



**Policy #4
Property Tax Collection Policy
Approved by Council on: April 21, 2010**

TAX COLLECTION POLICIES

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THE TOWNSHIP OF SOUTHGATE

POLICIES AND PROCEDURES

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The adoption of a formal tax collection policy document serves two important purposes:

- 1) to provide guidance for staff and a basis for decision making; and
- 2) to ensure equal treatment of taxpayers.

Detailed administrative procedures in support of the collection policies should be documented as well, and incorporated in a manual. These supporting procedures may include such matters as:

1. Undertaking prompt reconciliation of the assessment tape received from the Assessment office with the actual roll.
2. Having a checklist of steps to be followed before tax bills are mailed.
3. Having standard procedures for handling public inquires.
4. Keeping a "clean ledger" through systematic updating of the tax ledger or tax master file.
5. Having procedures to cover the accounting for billing and collection of taxes paid by mortgage companies.
6. Having a systematic, accurate method of adding items such as hydro arrears to the Collector's Roll.
7. Having procedures for dealing with tax refunds.
8. Ensuring proper receipts and banking of cash.
9. Having specific, procedures for collection of realty taxes.
10. Having procedures for dealing with uncollectible taxes

TAX COLLECTION POLICIES AND PROCEDURES

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PURPOSE

This document is being prepared to supplement the policy, which defines the procedures to be taken in the collection of taxes to ensure that the policy as established can be met.

This document will outline the timetable necessary to affect action and give credence to the wishes of the Township and to ensure that all ratepayers are being treated in a fair and equitable fashion with respect to tax arrears situations.

COUNCIL POLICY

Council has endorsed a policy to be adhered to with respect to tax collection for the Corporation of the Township of Southgate.

The policy is as follows:

- a) THAT the relevant Township Departments be authorized to exercise to the fullest, the powers vested in the municipality under the provisions of the Municipal Act with respect to the collection of tax arrears:

- b) THAT in cases where taxes on:
 - i) Unimproved land is in arrears for two years;
 - ii) Improved land is in arrears for three years;

action be taken under tax registration as set out in Municipal Act Part XI Sale of Land for Tax Arrears.

POLICY OF THE TREASURY DEPARTMENT

The policy of the Treasury Department is to ensure the prompt, effective and efficient collection of realty taxes levied by reference to the means provided in the following legislation. Such legislation compliments that described by the Council policy.

Legislative References

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- a) The Municipal Act
- b) The Municipal Tax Sales Act
- c) The Township By Laws
- d) The Municipal Interest and Discount Act
- e) The Bailiff Act
- f) The Collection Agencies Act
- g) The Small Claims Act
- h) The Cost of Distress Act

METHODS OF COLLECTION

The enforcement methods to be used are:

Realty taxes

- a) penalty levy
- b) rent attornment
- c) tax sales registration
- d) personal contact
- e) court action

METHODS OF PAYMENT

Taxes are payable at the Municipal Office. Payments may be made at the counter of all major financial institutions and telephone and internet banking options are also available.

Cheques post-dated to the instalment date will be accepted and held by the tax department until due date.

REFUNDS OF OVERPAYMENTS OR ADJUSTMENTS

It is the policy of the Taxation Department to issue refunds for overpayments or credit balances resulting from a tax adjustment, where there is a request from the ratepayer.

In the case of what appears to be a duplicate payment, refunds are not issued until two weeks after the date of the payment, which caused the apparent duplicate payment.

INTEREST AND PENALTY

Interest is added to previous year's arrears and Penalty is added to over-due current taxes on the first day of each month.

Interest and Penalty is adjusted only in accordance with:

1. Tax Adjustments
2. Assessment Review Board Decisions;
3. The post mark on mailed payments being clearly from the previous month;
4. Direction of Council
5. Approved by the Tax Collector as gross or manifest clerical errors.

The use of the policies and procedures contained in the document will ensure that the policies of not only the Corporation are adhered to, but also those of the Department and will ensure the prompt, effective, and efficient collection of all realty tax due to the Township.

It is the mandate of the taxation department to ensure prompt, effective, and efficient collection of taxes by the various procedures and means available to them through various forms of legislation.

It must be remembered in all types of collection that there are two principles, which require attention. First, is the timing of any action and the second is the consistency of the application of actions. The areas to be considered, and their relevant procedures are as follows:

- 1 the billing,
- 2 the notification of intent where distress is indicated;
- 3 the types of distress.

TAX BILLING CYCLE

Taxes will be billed on the basis of four installments per year as established by Township by-laws. The installments will have due dates as follows:

INTERIM LEVY: Produced in March with installment dates in March and June

FINAL LEVY: Produced in August for installment dates in August & October

Where billing by class of property assessment requires separate production dates, similar due dates will be established.

Interim Tax Billings are produced in March based on the returned assessment roll. The tax billing will be calculated to produce a tax bill no more than fifty percent of the previous year's total taxes billed for each property in accordance with Section 317 of the Municipal Act. The tax billing shall include fifty percent of any local improvement charges, area charges, business improvement area charges and any special charges levied by the municipality or required under provincial legislation (i.e. Bill 140). Amounts deemed to be taxes such as; outstanding water arrears or miscellaneous invoice charges may be added to the interim billing at one hundred percent.

Final Tax Billings are produced in August based on tax rates established by by-law(Section 312) (2) from the budget requirements of the Municipality, County of Grey and Ministry of Education. The tax billing will be calculated to produce a tax billing equal to the current market value and the appropriate tax rate, all local improvement charges, area charges, business improvement area charges, any special charges levied by the municipality or provincial legislation (Bill 140). The interim tax billing will be deducted from the total tax amount calculated in order to produce the final tax billing.

Supplementary Tax Billings These are two sections of the Assessment Act that allow for taxation of rateable property not included in the annual revised assessment roll. They deal with omissions and additions to the roll.

MAILINGS

The Municipal Act, Section 343(1) requires tax billings be post marked and mailed not later than twenty one calendar days from the date of the first installment due date. Penalties and interest are applied in advance to outstanding tax balances to accommodate the latter mailing parameters.

Bill Format

The tax billing issued will meet all requirements of the provincially legislated standard tax bill. 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 to relay information to ratepayers.

Any applicable Local Improvement Charges will be included in the Final Levy except in extraordinary circumstances where the charge is such that ratepayers prefer to have 50% of the total local improvement charge applied to the Interim Levy.

Supplementary taxes will be billed with two installments except in the case where time limits do not allow ample time for collection in actual year.

Taxes are presently billed on two bills, each with two installments. The first bill, known as the Interim Bill, is based on 50% of the previous years tax rates and the bill known as the Final Bill is based on the current years tax rates less the amount levied under the Interim Bill.

REMINDER NOTICE

Each month a Notice of Past Due Taxes will be generated to the individual taxpayer whose taxes are in arrears.

The notices of arrears are sent to remind the taxpayer of the current delinquency with respect to taxation and secondly to determine whether discrepancies exist within the account that should be followed-up on an immediate basis.

REALTY TAX COLLECTION

There are four deterrents to non-payment of realty taxes, which must be considered. They are:

- 1 penalty/interest levies
- 2 rent attornment
- 3 tax sale
- 4 court action

REALTY TAX COLLECTION cont'd

Methods used to collect realty taxes will consist: of any or all of the following:

- 1 computerized reminder notices
- 2 personalized letter
- 3 telephone follow - up
- 4 personal interviews

DETERRENTS TO NON PAYMENT

PENALTY/INTEREST LEVY

Rates for penalty and interest are determined by municipal by-laws and are enforced by the Treasury Department. These levies are established by reference to the provisions of the Municipal Act sections 345(2) and (3).

The purpose of adding interest and penalty to an account is to replace any investment interest lost on payments not received from the taxpayer. The deterrent to the taxpayer is that the additional monies must be paid to the Township.

RENT ATTORNMENT

Sections 350(1) Municipal Act 2001 provide for the seizure of rent to discharge the tax arrears on an income producing property. The seizure of rent is the most severe deterrent on this type of property in that it deprives the owner of their operating funds. It must be remembered that it is the rent collected that pays the bills to operate the rental units.

Once advised of rent attornment (seizure) and those taxes remain unpaid, follow-up procedures must be adhered to.

The first area is timing. On February 1, of the first year following the arrears, the assessed owner(s) must be notified that the account is in serious arrears and that if full payment or alternative payment arrangements are not made, the seizure of rent could take place.

If there is no payment nor payment arrangements made within thirty (30) days from the date of first notice, a second notice will be sent advising the assessed of the effective date that rent attornment will take place by the Corporation if full payment or payment arrangements are not made.

TAX SALE

A tax sale is authorized by the Municipal Act, 2001. It should be noted that the tax sale is a last resort and every possible means should be used to avoid employing the provisions of this Act.

Registration for improved properties and unimproved properties only differs in that for unimproved property, registration may take place after two years of arrears have accumulated, whereas for improved property three years must have elapsed.

“Improved” land is land which is liable to be separately assessed, and which has a building on it. Land in actual use is considered improved, whether or not it has any building on it.

“Unimproved” land is vacant land with no improvements

Schedule “A” attached details the provisions of the Tax Sales Act.

NOTES ON COLLECTION OF TAX

1. *All arrangements for payment must be presented and approved by Tax Collector.*
2. All actions must be clearly documented.
3. Any deviations from procedures must be immediately brought to the attention of the Tax Collector for approval.
4. All form letters must be reviewed and approved by Tax Collector.
5. All collection letters must be personally signed.

WRITE-OFF OF TAXES

A tax becomes uncollectible when all means of collection have been used without any results with reference to business taxes and when realty taxes are required to be written-off because of a tax sale as set out in the Municipal Act.

POINTS TO NOTE ON COLLECTION

1. All letters should invite payment or arrangements for payment.
2. Letters implying action must be acted upon.
3. Arrangements for payment should be well documented. i.e.- a duplicate of a Township letter should be signed by the taxpayer.
4. Arrangements must specify time, type, and amount of payments.

In the event that it becomes necessary to sell a property on which a tax arrears certificate has been filed, the procedure to be followed will be that described in the Municipal Act, 2001.

