

EMERGENCY MANAGER KEVYN ORR'S NANNY FACTORY

When I wrote this post, describing Detroit Emergency Manager Kevyn Orr's significant (and serial) tax lien in Maryland, I noted that the lien was very very high for just one nanny (which is the excuse Orr offered for the lien).

Using the numbers from the original Detroit News article, the average tax due from 2011 per delinquent Detroit property owner is about \$1,790. Orr has been underpaying MD several times that every year, effectively asking the state to float his unemployment insurance obligations for two years until he gets around to paying them.

[snip]

Here's another neat detail: The median household income in Detroit is \$27,862. Orr consistently owes about \$7,000 just in unemployment insurance for his nanny. It seems like most Detroit residents could get themselves a raise if only they tended Orr's kids.

Scribe even did the math to show how high that lien was.

That's a hell of a big paycheck to a nanny, to create UI liabilities in the \$6500-9500/year range.

Calculating the actual tax rate can be a bit of a challenge, but this snip from a 10/14/2011 article

(http://articles.baltimoresun.com/2011-10-14/business/bs-bz-unemployment-insurance-tax-rate-20111014_1_unemployment-insurance-maryland-employers-trust-fund) says a lot: "Maryland has been stuck at "Table

F" – rates ranging from 2.2 percent to 13.5 percent of the first \$8,500 in wages paid, depending on an employer's layoff history – since last year."

Even assuming the worst layoff history, he's paying a lot:

13.5 percent of 8500 is 850 + 255 + 42.50 = 1147.50

2.2 percent of 8500 is 170 + 17 = 187.00

It takes a lot more salary to get those liabilities up to where he's finding himself. And I'm betting that, for the happiness of the kid(s) and parents who have to interview nannies, there is not much turnover and thus a lower layoff history, so his percentage is most likely toward the bottom of the scale.

Turns out Scribe was right.

Some, though, question how a baby sitter alone could be responsible for such a debt. The outstanding liens for unemployment taxes were for \$6,595 for the 2010 tax year and another for \$9,409 for the 2010-11 tax years.

"That's an awful lot of taxes for a baby sitter. Are you sure he's not running a day care?" joked Maryland tax attorney Jeffrey Katz.

He said the numbers don't add up. In Maryland, unemployment taxes are capped at about \$1,150 a year per employee, Katz said, so Orr would have to go through more than five baby sitters in one year to reach \$6,500 in back taxes for one year.

[snip]

Orr said he doesn't know why the tax bills were so high. The same baby sitter has watched his two children for a couple of years, arriving in the morning and leaving in the afternoon. No former

employee has filed for jobless benefits,
Orr said.

There is no way this lien is about Orr's single nanny, who has never filed for jobless benefits.

Either Orr has far more staff members than he let on—more even than five, given that he hasn't been laying them off. Which would itself be notable for a guy who is about to lay off a bunch of Detroit workers.

Or the lien is for something else entirely, and Orr just invented the nanny story because it's the convenient excuse rich people always use for being tax deadbeats.

Governor Snyder is begging the press to move on now, so I'm guessing he has a pretty good sense that the nanny is just a cover story and that, at a minimum, Orr will soon have to admit he's not just a tax deadbeat but also a fibber.

But the underlying excuse for the lien sure seems like it might be relevant to Orr's fitness to fire a bunch of Detroit workers.