

TOWNSHIP OF OTONABEE-SOUTH MONAGHAN

Title: TAX BILLING & COLLECTION POLICY	POLICY NO.
Approved by: OSM Council	Page No.
Issue Date: Mar 7, 2011	Revised Date: June 13, 2017, September 24, 2018, Dec 9, 2019
Responsibility: Treasurer	

POLICY STATEMENT AND RATIONALE:

Council wishes to ensure prompt billing of the tax levy in order to meet the budgetary expenditures of the Township 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 Township of Otonabee-South Monaghan.

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 Township 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 township 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 Township 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.
- 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.

3.0 Due Dates

- The specific due dates will be identified in both Interim and Final Levy By-laws for the Township.
- Due dates for the payment of taxes shall be dependent, in the case of the Final Bill, on the final approval of the Budget by Council and the subsequent passing of a levy By-Law. Notwithstanding that there may be fluctuations as a result of budget approval, tax billings will normally be as follows:
 - Interim Bill February and April
 - Final Bill July and September

4.0 Minimum Bills

- In accordance with the provisions permitted in the *Municipal Act*, section 355 (1), the Township will have a minimum tax bill at the amount permitted under the Act. Currently the maximum allowable under the Act for the minimum tax bill is \$50 and the Township's minimum tax bill is \$25. The amount levied in excess of the assessment times the tax rate becomes part of the general funds of the Township. The rationale behind this provision is to ensure the issuance of tax bills is cost effective for the municipality.

5.0 Settlement of Accounts

- Payment will be in the form of cash, cheque, money orders, bank drafts, pre-authorized payment plans, internet and telephone banking made payable to the Township of Otonabee-South Monaghan. Cheques which are post-dated to the tax due date will be accepted and held by the Treasurer. Payment of taxes will be accepted over the counter by Kawartha Credit Union, TD Canada Trust, and Scotia Bank and via mail to:

Township of Otonabee-South Monaghan
PO Box 70
20 Third St
Keene ON
K0L 2G0

- Post-dated cheques once submitted cannot be returned for any reason (eg. Changed bank accounts, sold property).
- "Third party" cheques will not be accepted.
- Change will not be returned for cheques accepted in excess of the amount due on the tax account. Should a credit appear on the tax account as a result of the payment, it will be applied to subsequent installments not yet due in the current year. However, at the written request of a taxpayer, a refund cheque will be 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 Township'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 Township 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.

- **Bailiff Action**
 - Section 349 of the *Municipal Act* provides that taxes may be recovered with costs as a debt is due to the Township from the taxpayer originally assessed for them and from any subsequent owner of the assessed land or any part of it.
 - The Township 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 years are eligible for tax registration under the *Municipal Act*. 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.
- Once property information has been provided to the Third-Party Collection Agency and tax sale proceedings have begun, payment of taxes owing is required in full and no partial payments or payment arrangements will be accepted. The ratepayer has one year from the time the tax arrears certificate is registered to pay the cancellation price to the municipality, otherwise the property is subject to public tax sale as per Part XI of the *Municipal Act*
- 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
 - Interviews
 - Title Searches – Interested Party Notification

7.0 Steps and Timing of Collection Procedure

- Interim tax billings are sent in January and 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.
- Arrears notices are sent at the beginning of each month. Credit notices for any amount or arrears notices for \$5.00 or less 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)).
- 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 accounts with current year taxes owing, a collection letter is sent in November 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 in writing as required.
- Satisfactory payment arrangements would be a series of postdated cheques, a commitment to make payments on prearranged dates, or enrollment in a pre-authorized arrears payment plan.
- If no reply is received within the timeline indicated in the collection letter, collection procedures will be pursued as deemed appropriate by the Treasurer.
- 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 as outlined in the collection letter. 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 the Treasurer decides to withdraw it and/or if Treasurer deems that an account will be eligible under the Tax Sale collection procedure.
- If rent attachment 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 Township 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.

8.0 **Minimum Balance Write-off**

- In some circumstances, 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 Township authorized the Treasurer to approve such write-offs for outstanding amounts less than \$5.00.

9.0 **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 Township'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.