

Municipality of Grey Highlands Policy

Policy Name: Property Tax Billing & Collection Policy

Policy Number: A09-F-22

Department: Finance

Authority: Council By-Law 2022-052

Effective Date: 2022-06-01

1 Purpose

The Municipality of Grey Highlands collects taxes on behalf of the Municipality, the County of Grey and the school boards, and is responsible to ensure all overdue Property Taxes are collected in a timely and systematic manner.

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 Scope

This policy covers all aspects of billing and collection of overdue Property Taxes, up to and including the initiation of Municipal Tax Sale proceedings. All procedures related to a Municipal Tax Sale are carried out in accordance with the authority from Section 286 of the Municipal Act, 2001 which states that the Treasurer is responsible for invoicing, collection and reconciliation of all amounts payable to the Municipality.

3 Legislative Authority

This policy is written in compliance with the Municipal Act, 2001, (the Act), related Ontario Regulations made under the Act and applicable Municipal by-laws, as amended from time to time. Where this policy contradicts legislation of the Province of Ontario or the Government of Canada, the legislation shall be followed.

4 Definitions

For the purposes of this policy:

Cancellation Price: an amount owing equal to all Tax Arrears, together with all current taxes owing, Penalties and interest and costs incurred by the Municipality after the registration of a Tax Arrears Certificate under section 373 of the Act.

Collection Costs: means all costs incurred by the Municipality to obtain information for collection purposes and/or collect Tax Arrears including, but not limited to, title search fees, corporate search fees, registered or certified mail, administrative charges, legal costs and tax sale costs.

Extension Agreement: a contract between the Municipality and the owner, spouse of the owner, a mortgagee or a tenant in occupation to extend the period of time in which the Cancellation Price is to be paid. The contract is entered into after the registration of a Tax Arrears Certificate and before the expiry of the one-year period following the registration date.

Penalties and interest: amounts applied by the Municipality to unpaid Property Tax accounts, in accordance with section 345 of the Act and applicable Municipality by-laws.

Municipal Tax Sale: the sale of land for Tax Arrears according to proceedings prescribed by the Act and Ontario Regulation 181/03.

MPAC: Municipal Property Assessment Corporation

Property Taxes: the total amount of taxes for municipal and school purposes levied on a property and includes other amounts added to the tax roll as may be permitted by applicable Provincial legislation, including but not limited to outstanding fines under the Provincial Offences Act; charges pursuant to the Property Standards By-law 654-98 with authority provided by the Building Code Act.

Tax Arrears: any portion of Property Taxes that remain unpaid after the date on which they are due.

Tax Arrears Certificate: a document that is registered on title, indicating the described property will be sold by public sale if all Property Taxes are not paid to the municipality within one year of the registration of the certificate.

5 Accountability

The Treasurer, Finance Department and Municipal Staff are responsible to ensure that outstanding Property Tax collection processes are performed in accordance with this policy and all applicable legislation.

In addition, The Treasurer, or delegate, is responsible to:

- ensure this policy remains consistent with current legislation;
- ensure applicable staff are aware of and trained on this policy;
- assess overdue Property Tax accounts to ensure tax collection processes are performed in accordance with this policy.

6 Policy

Billing, Payments and Delivery of Tax Bills

Property tax bills will contain all required information as stated in the Municipal Act, and any other information deemed necessary.

Where allowed by legislation, and where available, provision of tax bills, arrears notices, and other related correspondence may be provided electronically.

The Municipality will strive to provide taxpayers with more than the minimum notice requirements of 21 calendar days as set out in the Municipal Act.

It is the taxpayer's responsibility to notify the Municipality 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, unless the taxpayer directs otherwise. This direction continues until it is revoked in writing.

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.

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.

Billing - Interim

As provided in the Municipal Act each property owner, identified on the returned assessment roll, shall be mailed an interim tax bill. The interim bill shall represent up to fifty percent (50%) of the previous year's taxes billed

and be payable in two instalments. This interim bill shall be mailed by the end of February. The two due dates will be three business days prior to the last business day of the months of March and June.

Participants in the monthly preauthorized payment program will have received a notice in the preceding January advising of what their monthly payment withdrawal from their bank account will be. Interim tax bills will still be mailed to these participants.

Billing - Final

After completion of the annual budgetary process, and the setting of tax ratios and rates, a final bill shall be mailed to each property owner identified on the returned assessment roll. The final tax bill shall be the levied taxes for the year less the interim bill, and is payable in two instalments. This final bill will be mailed by the end of August. The two due dates will be three business days prior to the last business day of the months of September and November.

All participants in any preauthorized payment program will receive a tax bill with a note on the bill that they are a participant in a preauthorized payment plan and that the bill is for information purposes only.

Supplementary

After receiving notification from the Municipal Property Assessment Corporation (MPAC) tax bills shall be calculated, printed, and mailed to each proper owner identified on the supplementary/omitted assessment notification listing from MPAC.

Participants in the monthly preauthorized payment program will receive a note advising that they must pay the supplementary bill over and above their current monthly payment plan or contact the Municipality in writing to amend their pre-authorized amount to include this billing prior to the end of the calendar year. Note that the supplementary bill may be processed closer to the end of the year and there may not be sufficient time to accommodate a monthly payment plan.

Mortgage Company

A mortgage listing of roll numbers, taxes due and owing and the due dates, in standard format will be provided to each mortgage company who has provided the Municipality with notification that they hold an interest in a particular property.

Property Tax bills and notices are mailed to the address of the property as shown on the tax roll unless the taxpayer advises the Municipality, 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.

Payments

Payment of taxes must be received in the Municipality's administrative office on or before the due date. The following are the modes of payments that are available:

- a) Telephone or Internet Banking – using the nineteen digit roll number as the account number;
- b) Municipal Preauthorized Payment Plan;
- c) Post Dated Cheque(s);
- d) In person, at the counter or drop box of the Municipal office at 206 Toronto St. S, Markdale
- e) Payments by a mortgage holder;
- f) Other alternatives as approved by the Treasurer.

Note that payments made by telephone or internet banking may not be received by the Municipality for at least 3 business days. Payment made using these methods should incorporate sufficient time in advance of the due date.

Receipts will be provided for all cash payments and upon request by the registered owner for all other methods of payment. To registered owners whose payments are made on their behalf by a mortgage company, the receipted tax billing will be sent to the registered owner upon request.

Allocation of Payments

In accordance with the Municipal Act 347, where any payment is received on account of taxes, the following apply:

1. The payment shall first be applied against late payment charges 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.
2. The payment shall then be applied against the taxes owing according to the length of time they have been owing, with the taxes imposed earlier being discharged before taxes imposed later.

Payment(s) made to the wrong account

In the instance where a ratepayer has made a payment to the incorrect roll number or account number, or to their Utility account instead of the Property

Tax account (or vice versa), they should contact the Finance Department as soon as the error is realized and request that the payment be transferred to the correct roll number. Penalties and interest will be waived if the Finance Department is informed within 3 months of the error. If the error occurs on a second occasion for the account, the penalty and interest will not be waived and an administrative fee will be charged, as set in the Fees & Charges by-law, in order to process the transfer of the funds.

Pre-Authorized Payment Plan

To assist property owners who prefer to equalize their annual tax payments the following preauthorized payment plans are offered.

a) Monthly – provides for a withdrawal from the property owner's bank account to the Municipality's bank account, on the last business day of each month an amount sufficient enough to ensure that all taxes billed are paid within the current year. Property owners are eligible if their account is paid up to their chosen date of enrolment. If balances remain on the applicable tax account penalty and interest does not apply. If a property owner's payment fails to clear the bank two (2) consecutive times, the Municipality reserves the right to terminate the plan and penalty and interest will apply from that point forward.

The dollar amount to be withdrawn from the participants account shall be recalculated twice a year:

1) Once in January, calculating a monthly amount based on the previous current year's taxes averaged over twelve payments, to take effect on January 31st of the year. For example in January 2020 take the total taxes for 2019 and divide them by 12. This would give the monthly withdrawal amount commencing on January 31st 2020; and

2) After the calculation of the final bill. In both cases the property owner shall receive a notification as to the dollar amount change. This calculation would be the current year's taxes, less what has been paid, divided by the remaining months (or withdrawals) in the year.

b) Instalment – provides for a withdrawal from the property owner's bank account to the Municipality's bank account, on the due date an amount sufficient enough to ensure that all taxes due and payable on the said date are paid in full. Property owners are eligible if their account is paid up to their chosen enrolment date. If a property owner's payment fails to clear the bank, two (2) consecutive times, the applicant relinquishes their right to participate in the program. Penalty and interest will be applied to all amounts past due.

To participate in any of the Preauthorized Payment Plans applicants must submit an application in writing on the Municipality's prescribed form and submit it twenty (20) calendar days prior to the payment withdrawal date.

Participants in the program wishing to make changes to their application (for example banking information), or cancel their participation in the program must do so in writing within twenty (20) calendar days prior to the payment withdrawal date.

Note that pre-authorized payment plans are an alternative payment plan of the tax bills that are issued with posted due dates, offered as a courtesy. Failure to keep the arrangement in good standing will result in the cancellation of this courtesy.

Late Payments and Charges/Penalties and Interest

Payments not clearing the payer's bank will result in the payment being removed from the applicable tax account and an administrative fee, as indicated in the Municipality's User Fee Bylaw, being added to the applicable account.

The payer shall be advised of the returned payment, administrative fee, and the current balance due and owing on their account.

All Tax Arrears are also subject to Penalties and interest. In accordance with the Municipal Act, section 345 and the Municipality's bylaws, penalty and interest shall be charged at the rate of 1.25% per month on any tax arrears that remain outstanding on the first calendar day of each month. The penalty run is generated in the first three (3) business days of the month, so as to allow for processing of all payments received.

Penalty and interest charges cannot be waived.

Tax Arrears Collection

Realty taxes are a secured special lien on land in priority to any other claim, except a claim by the Crown. Taxes may be recovered, with costs, as a debt due to the Municipality from the original owner and/or any subsequent owner of the property.

The Municipality will primarily use the following methods to collect Tax Arrears:

- verbal communication;
- email communication (where email address is provided);
- issue Year End Statements of Taxes, Overdue Notices and Final Notices;

- send the taxpayer a form or personalized letter(s);
- arrange terms of payment;
- issue Notices to Interested Parties;
- legal action; and
- Municipal Tax Sale

Collection Steps

To remind property owners that their tax account is not in good standing, reminder notices shall be sent to each property owner whose account is over ten dollars (\$10.00) in arrears. Overdue reminder notices shall be forwarded to the property owner by the fifteenth (15th) day of the following months: April, July, October, and January. Reminder notices may be sent out more frequently at the discretion of the Treasurer. Overdue Notices will not be sent to taxpayers with overdue amounts less than ten (\$10.00) dollars.

Payment Arrangements: Payment arrangements may be entered into with a property owner who is in tax arrears prior to the registration of a Tax Arrears Certificate. Payment arrangements must include all Tax Arrears, current taxes, accruing estimates of future taxes and Penalties and interest and be sufficient to ensure payment in full is realized within a specified period of time. Penalties and interest will continue to accrue during all such payment arrangements until full payment on the account has been made. Pre-authorized payments are the preferred method of payment.

The maximum negotiable payment arrangement term is 24 months.

Notwithstanding any such arrangements, no third party payments will be refused for payment on account (e.g. payment from a mortgagee), as long as the third party has sufficient information regarding the property. Confidential account information will not be released to unauthorized parties.

If acceptable payment arrangements are negotiated, the account is monitored for compliance. Once a payment arrangement has been established, if there are two consecutive returned payments or two payments are returned within six months, the payment arrangement is deemed void and the taxpayer is advised that payment in full is required or the next collection step will be taken.

Any payment arrangements made must specify the time schedule, method of payment and the amount of each payment.

Collection Steps for Accounts with Arrears

If acceptable payment arrangements are not agreed upon, where any part of tax arrears is owing with respect to land in a municipality on January 1 in

the second year following that in which the real property taxes become owing, the treasurer of the Municipality may prepare and register a tax arrears certificate against the title to that land.

The Property Tax Aged Trial Balance shall be monitored for property owners whose taxes are at or approaching two years in arrears. The Municipality may engage a Tax Sale Specialist to carry out the procedures and legislated requirements of the Tax Sale Process.

Extension Agreements

An Extension Agreement may be requested by the property owner, their spouse, the mortgage holder or their legal agent, prior to the one year period of the registration of the Tax Arrears Certificate.

If no agreement is reached as to the terms, the agreement is denied by the Treasurer, or there is a breach of the agreement, the tax sale process recommences by returning to the point where the stop in the tax sale process was at immediately prior to the extension agreement being requested.

Council has delegated the authority to the municipal Treasurer to authorize the execution of tax arrears extension agreements pursuant to Section 378 of the Municipal Act, 2001.

The payment terms of any Extension Agreement will not exceed one year.

When an extension agreement is entered into a copy shall be placed in the Municipal property files and the sale process is suspended or placed on hold until all the terms of the agreement have been fulfilled.

Public Tender – Sale of Land Process

The Municipal Act provides that the property may be sold by sealed tender, or public auction. The Municipality's preference is by sealed tender.

Public tenders will be conducted according to Section 379 of the Municipal Act.

Section 357/358 Tax Reduction Applications

Finance Staff will forward to MPAC for processing applications for write-offs received via Section 357 and 358.

Write-Offs and Rebates

The Municipality will receive notifications of change in assessment or tax class. Upon receipt of the notification the Municipality will process the calculation within two months of receipt of the notification, depending on whether or not the final billing for the affected tax year has been calculated and mailed. This will facilitate the Municipality maintaining a balanced Collector's Roll as it relates to the amended Assessment Roll.

Penalty and Interest Reversal

Late payment charges (penalty and interest) are adjusted when the following situations arise:

- a) Taxes are adjusted under Sections 354, 357 or 358 of the Municipal Act;
- b) Taxes are adjusted following an Assessment Review Board decision;
- c) Taxes are adjusted in accordance with a decision of the Court(s);
- d) Deemed by the Treasurer as a gross or manifest clerical error.
- e) 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 Treasurer 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.
- f) Per the Municipal Act section 345 (6) & 345 (7) penalty and interest that has accrued on a property tax account as the result of non payment, and a write off taxes has occurred as the result of one of the legislation tax reduction methods; the penalty and interest shall be reversed as though the taxes had originally been billed correctly. The amount of penalties and interest cancelled is limited to the amount related to the tax reduction associated with a tax adjustment, change in assessment or Municipality error or omission.

Minimum Balance Write-off

A balance owing of less than \$10.00 on an account after payment is received will automatically be written off following the last interim instalment date, and at December 31st each year, as it is uneconomical for the Municipality to pursue collection of these amounts.

Refunds of Credit Balances on Accounts

From time to time property tax accounts may experience credit balances for various reasons, such as:

- Duplicate payment of a tax instalment(s),
- Mortgage company and property owner both pay an instalment,
- A reduction in assessed value,
- A change in a tax class to lesser tax rate class, and/or
- Preauthorized Payments made in advance of an instalment being due.

Credit balances will be refunded under the following conditions:

- 1) Duplicate payment of a tax instalment – the property owner must request in writing to have the overpayment refunded.
- 2) Mortgage company and property owner both pay an instalment – the property owner must request in writing to have the overpayment refunded, and direct who the overpayment is to be returned to. Further-more no overpayment will be refunded unless all instalments billed have been cleared.
- 3) Mortgage company overpays an instalment or no longer represents the property owner – because the Municipality is not aware of the agreement between the financial institution and the property owner the Municipality will only refund the financial institution overpayment on the written direction of the property owner. Furthermore, no overpayment will be refund unless all instalments billed have been cleared, unless the property has been sold to another owner.
- 4) Preauthorized Payments made in advance of an instalment being due.
- 5) Prior to refunding any credits from the property tax account, the Municipality will verify that all other debts with the Municipality (utilities, and miscellaneous accounts receivable, etc.) have been cleared prior to releasing a credit refund. The Municipality reserves the right to transfer credits on property tax accounts to accounts with other debt.
- 6) Credits as the result of an assessment reduction will be refunded, but only after the last instalment billed has been cleared. For example: a prior year assessment reduction is calculated in February; the interim tax bills are generated the first week in March with the last instalment on the interim billings due on the last business day in June. Any credit balance on the account will be applied first to the two instalments and then any remaining credit balance will be refunded to the registered property owner at the time the cheque is issued.
- 7) Credit balances being refunded will be issued to the property owner at the time the cheque is issued. Property owners selling properties who have outstanding application(s) should ensure that their solicitors are aware of possible tax reductions. The Municipality will not divide credit balances between previous and current owners as the result of a tax reduction. This is mainly because Municipality does not have knowledge of, nor wish to negotiate, legal agreements that may or may not be in place between the seller and the purchaser.

Severances / Consolidations of Properties

From time property owners will apply for severances of their properties under the authority of the Planning Act. If granted by the Planning Committee the assessment values must also be split between all the parcels of land. As part of their legislated services MPAC provides the divided assessment information. Under the authority of the Municipal Act, section 356 the Treasurer may divide the assessment roll into the parcels being severed and direct the property taxes accordingly.

Upon receipt of the divided assessment from MPAC the Municipality will monitor the report to ensure that MPAC picks up the split for the following year's returned assessment roll.

As severed portions of land are often sold, the Municipality will not recalculate the property taxes for a part year. It is understood that the seller's and buyer's lawyers would address who owes what as part of the property sale process.

Consolidations are processed by MPAC at the written request of the property owner. Property owners should contact MPAC directly.

Discretion

In order to ensure that all taxpayers are treated fairly and equitably, the Treasurer, or designate, has the authority to exercise discretion in the application of this policy where unusual or extraordinary circumstances are apparent, provided such discretion is in accordance with all applicable legislation, ensuring fairness to all taxpayers, and that the overall best interests of the Municipality are met.

Reporting

The Finance department will report to Council in the Quarterly Financial Reports the Tax Collection Summary, which summarizes the taxes billed and collected in the current year and outstanding Property Taxes from previous years.