



TOWN OF MINTO

DATE: September 26, 2018

REPORT TO: Mayor Bridge & Members of Council

FROM: Gordon Duff, Treasurer; Janet Klemp, Tax Collector

SUBJECT: Tax Sale Process

STRATEGIC PLAN:

5.3. Ensure financial plans blend of capital financing methods including long-term debt, user fees, grants, internal reserves and taxation, and maintain reserves to the point where Minto reduces reliance on borrowing or tax increases to finance major capital expenditures.

BACKGROUND:

Previously, a tax arrears certificate could be registered if there were arrears owing on January 1 of the third year following that in which the taxes became owing (*Municipal Act, 2001*, s. 373(1)). In other words, if there were arrears owing from 2015 or earlier, a tax arrears certificate could be registered after January 1, 2018.

Extension Agreements previously required the passage of a By-Law by Council. Also in the past, municipalities had the option to apply to receive excess proceeds from a tax sale that were greater than the Cancellation Price.

Bill 68 Modernizing Ontario's Municipal Legislation Act of 2017 revised Municipal Tax Sale legislation incorporated into the Municipal Act. Best practices were also changed as a result of the new legislation. The following attachment from RealTax summarizes the changes:

<https://www.realtax.ca/wordpress/wp-content/uploads/2017/06/Changes-to-Tax-Registrations-and-Sales-Under-Bill-68.pdf>

These changes impact the Town as follows:

- A tax arrears certificate can now be registered in the second year of arrears instead of the third year. In other words, if there are arrears owing from 2017 or earlier, a tax arrears certificate could be registered after January 1, 2019. Previously, a property needed to be three years in arrears.
- Extension Agreements do not have to be passed by by-law anymore, the Treasurer can decide to enter into one without council's approval.
- Municipalities will no longer be able to apply for payments out of court.

Property taxation is the most significant source of revenue for municipalities and currently pays for approximately 51 per cent of the tax supported services the Town provides.

Tax registration should be only considered after all reasonable means of collection have been exhausted. Staff will make every effort to work with the taxpayer to make suitable arrangement prior to this step. The Town will follow the procedures as set out in Part XI of the Municipal Act, 2001 when the decision is made to implement the Tax Sale process.

The update to the policy takes these changes into consideration, ensuring staff has policies and procedures in place to deliver service that is fair and equitable to all property owners in Minto.

COMMENTS:

The Town has held relatively few tax sales since its inception in 1999. Taxpayers who are delinquent beyond three years tend to pay the balance within the one year waiting period after the registration process begins.

However, despite the interest accrued on overdue balances, when taxes are unpaid for several years, it has a negative impact on the municipality's working cash flow. If tax arrears grow, the Town is forced to borrow on a short term basis to carry these larger receivables.

Transition to a two year period for the start of tax registration will effectively reduce the holding period for collection of unpaid tax receivables from four years to three. It will encourage taxpayers to address these problems when the total amount owing is less and it may be easier for them to refinance or sell their properties. Lower outstanding balances reduce the risk to the municipality of having the outstanding tax balances exceed the proceeds of any subsequent tax sale resulting in a write off borne by the rest of the tax base.

FINANCIAL CONSIDERATIONS:

There may be slightly less interest accrued on outstanding receivables, but this change will have a positive effect on liquid cash balances.

RECOMMENDATION:

THAT Council of receives the Tax Collector and Treasurer's report dated September 26, 2018, and endorses this improved cash management policy change.

Gordon Duff, CPA, CGA
Treasurer

Janet Klemp, AMCT
Tax Collector