



August 8, 2011

New Brockton feels wrath of IRS

New Brockton town owes the IRS more than \$44,000 in unpaid taxes in 2010. As a result, the IRS recently placed a levy on New Brockton town accounts for failing to remit taxes. But town Mayor Lenwood Herron said the levy has since been released. IRS records reveal that the levy was lifted July 14 for “all property, rights to property, money, credits and bank deposits greater than \$5,131.11.” Mayor Herron also disclosed bank statements showing five of the town’s 14 accounts at Troy Bank and Trust released from the levy by July 18. Last July, the IRS issued a levy notice to the town stating that it did not pay its taxes for 3 out of 4 quarters in 2010, including taxes of almost \$40,000 (with penalties) for the second and third quarters of last year. Then on July 12, New Brockton submitted their quarterly employer tax return filings for the fourth quarter of 2010 and the first two quarters of this year to the IRS.

According to Mayor Herron, \$5,000 has been paid towards the first and second quarters of this year. The amount due for both quarters came up to more than \$20,600. Following the levy release, the town was able to pay salaries to its employees.

A unanimous town council vote in July paved the way for a separate account to be set up to deposit employee tax withholdings. Mayor Herron also disclosed that he was in contact with the IRS over the outstanding taxes and will set up a meeting with the agency to discuss an offer and compromise.

Regardless of the outcome of whatever meeting that may be held, the IRS insists that the town stay current in this year’s tax liabilities. In order to comply with this, Mayor Herron has instructed Police Chief Dale Grimes to reduce his employees’ working hours

by 25%. In a letter to Police Chief Grimes, Mayor Herron wrote, "For instance, if an employee works 40 hours per week, his/her schedule would be reduced to 32 hours per week. This reduction in force is mandatory and will enable the town to meet its IRS and Alabama Department of Revenue payroll liabilities."

Councilwoman Kathy Holley has expressed her concern that the town's failure to pay its taxes would adversely impact the town employees' social security accounts. However, an IRS official said that an employer's failure to submit tax withholdings will have no effect on the employees.

In addition to its tax woes, the town also owes more than \$125,000 to several other businesses and agencies.