

SECTION: Finance		POLICY #: FIN-009
Date Approved: October 24, 2011		Property Tax & Collection
Revision Date: September 18, 2017	Review Date:	
Authority: Report DCS-29-11; Report DCS-20-17		

PURPOSE

To ensure that municipal tax revenues are collected in a timely and effective manner.

To ensure that all ratepayers/customers are treated in a fair and equitable manner, and to provide staff guidance for decision-making consistent with the Town's commitment to excellence in local government.

POLICY

Responsibility

The Responsibilities of the Finance Department are to:

1. Ensure proper billing for the levy for local, upper tier, and educational taxation purposes to coincide with budgetary and legislative requirements for the year.
2. Provide prompt, efficient and courteous service to the taxpayers of the Town.
3. Ensure that proper collection procedures are applied in reference to the following legislation:
 - *The Municipal Act*
 - *The Municipal Affairs Act*
 - Municipal By-laws
 - *The Municipal Interest and Discount Act*
 - *The Bailiffs Act*
 - *The Small Claims' Court Act*
 - Any legislation governing amounts to be collected in like (same) manner as taxes
 - *Assessment Act*
 - Any new legislation pertaining to this area
4. Apply such collection policies in a consistent manner ensuring all taxpayers are treated in the same manner and in accordance with various governing statutes.
5. Maximize necessary controls to ensure proper allocation of payment and custody of funds for proper banking and recording procedures.

Policy Procedures

The purpose of the Finance Department is to provide prompt billing of the levy and to ensure collection in order to meet the approved budgetary expenditures for the fiscal year. It is important that both the timing and consistency with which we initiate and treat each account is correct.

REAL PROPERTY TAX

Real Property Tax is levied on all taxable real property assessment within the Town within the definition of Section 307(1) of the *Municipal Act*.

STANDARD TAX BILLINGS

There are typically two billings produced each year with two instalment payments as follows:

- Interim Tax Billing - produced in February with instalment dates on the last business day of February and the last business day in May.
- Final Tax Billing - produced in August with instalment dates on the last business day of August and the last business day in November.

A levying by-law passed by Council is required in advance of either the Interim or Final tax billing.

Interim Tax Billings

Interim tax bills are produced in February 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 (50%) of any Downtown Improvement Area (DIA) charges, local improvement charges, and any special charges levied by the Town or required under provincial legislation (i.e. capping adjustments under Bill 140 for properties in the commercial, multi-residential, or industrial tax classes). Amounts added to the tax roll and deemed to be taxes may be added to the interim billing at one hundred percent (100%).

Final Tax Billings

Final tax bills are produced in August based on tax rates established by by-law. 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, Downtown Improvement Area (DIA) charges, any special charges levied by the Town or provincial legislation. The Interim tax billing will be deducted from the total tax amount calculated in order to produce the Final tax billing.

SUPPLEMENTARY TAX BILLINGS

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 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.

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 by-law is not required. Additional information such as the reason for the increase in the assessment and the effective date must be indicated on the bill.

The number of instalments and due dates of the supplementary bills will be determined by the Tax Collector and will allow for two instalment dates whenever possible. Due dates will be established, so as not to overlap with any previous billing due date(s) where practical. The first due date must be at least twenty-one (21) days after the date of mailing of the supplementary tax bill.

Penalties and interest are charged on supplementary taxes outstanding.

GENERAL

Mailings

The *Municipal Act*, Section 343(1) requires tax billings be post marked and mailed not later than twenty-one (21) calendar days from the date of the first instalment due date.

Bill Format

The tax billing issued will meet all requirements of the provincially legislated standard tax bill. Arrears are included solely in the first instalment due date amount. Instalment due dates will be indicated on the payment stubs. Billing messages may be used to relay information to ratepayers.

PAYMENTS AND RECEIPTS

Payment Methods

Payment will be accepted in the form of cash, cheque, interac direct payment, money order, bank draft, pre-authorized payment plan, electronic funds transfer, and internet and telephone banking payable to the Town of Hanover. Post-dated cheques will be accepted and held by the Town of Hanover. Payment of taxes will be accepted at the Town of Hanover Municipal Office in person or via mail to:

Town of Hanover
341 10th St
HANOVER ON N4N 1P5

Third party cheques will not be accepted.

Change will not be returned for cheques written in excess of the amount due on an account. Should a credit appear on the account as a result of the payment, it will be applied to subsequent instalments not yet due or not yet billed in the current year. At the written request of the ratepayer, a refund cheque will be issued to refund credits on account. The minimum amount of a refund cheque to be processed will be \$25.00. Credits of less than \$25.00 will remain on the account to be applied to future tax instalments.

Payment of a tax account by a cheque tendered in currency other than Canadian funds will be accepted at the exchange rate established by the financial institution the day the cheque is deposited to the Town of Hanover bank account.

Payments are applied to accounts in accordance with Section 347 of the *Municipal Act*. Payment is first applied against the oldest late payment charges, and when it is cleared, to the next oldest year outstanding late payment charges, until all late payment charges are completely discharged; then to the oldest year outstanding taxes, then to the next oldest year outstanding taxes, until the taxes are completely discharged.

Balancing and Bank Deposits

Cash drawers must be balanced and bank deposits done at least once per week. Any discrepancies in balancing must be brought to the attention of the Treasurer and/or Tax Collector as soon as it is discovered. Bank deposits are completed by a member of the Finance department and are reviewed by the Treasurer and/or Tax Collector for comparison to the amount posted to the general ledger at the time the bank reconciliation is completed at least once per month.

Returned Payments

If two cheques are returned from any financial institution due to non-sufficient funds within a twelve (12) month period on a ratepayer's account, personal cheques will not be accepted from that ratepayer for one year, unless certified.

If a payment made by monthly or instalment pre-authorized payment plan is returned from a financial institution due to non-sufficient funds, the account will be removed from the pre-authorized payment plan until such time as the account is brought up-to-date.

If a second payment made by monthly or instalment pre-authorized payment plan are returned from a financial institution due to non-sufficient funds within a twelve (12) month period, the account will be removed from the pre-authorized payment plan. This restriction will remain in place on the individual for a period of one year. If there is a recurrence of two more payments returned due to non-sufficient funds, cheques or payments made by pre-authorized payment plan will no longer be accepted from that individual.

If two payments made by pre-authorized payment on the arrears plan are returned from a financial institution due to non-sufficient funds within a twelve (12) month period, the account will be removed from the pre-authorized payment plan. This restriction will remain in place on the individual for a period of one year. If there is a recurrence of two more payments returned due to non-sufficient funds, cheques or payments made by pre-authorized payment plan will no longer be accepted from that individual.

A “returned payment administration fee” will be added to an account in accordance with the Town of Hanover Fee Schedule for a second or subsequent returned payment in a twelve (12) month period. No administration fee will be added for a first offence within a twelve-month period.

COLLECTION – PAYMENT INCENTIVES

There are five basic avenues set out by legislation to promote timely payment of taxes.

1. Penalty/Interest

The purpose of penalty is to persuade ratepayers to pay on time. The rate at which penalty and interest is charged is set out in the Town of Hanover tax rate bylaw each year. The municipality may review this rate each year, but cannot exceed the maximum percentage established by legislation (currently 1.25% per month). Penalty and interest is charged pursuant to the requirements set out in Section 345 of the *Municipal Act*. Penalty is calculated and applied to accounts on the first business day of the month following the instalment due date. Interest is applied to accounts on the first business day of each month thereafter.

2. Tax Registration/Tax Sale

Properties where any part of tax arrears are owing with respect to land on January 1 in the third year following the arrears 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 in which to redeem the property for all taxes, interest and penalty outstanding, plus associated legal and/or administrative costs. A contracted tax registration firm may be used to process the required statutory notices/declarations.

Registration is a last resort and should be avoided if possible by encouraging the ratepayer to either make full payment or to enter into a mutually agreed upon payment plan by signing a letter of agreement outlining the terms of the 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.

3. Third Party Collections

a) Collection Agency

At the discretion of the Treasurer and/or Tax Collector, the Town of Hanover may contract the services of a collection agency registered under the Collection Agencies Act to recover unpaid property taxes. The services of the collection agency will be contracted for a period of six (6) months, after such time the debt, if uncollected, will be returned to the municipality to pursue alternative collection efforts.

Under Section 304 of the *Municipal Act*, the municipality may recover reasonable costs of using a registered collection agency to recover property taxes as long as the costs do not exceed the amount approved by the municipality.

b) Bailiff Action

The Town of Hanover may issue a warrant to seize and sell the personal property of a property owner to recover unpaid taxes after the due date under Section 351 of the *Municipal Act*. There are two situations in which the Town of Hanover will use a bailiff to seize personal property of a property owner:

- i) to avoid the property falling into a tax sale position.
- ii) when it is the opinion of the Treasurer and/or Tax Collector that the value of the land would not cover the amounts owing on the account if sold through tax sale and if there is no other means to collect the balance due.

4. Rent Attornment

Under Section 350 of the *Municipal Act*, the Town of Hanover may seize the rents of an income producing property, whether commercial or residential, upon giving proper notice. This is a severe action and should only be initiated after adequate notice and when other methods of collection have been unsuccessful.

5. Additional Collection Tools

The following additional tools are available to assist in the collection of tax arrears:

- Arrears Notices
- Form or personalized letters
- Telephone follow-up
- Arrears pre-authorized payment plan
- Interviews
- Title Searches – Third Party Notification

STEPS and TIMING OF COLLECTION PROCEDURE

1. Interim tax notices are sent in February. Final tax notices are sent in August. Tax arrears owing at the time of billing are included in each tax notice and included in the first instalment owing on the notice. Variances of timing for notices may occur, but will be issued in as similar a manner as possible.
2. Penalty and interest are charged according to Municipal bylaws. Penalty is added to the account on the first business day of default on an instalment, and interest is charged on the first business day of each month thereafter. The rate for penalty and interest is established each year by bylaw.
3. Standard reminder or arrears notices are mailed at the start of each month and after each due date. In months where tax notices are mailed, a reminder notice will not be produced as arrears appear on the tax notice. Notices are to be mailed not later than the 10th day of the month. Reminder notices for less than \$10.00 are not produced, as it is not cost-efficient to do so, but are instead included on a subsequent tax notice as arrears. Balances of \$1.99 or less are subject to a small balance write-off at December 31 each year.
4. Any notice sent by regular mail is considered to be delivered to and received by the addressee unless the notice is returned by Canada Post or an error in the mailing address is proven. It is the ratepayer's responsibility to notify the Town of Hanover of any change in mailing address in writing. Failure to notify the Tax Department of an address change in writing is not a municipal error.
5. Priority of tax accounts for collection is:
 - (i) Tax accounts with two or more previous years outstanding
 - (ii) Tax accounts with one previous year outstanding
 - (iii) Tax accounts with current year only outstanding

6. The timetable for collection of tax arrears is:

- i) Tax accounts with outstanding amounts in the current year only or any amount in the previous year are sent regular arrears notices.
- ii) Tax accounts with any amounts owing in the previous year are sent a collection letter in the second quarter of the year asking for payment in full or a satisfactory payment arrangement to be made by a specified date (usually July 31). If an acceptable payment arrangement is made, the account is monitored for compliance and follow-up is done in writing or by telephone as required. The first collection letter for accounts with amounts owing in the previous year is as attached in Schedule 'A'.

If no arrangements are made, a second collection letter is sent by regular mail in the third quarter of the year advising the property owner(s) that the arrears must be cleared by December 31 of the current year. The second notice will also include a warning that the property will be eligible for tax sale on January 1st of the following year if payment arrangements are not made. The second collection letter for accounts with amounts owing in the previous year are as attached in Schedule 'B'.

Standard arrears notices will continue to be issued as well for accounts with arrears in the previous year.

- iii) Tax accounts with any amount owing in the second previous year are sent a final collection letter by registered mail to the owner(s) in the first quarter of the year asking for payment in full or a mutually agreed upon payment arrangement to be made by a specified date (usually the end of February). If an acceptable payment arrangement is made, the account is monitored for compliance and follow-up is done in writing or by telephone as required.

Standard arrears notices will continue to be issued.

The final collection letter is as attached in Schedule 'C'.

If no reply is received, or a suitable payment arrangement is not made by the specified date, the Town of Hanover may proceed with registering a Tax Arrears Certificate on title of the land and move forward with Tax Sale proceedings under Section 373 of the *Municipal Act* for any property that is in its second year of tax arrears.

- iv) Any payment arrangements that are entered into will include a paragraph stating that any default in payment arrangements will render the payment plan void and will result in the property being registered for tax sale, if eligible.

The minimum acceptable payment amount under a payment plan is two (2) times the current monthly penalty and interest charges plus one twelfth (1/12) of the current annualized property taxes.

Payment arrangements must be confirmed in writing and signed by the property owner/payer and Treasurer or Tax Collector. The Payment Arrangement letter is as attached in Schedule 'D' and will be provided in duplicate.

- v) At the discretion of the Treasurer and/or Tax Collector, a title search may be done to obtain information on any mortgage holder(s). If there are mortgages registered on the title of the property, the mortgage holder(s) is then notified of the outstanding taxes and payment is requested. Taxes must be in arrears more than one (1) year for a title search to be completed.
- vi) If no reply is received from the property owner or interested parties, a bailiff may be used at the discretion of the Treasurer and/or Tax Collector. Taxes must be in arrears a minimum of two (2) years for a Bailiff to be used. A letter will be sent to the property owner when a Bailiff is assigned informing the property owner that additional costs will be incurred on the account.

Rent attornment may also be used by the Bailiff on receipt of written authorization from the Treasurer and/or Tax Collector.

- vii) Satisfactory payment arrangements may include any of a combination of: a lump sum payment, enrolment in the arrears pre-authorized payment plan, a series of post-dated cheques, or payment by any other accepted method of payment by a specified date or on a specified payment schedule. Penalty/Interest charges will continue to accrue throughout the term of the payment agreement as required.
- viii) All costs incurred for collection to obtain information and /or collect tax arrears are payable by the property owner and are added to the tax account. These costs may include, but are not limited to:
 - Title search fees
 - Corporate search fees
 - Registered mail
 - Administrative charges
 - Legal fees
- ix) The Treasurer and/or Tax Collector appointed by the Town of Hanover has the authority to exercise discretion in the application of these policies where unusual circumstances are apparent in order that consistent fairness is provided to the taxpayer and municipal procedures are maintained in principal, pursuant with approved policies and/or where governed by legislation.

SMALL BALANCE WRITE-OFF

In some circumstances, there remains a balance owing on a taxpayer's 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 off the amount. The Town authorizes the Treasurer and/or Tax Collector to approve such write-offs for outstanding amounts equal to or less than \$1.99 at the end of each year.

LATE PAYMENT CHARGE ADJUSTMENTS

Late payment charges are adjusted only when the following circumstances occur:

- i) Taxes are adjusted under Section 354, 357, or 358 of the *Municipal Act*
- ii) Taxes are adjusted due to an Assessment Review Board Decision
- iii) Taxes are adjusted according to a decision of the courts
- iv) Interest or penalty was charged as a result of an error or omission made by the Town.

COUNCIL REPORTING

The Finance Department will provide Council with totals of tax arrears on a monthly basis. All Notices of Sale of Properties under the Sale of Land for Tax Arrears shall be reported to council before the Notice is published.

SCHEDULE 'A'
Notice to Property Owner – First Collection Letter

Date

BY REGULAR MAIL

Owner(s) Name
Owner(s) Address

RE: Property Tax Arrears <<Property Address>>
Payment required immediately – Balance Owing <<\$Balance>>
Roll No. 4229 ### ## ### ##

Please find enclosed a Statement of Unpaid Taxes for the above-mentioned property.

A review of our records indicates that this property is in tax arrears.

On January 1, <<Next Year>>, for any property with tax arrears owing from <<Last Year>>, the municipality may commence tax registration procedures by registering a tax arrears certificate against that property. One year from the date a tax arrears certificate is registered, the municipality may advertise the property to be sold for the tax arrears owing. Additional costs will be added onto the tax account as this process continues.

Payment of \$####.## is required on or before <DATE> to bring this account current.

Please contact the undersigned at 519-364-2780 ext. ### with any questions or to make arrangements to bring your tax account into good standing.

Yours truly,

NAME
Deputy Treasurer-Tax Collector

Encl.

SCHEDULE 'B'
Notice to Property Owner – Second Collection Letter

Date

BY REGISTERED MAIL

Owner(s) Name
Owner(s) Address

RE: Property Tax Arrears <<Property Address>>
Payment required immediately – Balance Owing <<\$Balance>>
Roll No. 4229 ### ## ## ## ## ## ## ## ## ##

Please find enclosed a Statement of Unpaid Taxes for the above-mentioned property.

A review of our records indicates that this property is in tax arrears.

Under Section 373 of the *Municipal Act*, on January 1, <<NEXT YEAR>>, for any property with tax arrears owing from <<LAST YEAR>>, the municipality may commence tax registration procedures by registering a tax arrears certificate against that property. Once tax sale procedures begin, partial payments cannot be accepted on the tax account. One year from the date a tax arrears certificate is registered, the municipality may advertise the property to be sold for the tax arrears owing. Additional costs will be added onto the tax account as this process continues.

Please be advised that your property currently has been in tax arrears since <<LAST YEAR>>. You will have until December 31, <<CURRENT YEAR>> to make arrangements to bring your tax account into good standing before the municipality registers a tax arrears certificate against your property in January <<NEXT YEAR>>. The balance of arrears owing on your account as of today's date is <<\$BALANCE>>.

To avoid having a tax arrears certificate registered against your property, please contact the undersigned at 519-364-2780, ext. ### to make arrangements to bring your tax account into good standing.

Yours truly,

NAME
Deputy Treasurer-Tax Collector

Encl.

SCHEDULE 'C'
Notice to Property Owner – Two Years Arrears – Final Collection Letter

Date

BY REGISTERED MAIL

Owner(s) Name
Owner(s) Address

RE: Property Tax Arrears <<Property Address>>
Payment required immediately – Balance Owing <<\$Balance>>
Roll No. 4229 ### ## ### ##

Please find enclosed a Statement of Unpaid Taxes for the above-mentioned property.

Further to our letter dated <<DATE OF SECOND NOTICE>>, the Town of Hanover is now in a position to begin tax sale proceedings against this property.

Under Section 373 of the Municipal Act, on January 1, <<THIS YEAR>> for any property with tax arrears owing from <<2 Years Ago>>, the municipality may commence tax registration procedures by registering a tax arrears certificate against that property. Once tax sale procedures begin, partial payments cannot be accepted on the account. One year from the date a tax arrears certificate is registered, the municipality may advertise the property to be sold for the tax arrears owing. Additional costs will be added onto the tax account as this process continues.

To avoid having a tax arrears certificate registered against your property, please contact the undersigned at 519-364-2780 ext. ### on or before <<DATE-End of Month>> to make arrangements for payment.

Yours truly,

NAME
Deputy Treasurer-Tax Collector

Encl.

SCHEDULE 'D'
Payment Arrangement Letter

Date

BY REGISTERED MAIL

Owner(s) Name
Owner(s) Address

RE: Property Tax Payment Agreement
<<Property Address>> <<Legal Description>>
Roll No. 4229 ### ## ##### ##

Please find enclosed a Statement of Unpaid Taxes for the above-mentioned property showing a current balance of \$##,###.##.

The details and terms of the payment arrangement agreed to for the account named above are as follows:

- 1) Payment of \$###.## each month will be made to the Town of Hanover by the <DAY(usually last business day)> of each month starting <MONTH>, <YEAR>, and will be made either by cash, cheque, interac, telephone/internet banking or pre-authorized debit.
- 2) Payment is applied first to all penalty and interest charges starting with the oldest charges outstanding, and then to the principal starting with the oldest amount outstanding.
- 3) The owner, or any other person may, at any time, make additional payments on the account with payment applied in the same manner as outlined in (2) above.
- 4) Any correspondence regarding this tax account will be sent to the address above. It is the responsibility of the owner to advise the Town of Hanover in writing of any change in mailing address or phone numbers.
- 5) In the event the owner/payer defaults on any payments, the property will immediately be placed in the same position it was before beginning this payment plan, and if eligible, a tax arrears certificate will immediately be registered.

By signing this payment arrangement, you are agreeing to the payment terms outlined above.

Please return the signed letter on or before <DATE> to confirm your agreement with this payment plan. In the event that a suitable agreement is not entered into by <DATE>, a tax arrears certificate will immediately be registered.

<NAME>, <TITLE>
TOWN OF HANOVER

Date

Property Owner/Payer
Property Address

Date