



Subject: Property Tax Arrears

Report Number: FIN 22-29

Department: Finance Department

Submitted by: Ted Lyons, Revenue Manager

Meeting Type: Council Meeting

Meeting Date: Monday, December 12, 2022

RECOMMENDATION

THAT Council receives report FIN 22-29 - Property Tax Arrears as information.

BACKGROUND

The Town is responsible for the collection of approximately \$31.5M annually through property tax receivables. This includes property tax levies for the Town, County, School Boards & BIA.

Finance staff conduct an annual review of property tax arrears to identify properties that are set to become eligible for tax sale procedures and to recognize properties with potential collection issues.

Sec. 373(1) of the Municipal Act, 2001, c.25, authorizes a municipality to initiate tax sale procedures once a property has at least 2 years of property tax arrears. Prior to 2017, a property was required to have at least 3 years of property tax arrears to become eligible for tax sale procedures.

The Town continues to use the 3 year threshold, which is common practice amongst other municipalities. Tax sale procedures are used as a last resort and staff first attempt to work with property owners to provide information, facilitate payment plans and better understand the circumstances behind the arrears, before moving ahead with tax sale procedures.

Past due notices are issued quarterly, after each property tax installment due date, to all property owners in arrears. Including the interim and final property tax bills, a property owner in arrears will receive six notices throughout the year outlining their past due balance.

DISCUSSION

Realtax Recovery Specialists assist the Town with tax sale procedures and 100% of their fees charged are recoverable against the property tax account, as long as there is a successful tax sale. If there are no successful bids submitted at the tax sale, the Town has 2 years to decide if they want to take ownership of the property. Tax sale fees are charged on a progressive basis and can be in excess of \$2,500.

Of the 13 properties with arrears from 2019 or prior that are eligible for tax sale, staff have submitted 5 property files to Realtax to commence tax sale procedures. Realtax is preparing the necessary title searches and documentation needed to proceed with the registration of Tax Arrears Certificates. Once a Tax Arrears Certificate is registered on title, the property owner(s) will have one calendar year to pay the full amount owing before the property becomes eligible for tax sale. Of the remaining 8 properties eligible for tax sale, payment arrangements have been made to get caught up and staff are monitoring those accounts to ensure the owners keep to the arrangements.

Notice will be sent to property owners with 2020 arrears in January 2023, advising of pending tax sale procedures. That notice will outline the minimum payment required to avoid tax sale procedures and will encourage the property owner to contact the Tax Department to make payment arrangements if needed.

The Ministry of Municipal Affairs and Housing reviews each municipality's financial health through the use of key financial indicators in relation to established provincial thresholds. A Financial Indicator Review is returned in response to the Town's annual filing of the Financial Information Return (FIR). A key sustainability indicator in this report compares outstanding taxes receivable as a percentage of total taxes levied and categorizes the risk level as low, medium or high. The Town's tax receivables continue to be categorized as low risk and staff anticipate a further reduction in property tax receivables before year-end.

CONSULTATION

This report has been completed in consultation with the Interim Director of Finance / Treasurer & Realtax Recovery Specialists.

FINANCIAL IMPACT/FUNDING SOURCE

The below chart outlines the Town's outstanding property tax receivables by year.

| | 2022 | 2021 | 2020 | 2019 | <= 2018 | Total |
|-----------------|--------------------|----------------|------------------|-----------------|-----------------|--------------------|
| Taxes | \$1,005,071 | 186,695 | \$96,665 | \$37,136 | \$27,264 | \$1,352,830 |
| Interest | \$46,081 | \$36,871 | \$31,770 | \$10,574 | \$20,360 | \$145,655 |
| Total | \$1,051,152 | 223,566 | \$128,435 | \$47,710 | \$47,624 | \$1,498,485 |

FIN 22-29 – Property Tax Arrears

The below chart outlines the number of property tax accounts in arrears by year.

| | 2022 | 2021 | 2020 | 2019 | <= 2018 | Total |
|--------------|------|------|------|------|---------|-------|
| Taxes | 638 | 85 | 24 | 4 | 9 | 760 |

As the Town ultimately recovers all the costs incurred for the tax sale proceedings from the proceeds of a tax sale, there is no net impact to the Town's financials (unless the property is not sold and becomes vested with the Town).

CORPORATE GOALS

How does this report support the corporate goals identified in the Community Strategic Plan?

- ☐ Lifestyle and amenities
- ☒ Customer service, communication and engagement
- ☐ Business attraction, retention and expansion
- ☐ Community growth
- ☐ Connectivity and transportation
- ☐ Not Applicable

Does this report relate to a specific strategic direction or project identified in the Community Strategic Plan? Please indicate section number and/or any priority projects identified in the plan.

Goal – The Town of Tillsonburg will strive for excellence and accountability in government, providing effective and efficient service, information, and opportunities to shape municipal initiatives.

Strategic Direction – N/A

Priority Project – *Short Term* – Financial Sustainability Plan

ATTACHMENTS

N/A