

COUNCIL POLICY RESOLUTION

POLICY NUMBER: I-518

DATE: JUNE 23, 2014

POLICY TYPE: FINANCIAL

SUBJECT: COLLECTIONS- PROPERTY TAXES

PURPOSE

To establish efficient and effective City of Kitchener procedures and processes for property tax billing and collection and to ensure municipal tax revenues are collected in a timely and effective manner.

SCOPE:

The Municipal Act serving as the base, this policy provides a guide to staff on aspects of billing and collection of property tax as it applies to the City of Kitchener.

OBJECTIVES

- I. Establish processes for billing for property tax
- II. Ensure the timely collection of property tax
- III. Establish processes to collect property tax
- IV. Establish processes to collect property tax arrears

GOVERNING PRINCIPLES

- I. The procedure of collecting taxes should be applied universally, uniformly and consistently.
- II. The City Treasurer may exercise discretion in furthering the objectives of this policy.
- III. The City Treasurer may take all means necessary provided in the Municipal Act, 2001 to balance taxpayers' interests with that of the City. In so doing,

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The City Treasurer will strive to keep to minimum the administrative and legal costs.

- IV. At all times, the City should take reasonable care to respect and protect the interest of the taxpayer as well as that of the City, including the rights to privacy and confidentiality.

BILLING PROCEDURES

- I. Billing will be in two stages, interim and final billing. A by-law passed in advance by the City is a requirement to bring into effect both the Interim and Final tax billings.
- II. The tax billing will clearly identify the municipality, property, owner (s) and state the demand date. It will also identify the current year's assessed value, the annualized taxes for the prior calendar year, and any arrears owing against the property.
- III. Interim tax billing shall be based on a percentage of the annualized taxes of the property for the previous calendar year, not to exceed 50% of the previous year's annualized taxes.
- IV. The tax billing may include local improvement charges, area charges, business improvement area charges and any special charges levied by the municipality or provincial government.

Interim Tax Billing

- I. Interim bills are based on the returned assessment from the Municipal Property Assessment Corporation. As authorized under Section 317 of the Municipal Act, 2001, the City will bill a property under this category based on no more than 50% of the previous year's annualized taxes billed.
- II. Interim bills are produced in January of every year.
- III. The treasurer shall send a tax bill to every taxpayer at least 21 days before any taxes shown on the tax bill are due.
- IV. The Municipal Act provides ground for the City to alter, to an appropriate level, the interim bills if it deems it too high or too low.

Final Billing

- I. Final tax bills are based on tax rates established in the City budget by-law, the Region of Waterloo and the Ontario Ministry of Finance which sets the education tax rate.
- II. Final Bills are produced in June of every year.
- III. The treasurer shall send a tax bill to every taxpayer at least 21 days before any taxes shown on the tax bill are due.
- IV. Final Bills are based on the sum of the current market value of the property and the appropriate tax rate, all local improvement charges, business improvement charges, any special charges levied by provincial legislation.
- V. The Final tax bill payable will be the sum of the interim tax bill deducted from the final tax amount.

Supplementary Tax Billing

- I. The Municipal Property Assessment Corporation (MPAC) usually provides additional assessment information on properties that necessitates a supplemental billing. The City will bill for these supplementary assessments as soon as it receives the data from MPAC.
- II. Supplementary taxes are due on the date identified on the supplementary tax bill.
- III. Supplementary taxes may be paid in installments for a period of up to a maximum of six months providing the customer also registers for a preauthorized payment plan.
- IV. The Assessment Act provides two grounds when supplementary tax billing can be applied; Omissions and Additions:

Omissions

- i. The Municipal Act Section 33 provides grounds for the taxation of real property liable for taxation if that property was omitted in the tax roll of that current year at the time of assessment.
- ii. The taxable period allowed are the current year and the preceding two years.

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- iii. The supplementary billing tax should be treated as a part of the full tax for the current year.
- iv. The supplementary tax bill will be post marked and mailed not later than 21 calendar days from the date of the first instalment due date.

Additions

- i. The Municipal Act Section 34 provides grounds for taxation of assessment of real property that has increased in value or has been added after the return of the last revised roll. The real property could have increased in value through the erection, alteration, enlargement or improvement of any building, structure, machinery, equipment or fixture or any portion thereof that commences to be used for any purpose.
- ii. The supplementary billing tax should be treated as a part of the full tax for the current year.
- iii. The supplementary tax bill will be post marked and mailed not later than twenty one calendar days from the date of the first instalment due date.
- iv. The taxes apply to the current year only.

Apportionment Tax Billing

- I. The Municipal Act, 2001, Section 356 provides grounds for apportioning realty taxes to present owners for lands previously assessed as one block but has been assessed to two or more parcels.
- II. The apportionment should reflect the revised configurations and the levied and unpaid realty taxes.
- III. The apportionment should be treated as a part of the full tax for the current year and payment period should not exceed time allowable as per the Municipal Act.

Due Date

Due dates for the payment of taxes shall be dependent, in the case of the Final Bill, on the final approval of Budgets by the City Council, Waterloo Regional Council and subsequent passing of the levy by-laws. Notwithstanding that there may be fluctuations as a result of budget approval, tax billing for residential properties will normally be as follows:

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A. Interim Bill

- i. The first instalments of taxes are due and payable on the first business day of March.
- ii. The second instalments of taxes are due and payable on the first business day of May.

B. Final Bill

- i. The first instalments of residential property taxes are due and payable on the first business day of July.
- ii. The second instalments of residential property taxes are due and payable on the first business day of September.
- iii. The first instalment of commercial, industrial and multi-residential property taxes are due and payable on the first business day of September.
- iv. The second instalment of commercial, industrial and multi-residential property taxes are due and payable on the first business day of October.

MAILING OF BILLS

- I. Any notices sent by ordinary mail are 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. Failure to notify the Revenue Division of an address change is not an error.
- II. Section 343 of the Municipal Act, 2001 provides that tax bills shall be sent to the taxpayer's residence or place of business or the premises where the taxes are payable for, unless that taxpayer directs the municipality otherwise. Further, Section 343 (8) of the Municipal Act, 2001 directs a municipality to continue to deliver tax bills to the address in its records until it is revoked in writing by the taxpayer.

PAYMENT OF BILLS

- I. Payment will be in the form of cash, cheques, money orders, bank drafts, pre-authorized payment plans, internet and telephone banking made payable to the City of Kitchener. Cheques which are post-dated to the tax due date will be accepted and held by the Revenue Division. Payment of taxes will be

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accepted at the City of Kitchener, Revenue Division, at local banks or via mail to:

City of Kitchener,
Finance and Corporate Services
Revenue Division
P. O. Box 1113 STN C
Kitchener, ON
N2G 4R6

- II. "Third Party" cheques will not be accepted. A cheque payable to the property owner is considered to be a third party cheque and is not accepted as payment.
- III. 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 instalments not yet due in the current year. However, at the request of the 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 \$25.00, unless the amount is in excess of the next tax instalment that is yet to become due.
- IV. Should a payment be tendered in U.S. funds, it will be accepted at the exchange rate established by the financial institution holding the accounts of the City of Kitchener on that day.

COLLECTION PROCEDURES

- I. Past due notices shall be sent once a year in early October. Notices are to be mailed no later than the 15th of the month.
- II. In addition to past due notices, Collections Staff will issue no less than two letters twice per year on accounts that are two years in arrears.
- III. The Director of Revenue, or designate, in this case, Collection Staff, will attempt to contact the owner of a property at least once per year if taxes are in arrears for two or more years unless suitable payment arrangements have been established.

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IV. Payment Arrangements

- i. The City may, at any time, enter into a payment arrangement with the property owner, in arrears for three years, before registering for a Certificate of Tax Arrears on a title to a property. The property owner shall provide a written commitment to pay all the outstanding taxes on terms agreeable to the City Treasurer. The agreement to commit to pay all realty taxes due by the tax payer, may cause the Treasurer to forego or forestall the registration of a Certificate of Tax Arrears.
- ii. 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.
- iii. The City may accept verbal arrangements pertaining to any property arrears less than three years.

V. Penalty on late or overdue payments

- i. Penalty at a rate of 1.25% of the amount of taxes due and unpaid, will be imposed as a penalty for the non-payment of taxes on the first day of default.
- ii. Interest charges at a rate of 1.25% each month of the amount of taxes due and unpaid, will be imposed for the non-payment of taxes. Interest will accrue only after the first day of default.

VI. Returned Cheques

- i. If a cheque is returned as “non-sufficient funds” on a taxpayer’s account, the taxpayer will be requested to replace the amount either by certified cheque or in cash.
- ii. A returned cheque fee will be applied to the tax account on all returned cheques regardless of reason.

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ARREARS COLLECTION

Collection Process

- I. For tax accounts which indicate two years taxes owing, a collection letter is sent in the first 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 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.
- II. If no reply is received, a second letter is sent in the second quarter of the year stating that failure to reply will result in further action being taken to collect the outstanding taxes, which could result in additional costs to the property owner.
- III. If no reply is received, another letter will be sent in the fourth quarter of the year.
- IV. No letter will be sent to a property owner whose tax account is in one year arrears.
- V. All second year tax arrears property owners will receive at least two letters per year.
- VI. If a property is in a tax sale position, a registered letter will be sent in the first quarter of the third year. If no reply is received then a title search shall be performed to notify any, and all, mortgage holders of the property and the property owner will receive a final notice at this time. Thirty days will be given to pay out the arrears from the date of the letter. If no response or payment is received, contact is attempted by telephone or outside visit.
- VII. Having failed to obtain any response or satisfactory arrangement, the Director of Revenue will forward the property to the City's Legal Department for action.

Tax Sale

- I. Properties that are in arrears on January 1 of the 3rd year the taxes are due are eligible for tax registration under Section 373 of the Municipal Act. The property owner or interested party has one year from the date of registration

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- in which to redeem the property for all taxes, interest and penalty outstanding, including any associated costs.
- II. 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.
 - III. 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.

Small Balance Write offs

- I. The Treasurer may cancel any overdue amount less than \$10 that the taxpayer owes to the City for the preceding year.
- II. The City shall not, otherwise, cancel any outstanding debt above \$10, unless the City Treasurer deems it appropriate to do so. The Treasurer's reasons for writing off any outstanding debt that is above \$10 should be communicated in writing to Council stating the reasons for taking such a decision.

Interest on overpayment of taxes

- I. The City will pay interest on tax overpayments resulting from appeal decisions released to the City by the Assessment Review Board.
- II. Section 345 (6) of the Municipal Act, 2001 provides grounds for payment on tax overpayments by a municipality to the taxpayer. Interest would begin to accrue 120 days after the date of the decision is made known to the City. The rate of interest payable is in the same manner as interest is paid under subsection 257.11(4) of the Education Act, which states the rate of interest payable is the lowest Prime Rate reported to the Bank of Canada by any of the banks listed in schedule 1 of the Bank Act (Canada) on the date interest is paid. This interest rate will be paid commencing at the end of the 120-day period until the date the appeal adjustment is applied to the tax account.
- III. The appeal adjustment amount plus any applicable interest will be credited to the relevant tax roll number.

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Tax Refunds

- I. Section 354.1 of the Municipal Act provides grounds for a municipality to pay a tax refund arising from assessment and tax appeals.
- II. The City will pay a tax refund to the owner of a property for any overpayment that arises because the land was assessed under Subsection 33 (Omissions) of the Assessment Act.
- III. Section 351 of the Municipal Act, 2001 provides grounds for recovering taxes and any other funds owed to a municipality in the case that a municipality has to provide a refund to the property owner after selling off property belonging to a property owner whose property was disposed of under Tax Sale.
- IV. The City will deduct any tax refunds if the property owner has tax, utilities arrears or unpaid finance invoices at the same or other properties registered under that property owner's name.

Refund from Reassessment

- I. If ownership of property will change or has changed prior to the rebate as a result of reassessment, the City shall refund any overpayment to the owner of the land as shown on the tax roll on the date the adjustment is made.
- II. The City will endeavour to do everything within its ability to notify the prior owner and the current owner of the rules that apply in refunding any overpayment as a result of reassessment of the property.