

Bylaw # 2018 – 061

May 2018

***MUNICIPALITY OF
HASTINGS
HIGHLANDS***

*FIN-01 Finance Policy – Tax Billing
and Collection*

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Municipality of Hastings Highlands

Policy Type: **Finance**

Policy Number: **FIN-01**

Policy Title: **Tax Billing and Collection**

Policy Approval Date: **May 16, 2018**

1.0 Purpose

The purpose of this policy is to ensure that the municipality is in a position to manage its accounts receivable effectively and to ensure timely collection to minimize outstanding amounts owing to the municipality. This policy will assist with the ongoing success of administration, more specifically; it will ensure prompt, efficient, courteous and consistent service to all ratepayers of the municipality.

2.0 Scope

This document will provide guidance to Council and staff and provide a basis for decision-making relating to tax billing and tax collection procedures for all ratepayers in the municipality. It is designed to be implemented in accordance with the governing legislation.

More specifically, this policy is written in compliance with the *Municipal Act* - Parts VIII, IX, X and XI in particular, related Ontario Regulations made under the *Municipal Act*, the *Planning Act*, the *Assessment Act* and applicable Municipal by-laws, as amended.

Should there be any incongruences between the policy and the governing legislation, the provisions of the governing legislation will prevail.

3.0 Definitions

“Cancellation Price” means an amount equal to all the tax arrears owing at any time in respect of land together with all current real property taxes owing, interest and penalties thereon and all reasonable costs incurred by the municipality after the treasurer becomes entitled to register a tax arrears certificate.

“Extension Agreement” is a contract between the municipality and the registered owner of the property 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.

“Municipal Tax Sale” is the sale of land for tax arrears according to proceedings prescribed by the Act and Ontario Regulation 181/03.

“*Property Taxes*” means the total amount of taxes for municipal, county and school purposes levied on a property and includes other amounts added to the tax roll as may be permitted by this policy and/or any applicable Provincial legislation.

“*Tax Arrears*” means any portion of property taxes that remain unpaid after the date on which they are due.

“*Third Party Cheque*” is defined to be a cheque payable to another party other than the Municipality of Hastings Highlands.

“*Treasurer*” is the individual appointed by the municipality who is responsible for handling all of the financial affairs of the municipality on behalf of and in the manner directed by Council.

4.0 Review Cycle

4.1 This policy shall be reviewed by Council when required.

5.0 Tax Billing

5.1 A levying by-law passed by Council is required in advance of either an Interim or Final Tax billing.

5.2 Issued billings are to meet all requirements of Section 343 of the *Municipal Act*. The treasurer shall send a tax bill to every ratepayer at least 21 calendar days from the date of the first installment due date. More specifically, Section 343 of the *Municipal Act* identifies that tax bills shall be sent to the ratepayer’s residence or place of business or to the premises where the taxes are payable for as per the municipality’s software system, unless the ratepayer directs the municipality otherwise in writing. The direction for the delivery of tax bills and/or any other applicable notices continues until it is revoked in writing by the ratepayer (343(8)).

5.3 Interim tax billings shall be produced 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, business improvement area charges and any special charges levied by the municipality or provincial government. Outstanding charges authorized by legislation may be added to the interim billing at one hundred percent.

5.4 Final tax 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 Municipality of Hastings Highlands, County

of Hastings and the Minister of Finance in relation to Education. The tax bill will be based on the phased-in assessment value for the current year as provided to the municipality by the Municipal Property Assessment Corporation (MPAC). 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. Outstanding charges authorized by legislation may be added to the final billing at one hundred percent.

6.0 Due Dates

- 6.1 The specific due dates will be identified in both the Interim and Final levy by-laws for the municipality. When possible, the municipality will endeavor to allow additional time from the installment due dates to the last day of the month for payment processing purposes as a courtesy to ratepayers before applying penalty and interest charges.

7.0 Supplementary and Omitted Assessments

- 7.1 Supplementary tax bills are issued and mailed in the same manner as the Interim and Final tax bills with the exception of a separate levying where a by-law is not required. The number of installments and due dates of the supplementary bills will be determined by the treasurer. Penalty and interest charges will be assessed on supplementary taxes that are owing past their designated due date at a rate of 1.25 percent.
- 7.2 There 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.
- Omissions – Section 33 of the *Assessment Act* allows for the taxation of real property that has been omitted from the roll. The provision allows for taxation in the current year, plus a maximum of the two preceding years.
 - Additions – Section 34 of the *Assessment Act* allows for the taxation of assessment that has increased in value or has been added after the return of the last revised roll. These taxes apply to the current year only.

8.0 Severances

- 8.1 Property owners may apply for severances of their properties under the authority of the *Planning Act*. If granted by the County Planning Department, the assessment values must be split between all the parcels of land. As part of their legislated services, MPAC divides the assessment information.
- 8.2 Under Section 356 of the *Municipal Act*, the treasurer may divide the assessment roll into the parcels being severed and direct the property taxes accordingly.
- 8.3 As severed portions of the 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.
- 8.4 Consolidations are processed by MPAC at the written request of the property owner. Property owners should contact MPAC directly.

9.0 Payments

- 9.1 All tax payments will be processed in accordance with Section 347 of the *Municipal Act*. More specifically, when applicable, the payment shall first be applied against late payment charges (penalty/interest) 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. Then the payment shall then be applied against the taxes according to the length of time they have been owing, with the taxes imposed earlier being discharged before the taxes imposed later.
- 9.2 Payments will be in the form of cash, cheques, debit, money orders, bank drafts, pre-authorized payment plans, electronic and telephone banking made payable to the Municipality of Hastings Highlands. All payments from a recognized Canadian financial institution shall be applied to individual tax accounts in accordance with the provisions contained in the *Municipal Act*. Ratepayers are responsible for any fees and charges that may be imposed when making payments.
- 9.3 Payments from financial institutions through telephone or electronic banking are processed by the municipality the day they are received by

the municipality. This is typically different (later) than the day you make your payment. Therefore, please allow 3 to 5 business days from the time you make a payment until it is processed.

* Please note financial institutions acknowledge that it may take 3 to 5 business days for the payee to post the payment to your account.

- 9.4 Cheques issued to the municipality for payment of taxes that are returned from the bank as non-negotiable, will be subject to the municipality's fees and charges by-law and the additional charge will be applied to the property tax roll and payment of taxes reversed. If 2 cheques are returned N.S.F. on a ratepayers account, personal cheques from that ratepayer, for any transaction within the municipality, will not be accepted unless they are certified. This restriction will be placed on the individual for a period of 1 year on the first restriction and if there is a reoccurrence of two more N.S.F. payments, personal cheques will no longer be accepted from that ratepayer.

Cheques issued to the municipality where the author has issued a 'stop payment' and has not provided the required written notice, will be subject to the municipality's fees and charges by-law and the additional charge will be applied to the property tax roll and payment of taxes reversed.

- 9.5 Cheques that are post-dated will be accepted and held by the finance department until the date indicated on the cheque. If the ratepayer does not want the post-dated cheque processed, they must notify the municipality, in writing, at least 5 business days prior to the date indicated on the cheque. If proper notice is not received, the ratepayer is encouraged to issue a stop payment on their cheque, however, applicable return cheque fees will apply.
- 9.6 "Third party" cheques will not be accepted. A cheque payable to the property owner and the Municipality of Hastings Highlands is not considered to be a third party cheque and is to be accepted as payment.
- 9.7 Payments in U.S. Funds are not accepted. Any payments received in U.S. Funds will be returned. Ratepayers are responsible for any fees and charges that may be imposed when making payments.
- 9.8 In person payments only – Should a ratepayer wish to pay their property taxes in person on the last day of the month (within courtesy grace period) at the municipal office building, they must do before 12 noon or they will

be subject to any applicable penalty/interest charges owing as of the first of the next month.

- 9.9 Payment of taxes will be accepted at the Municipality of Hastings Highlands office building during regular operating hours or via mail to:

Municipality of Hastings Highlands
33011 Highway 62 North
P.O. Box 130
Maynooth, ON K0L 2S0

10.0 Pre-authorized Payment Plans

- 10.1 Ratepayers whose property tax account is not in arrears are eligible to pay current taxes through monthly pre-authorized electronic payments from January through to December.
- 10.2 Monthly pre-authorized payments are not subject to any late payment charges for the non-payment of taxes on the due dates.
- 10.3 All pre-authorized payments are processed on the 23rd day of each month. If the 23rd falls on a non-business day, the payments will be processed on the next business day.
- 10.4 Under the pre-authorized payment plan, all approved ratepayers agree to pay the required amount that is necessary for their tax account to be paid in full by year end, December 31st (* Note - Small balance write-off may apply). Under this program, the ratepayer also agrees that from time to time, depending on the amount required that the municipality may or may not notify them if there is an increase in the debit amount required.
- 10.5 If 2 pre-authorized payments within any 12 month period are returned by the bank on a property tax account, enrollment in the pre-authorized payment plan will be terminated immediately without notice. The property owner may re-apply after a period of 1 year if all eligibility criteria are met. If there is a reoccurrence of 2 pre-authorized payments returned thereafter, enrollment in the pre-authorized payment plan will be terminated indefinitely.
- 10.6 Ratepayers who are eligible to sign up for the pre-authorized payment plan can do so by downloading an application form from the municipality's website, by visiting the municipal office during hours of operation or by

emailing the finance department. Please allow a minimum of 5 business days for processing lead time.

11.0 Penalty and Interest for Non-Payment

- 11.1 The maximum rate under Section 345 of the *Municipal Act, 2001* for penalty and interest for non-payment of taxes is 1.25 percent per month. The municipality adheres to this legislation and is set by municipal by-law.
- 11.2 The purpose of penalty and interest is to ensure ratepayers pay on time and this is also a revenue tool for the municipality to recover monies remitted to other tax authorities when ratepayers do not pay their taxes on time. By law, the municipality is required to pay the County of Hastings and the Minister of Finance in relation to Education even if the municipality does not receive payment from the ratepayer for their property tax account.

12.0 Late Payment Charge Adjustments

- 12.1 Late payment charges are adjusted only in the following circumstances:
- Taxes are adjusted under Sections 354, 357 or 358 of the *Municipal Act*.
 - Taxes are adjusted following an Assessment Review Board (ARB) decision
 - Taxes are adjusted in accordance with a decision of the courts
 - In the event penalty or interest or both was charged as a result of the municipality's error or omission, it shall be at the discretion of the treasurer to decide whether or not the penalty or interest amount should be adjusted.
- 12.2 Penalty and interest will not be adjusted on property tax accounts that claim they did not receive a tax bill or claim it was sent to the wrong address. Section 343 of the *Municipal Act* identifies that tax bills shall be sent to the ratepayer's residence or place of business or to the premises where the taxes are payable for, unless the ratepayer(s) directs the municipality otherwise in writing. The direction for the delivery of tax bills and/or any other applicable notices continues until it is revoked in writing by the ratepayer (343(8)). Therefore, it is the responsibility of the ratepayer to inform the municipality, in writing, of any changes and/or updates to their property address.

* A change of address form is available to all ratepayers by contacting the finance department.

13.0 General Property Tax Account Adjustments

13.1 If a payment is processed incorrectly by the ratepayer or the ratepayer's financial institution, it is up to the ratepayer to inform the municipality of this error. More specifically, at the written request of the ratepayer, an adjustment can be made by the treasurer to correct the error. Please allow 10 business days for the adjustment to be processed once received. Furthermore, any penalty and interest incurred as a result of the error is the responsibility of the ratepayer.

14.0 Refunds

14.1 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 the ratepayer, a refund cheque will be issued, after allowing sufficient time (15 business days) for the ratepayer's cheque to clear their financial institution. The minimum amount for a refund request to be processed will be \$50, unless the amount is in excess of the next tax installment that is yet to become due.

14.2 Banks requesting refunds on funds paid to the municipality to settle municipal ratepayers tax accounts will send a written request accompanied by a written verification from the registered property owner(s) that the municipality is to reimburse the funds paid.

15.0 Tax Collection

15.1 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 and tax registration/tax sale.

15.2 Penalty and interest for non-payment of taxes is defined within this policy.

15.3 Bailiff action - Section 349 of the *Municipal Act*, provides that taxes may be recovered with costs as a debt due to the municipality from the

taxpayer originally assessed for them and from any subsequent owner of the assessed land or any part of it.

- 15.4 Collection agency - Section 304 of the *Municipal Act* provides that if a municipality uses a registered collection agency in good standing under the *Collection Agencies Act* to recover a debt, including taxes, payable to the municipality, the collection agency may recover its costs as long as the costs do not exceed the amount approved by the municipality. The cost in this case is paid up front by the municipality and added to the ratepayers property tax account as amount to be recovered.
- 15.5 Rent attornment - Section 350 of the *Municipal Act* provides that where taxes are owed in respect of any land occupied by a tenant, the municipality may seize the rents of an income producing rental property upon giving proper notice. It is a severe action and should only be initiated after adequate notice.
- 15.6 Tax registration/tax sale - Property taxes (including any part thereof) that are in arrears for 2 years or more are eligible for tax registration under Part XI of the *Municipal Act*. The municipality will endeavor to work with the ratepayers by encouraging the ratepayer to either make full payment or a mutually agreed upon payment plan before sending a property to tax sale.

16.0 Amount Owing Added to Tax Roll

- 16.1 Section 398 of the *Municipal Act* allows the municipality to place unpaid fees and charges owing to the municipality on to the property tax roll to which the services were provided regardless of who was in receipt of the said service.

17.0 Additional Tax Collection Tools

- 17.1 Advertising in local media - The municipality will endeavor to advertise tax installment due date(s) in the media. The treasurer will decide what media is best for advertising the tax installment due date(s).
- 17.2 Tax arrears notices - The municipality will endeavor to send out tax arrears notices after each tax installment due date in an effort to collect unpaid taxes on property tax accounts. These notices will be mailed a minimum of 1 week after the tax installment due date to allow for

payments to be processed. Property tax accounts with arrears owing less than \$5.00 will not be mailed notices as they are subject to small balance write-offs. Any administrative costs associated with preparing the arrears notices are subject to the municipality's fees and charges by-law and the additional charge will be applied to the property tax roll.

- 17.3 Courtesy tax sale proceedings letter – In an effort to work individually with property owners, the municipality will endeavor to send each ratepayer whose property tax account is in tax arrears 2 years or more a courtesy tax sale proceedings letter advising of the tax arrears situation and asking for payment in full or satisfactory payment arrangements to be made at a mutually agreed upon date. If acceptable payment arrangements are made, the account will be monitored for compliance and follow-up is done by telephone or in writing as required.

The municipality will endeavor to send each ratepayer whose property tax account is approaching the 2 year tax arrears threshold a courtesy tax sale proceedings letter to inform them of their situation and make them aware of the legislation.

- 17.4 If no reply is received and/or sufficient payment arrangements have not been made as a result of tax arrears notices and/or courtesy tax sale proceedings letters, additional collection efforts may be used at the discretion of the treasurer. If the municipality has been unable to secure payment of the tax arrears or a firm, suitable repayment plan, the municipality will commence municipal tax sale proceedings by registering a tax arrears certificate against the property.

18.0 Tax Sale Proceedings

- 18.1 In each year, the municipality will review its property tax aged ledger summary for individual property tax accounts that are at 2 years or more in arrears. If acceptable payment arrangements are not negotiated, then all properties that meet legislated criteria will be subject to the municipal tax sale process.
- 18.2 The municipality uses a third party tax collection specialist to administer the tax sale process on property tax accounts.
- 18.3 Once a property is registered and tax sale proceedings have begun, payment of taxes owing is required in full. Otherwise, an extension

agreement must be signed. 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*.

- 18.4 The *Municipal Act* provides that the property may be sold by sealed tender, or public auction. The municipality's preference is by sealed tender. Tenders are opened in an open forum, recorded as received, and then reviewed to ensure completeness of the tenders submitted. (Note: Council may make a bid or tender on a property, by resolution, but they must have a public purpose for the property.) The highest tender or two highest tenders, if more than one is received, is retained. The minimum acceptable bid is the cancellation price (In addition a tender must have a certified deposit that is at least 20% of the amount tendered). Notice is sent to the highest bidder requesting payment of the balance of the amount tendered, applicable land transfer tax, and accumulated taxes to date. All tax sale costs are added to the individual property tax account balance. Payment must be received from the highest bidder within 14 days from the date of the notices of highest bidder being mailed by the treasurer. Upon receipt, the treasurer shall issue a receipt and declare the highest bidder to be the successful purchaser. If no payment is received within 14 calendar days of the mailing of the notice, the deposit is forfeited. A notice is then sent to the second highest bidder and the process repeats.
- 18.5 The proceeds of a sale under section 379 of the *Municipal Act* shall,
- (a) Firstly, be applied to pay the cancellation price;
 - (b) Secondly, be paid to all persons, other than the owner, having an interest in the land according to their priority at law; and
 - (c) Thirdly, be paid to the person who immediately before the registration of the tax deed was the owner of the land.
- 18.6 Vesting - Where there is no successful purchaser, a notice of vesting may be issued and the treasurer shall register a declaration to that effect at the local land registry office. Council has two 2 years to decide whether to vest a property. The *Municipal Act* allows for inspection of the property including an environmental assessment. Council may re-advertise for another tender or auction within 2 years without writing off the tax arrears. If Council decides not to vest, Council may choose to write off the taxes and issue a tax cancellation certificate. Each year the treasurer may prepare a list of such properties for annual write-off thereafter. Council

may also decide to write off all or part of the taxes with the purpose of re-registration of the tax arrears and repeating the tax sale process from the beginning. If Council decides to vest the property, the tax arrears will be written off and the property may be declared surplus and advertised for sale

19.0 Minimum Balance Write-off

- 19.1 In some circumstances there remains a balance owing on a taxpayers account after a payment is received. 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 municipality authorizes the treasurer to approve such write-offs for outstanding amounts less than \$5.00.

20.0 Municipal Property Assessment Corporation (MPAC) Adjustments

- 20.1 Vacancy rebates - A property owner may be eligible for a vacancy rebate on their commercial or industrial taxes if the building has not been used for any purposes for a minimum of 90 days. Please contact the municipality for more information.
- 20.2 Request for reconsideration - A property owner may be eligible to have their property reassessed if they feel that there are discrepancies in the original assessment. Forms can be obtained online at:
http://www.mpac.ca/property_owners/forms.asp.
- 20.3 Section 357/358/359 application - A property owner may be eligible to have their property assessment adjusted by MPAC if any one or more reasons apply under Section 357, 358 and 359 of the *Municipal Act*. The current owner may revert up to three years back if applicable, and if approved by Council. Applications can be obtained from the Municipal Office
- 20.4 Direction of School Board Support - If a change is required, the property owner or tenant will be asked to complete an Application for Direction of School Support form. The form can be obtained from the local school board office or MPAC. As required by *section 16(3) of the Assessment Act*, changes to school support designation must be made in writing.

21.0 Reporting Requirements

21.1 The treasurer shall include the municipality's outstanding arrears total in a quarterly treasurer's report to Council.

22.0 Legal Requirements

22.1 By law (Section 311 (13) *Municipal Act*), the municipality is required to pay the County and the Ministry of Finance in relation to Education levy amounts owing on a quarterly basis even if the funds have not been collected by the municipality for the individual property tax accounts.

23.0 Appendix (See Attachments)

Appendix 1 – Property Tax Account Mailing Address Change Form

Appendix 2 – Supplemental Tax Billing Information Letter

Appendix 3 – Pre-authorized Debit Sign up Form

Appendix 4 – Cancellation of Pre-authorized Debit Form

Appendix 5 – Property Roll Refund Request Form

Appendix 6 – Property Roll Credit Transfer Request Form