property Taxes for Tax Levy Years 2013 – 2016.**

WHEREAS, Priti's operates a retail gold jewelry and boutique clothing store at 1157 University Blvd. E., Takoma Park, MD 20912, which business is located in the City of Takoma Park, Montgomery County, Maryland; and

WHEREAS, Priti's was formerly located in the Takoma-Langley area of Prince George's County and moved its business to its current location in the City of Takoma Park, Montgomery County, Maryland; and

WHEREAS, despite Priti's move, the Maryland State Department of Assessments and Taxation ("SDAT") continued to assess Priti's as a business located in Prince George's County for tax years 2013-2015; and

WHEREAS, upon correcting its tax location with SDAT, Priti's was billed for personal property taxes ("PPT") owed to Montgomery County and to the City of Takoma Park for tax levy years 2013-2016, in the total amount of approximately \$300,842.53 (representing Takoma Park PPT of \$219,435.37, Montgomery County PPT of \$556.78, and substantial interest); and

WHEREAS, with the support of the City, Priti's filed Amended Annual Reports and Personal Property Returns (Form 1) for 2013-2016; and

WHEREAS, based on the Amended Annual Report and Personal Property Returns, SDAT, by Notice dated July 3, 2017, adjusted the Town (Takoma Park) Base Assessment for Priti's and issued revised personal property tax bills for Tax Levy Years 2013-2016; and

WHEREAS, the revised PPT due to the City of Takoma Park from Priti's totals \$88,532.29 for Tax Levy Years 2013-2016 and substantial interest on the PPT also is due; and

WHEREAS, Priti's does not have the funds to pay the total PPT and/or interest balance owed to the City and the City wants to work with Priti's to resolve the PPT issue without a debilitating financial impact on Priti's business.

**NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND THAT** a settlement of Priti's PPT liability to the City for Tax Levy Years 2013-2016 is approved upon the following terms:

The parties agree that Priti's will pay PPT to the City for Tax Levy Years 2013-2016 in the total sum of \$90,000.00. Payments will be made in monthly installments of \$3,000.00 with the first payment to commence upon execution of a Settlement Agreement between Priti's and the City. Subsequent monthly installments will continue on the 1<sup>st</sup> day of each month until the total PPT amount is paid in full. The Settlement Agreement will include a severability clause providing that if a waiver of interest or any other term of the agreement is declared illegal by a court, then the agreement would be reformed to be legal and enforceable.

**BE IT FURTHER RESOLVED THAT** the City Manager is authorized to execute a Settlement Agreement with Priti's regarding the payment of business personal property taxes owed to the City for Tax Levy Years 2013-2016, as set forth in this Resolution, and to execute such other documents and to take any action necessary to carry out the terms and intent of such settlement.

**THIS RESOLUTION IS ADOPTED BY THE COUNCIL OF THE CITY OF TAKOMA PARK THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2018.**