



Policy Name:

Tax Billing & Collection Policy

Developed By: Wendelin Lonergan, Treasury Consultant

Date: May 24, 2022

Department: Finance

Adopted By: Council

Date: June 7th, 2022

Resolution # #231-2022, By-Law No. 64-2022

Effective: June 7th, 2022

Cross-Reference:

Revisions:

Council wishes to ensure prompt billing of the tax levy in order to meet the budgetary expenditures of the Town for the fiscal year.

Council wishes to ensure prompt, efficient, courteous and consistent service to all taxpayers of the municipality.

Council wishes to ensure that collection procedures are appropriate within the requirements of the legislation relative to tax collection.

Therefore, Council wishes to establish this policy to ensure a consistent, effective and appropriate Tax Billing and Collection Policy.

SCOPE:

This document is to provide guidance to staff and to provide a basis for decision-making relating to Tax Billing and Tax Collection procedures for all taxpayers in the Town of Bancroft.

POLICY, PROCEDURE AND IMPLEMENTATION:

1.0 Purpose

The guidelines contained in this policy serve to supplement the Provincial legislation that govern this area, especially for situations where Provincial legislation provides a choice, allows for Treasurer discretion, and for issues on which the legislation is silent. Legislation which should be reviewed within the context of this policy is the *Municipal Act, 2001*, with particular attention to Parts VIII, IX, X, and XI.

2.0 Billing

- A levying By-law passed by Council is required in advance of either an Interim or Final tax billing
- Interim tax billings shall be produced in January based on 50% of the annualized taxes of the property for the previous calendar year. The tax billing may include local improvement charges, area charges, and any special charges levied by the Town or Provincial government. Outstanding charges authorized by legislation shall be added to the interim billing at 100%.
- The tax billing will clearly identify the municipality, property and owner, state the demand date, the annualized taxes for the prior calendar year, the percentage used to calculate the interim taxes up to a maximum of 50%, and calculated taxes levied and any arrears owing against the property.
- Final billings are produced subsequent to the passing of the annual municipal budget and are based on tax rates established by By-law from the budget requirements of the Town and the Ministry of Finance, in relation to the education tax rate. The tax billing will be calculated to produce a tax billing equal to the current assessment and the appropriate tax rate, all local improvement charges, area charges and any special charges levied by the Town or Provincial government. The tax bill will fully comply with the Standardized Tax Bill format as defined by legislation.
- The *Municipal Act* requires tax billings be postmarked and mailed not later than twenty one (21) calendar days from the date of the first installment due date. Tax bill can also be sent through email methods of an eBilling process.
- Arrears are included solely in the first installment due date amount. Installment due dates will be indicated on the payment stubs. Billing messages may be used on the face or reverse of the tax billing.

requisitioned, after allowing sufficient time (15 business days) for the taxpayer's cheque to clear their financial institution. The minimum amount for a refund request to be processed will be \$25.

- Any cheques and/or pre-authorized payments returned for any reason will be subject to a returned payment fee which, is set out in the Tariff of Fees By-law unless, a replacement payment has been received prior to the Town's notification of the returned cheque.
- Taxes are payable in Canadian funds only (CAD).

6.0 Collection – Payment Incentives

- There are five basic incentives set out by legislation to promote timely payment of taxes as follows:
 - Penalty / Interest
 - Bailiff Action
 - Collection Agency
 - Rent Attornment
 - Tax Registration / Tax Sale
- **Penalty / Interest**
 - The rate at which penalty and interest is charged is set by By-Law. Currently the rate is established under the provisions of the *Municipal Act* Section 345. The Town may review this rate each year, but cannot exceed the maximum percentage established at 1.25%. The purpose of penalty is to persuade ratepayers to pay on time. Penalty and interest shall be charged as set out in the legislation and By-Law. When payments are made penalty and interest is cleared first then applied to the oldest principal outstanding.
- **Bailiff Action**
 - Section 349 of the *Municipal Act* provides that taxes may be recovered with costs as a debt is due to the Town from the taxpayer originally assessed for them and from any subsequent owner of the assessed land or any part of it.
 - The Town may issue a warrant to distain for property taxes if the taxes remain unpaid for a period of fourteen (14) days after the installment due date.
- **Collection Agency**
 - Section 304 of the *Municipal Act* provides that if a municipality uses a registered collection agency under the Collection Agencies Act to recover

a debt including taxes, the collection agency may recover its costs as long as the costs do not exceed the amount approved by the municipality.

➤ **Rent Attornment**

- Under Sections 350 of the *Municipal Act*, the municipality may seize the rents of an income producing commercial property upon giving proper notice. It is a severe action and should only be initiated after adequate notice. Further information regarding Rent Attornment is provided within this policy.

➤ **Tax Sale Registration/Tax Sale**

- Properties that are in arrears for two (2) years are eligible for tax registration under the *Municipal Act*. The property owner 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 costs. A contracted tax registration firm may be used to process the required statutory notices/declarations. The administration fee associated with this process is in addition to charges by the third party firm completing the required statutory notices/declarations and will be defined in the Tariff of Fees By-Law for the Municipality.
- Registration is a last resort and should be avoided if possible by encouraging the ratepayer to either make full payment or a mutually agreed upon payment plan.
- It is imperative that the schedule for registration be adhered to. Letters and correspondence should encourage payment. It is only as a last resort or if numerous cheques are returned, that the property would become subject to tax registration. Further information regarding tax sales is provided within this policy.

➤ **Additional Collection Tools**

- The following additional tools are available to assist in the collection of realty taxes:
 - Reminder notices
 - Form or personalized letters
 - Telephone follow up after commitments made
 - Interviews
 - Title Searches – Interested Party Notification

7.0 Steps and Timing of Collection Procedure

- Interim tax billings are sent in January, Residential / Commercial Final tax billings are sent in June subsequent to the passing of the Municipal Budget. Tax arrears carry forward amounts are only included on the Interim tax billings.

- Late payment charges are charged according to municipal By-Law.
- Reminder notices are sent on the 1st day of each month. Reminder notices for \$10.00 or less are not produced as well as credit reminder notices are not produced.
- Any notice sent by ordinary mail is considered delivered to and received by the addressee. Failure to notify the Tax Office of an address change in writing is not an error. Section 343 of the Municipal Act identifies that tax bills shall be sent to the taxpayer's residence or place of business or to the premises where the taxes are payable for, unless the taxpayer directs the municipality otherwise. The direction for the delivery of tax bills continues until it is revoked in writing by the taxpayer (343(8)). **It is the taxpayer's responsibility to provide the Town with the correct mailing address.**
- Priority of tax accounts for collection is:
 - Tax accounts with two previous years outstanding
 - Tax accounts with one previous year outstanding
 - Tax accounts with current year only outstanding
- For tax accounts which indicate previous years taxes owing, a collection letter is sent in the 1st quarter of the current year to the property owner(s) advising of the tax arrears situation and asking for payment in full or satisfactory payment arrangements to be made by a given date. If acceptable payment arrangements are made, the account is monitored for compliance and follow up is done by telephone or in writing as required. Telephone contact is only used when the taxpayer has provided the municipality with a telephone number.
- Satisfactory payment arrangements would be a series of post dated cheques or a commitment to make payments on prearranged dates via telephone or internet banking or in person.
- If no reply is received within the timeline indicated in the collection letter:
 - A report will be compiled by the Treasurer which will include recommendations on which accounts to be forwarded for collection outlined in this policy as well as a listing of accounts which have made payment arrangements and/or commitments.
 - Council will direct the Treasurer on what collection procedures will be used.
 - Any accounts included in the above report which, have made payment arrangements and/or commitments and default on these arrangements will be monitored by the Treasurer and will be sent to collection.
- A bailiff may be used if no reply has been received outlined in the collection letter and Council agrees that these accounts will be forwarded onto bailiff collection procedures. Costs associated to this action are the responsibility of the property owner and are deducted by the bailiff, in accordance with legislation, prior to the remittance of payment to the municipality.

- Account(s) may be withdrawn from the bailiff if Council decides to withdraw it and/or if Council decides that an account will be eligible under the Tax Sale collection procedure.
- If rent attornment is chosen as a collection tool, the Treasurer will give notice to the tenant(s) in writing requiring the tenant(s) to pay the rent normally paid to the Landlord, to the Town as it becomes due, until the amount of taxes due and any unpaid costs are paid in full.
- The tenant(s) are required by section 350(1) of the Municipal Act to comply with this notice.
- The Treasurer has the same authority as the landlord of the premises to collect the rent by seizure or otherwise to the amount of the taxes due and unpaid costs, but by collecting the rent, the municipality does not assume the responsibilities of the landlord.
- Amounts paid as a result of rent attornment, may be deducted by the tenant(s) from the rent paid to the landlord.

9.0 **Minimum Balance Write-off**

- In some circumstance there remains a balance owing on a taxpayers account after a payment is received, which is often a result of interest added to the account after a payment amount was agreed upon and mailed in. When the remaining amount is small enough that the additional cost of collection would not be deemed worthwhile, it may be expedient to write the amount off. The Town authorized the Treasurer to approve such write-offs for outstanding amounts less than \$10.00.

10.0 **Late Payment Charge Adjustments**

- Late payment charges are adjusted only in the following circumstances:
 - Taxes are adjusted under sections 354, 357, 358 or 359 of the Municipal Act
 - Taxes are adjusted following an Assessment Review Board decision
 - Taxes are adjusted in accordance with a decision of the Court(s)
 - Taxes are adjusted under Minutes of Settlement or notification of any assessment adjustment from MPAC.
 - If interest and/or penalty was charged as a result of the Town's error and/or omission. It shall be at the discretion of the Treasurer to decide whether or not the interest and/or penalty amount should be adjusted in such cases.