



JOSEPH KELLY
TREASURER AND TAX COLLECTOR

**COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR**

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PROPERTY TAX PORTAL
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March 3, 2017

TO: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

FROM: Joseph Kelly 
Treasurer and Tax Collector

SUBJECT: **INCREASE OF CREDIT AND DEBIT CARD SERVICE FEES FOR
PROPERTY TAX PAYMENTS**

This is to advise your Board that on Sunday, March 12, 2017, the service fees (fees) for property tax payments made with a credit or debit card will increase to 2.25% of the payment amount. The prior fee for credit cards was 2.1% of the payment amount plus a flat fee of \$5.95 per transaction. For debit cards, the prior fee was a flat fee of \$3.95 per transaction.

This increase was requested by Fidelity Information Systems Inc. (FIS), Los Angeles County's (County) eCommerce payment provider, in accordance with provisions outlined in its contract with the Internal Services Department (ISD). This increase is only applicable to property tax payments made with a credit or debit card. The credit and debit card fees for the remaining 39 eCommerce payment applications among 20 County departments are not changing.

The average Annual Secured Property Tax bill in the County approximates \$6,000. The current and revised fees for a \$6,000 payment made with a credit or debit card are listed in the following table:

Payment Type	Prior Rate	Prior Fee on \$6,000 Payment	New Rate	New Fee on \$6,000 Payment
Credit Card	2.10% + \$5.95	\$131.95	2.25%	\$135
Debit Card	\$3.95	\$3.95	2.25%	\$135

As is evident from the mathematical calculations, the fee that a constituent would pay for using a debit card to pay his or her property taxes is increasing significantly, primarily due to the change from a flat fee to a flat percentage rate.

Background

Constituents can pay their property taxes online with either an "eCheck" or a credit or debit card.

- eCheck is a payment method in which constituents enter their checking account information (e.g., bank account number, routing number, and payment amount) into an online template. FIS uses this information to create an Automated Clearing House (ACH) debit to the bank account. FIS charges the Treasurer and Tax Collector (TTC) approximately 10 cents per eCheck transaction. Because this fee is less than the costs the TTC incurs to process a paper check the constituent mails, the TTC absorbs this fee in its entirety. Approximately 80 percent of all property tax payments made online on the TTC's website are made with eChecks. The remaining 20 percent are from credit and debit cards.
- Credit and debit card service fees charged by FIS are passed along to the constituent in their entirety. The TTC's eCommerce application provides the constituent with an online calculator that allows a constituent to determine these fees prior to agreeing to pay them.

Proposed Increases to Service Fees

The eCommerce contract between ISD and FIS allows for fee adjustments that are mandated by any card association or other change in applicable law. In late 2016, FIS proposed revisions to the fees for property tax payments made with a credit or debit card. FIS did not propose any change to the eCheck fee. This is the first time FIS has exercised its contractual right to revise fees since the inception of this contract in 2013. The proposed changes to the fees and supporting justification have been reviewed and approved by TTC, County Counsel, and ISD staff.

FIS has historically linked the County's property tax payment program to the VISA Tax Program. The VISA Tax Program has been replaced by the VISA Government and Higher Education Program. Under the new program, VISA eliminated the cap on debit card rates and expenses.

We compared the revised fees with the fees charged in other California counties. We found that most other counties had previously revised a flat rate debit card fee to a varying rate. The proposed fees continue to be among the lowest charged to any

county in the State, including the other counties in Southern California (i.e., Orange 2.30%, San Bernardino 2.29%, Riverside 2.28%, and San Diego 2.19%).

Impact and Outreach

My preference would have been to implement this revision after the second installment delinquency date of Monday, April 10, 2017. However, FIS' contractual right allows it to request implementation on March 12, 2017. TTC and ISD staff are confident that they will be able to implement the change with minimal disruption to taxpayers. We will work with County Counsel to align better the permissible dates for fee revisions in the contract with installment delinquency dates.

The TTC will undertake the following outreach efforts to inform constituents of the revised fees.

- We will send an email notification to all taxpayers who paid their 2015-2016 property tax bills and/or first installment 2016-2017 property tax bills with a credit or debit card, advising them of the increase and its effective date. (The TTC requires taxpayers who make online payments on TTC's website to provide us with an email address.)
- We will provide notice of the revision on our website and the property tax portal at lacountypropertytax.com.
- We will send an email notification to the 25,000 constituents currently enrolled in our Property Tax Email Subscription Service.

In our notifications, we will inform constituents that eCheck will continue to be a free payment option.

Conclusion

In summary, FIS is revising its credit and debit card fees, as the contract permits it to do. This is the first time since the award of the contract that FIS has increased its fees. Even with the fee increases, the fees are still at the lower end of the range charged by other counties in the State. By contractual provision, FIS will implement the fee increase on March 12, 2017. The TTC will implement a comprehensive outreach program to inform constituents of the change, including the fact that the eCheck payment option will continue to be a free payment option.

Each Supervisor
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Should you have any questions, please call me directly or your staff may contact Keith Knox, Chief Deputy Treasurer and Tax Collector, at (213) 974-0703 or kknox@ttc.lacounty.gov.

JK:KK:MG:sld
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c: Assessor
Chief Executive Officer
Auditor-Controller
County Counsel
Internal Services Department