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## **Tax Collection Policy**

### **1. Purpose**

The Township of Southgate collects taxes on behalf of the Municipality, the County of Grey and the school boards, and is responsible to ensure all overdue Property Taxes are collected in a timely and systematic manner.

The purpose of this policy is to provide procedures, guidance and basis of decision making for the fair and equitable billing and collection of realty tax, tax penalty and interest, and amounts added to the tax roll. This policy establishes the responsibilities, internal controls, authorizations, and procedures ensuring the timely, accurate and efficient preparation and collection of property taxes.

### **2. Policy Scope**

This policy covers all aspects of billing and collection of overdue Property Taxes, up to and including the initiation of Municipal Tax Sale proceedings. All procedures related to a Municipal Tax Sale are carried out in accordance with the authority from Section 286 of the Municipal Act, 2001 which states that the Treasurer is responsible for invoicing, collection and reconciliation of all amounts payable to the Municipality.

### **3. Applicable Legislation**

- a. The Assessment Act
- b. The Municipal Act
- c. The Municipal Tax Sales Act
- d. The Township of Southgate By-Laws

### **4. Definitions**

- a. **Assessment** – the assessment for real property made under the Assessment Act according to the last returned assessment roll.
- b. **Cancellation Price** - an amount owing equal to all Tax Arrears, together with all current taxes owing, penalties and interest and costs incurred by the Municipality after the registration of a Tax Arrears Certificate under section 373 of the Act.
- c. **Change Events** – assessment changes resulting from:
  - Minutes of settlement resulting from Request for Reconsideration and Assessment Review Board Appeal Decisions;
  - Section 357/358/359 Application Decisions;
  - Charity Rebates; Assessor’s reports;
  - Post Roll Amended Notices (PRANs);
  - Advisory Notices of Adjustment (ANAs); Severance/Consolidation Apportionments; and
  - Other assessment of change documents issued by the Municipal Property Assessment Corporation (MPAC).



- d. **Collection Costs** - all costs incurred by the Municipality to obtain information for collection purposes and/or collect Tax Arrears including, but not limited to, title search fees, corporate search fees, registered or certified mail, administrative charges, tax registration initialization fee, legal costs and tax sale costs.
- e. **Extension Agreement** - a contract between the Municipality and the registered owner, spouse of the owner, a mortgagee or a tenant in occupation to extend the period of time in which the Cancellation Price is to be paid. The contract is entered into after the registration of a Tax Arrears Certificate and before the expiry of the one-year period following the registration date.
- f. **Omitted Assessment** - an assessed property which has not been recorded on the assessment roll. When an omitted assessment is added to the assessment roll, property taxes can be collected for the current year and, if applicable, for any part or all of the previous two years.
- g. **Penalties and Interest** - amounts applied by the Municipality to unpaid Property Tax accounts, in accordance with section 345 of the Act and applicable Municipality by-laws.
- h. **Municipal Tax Sale** - the sale of land for Tax Arrears according to proceedings prescribed by the Act and Ontario Regulation 181/03.
- i. **MPAC** - Municipal Property Assessment Corporation Property
- j. **Municipality** - means the Township of Southgate
- k. **Property Taxes** - the total amount of taxes for municipal and school purposes levied on a property and includes other amounts added to the tax roll as may be permitted by applicable Provincial legislation, including but not limited to outstanding fines under the Provincial Offences Act; charges pursuant to the Property Standards By-law with authority provided by the Building Code Act, cost recovery of remedial action taken by the municipality in accordance with Section 446 of the Act, water utility arrears and other outstanding fees and charges owed by the property owners in accordance with the Act.
- l. **Supplemental Taxes** - means extra, and the supplemental tax bill is in addition to the current tax bill already issued in change events - it does not replace a tax bill that has already been issued and received.
- m. **Tax Arrears** - any portion of Property Taxes that remain unpaid after the date on which they are due.
- n. **Tax Arrears Certificate** - a document that is registered on title, indicating the described property will be sold by public sale if all Property Taxes are not paid to the municipality within one year of the registration of the certificate.



- o. **Tax Collector** – the staff member currently responsible for billing and collection of property taxes, including but not limited to the Treasurer and Deputy Treasurer.
- p. **Tax Payer** – is a person whose name is shown on the tax roll as a property owner.

## **5. Tax Collection Policies and Procedures**

### **a. Tax Billing**

- The Tax Collector is charged with the responsibility of collecting the taxes. The Collector shall prepare two tax notices annually, an interim notice and a final notice for taxpayers in the Municipality.
- Each notice shall meet all requirements of Section 343 of the Municipal Act and state two installment due dates to facilitate a quarterly payment system.
- The Municipal Act, Section 343(1) requires tax notices be post marked and mailed or electronically delivered to each ratepayer no later than twenty-one days prior to the first installment due date for interim, final and supplementary notice.
- Any tax bill, arrears notice, or other related correspondence sent by ordinary mail, is considered delivered to and received by the addressee unless the notice is returned by the Post Office.
- It is the taxpayer's responsibility to notify the Municipality in writing of any mailing address changes. Section 343(6) of the Municipal Act, 2001 identifies that property tax bills shall be sent to the taxpayer's last known residence or place of business or to the premises where the taxes are payable, unless the taxpayer directs otherwise. This direction continues until it is revoked in writing.
- Where a mortgage company is required to pay taxes on behalf of the ratepayer, the Tax Collector may forward tax notices directly to the mortgage company upon receiving a request from the company.
- Failure to receive a tax bill will still result in penalty and interest charges being applied if the bill is not paid by the due date.
- A levying by-law passed by Council is required in advance of either an interim or final tax billing.
- Interim and final tax bills will be due and payable in two installments each year and the specific due dates will be identified in both the interim and final by-laws passed by the Municipality. The Interim tax bills will have due dates in March and June and the Final tax bills will have due dates in August and October.

### **b. Tax Bill Format**

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

### **c. Tax Billing Cycle**

Taxes will be billed on the basis of four installments per year as established by Township by-laws. The installments and due dates are as follows:



- Interim Levy: The interim tax levy shall be levied upon all taxable assessments according to the last revised assessment roll and shall be produced based on 50% of the annualized taxes of the property for the previous calendar year, in accordance with Section 317 of the Municipal Act following the guidelines 21 days prior to due date, with installment dates in March and June.
- Final Levy: The final tax levy shall be based on the current year tax rates as set out in the final levying by-law passed by Council and applied to the phased-in assessment value for the current year according to the last revised assessment roll, provided to the Municipality by MPAC, and sent following the guidelines in the Municipal Act (21 days prior to due date), with installment dates in August & October.

**d. Supplemental and Omitted Assessments**

- Supplementary tax notices will be billed at various times throughout the year as assessment information is received from MPAC (Municipal Property Assessment Corporation).
- Due dates will be set at the discretion of the Tax Collector with an effort to have them coincide with the regular tax installment due dates.
- There are two sections of the Assessment Act that allow for taxation of rateable property not included in the annual revised assessment 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 the 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.

**e. Assessment Change Events**

- Tax credit notices are produced as soon as practicable after receipt of documentation from the Municipal Property Assessment Corporation (MPAC).
- Applicable credits will be applied to the tax roll and a covering letter mailed to the Taxpayer with a credit notice to indicate that the credit will remain on the tax roll account to carry forward to future taxation, unless written request is submitted by the property owner to have the credit balance refunded to them.

**f. Maintenance of Records**

- Ownership, address, assessment and other changes will be made regularly to keep tax records up-to-date to ensure that the Municipality bills accurately and to enable correct reporting.
- It is the owner's responsibility to provide this information to the Municipality on a timely basis.
- Ownership changes will only be completed using the following documentation:
  - Deed from a customer or lawyer;
  - Lawyers' letter indicating a change in ownership;
  - Municipal Sales Listing received from the Municipal Property Assessment Corporation (MPAC);
  - Death Certificate;
  - Marriage Certificate.



## **6. Severances & Consolidation of Properties**

- From time to time property owners will apply for severances of their properties under the authority of the Planning Act. If granted by the Committee of Adjustment the assessment values must also be split between all the parcels of land. As part of their legislated services MPAC provides the divided assessment information.
- Under the authority of the Municipal Act, section 356 the Treasurer may divide the assessment roll into the parcels being severed and direct the property taxes accordingly.
- Upon receipt of the divided assessment from MPAC the Municipality will monitor the report to ensure that MPAC picks up the split for the following year's returned assessment roll.
- As severed portions of land are often sold, the Municipality will not recalculate the property taxes for a part year. It is understood that the seller's and buyer's lawyers would address who owes what as part of the property sale process.
- Consolidations are processed by MPAC at the written request of the property owner. Property owners should contact MPAC directly.

## **7. Payments**

### **a. Methods of Payment**

- Taxes are payable at the Municipal Office.
- Payment of taxes must be received in the Municipality's administration office, on or before the due date. Payments not received on time are subject to Penalties and Interest.
- The following are the modes of payments available for the property owner's use:
  - Telephone or Internet Banking – using the fifteen-digits from roll number as the account number (please note: property owners must allow at least 2-3 business days in order for the payment to reach the Township of Southgate's financial institution)
  - Visa or Mastercard through the Municipality's third-party payment provider. This can be accessed online through our website Southgate.ca and has an additional service charge from the provider.
  - Preauthorized Payment Plans (PAPs) (installment based or monthly – 1st or 25th of each month). Requests can be made through the website or by requesting the form.
  - Post dated cheque(s) made payable to the Township of Southgate
  - In person – at the counter by cash, cheque, debit or money order
  - Payments by a mortgage holder
  - Other alternatives as approved by the Treasury Department
- Receipts will be provided for all cash payments and upon request by the registered owner for all other methods of payment.

### **b. Applications of Payments**

In accordance with the Municipal Act, 2001 Section 347 payments shall be applied as follows:

- First to all Penalty and Interest Charges



- Then to the taxes starting with the oldest taxes up to the current taxes
  - Then to other charges that have been added to the roll (if any)
- c. **Mortgage Company Payments**
- A mortgage listing of roll numbers, taxes due and owing and the due dates, in standard format will be provided to each mortgage company who has provided the Municipality with notification that they hold an interest in a particular property.
  - Property Tax bills and notices are mailed to the address of the property as shown on the tax roll unless the taxpayer advises the Municipality, in writing, of an alternate mailing address. Use of the alternate mailing address continues until it is revoked in writing or ownership of the property changes.
- d. **Pre-Authorized Payment Plan (PAP)**
- To assist property owners who prefer to equalize their annual tax payments the following preauthorized payment plans are offered:
    - i. Monthly
      - Provides for a withdrawal from the property owner's bank account to the Municipality's bank account, on the last business day of each month an amount sufficient enough to ensure that all taxes billed are paid within the current year.
      - Property owners are eligible if their account is paid up to their chosen date of enrollment.
      - If balances remain on the applicable tax account during the current year while on a PAP, penalty and interest does not apply.
      - If a property owner's payment fails to clear the bank two (2) consecutive times, the Municipality reserves the right to terminate the plan and penalty and interest will apply from that point forward.
      - The dollar amount to be withdrawn from the participants' account shall be recalculated twice a year:
        - Once in January, calculating a monthly amount based on the previous current year's taxes averaged over twelve payments, to take effect on January 31st of the year. For example in January 2024 take the total taxes for 2023 and divide them by 12. This would give the monthly withdrawal amount commencing on January 31<sup>st</sup>, 2024; and
        - After the calculation of the final bill. In both cases the property owner shall receive a notification as to the dollar amount change. This calculation would be the current year's taxes, less what has been paid, adding any outstanding amounts and divided by the remaining months (or withdrawals) in the year.
    - ii. Installment
      - Provides for a withdrawal from the property owner's bank account to the Municipality's bank account, on the due date an amount sufficient enough to ensure that all taxes due and payable on the said date are paid in full.
      - Property owners are eligible if their account is paid up to their chosen enrolment date.



- If a property owner's payment fails to clear the bank, two (2) consecutive times, the applicant relinquishes their right to participate in the program. Penalty and interest will be applied to all amounts past due.
  - To participate in any of the Preauthorized Payment Plans applicants must submit an application in writing on the Municipality's prescribed form and submit it a minimum of twenty (20) calendar days prior to the payment withdrawal date.
  - Participants in the program wishing to make changes to their application (for example banking information), or cancel their participation in the program must do so in writing a minimum of twenty (20) calendar days prior to the payment withdrawal date.
  - Note that pre-authorized payment plans are an alternative payment plan of the tax bills that are issued with posted due dates, offered as a courtesy. Failure to keep the arrangement in good standing will result in the cancellation of this courtesy.
- e. **Returned Payments**  
Payments not clearing the payer's bank will result in the payment being removed from the applicable tax account and an administrative fee, as indicated in the Municipality's User Fee Bylaw, being added to the applicable account.
- f. **Refunds of Overpayments or Adjustments**
- It is the policy of the Treasury Department to issue refunds for overpayments or credit balances resulting from a tax adjustment, where there is a request from the ratepayer.
  - In the case of what appears to be a duplicate payment, refunds will only be issued upon request and are subject to the Administration Fee for issuing a refund, as outlined in the Township's Fees and Charges By-Law. The refund may take up to two weeks after receiving the request.

## **8. Late Payments and Arrears**

### **a. Late Payment, Interest and Penalty Charges**

- Interest is added to previous year's arrears and Penalty is added to over-due current taxes on the first day of each month.
- All Tax Arrears are subject to penalties and interest. In accordance with the Municipal Act, section 345 and the Municipality's bylaws, penalty and interest shall be charged at the rate of 1.25% per month on any tax arrears that remain outstanding on the first calendar day of each month. The penalty run is generated in the first three (3) business days of the month, so as to allow for processing of all payments received.
- Interest and Penalty is adjusted only in when the following situations arise:
  1. Taxes are adjusted under Sections 354, 357 or 358 of the Municipal Act, 2001;
  2. The post mark on mailed payments being clearly from the previous month;
  3. Taxes are adjusted following an Assessment Review Board decision;
  4. Taxes are adjusted in accordance with a decision of the Court(s);



5. Approved by the Treasurer or designate as gross or manifest clerical errors.
6. In extraordinary circumstances, there may remain a balance owing on a taxpayer's account after a payment is received. When the remaining amount is small enough that it is not cost effective to incur the costs of collection, it may be expedient to write-off the amount. Upon request, the Treasurer shall have the authority to approve such write-offs for outstanding amounts of up to \$50.00 once per tax account during the lifetime of the ownership.

**b. Arrears Notices**

- Notice of Property Tax Arrears will be mailed to taxpayers in default of payment a minimum of two times a year. Additional notices may be sent at the discretion of the Treasurer. Additionally, both interim and final tax bills will show past due balances in the summary section of the Tax Bill.
- The Municipality may search the title to the property to determine interested parties to property (i.e. mortgagees) and contact them to advise the tax arrears status of the property. The cost of the search will be added to the tax roll account.

**9. Tax Registration**

**a. Tax Registration Process**

- Arrears of two years may be subject to the Tax Registration process commencing on the first day of the following year. Each year, the Municipality will review its property tax aged ledger summary for individual property tax accounts that are at 2 years or more in arrears. If acceptable payment arrangements are not negotiated, then the Municipality may select properties that meet legislated criteria to be subject to the municipal tax sale process.
- A letter informing property owners of potential tax registration will be sent in advance of initiating the procedures. The letter will indicate a deadline, not less than twenty-one days after the date of the letter by which payment or arrangements suitable to the Tax Collector are made.
- Once tax registration procedures commence, the property owner or interested party has one year from the date of registration in which to redeem the property by paying the 'Cancellation Price' which includes all taxes, penalty and interest outstanding, including all associated legal and administration fees and costs.
- If a Tax Arrears Certificate has been registered against a property under the Municipal Tax Sales Act, no partial payments can be accepted by the Municipality as per section (347(3)) of the Municipal Act "No part payment shall be accepted on account of taxes in respect of which a tax arrears certificate is registered under this Act except under an extension agreement entered into under section 378."





- All correspondence regarding the account will be directed to the Township's Tax Collector.
- The Municipality's solicitor or a contracted tax registration firm may be used to process the required statutory notices/declarations.
- Fees will be added to the account as established by Municipal by-law from time to time, throughout the tax registration process to cover all costs associated with registration of the property.

**b. Extension Agreement**

- A taxpayer in Tax Registration may request an Extension Agreement, which will extend the period of time in which the balance outstanding is to be paid. The Tax Collector may enter into an agreement with the Owner before the property is registered. After the property is registered, the Treasurer must approve the request within one year of the date that the property was registered for Tax Sale.
- Extension agreements are subject to terms and conditions set out in the agreement and are established on a property by property basis using the following guidelines:
  1. Maximum term of the agreement is 12 months from entering into the Extension Agreement to clear all outstanding balances, unless in extenuating circumstances an alternate agreement may be reviewed and approved by the Treasurer; and
  2. Monthly payment(s) required over term of extension agreement. In the event of default, a registered letter will notify the taxpayer as such, and the agreement is thereby terminated, putting the property in the same position in Tax Registration and Sale proceedings as it was prior to entering into the Extension Agreement.
- The Municipal Treasurer, or their designate, is delegated the authority to authorize the execution of tax arrears extension agreements pursuant to Section 378 of the Municipal Act, 2001.

**10. Tax Sale**

**a. Land Sale Process**

- The Municipal Act provides that the property may be sold by sealed tender, or public auction. The Municipality's preference is by sealed tender.
- In the event that it becomes necessary to sell a property on which a tax arrears certificate has been filed, the procedure to be followed will be that is described in the Municipal Act, 2001.
- Properties that meet one of the following criteria may be advertised for Tax Sale:
  1. Tax arrears are not paid in full within one year of the date of registration; or
  2. Taxpayer has defaulted on an Extension Agreement.



- Tenders are opened in an open forum, recorded as received, and then reviewed to ensure completeness of the tenders submitted.

**b. Successful Bidder**

- The highest tenderer or two highest tenderers, if more than one is received, is retained.
- The minimum acceptable bid is the cancellation price.
- Notice is sent to the highest bidder requesting payment of the balance of the amount tendered, applicable land transfer tax, and accumulated taxes to date. All tax sale costs are added to the individual property tax account balance.
- Payment must be received from the highest bidder within 14 days from the date of the notices of highest bidder being mailed by the Treasurer.
- Upon receipt, the Treasurer shall issue a receipt and declare the highest bidder to be the successful purchaser.
- If no payment is received within 14 calendar days of the mailing of the notice, the deposit is forfeited to the Municipality. A notice is then sent to the second highest bidder and the process repeats.

**c. Vesting**

- Where there is no successful purchaser, all risks of taking possession of the property may be identified, including any Crown Liens or environmental issues, after which time a notice of vesting may be issued and the property is registered in the name of the Municipality and the Tax Sale proceedings are cancelled.
- Council has two years to decide whether to vest a property. The Municipal Act allows for inspection of the property including an environmental assessment.
- Council may alternatively choose to re-advertise the property for another tender within 2 years.

**d. Write-Offs and Write-Downs**

- If Council decides to vest the property, the tax arrears will be written off completely and the property may be declared surplus and advertised for sale.
- Following an unsuccessful tax sale, if Council decides not to vest, they may choose to write off part of the taxes with the purpose of re-advertising the property for tax sale in an attempt to better the odds of a successful tax sale.

**11. Discretion**

To ensure that all taxpayers are treated fairly and equitably, the Treasurer, or designate, has the authority to exercise discretion in the application of this policy where unusual or extraordinary circumstances are apparent, provided such discretion is in accordance with all applicable legislation, ensuring fairness to all taxpayers, and that the overall best interests of the Municipality are met.