

Date: 2022-05-20

Subject: **Status of Tax Collection Accounts - 2021**

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Report Number: Corporate Support Services-2022-134

Recommendations:

That the report titled: **Status of Tax Collection Accounts**, to the Committee of Council meeting on June 8, 2022 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. Overdue notices provide the taxpayer with the status of their property tax account showing the amount of taxes in arrears plus penalties, interest and potentially 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.

Current Situation:

As of December 31, 2021, the City of Brampton administered 175,192 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 2021 was \$64,701,846 or 5.33% of the 2021 billings.

Table 1 - Taxes Receivable Comparison 2019-2021, shows comparative percentages of total taxes receivable as of December 31, 2021 compared to the two prior years. 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 2021 increased by approximately \$5.5 Million or 0.46% compared to 2020. In the same period the total taxes receivable has decreased by about \$20.1 Million or 23.68%. This marks a significant drop from the levels of 2020 and back in-line with the pre-pandemic year of 2019. Though Council did approve a deferral by application program for 2021 taxation, only 184 applications were received. This data suggests that for the majority of

taxpayers, the pandemic has had minimal effect on property tax payments during 2021 and that many cleared payments that were outstanding from 2020.

A sample of the collection activities performed by Collection staff during 2021 is summarized in **Table 2 - 2021 Collection Activity Summary with Comparative Figures to 2019 and 2020.**

TABLE 1

TAXES RECEIVABLE COMPARISON 2019-2021								
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	2021 Total Annual Billing*	Taxes Receivable December 31, 2021*	2021 Taxes Receivable vs Billing Amount*
1,176,317,360	62,284,955	5.29%	\$1,207,555,276	\$84,778,952	7.02%	\$1,213,092,692	\$64,701,846	5.33%

* FIR preliminary figures

TABLE 2

2021 COLLECTION ACTIVITY SUMMARY WITH COMPARATIVE FIGURES TO 2019 AND 2020			
Activity	Volume 2019	Volume 2020	Volume 2021
Overdue Notices	56,060	29,701 (No May Notices Sent due to COVID-19)	75,330
Title Searches	454	552	467
Tax Arrears Certificates Registered	32	0 (Due to COVID-19 Council approved measures)	14
Accounts Assigned to Bailiff	94	7 (Recalled - COVID-19 Council approved measures)	98
Tax Sale	4	0 (Due to COVID-19 Council approved measures)	0

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 but resumed in 2021.

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 were not eligible for this deferral program. Council also approved the resumption of collection activities which allowed staff to actively work with taxpayers to facilitate suitable payment arrangements. As a result, tax receivables decreased from \$84.8 M in 2020 to \$64.7 M in 2021 which is comparable to years prior to the pandemic.

In 2022 staff will continue to work with taxpayers and execute appropriate collections activities as directed under the *Municipal Act, 2001* and *The Policy*.

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