



## CORPORATE POLICY MANUAL

<b>Policy Name:</b> Tax Collection Policy	<b>Policy Number:</b> CP-2019-04
<b>Adopted:</b> February 20, 2019	<b>Division/Department:</b> Finance
<b>Authority:</b> Resolution No. 2019-33 (Consent)	<b>Supersedes:</b> N/A
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### 1. Purpose

The purpose of this policy is to establish the responsibilities, internal controls, authorizations and procedures ensuring the timely, accurate and efficient preparation and collection of property taxes.

### 2. Policy Statement

This policy takes its authority from Section 286 of the Municipal Act, 2001 which states that the Treasurer is responsible for invoicing, collection and reconciliation of all accounts receivable in the Town:

*“A municipality shall appoint a treasurer who is responsible for handling all of the financial affairs of the municipality on behalf of and in the manner directed by the council of the municipality, including,*

- a) collecting money payable to the municipality and issuing receipts for those payments;*
- b) depositing all money received on behalf of the municipality in a financial institution designated by the municipality;*
- c) paying all debts of the municipality and other expenditures authorized by the municipality;*
- d) maintaining accurate records and accounts of the financial affairs of the municipality;...”*

### 3. Definitions

- a) “MPAC” – means the Municipal Property Assessment Corporation which is responsible for determining the assessed value of all classes of assessment in the Province of Ontario. MPAC administers all phases of property assessment including appeals of assessment.
- b) “Penalty and Interest” – means the late payment charges applied by the Town of Midland for non-payment of taxes or any installment by the due date, in accordance with Section 345 of the Municipal Act, 2001. The Town shall set the penalty and interest at the rate of 1.25%, or the highest rate allowed under the Act, on all taxes due and unpaid.

- c) "Property Taxes" – means the total amount of taxes for municipal, county and school board purposes levied on a property and includes other amounts as may be added to the tax roll under applicable provincial legislation.
- d) "Tax Arrears" – means any portion of Property Taxes that remain unpaid after the date on which the taxes are due.
- e) "Tax Sale" – means the sale of land for Tax Arrears according to the proceedings prescribed under the Municipal Act, S.O. 2001, c.25 and O. Reg.181/03 Municipal Tax Sales Rules, as amended by Ontario Regulation 571/17.
- f) "Treasurer" – means the Chief Financial Officer of the Town of Midland responsible for fulfilling the duties referenced in the Municipal Act. This title is interchangeable with Director of Finance or designate for the purposes of this policy.

## **4. Procedure**

### **4.1. General**

- a) The Town of Midland will follow a prescribed policy for the billing and collection of property taxes. This policy will conform to current legislation and the Municipal Act, 2001. Where this policy contradicts legislation of the Province of Ontario or the Government of Canada, the legislation shall be followed.
- b) The Town of Midland Water and Wastewater billing and collection process is covered under a separate Water and Wastewater By-law and is not impacted by this tax collection policy. However, in the case when outstanding water and wastewater balances are transferred to the actual tax roll, this policy will apply to those amounts that have been added.
- c) This policy will provide an open, transparent and consistent framework for the annual billing and ongoing collection process. Municipal staff and Council should reference this document when communicating with the public regarding property taxes.
- d) As property tax billing and collection is the primary source of revenue for the Town of Midland, this policy will help to:
  - I. Establish consistent guidelines to be followed with regard to the billing and collection of property taxes;
  - II. Streamline activities and set out appropriate steps required for collection of past due property taxes; and
  - III. Ensure a clear and consistent written policy for the municipality.
- e) Ensure all activities conform to the current legislation. Real property tax is levied on the assessment for real property within the Town of Midland in accordance with Section 307(1) of the Municipal Act, 2001.
- f) This policy shall be reviewed at least every four years, or more frequently as legislation changes.

## 4.2. Issuance of Property Tax Bills

The following guidelines apply to the issuance of property tax bills:

- a) To comply with the required statutory notice, Interim Tax Bills will be prepared and issued in January of each year.
  - The amount billed will be based on fifty percent (50%) of the previous year's total taxes as well as fifty percent (50%) of any Local Improvement, or Business Improvement Area charges or other special charge as may be required under provincial legislation.
  - Amounts deemed to be taxes, or charges having a priority lien status will be included on the interim bill at one hundred percent (100%). These items may include, but are not limited to, outstanding water and wastewater fees.
- b) To comply with the required statutory notice, Final Tax Bills will be prepared and issued in June of each year for properties in the Residential, Pipeline, Farmland and Managed Forest assessment classes and in August for remaining properties that include any Commercial, Industrial or Multi-Residential assessment.
  - The amount billed in each instance will be calculated based on the assessment value on the returned assessment roll and the final tax rates as approved by Council through the annual budget and the associated Tax Levy By-law passed in accordance with Section 312(2) of the Municipal Act, 2001.
- c) All property taxes due in any calendar year may be paid in four installments without penalty or interest on the 20<sup>th</sup> day of the designated month or the business day immediately following the 20<sup>th</sup> day of the designated month should the 20<sup>th</sup> occur on a weekend or statutory holiday.
- d) Installment due dates are dependent on the class of assessment (see Appendix 1) as follows:
  - For properties in the Residential, Pipeline, Farmland and Managed Forest assessment classes in the months of February, April, July and September; and
  - For the remaining properties that include any Commercial, Industrial and Multi-Residential assessment in the months of February, April, September and November.
- e) Property tax bills will contain all required information as set out in Section 343(2) of the Municipal Act, 2001 and any other information deemed necessary by the Director of Finance.

## 4.3. Mailing

- a) Where allowed by legislation, and where available, provision of tax bills, arrears notices, and other related correspondence may be provided electronically.
- b) The Town will strive to provide taxpayers with more than the minimum notice requirements as set out in Section 343(6) that indicates such notice be no less

than twenty-one (21) calendar days prior to the applicable due date. When possible, the Town will mail the bills in advance of this statutory notice requirement.

- g) It is the taxpayer's responsibility to notify the Town of Midland in writing of any mailing address changes. Section 343(6) of the Municipal Act, 2001 identifies that property tax bills shall be sent to the taxpayer's last known residence or place of business or to the premises where the taxes are payable for, unless the taxpayer or the taxpayer's lawyer directs otherwise. This direction continues until it is revoked in writing.

#### **4.4. Deemed Received**

- a) Any tax bill, arrears notice, or other related correspondence sent by ordinary mail, is considered delivered to and received by the addressee unless the notice is returned by the Post Office or an error in the mailing address is proven by the taxpayer.
- b) Failure to receive a tax bill does not exempt a taxpayer from paying the taxes and the penalty and interest added as a result of late payment.

#### **4.5. Supplementary Property Tax Billings**

- a) Omissions - Section 33 of the Assessment Act allows for the taxation of real property that has been omitted from the returned assessment roll. This provision allows for taxation in the current year, plus an additional two preceding years. The applicable tax rates for the effective years will be applied.
- b) Additions – Section 34 of the Assessment Act allows for the taxation of new assessment that has increased the value of the property since the return of the last revised assessment roll. These taxes apply only to the current taxation year.
- c) Supplementary property tax bills will be generated upon receipt of the applicable assessment data from MPAC and will be processed and mailed in the same manner as the interim and final tax bills (see Appendix 1). Installment due date(s) for supplementary property taxes will be set by the Director of Finance and will provide the taxpayers a minimum of twenty-one (21) calendar days prior to the due date.

#### **4.6. Application of Payments**

- a) Section 347(1) of the Municipal Act, 2001 outlines how payments are applied to outstanding balances:
  - i. The payment shall first be applied against late payment charges (penalty and interest) owing in respect of those taxes according to the length of time the charges have been owing, with the charges imposed earlier being discharged before charges imposed later (i.e. longest outstanding penalty and interest/late payment charges are

- discharged first).
- ii. After all outstanding late payment charges are discharged the payments shall be applied against taxes owing according to the length of time they have been owing, with taxes imposed earlier being discharged before taxes imposed later.
- b) Section 347(2) of the Municipal Act, 2001 specifies that, subject to the approval of the Director of Finance, a part payment on taxes may be applied in a manner different than that set out in Section 347 (1).
  - c) Section 347(3) of the Municipal Act, 2001 states that no part payment shall be accepted on a tax account where a tax arrears certificate has been registered against the property unless an extension agreement has been formally executed by the Director of Finance.
  - d) Section 341 of the Municipal Act, 2001 provides that a municipality may apply refunds from appeals to the current tax liability. The Town will apply any refund resulting from an appeal, request for reconsideration, or other legislative reduction first to the taxpayer's account to reduce any outstanding balance. A taxpayer may request in writing a refund of any remaining credit balance.

#### **4.7. Accepted Payment Methods**

- a) Payments are payable to the "Corporation of the Town of Midland", 575 Dominion Avenue, Midland, ON, L4R 1R2 and must be received in the Finance Department at the Town Hall on or before the installment due date in order to avoid penalty and interest.
- b) The following payment methods are accepted for property taxes:
  - i. Payments may be received in person during regular business hours at the "TAX & PAYMENTS" counter at the Town Hall (575 Dominion Avenue, Midland) by cash, cheque and debit card;
  - ii. Cheques may be dropped into the after-hours mailbox located outside the west entrance of Town Hall;
  - iii. Cheques may be mailed; however, the cheques must be received in the Finance Department on or before the installment due date in order to avoid penalty and interest;
  - iv. Payments may be made by telephone or internet banking. Taxpayers wishing to pay in this manner need to be aware that currently the typical processing time for Canadian financial institutions to transfer a payment to the Town's account can be at least 3 business days. This means that payment made in this manner should incorporate sufficient lead time in advance of the due date.
  - v. Payments may be made in person at most Canadian financial institutions. As noted in (d) above, the typical processing time for Canadian financial institutions to transfer a payment to the Town's account is at least 3 business

days. This means that sufficient payment processing time should be considered when making payments at financial institutions to ensure the payment is received in advance of the due date.

- c) The Town offers two Pre-Authorized Payment (PAP) plans;
  - a) a monthly program over ten months (January to October), and
  - b) an instalment due date plan (four withdrawals each year).

PAPs are only available to those taxpayers who are not in arrears. A completed Pre-Authorized Payment (PAP) Agreement must be submitted and approved to begin the enrollment process.

- d) Payments may also be accepted on behalf of the taxpayer/property owner by a mortgage company or financial institution.
- e) US cash will not be accepted. Payment tendered by cheque or bank draft in US funds will be accepted based on the exchange rate established by the Town's bank on the day of the deposit less a 5% charge for administration (ie: should the exchange rate for the day be 30%, the exchange rate offered to the taxpayer will be 25%).
- f) Payments that are returned by the bank marked "insufficient funds or non-sufficient funds" will be subject to an NSF fee as set out in the Town of Midland's by-law that establishes the comprehensive Town rates and fees schedule.
- g) A taxpayer enrolled in a PAP program who has had a payment returned by the bank will be automatically removed from the program. A taxpayer may re-enrol in the PAP program after keeping their tax account current for twelve months.

#### **4.8. Collection Methods**

There are four basic remedies used by the Town to enforce payment of property taxes owing:

- a) Penalty and Interest – Late payment charges shall be assessed at the rate of 1.25%, or the highest rate allowed under the Municipal Act, and will be added to all past due accounts following the installment due date and monthly thereafter until paid. Penalty and interest will not be compounded and will only be added to accounts with balances over \$10.00.
- b) Rent Attornment – Under the provisions of Section 350 of the Municipal Act, 2001, rent attornment is available for tenant occupied properties. Where taxes are owed in respect of any land occupied by a tenant, the Director of Finance may give the tenant notice in writing requiring the tenant to make their rent payments to the Town in order to pay up the amount of outstanding taxes due on the tenanted property.
- c) Bailiff Action – Bailiff action as provided for in Section 351 of the Municipal Act, 2001 may be used for commercial and industrial properties. Taxes may be

recovered as a debt due to the municipality from the taxpayer originally assessed for them and from any subsequent owner of the assessed land or any part of it.

- d) Tax Registration / Tax sale / Sale of Land for Tax Arrears – Tax registration and sale falls under Part XI of the Municipal Act, 2001 and the Municipal Tax Sales Rules as specified in O. Reg.181/03 which allowed sale of land to proceed for those properties that are in arrears for the current and preceding two years. Ontario Regulation 571/17 amended this provision by reducing it by one year to those properties that are in arrears for the current and preceding year.
- Under this policy, generally properties will be eligible for tax sale and the tax registration process will begin when the arrears exceed three years.
  - In some circumstances with properties in the commercial and industrial classes deemed to be high risk, at the recommendation of the Director of Finance and, upon Council's approval, the tax registration process will begin when the arrears exceed two years.

The taxpayer or interested party has one year from the date of tax registration in which to redeem the property for all taxes, penalty and interest outstanding plus associated legal and/or administrative costs. The Town may use an external party/firm to process all required statutory notices as part of the tax registration process.

- e) For the purpose of administering the Municipal Tax Sales procedures, Council authorizes the Director of Finance to enter into extension agreements to in accordance with the Municipal Act, S.O. 2001, c.25 and O. Reg.181/03 Municipal Tax Sales Rules, as amended by Ontario Regulation 571/17.

#### **4.9. Outstanding Taxes General Notice Procedures**

- a) Arrears notices will be mailed five times annually in March, May, August, October and December to all taxpayers with outstanding balances over \$10.00.
- b) Affixed to the October and December arrears notices for those properties approaching three years in arrears will be a notice that states "Your property is going to be eligible for Tax Sale. Please contact [Finance Department contact name and phone number] to avoid having your property registered for Tax Sale."
- c) Affixed to the March arrears notices for those properties now three years in arrears will be a notice that states "Your property is now eligible for Tax Sale and will be registered shortly. Please contact [Finance Department contact name and phone number] immediately".
- d) Effective April 30<sup>th</sup>, taxpayers who have received notice of impending tax registration per this policy and who have not contacted the Finance Department

or after contact have not provided full payment as stipulated on the date of contact will receive a final notice the Town will be proceeding with the tax registration process.

- e) The Director of Finance has the authority to exercise discretion in the application of these policies where unusual circumstances are apparent. The guiding principles for this discretion shall be ensuring legislative requirements are met, ensuring fairness to all taxpayers, and that the overall best interests of the Town are met.
- f) Late payment charges (penalty and interest) are adjusted when the following situations arise:
  - i. Taxes are adjusted under Sections 354, 357 or 358 of the Municipal Act;
  - ii. Taxes are adjusted following an Assessment Review Board decision;
  - iii. Taxes are adjusted in accordance with a decision of the Court(s);
  - iv. Deemed by Director of Finance as a gross or manifest clerical error.
  - v. In extraordinary circumstances, there may remain a balance owing on a taxpayer's account after a payment is received. When the remaining amount is small enough that it is not cost effective to incur the costs of collection, it may be expedient to write-off the amount. Upon request, the Director of Finance shall have the authority to approve such write-offs for outstanding amounts of up to \$50.00 once per tax account during the lifetime of the ownership.

## Property Tax Collection Policy Appendix 1

	<b>Due Dates for properties with only Residential Assessment</b>	<b>Due Dates for properties that include Commercial Industrial or Multi-Residential Assessment</b>
January		
February	Interim #1	Interim #1
March		
April	Interim #2	Interim #2
May		
June		
July	Final #1	
August		
September	Final #2	Final #1
October		
November		Final #2
December		

<b>Supplementary Bills Issued for Assessment Received on or before</b>	<b>Arrears Notices Issued</b>
December 31st	Arrears
	Arrears
	Arrears
August 1st	Arrears
September 1st	Arrears
October 1st	
	Arrears