

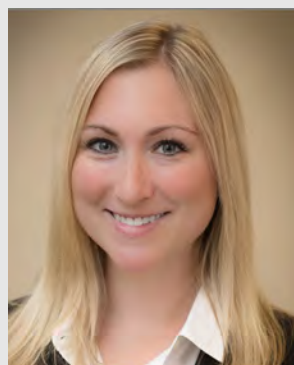
Philly Special: An Interview With Revenue Commissioner Frank Breslin

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In this installment of Pennsylvania's SALT Shaker, Karpchuk interviews Philadelphia Revenue Commissioner Frank Breslin.

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I had the privilege of sitting down (virtually) with Philadelphia Revenue Commissioner Frank Breslin to discuss his career, some of the Philadelphia Department of Revenue's responses to COVID-19, the effect the health crisis has had on the city's revenue and tax policies, and a glimpse into what the future holds for the City of Brotherly Love.

Jennifer Karpchuk: Let's start at the beginning. How did you first get into the tax field?

Frank Breslin: My first job after graduating from Temple University with a degree in accounting was as a financial accountant with a Fortune 500 company. I realized quickly that it was not what I wanted to do long term. Fortunately, the city of Philadelphia contacted me as a result of an application I had also submitted upon graduation. The city was offering me the position of revenue examiner, and I accepted. I found the work interesting and challenging. I was exposed to many different types of businesses — like manufacturers, financial firms, and professional

services. I also met and learned from some of the most knowledgeable accountants and attorneys in taxation. Thirty years later, I'm still doing engaging work with a talented team.

Karpchuk: It sounds like you've had a great career with the city. In 2016 you were appointed Philadelphia's revenue commissioner. What are some notable changes you have made since becoming revenue commissioner?

Breslin: There are several changes that I am very proud of. We've increased on-time collections to record highs. Last year we collected more than 96 percent of property taxes in the year they were due, and business tax collections were well over 90 percent before COVID-19 struck. We've also decreased delinquency — so reduced the pool of old debt — by 38 percent since 2015. We accomplished this by making significant changes within [the DOR] and implementing innovative collection strategies.

We think smart enforcement starts by offering meaningful assistance programs and making it easy for people to apply. We have different payment plans to meet people where they are, instead of trying to fit everyone into a single mold. We're using behavioral science to improve participation at outreach events and using data to predetermine what accounts are more likely to produce a successful collection. We're changing how we communicate with customers. We want to make information easy for them to understand and our in-person interactions a good experience for both them and for our staff.

I keep saying "we" because my executive team and the entire staff deserve lots of credit for these changes. Change is hard, but we share a vision and the staff have been very receptive.

Karpchuk: What has surprised you most about your job?



Frank Breslin

Breslin: It's not easy to say what has surprised me "most," but something worth mentioning is the solidarity I've felt from within the department, as well as from other taxing jurisdictions. Leading a revenue department can feel overwhelming. Many of the issues we face in Philadelphia are the same in other large cities and states: aging technology, the loss of experienced staff because of retirement, customer service challenges, delinquent collections.

But I was immediately struck by the outpouring of support from colleagues and from the professional community. It was a relief as a new commissioner to realize that there was this network of support. I did not need to develop solutions to these challenges on my own. I had the support of the department, and there was a network of other commissioners and revenue department staff beyond Philadelphia — also willing to share their knowledge and experience.

Organizations like the Federation of Tax Administrators and the Northeastern States Tax Officials Association provided valuable information about what is happening in other

jurisdictions and a platform to connect with tax departments across the country. Other cities and states were so generous with their time and experience. This helped guide many of our improvements. I only hope we helped to guide improvement in other jurisdictions too.

Karpchuk: What has been the most difficult challenge you've faced thus far?

Breslin: COVID-19 has been the most difficult challenge. There was little time to prepare and no existing playbook to turn to, especially since the situation continually changes. Our Continuity of Operations Plan was formulated for a natural disaster, but never for a pandemic. In a short time, we had to put together a plan that prioritized the health and safety of our staff, while keeping our department's essential functions operating.

My team really rose to the challenge. We were able to put together and implement an effective plan that kept our staff safe, but also maintained continuity of essential services the city needs in order to operate. At the same time, we've been doing our best to see beyond the pandemic. How do we offer taxpayers relief without compromising critical revenue? How do we help businesses that have always been compliant recover? So right now is probably the most challenging time.

Karpchuk: Speaking of COVID-19, can you address how the department has responded on the tax front to COVID-19?

Breslin: The department's response on the tax front began immediately with the announcement of the closure of nonessential businesses. We quickly assembled a team to monitor tax issues, implement tax policies, and issue guidance. It was important to communicate with tax professionals to identify areas of concern, or confusion, and we did that too. Property and business tax due dates were extended. We published a new webpage to communicate the most recent policy changes and provide guidance: www.phila.gov/covid-19-tax-relief. We also started sending regular emails with updates to tax professionals.

With social distancing in mind, figuring out how to reach taxpayers who rely less on technology has been another concern for us. As restrictions are slowly lifted, we're ready to start welcoming customers to our building again, but only in a way that is safe for them and for staff.

Karpchuk: COVID-19 has had some devastating financial impacts across the country. What is the condition of the city's economy and revenue in light of COVID-19 and are there any ideas that you have on the revenue side to fill budget gaps?

Breslin: The city's economy has been severely affected by the crisis, and we are seeing the impact in our revenue figures. We're expecting a \$749 million budget shortfall in fiscal 2021, which has resulted in significant spending cuts and some tax increases. The Philadelphia parking tax is increased for one year to 25 percent. Also, we are pausing reductions to the net income portion of the business income and receipts tax, which will remain 6.2 percent until 2023. After that, the previous schedule for reductions is scheduled to resume. Similarly, wage tax reductions are on hold for residents, and the nonresident wage tax rate increased to 3.5019 percent on July 1 of this year. We've also eliminated the 1 percent discount for early payment of real estate tax and increased fees for a variety of streets and license and inspections services.

We also view the work of the Department of Revenue as an integral part of the city's economic recovery. As COVID-19 spread, we moved quickly to extend due dates for both property and business taxes. Since then, we've been reviewing many of our procedures and policies to help taxpayers and businesses in the recovery process. We reminded employers and workers that nonresidents were mandated to work from home, and do not have to pay the city wage tax during that time. We also halted most enforcement measures and stopped sheriff sales and placement with collection agencies. We told businesses they were not liable for use and occupancy tax during the time they were ordered to close operations by the mayor and governor — and told them how to request a refund if they prepaid the tax.

Our latest efforts have focused on creating a new payment agreement program for businesses affected by the pandemic and the economic downturn. It's our most flexible business tax payment plan ever, but really aimed at companies current on all their taxes before this year. We're also willing to review existing payment plans in light of the crisis, and new terms will be worked out case by case.

Karpchuk: COVID-19 has forced many people to work remotely and to adjust to the changes that brings. How have you and the department responded to working remotely?

Breslin: Revenue did not have a significant number of staff working remotely before COVID-19. This of course made our transition to remote work a challenge. This problem was further complicated by difficulty in purchasing laptops, since businesses and government agencies across the country scrambled to telecommuting. However, with support from our Office of Innovation and Technology, the department was able to move a significant portion of its essential staff to remote work. Notably, we were able to move our entire phone unit and much of our correspondence and research unit to remote work. This gives the public the ability to communicate with the department during these challenging times. We realize that many taxpayers are facing financial challenges and need the support of the department now more than ever.

Karpchuk: Are there any Philadelphia tax changes or issues that you see arising in the near future?

Breslin: In the short term, we're closely watching how other jurisdictions are handling nexus issues as various states move to "green phases." We will be publishing guidance soon on this topic. In the long term, we are exploring several policy changes, including a move to market-based sourcing.



Frank Breslin

Karpchuk: Do you have any plans for [the DOR] that you would like to discuss?

Breslin: Over the next few years we'll be working on replacing the city's tax system of record. This is a major, multiyear project, and it is one with lasting impact to the department and taxpayers. Although our initial launch was delayed because of the pandemic, we're excited to get started this fall.

Once implemented, taxpayers will have a vastly improved customer service experience with the ability to manage their accounts online. Taxpayers will have access to their own account dashboards, which will streamline filing returns and making payments. Taxpayers will also be able to share access to their account with a tax preparer, open and close accounts, schedule payments, apply for payment agreements, manage tax clearance, and set language preferences.

Our internal systems and processes will also undergo significant change based on best practices from other jurisdictions.

This is a phased project, but we're working hard to minimize snags during the transition. Once fully implemented, I know both taxpayers and staff will enjoy a modern, 21st-century tax system that makes completing tasks far easier.

Karpchuk: What is one thing you would like taxpayers to know about the Philadelphia Department of Revenue?

Breslin: Just one thing? If I can only pick one thing taxpayers should know, it's that the Department of Revenue is a major source of relief to both residential and business taxpayers. In 2019 homeowners received over \$170 million in real estate tax relief from programs like the homestead exemption, senior citizen tax freeze, and the Longtime Owner Occupants Program. Programs like the Owner-Occupied Payment Agreement [OOPA] and the Tiered Assistance Program [TAP] for water customers are designed to help homeowners get back on track with incredibly flexible payment terms. They are really unique programs in the country.

Really, no one in Philadelphia should have a delinquent status. I know there are Philadelphians who really struggle, especially right now. As more attention focuses on equity in Philadelphia and across the nation, programs like

OOPA and TAP put us in a good position to be able to help folks who really need it.

Earlier I mentioned our newly launched payment agreements for businesses affected by the COVID-19 pandemic. Taxpayers need to be ready to come to the table, but my staff is always willing to work with them to find a way to get them compliant.

Karpchuk: Finally, on a lighter note, what is something fun or interesting you want readers to know about you?

Breslin: As a younger man I was a bit of a thrill seeker. I ran with the bulls in Spain, hiked to the bottom of the Grand Canyon, and went hang gliding. Today my leisure activities are a lot calmer. I enjoy golfing and time with my family. ■