

Finance-Accounting

Property Tax Billing and Collection

Approved by Council on: Dec 11, 2017

Report Number: F-45-17

Effective: Dec 11, 2017

Next Review: 2022

Purpose:

- To ensure that property taxes are billed and collected in a timely and effective manner to coincide with budgetary and legislative requirements.
- To ensure all taxpayers are treated fairly and equitably and to provide staff guidance for decision-making especially for situations where provincial legislation provides a choice, allows for the city and/or Treasurer discretion and for issues on which the legislation is silent.

The policy will conform to current legislation and the *Municipal Act*. In the case where current legislation differs from this policy, legislation shall be followed.

Policy Statement:

The City of Burlington collects taxes on behalf of the city, Halton Region, the Halton District school boards, the local Business Improvement Areas and the Downtown Parking Area and is responsible to ensure the effective and efficient billing, collection and allocation of property taxes.

Scope:

This policy covers all aspects of the billing and collection of property taxes. Procedures related to a Municipal Tax Sale are carried out in accordance with *Ontario Regulation 181/03* and not detailed in this policy. This policy excludes collection of payments-in-lieu of taxes.

Corporate Policy

Objectives:

- Establish processes for billing property taxes
- Ensure timely collection of property taxes
- Establish processes to collect property taxes

Procedures:

Tax Billing

Regular Tax Billings

A levying by-law passed by Council is required in advance of either an interim or final tax billing.

Interim tax billings are issued in January based on the assessment as per the assessment roll provided by the Municipal Property Assessment Corporation (MPAC) multiplied by 50% of the applicable notional tax rate.

Final tax billings are produced after the passing of the annual city and Halton Region budgets and are based on tax rates established by by-law from the budget requirements of the city, region and Ministry of Education. The billing will be calculated to produce a tax billing equal to the assessment times the appropriate rate, all local improvement charges and any special charges levied by the city. The interim tax billing amount will be deducted from the total yearly amount calculated in order to produce final billing installment amounts.

The tax bill will comply with the Standardized Tax Bill format as required under section 343(2) of the *Municipal Act*.

Arrears are reflected in the first installment due date amount.

Due Dates

The first installment due date must be at least twenty-one (21) days after the date of mailing the tax bill in accordance with section 343(1) of the *Municipal Act*. Due dates will be clearly identified on the tax bill in accordance with the levying by-laws passed by Council.

Due dates for the payment of taxes are traditionally in the following months:

Interim Bill: February and April

Final Bill: June and September

Corporate Policy

Where due dates are delayed as a result of factors beyond the city's control, they shall then be set with regard to the notice provision above.

Supplementary/Omitted Tax Billings

The Municipal Property Assessment Corporation (MPAC) regularly provides additional assessment data on properties necessitating a supplementary billing in accordance with section 341 of the *Municipal Act*. The city will bill for these additional assessments as soon as practical after receipt of the supplementary assessment rolls from MPAC.

There are two sections of the *Assessment Act* that allow for assessment of property not included in the annual assessment roll. They deal with omissions and additions to the roll.

Section 33 of the *Assessment Act* allows for the assessment of property that has been omitted from the roll. Omitted assessments can be added for the current year and, if applicable, for any part or all of the previous two years.

Section 34 of the *Assessment Act* allows for the assessment of property that has increased in value due to an addition, renovation or construction during the current year. A supplementary assessment can also be issued when there has been a change in use since the return of the last revised roll. Supplementary assessments can be added for all or part of the current year.

Supplementary and omitted tax billings will provide for two installment dates. The first due date must be at least twenty-one (21) days after the date of mailing. The second due date will always occur after the second due date of the final billing.

Delivery of Tax Bills

Tax bills and notices will be issued to the current owner(s) of the property at the time the bill or notice is generated. Property tax bills and notices are mailed to the address of the property unless the taxpayer advises the city, in writing, of an alternate mailing address. Use of the alternate mailing address continues until it is revoked in writing or ownership of the property changes.

Regular tax bills will be delivered electronically via the epostTM service if the taxpayer has chosen to receive the tax bill in that manner.

Any bill or notice sent by mail is considered delivered to and received by the addressee unless the notice is returned by Canada Post and an error in the mailing address is evident. Bills delivered via the epostTM service are considered delivered unless the epostTM account has been closed.

Corporate Policy

Taxpayers are responsible to notify the city of any changes to a mailing address. Failure to notify the city of an address change in writing is not an error on behalf of the city.

A mortgage listing of roll numbers, taxes due and owing and the due dates will be provided to each mortgage company who has provided the municipality with notification that they hold an interest in a particular property and will be paying the property taxes on behalf of the assessed owner(s).

Settlement of Accounts

The following methods will be accepted for tax payments:

- a) City of Burlington pre-authorized payment plans
- b) Through a financial institution by internet, telephone or in person. A banking fee may apply.
- c) By detaching the stub portion (remittance) and mailing cheque(s) to City of Burlington, P.O Box 5080, Burlington, ON, L7R 4G4
- d) In person by cheque, cash or debit at the Service Burlington Counter, City Hall, 426 Brant Street, or by depositing a cheque with a stub portion (remittance) in the depository at the Locust Street entrance.
- e) By credit card online using a third party payment service provider at burlington.plastiq.com. Refer to Plastiq for service charge rates and payment processing times.

Post dated cheques will be accepted and held by the city.

Third party cheques will not be accepted.

If three cheques are returned by the bank on a taxpayer's account, personal cheques from that taxpayer will no longer be accepted for a period of one year, unless they are certified.

Should payment of a tax account be tendered in U.S. funds, it will be accepted at the exchange rate established by the bank on the processing date.

Payments are applied to the oldest year outstanding penalty/interest, and when it is cleared, to the oldest year outstanding taxes, then to the next oldest year outstanding penalty/interest, and when it is cleared, to the next oldest year outstanding taxes, etc.

Should a credit appear on the tax account as a result of a payment, it will be applied to subsequent installments not yet due in the current year.

Corporate Policy

At the written request of the taxpayer, a refund cheque may be generated, allowing sufficient time for the taxpayer's payment to clear their financial institution.

Credit adjustments due to tax rebates or assessment changes are applied to any tax arrears on the property account firstly.

Late Payment Charges

The rate at which penalty and interest is charged is set by municipal by-law. Currently the rate is governed under the provisions of section 345 of the *Municipal Act*.

Penalty of 1.25% of the amount in default will be added on the first day of default. Interest charges will be applied at the rate of 1.25% on the last day of each month on the outstanding tax balance. When a penalty has been applied in a given month, interest of 1.25% will be prorated from the date of default.

Tax Collection

Property taxes are a special lien on land in priority to every claim, privilege, lien or encumbrance except the Crown. Property taxes may be recovered, with costs, as a debt due to the city from the original owner(s) and/or any subsequent owner(s) of the property. The ultimate resolution to clearing unpaid taxes three or more years in arrears is through Tax Sale. This authority is provided to municipalities per Part XI of the *Municipal Act*, wherein it sets out the process for the "Sale of Land for Tax Arrears". Prior to the commencement of the Tax Sale proceedings the following series of collection steps will have been taken.

Arrears Notices

Arrears notices are sent in the month following a due date and in December. The exception is in May, due to time constraints as a result of final billing preparation, however arrears will be included on the final tax bill. Notices are to be mailed not later than the 15th of the month. Arrears notices for \$10.00 or less are not produced, as it is not cost efficient. Balances of less than \$1.99 are subject to small balance write offs at the end of the year.

Corporate Policy

Collection Letters

In addition to arrears notices, collection letters are sent to all owners with arrears in the current and two previous years.

Business Accounts

For commercial and industrial tax accounts with current and two previous years of arrears, a collection letter is sent by regular mail in the first quarter of the year to the property owner(s) advising of the tax arrears situation. The letter asks for payment in full or a mutually acceptable payment arrangement to be made by a given date in order to avoid Bailiff action. If payment or acceptable payment arrangements are made, the account is monitored for compliance and follow up is done by telephone or in writing as required. Accounts that fail to respond with payment or an acceptable payment arrangement may be issued to the Bailiff for collection at the owner(s) cost.

Bailiff tax recovery actions may include:

- Serving a Warrant to Distrain for Taxes to the property owner(s)
- Site visits
- Attornment of Rent (if directed by the city) – under section 350 of the *Municipal Act* the city may seize the rent(s) of an income producing commercial property upon giving proper written notice to the tenants.
- Seize Goods/Chattels (if directed by the city) – under section 351 of the *Municipal Act* the Bailiff can physically seize and remove goods/chattels from the property and ultimately sell items seized to recover the tax arrears.

Residential Accounts

First Notice

For residential tax accounts with current and two previous years of arrears, a collection letter is sent in the second quarter of the year to the property owner(s) advising of the tax arrears situation. The letter asks for payment in full or a mutually acceptable payment arrangement. The letter details next steps that will be taken if satisfactory payment has not been made by October 31st. If acceptable payment arrangements are made, the account is monitored for compliance and follow up is done by telephone or in writing as required.

Satisfactory payment arrangements would include: joining the ratepayer defined pre-authorized payment plan, an agreed commitment to make set

Corporate Policy

payments on prearranged dates, or providing a series of post dated cheques in order to clear the third year of arrears by October 31st.

Second Notice

For residential tax accounts with current and two previous years of arrears, a second request collection letter is sent in the third quarter of the year to the property owner(s) if payment arrangements have not been made.

If there is no response to this notice additional collection efforts may be used at the discretion of the Tax Collector.

Title Search

If the third year remains outstanding as of November 1st, a property title search may be undertaken to obtain information on any mortgage holders or interested parties. The identified parties are then notified in writing of the property tax arrears.

Final Notice Prior to Tax Arrears Certificate Registration/Farm Debt Notice

If the third year remains outstanding come January and no payment arrangement is in place, a letter is sent by registered mail in the first quarter to the owner(s) advising that the city will commence Municipal Tax Sale proceedings by registering a tax arrears certificate against title to the property. Also included in this letter is notice that if the owner(s) owns a farm anywhere in Canada they can apply for mediation and a stay of proceedings under the *Farm Debt Mediation Act*.

Tax Arrears Certificate Registration

If all efforts have failed to collect the tax arrears, a Tax Arrears Certificate may be registered against title and the procedures according to section 373 of the *Municipal Act* are followed. In brief,

- The city sends a Notice of Registration of Tax Arrears Certificate (Form 1) to the property owner(s) and all interested parties.
- The property owner(s) or interested party has one year from the date of registration in which to redeem the property for all taxes, interest and penalty outstanding, including any associated legal costs (called the cancellation price).

Corporate Policy

- If full payment is not received within 280 days of registration and an Extension Agreement is not in place, the city will issue a Final Notice (Form 3) to the property owner(s) and all interested parties.
- If no response to the final notice is received, the account may be sent to the Bailiff. If the taxes remain unpaid after the one-year period has passed and no Extension Agreement has been entered into, the city may proceed with a Municipal Tax Sale.
- All costs incurred for collection to obtain information and/or collect tax arrears are payable by the property owner(s) as per the Scale of Costs By-Law.

Extension Agreements

Under authority of by-law 99-2012 an Extension Agreement may be entered into with the owner(s), their spouse, the mortgagee or a tenant at any point during the one-year redemption period. It extends the period of time in which the cancellation price is to be paid. The Extension Agreement defines the terms and timeline of the repayment, which must be reasonable. If there is a breach of the agreement the tax sale process recommences by returning to that step in the tax sale procedure immediately prior to the Extension Agreement being entered into.

Additional Collection Tools

Development Conditions

Legislation allows the city to add conditions on applications for items such as but not limited to: official plan amendments, rezoning requests, condo exemption and land division under the committee of adjustments indicating that all property taxes levied against the property are paid before approval.

Bankruptcy

When a property owner(s) files for bankruptcy, the city is a secured creditor, as the property taxes are a special lien on the land in priority to every claim, privilege, lien or encumbrance. A letter is forwarded to the trustee advising them of the city's claim.

Corporate Policy

Severances

In accordance with section 356 of the *Municipal Act*, where there are unpaid taxes on a parcel that is subject to severance, the city may apportion the taxes on the land among the parcels and direct what proportion of any part payment of taxes are to be applied on the parcels. In accordance with legislation, MPAC provides the city with the assessment values for the new parcels.

Write Off of Taxes

In accordance with section 354 of the *Municipal Act*, uncollectible taxes may be approved for write off by Council on the recommendation of the Treasurer.

References:

This policy is written in compliance with the *Municipal Act, 2001*, related Ontario Regulations made under the Act and applicable city by-laws, as amended from time to time.

Roles:

Accountable:

The Manager of Financial Planning and Taxation is responsible for the review of this policy and adherence to its guidelines.

Responsible:

The Coordinator of Tax Billing and Collections is responsible for the management of this policy.