

Date: 2021-05-11

Subject: Status of Tax Collection Accounts

Contact: Martin Finnegan, Sr. Manager, Revenue 905-874-2201
martin.finnegan@brampton.ca

Report Number: Corporate Support Services-2021-407

Recommendations:

That the report titled: **Status of Tax Collection Accounts**, to the Committee of Council meeting on June 9, 2021 be received.

Overview:

- **The Tax Billing and Collection Policy (# 13.10.0) includes a requirement to report annually to Council outlining the status of the City's overdue tax accounts.**
- **This report provides information on the collection activities and status of property tax accounts that are in arrears.**

Background:

The Tax Billing and Collection Policy # 13.10.0 (***The Policy***) includes a requirement to report annually to Council outlining the status of the City's overdue tax accounts. *The Policy* provides the framework for the administration of the City's property taxes receivable including the processes to be followed when accounts fall into arrears.

Overdue notices are typically produced two times per year (May and October) for accounts in arrears and are mailed to the taxpayer. Due to the onset of the pandemic in late March 2020, the notices usually processed in May were cancelled. The notices were produced in October to ensure all taxpayers in arrears were aware of their account balance. Overdue notices provide the taxpayer with the status of their property tax

account showing the amount of taxes in arrears plus penalties, interest and items added to the tax roll.

As per *The Policy*, once an account is two years in default, collection letters are sent in the last quarter of each year advising the owner of potential Tax Sale proceedings if the account remains in arrears as of January 1st of the following year. The letter requests payment in full but also extends the property owner the opportunity to make specific payment arrangements to clear the account.

All tax accounts three years or more in arrears will be subject to collection proceedings, which could lead to a tax sale to settle the arrears as provided for by the *Municipal Act, 2001*. A title search will be conducted to confirm the current ownership and identify any parties with a registered interest in the property. The City must provide information on outstanding tax arrears to all registered interested parties shown on the property records of the Land Registry Office. Such notice is often successful in securing payment before initiation of the Tax Sale process.

After the third year of default, the City may employ the services of a third party to assist with collection. Since 2006, the City has utilized the service of a bailiff for the collection of tax arrears for both residential and non-residential properties.

If the bailiff is unsuccessful in collecting the tax arrears and the account is still three years or more in arrears, then a "Tax Arrears Certificate" is registered on title for a period of one year. After the "Tax Arrears Certificate" is registered, only full payment of taxes, penalties, interest, and other costs can be accepted by the City.

After the "Tax Arrears Certificate" is registered, and the one year registration period has expired, the property is then liable for Tax Sale.

In response to the COVID-19 pandemic, Council approved the report titled "Relief Measures for Overdue Property Taxes" on September 30th. These measures included the suspension of the following collection activities, as prescribed in *The Policy*, for accounts that were three years in arrears:

- Registration of tax arrears certificate
- Tax Sale of Property
- Important Overdue Notices

Current Situation:

As of December 31, 2020, the City of Brampton administered 172,655 property tax accounts with an annual combined billing for City, Region, and Education taxes of approximately \$1.21 Billion. The total amount of taxes billed but not yet collected (Taxes Receivable) as of year-end 2020 was \$84,778,952 or 7.02% of the 2020 billings.

Table 1 - Taxes Receivable Comparison 2018-2020, shows comparative percentages of total taxes receivable as of December 31, 2020 compared to 2019 and 2018. These figures include tax amounts billed in the current year, but with a due date that could also be in the following year (future dues).

The figures in Table 1 show that Brampton's annual billing for 2020 increased by approximately \$31.2 Million or 2.66% compared to 2019. In the same period the total taxes receivable has increased by about \$ 22.5 Million or 36.11%.

A sample of the collection activities performed by Collection staff during 2020 is summarized in **Table 2 - 2020 Collection Activity Summary with Comparative Figures to 2018 and 2019**.

TABLE 1

TAXES RECEIVABLE COMPARISON 2018-2020								
2018 Total Annual Billing	Taxes Receivable December 31, 2018	2018 Taxes Receivable vs Billing Amount	2019 Total Annual Billing*	Taxes Receivable December 31, 2019*	2019 Taxes Receivable vs Billing Amount*	2020 Total Annual Billing*	Taxes Receivable December 31, 2020*	2020 Taxes Receivable vs Billing Amount*
\$1,151,290,163	\$63,503,242	5.52%	1,176,317,360	62,284,955	5.29%	\$1,207,555,276	\$84,778,952	7.02%

* FIR preliminary figures

TABLE 2

2020 COLLECTION ACTIVITY SUMMARY WITH COMPARATIVE FIGURES TO 2018 AND 2019			
Activity	Volume 2018	Volume 2019	Volume 2020
Overdue Notices	58,345	56,060	29,701 (No May Notices Sent due to COVID-19)
Title Searches	412	454	552
Tax Arrears Certificates Registered	31	32	0 (Due to COVID-19 Council approved measures)
Accounts Assigned to Bailiff	91	94	7 (Recalled due to COVID-19 Council approved measures)
Tax Sale	2	4	0 (Due to COVID-19 Council approved measures)

Corporate Implications:

N/A

Term of Council Priorities:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial revenues.

Conclusion:

In accordance with Council approved relief measures due to the COVID-19 pandemic, certain collection procedures and actions were suspended for the year 2020.

At the Committee of Council on March 10, 2021 Council approved the report titled "Options for 2021 Property Tax Assistance". Accounts three years in arrears are not eligible for this deferral program. Council also approved the resumption of collection activities and staff are now actively working with taxpayers to facilitate suitable payment arrangements. In 2021 staff will continue to work with taxpayers and execute appropriate collections activities as directed under the *Municipal Act, 2001* and *The Policy*.

Authored by:

Reviewed by:

Martin Finnegan, Senior Manager,
Revenue

Mark Medeiros, Treasurer (Acting)

Approved by:

Submitted by:

Michael Davidson, Commissioner,
Corporate Support Services

David Barrick, Chief Administrative Officer