

Date: 2023-05-26

Subject: **Status of Tax Collection Accounts - 2022**

Contact: Martin Finnegan, Senior Manager, Revenue

Report Number: Corporate Support Services-2023-475

Recommendations:

1. That, the report titled: **Status of Tax Collection Accounts**, to the Committee of Council meeting on June 21, 2023 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 including any 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 parties with registered interest 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, 2022, the City of Brampton administered 176,620 property tax accounts with an annual combined billing for City, Region, and Education taxes of approximately \$1.246 Billion. The total amount of taxes billed but not yet collected (Taxes Receivable) as of year-end 2022 was \$79,250,413 or 6.4% of the 2022 billings.

Table 1 - Taxes Receivable Comparison 2021-2022, shows comparative percentages of total taxes receivable as of December 31, 2022 compared to the prior year. 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 2022 increased by approximately \$33 Million or 3% compared to 2021. In the same period the total taxes receivable has increased by about \$14.5 Million or 22.5%.

A sample of the collection activities performed by Collection staff during 2022 is summarized in **Table 2 - Collection Activity Summary with Comparative Figures to 2021 and 2022.**

TABLE 1

TAXES RECEIVABLE COMPARISON 2021-2022					
2021 Total Annual Billing*	Taxes Receivable December 31, 2021*	2021 Taxes Receivable vs Billing Amount*	2022 Total Annual Billing*	Taxes Receivable December 31, 2022*	2022 Taxes Receivable vs Billing Amount*
\$1,213,092,692	\$64,701,846	5.33%	\$1,246,099,671	\$79,250,413	6.36%

* 2022 Financial Information Report (FIR) preliminary figures

TABLE 2

COLLECTION ACTIVITY SUMMARY WITH COMPARATIVE FIGURES 2021-2022		
Activity	Volume 2021	Volume 2022
Overdue Notices	75,330	70,986
Title Searches	467	501
Tax Arrears Certificates Registered	14	20
Accounts Assigned to Bailiff	98	153
Tax Sale	0	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:

Taxes receivable increased from \$65 Million to \$79 Million in 2022, which is still lower than in 2020, where the receivables were approximately \$85 Million due to the pandemic. Increases from previous years are typical due to the increase in billings resulting from new growth and annual tax levy increases. However, high inflation experienced throughout 2022 will also have caused pressure on homeowners' budgets. As well, several interest rate hikes throughout the year would have been burdensome to variable rate mortgage holders.

In 2023 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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