



Subject: Tax Collection Policy
Service Area: Finance
Source: Council Resolution; Chief Financial Officer and Treasurer
Date: February 12, 2025

Purpose:

The purpose of this policy is to ensure that the municipality provides equitable and consistent treatment to all taxpayers. Adherence to the policy will put the City in a position to manage its taxes receivable effectively and provide prompt, efficient, courteous service.

Applications:

This policy will provide guidance to Council and staff and provide a basis for decision-making relating to tax billing and tax collection procedures for all taxpayers in the municipality. It is designed to be implemented in accordance with the governing legislation and procedures are applied in reference to the following legislation:

- *Municipal Act, 2001*
- City by-laws
- *Assessment Act*
- *Bailiffs Act*
- Any other legislation that may be applicable

Definitions:

- **Bailiff:** duly appointed agent under contract with the City to recover outstanding property taxes.
- **Bailiff Warrant:** states the amount of debt plus costs and property owners name and address. It is the document granting authority for a bailiff to act as an agent for the City in order to collect the debt.
- **MPAC:** means the Municipal Property Assessment Corporation which is responsible for determining the assessed value of all classes of assessment in the Province of Ontario. MPAC administers all phases of property assessment including appeals of assessment.
- **Penalty and Interest:** the late payment charges applied by the City for non-payment of taxes or any installment by the due date, in accordance with section 345 of the *Municipal Act, 2001*.
- **Property Taxes:** the total amount of taxes for municipal and school board purposes. Includes collection on behalf of Business Improvement Area(s) and other amounts as may be added to the tax roll under applicable provincial legislation.
- **Tax Arrears:** any portion of Property Taxes that remain unpaid after the date on which the taxes are due.



- **Tax Arrears Certificate:** the instrument registered at the land registry office on a parcel register. The document indicates that the described property will be sold by public sale if all property taxes are not paid to the City within one year of the registration of this certificate.
- **Tax Sale Registration:** the process outlined in the *Municipal Act, 2001*, Part XI- Sale of Land for Tax Arrears where the City follows a legislated process for dealing with the sale of land for tax arrears.
- **Treasurer:** the individual appointed by the municipality who is responsible for handling all of the financial affairs of the municipality on behalf of and in the manner directed by Council.

Scope:

The property owner is responsible for ensuring:

- The current value assessment as determined by MPAC is correct
- The mailing address is correct
- The tax levies are paid by the due dates

The Treasurer's authority is from section 286 of the *Municipal Act, 2001*. The Treasurer is responsible for all financial affairs for the municipality, including collecting money payable to the municipality.

The mandate of the Taxation Division of the Finance Department is to ensure the prompt, effective and efficient collection of taxes to meet the budgetary expenditures for the fiscal year. The procedures included in the Tax Collection Policy are set out to accomplish this mandate.

Procedures:

1. Billing

The authority to levy taxes is provided in section 312 of the *Municipal Act, 2001*. It requires Council to pass a by-law levying a separate tax rate on the assessment in each property class in the municipality for the purpose of raising funds to satisfy its budgetary requirements. Tax rates are determined using the returned assessment roll for the tax year provided by MPAC and the levy requirement approved by Council. By-laws are required to be passed by Council for both the Interim and Final tax billings.

The Interim Levy (section 316, *Municipal Act, 2001*) is based on 50% of the previous year's levy, payable in two installments. The due dates are March 5 and May 5.

The Final Levy (section 343, *Municipal Act, 2001*) is based on the final tax rate for the year multiplied by the current value assessment less the Interim Levy. It is produced after the passing of the annual municipal budget and the annual tax policy and is based upon the tax rates established by by-law based on the budgetary requirements of the City and those of the Ministry of Education in concern with the education portion of the property tax bill. The Final Levy is payable in two installments due July 5 and September 5.



Any applicable Business Improvement Area (BIA) charges and Local Improvement Charges will be included in the Final Levy.

If any of the due dates fall on a weekend or statutory holiday, the due date would be the next business day. Due dates will be specified in both the Interim and Final levy by-laws for the City.

Supplementary Tax Billings (section 341, *Municipal Act, 2001*) are issued throughout the year as Supplementary and Omitted Assessment Rolls and are provided to the City by MPAC. These rolls represent new assessment from the construction of new buildings or improvements made to properties that were not captured through the roll returned by MPAC. Section 33 of the *Assessment Act* allows for the taxation of real property that has been omitted from the roll for the current year and two preceding years. 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 assessment roll for the current year only. The Supplementary and Omitted tax billings are billed at the tax rates already approved by Council for the corresponding tax year.

Tax bills issued will meet all the requirements of the provincially standardized property tax bill in accordance with section 343(2) of the *Municipal Act, 2001*. Any arrears are included solely in the first instalment amount on each bill.

Tax bills must be mailed at least 21 calendar days prior to the first due date in accordance with section 343 of the *Municipal Act, 2001*. Bills may be mailed earlier. Property tax bills are sent by standard letter mail to the address of the property tax account as shown on the tax roll unless the taxpayer has submitted a written request to the City requesting an alternate address. Any bill or notice sent by standard letter mail are considered delivered to and received by the addressee unless Canada Post returns the notice to sender and an error in the mailing address is evident. It is the taxpayer's responsibility to ensure the mailing address is correct on their tax account. Failure to notify the City Tax office of an address change in writing is not an error on behalf of the City.

Tax bills may be sent to the taxpayer electronically in the manner specified by the City if the taxpayer has chosen to receive the tax bill in this manner (Section 343, *Municipal Act, 2001*).

A mortgage listing of roll numbers, taxes due and due dates in a standard format will be provided to each mortgage company who has provided the City with notification that they hold an interest and are responsible for tax payment for a specific property.

Ownership Changes (Section 17(1), *Assessment Act*)

The Provincial Land Registry System is the service for the legal determinant of the ownership of land. The names of the owners on the property tax account are to agree with the ownership registered at the Land Registry Office on the parcel register. Any changes to the ownership, whether removing a name from ownership, changing a name on title or adding a name to ownership for all tax accounts must be forwarded to the Tax



Office from the Law Office completing the registered title change.

Letters submitted by a law office do not always contain all the pertinent information required. The property owner is responsible to ensure that their tax account has the correct mailing address.

Severances and Consolidations (Section 356, *Municipal Act*)

Property owners may apply for severances of their properties under the authority of The *Planning Act*. If granted by the City Planning Division, the assessment values must be split between all the parcels of land. MPAC will divide the assessment information.

As severed portions of the land are often sold, the City will not recalculate the property taxes for a part year. Property taxes for the original parcel(s) of land are required to be paid in full. It is understood that the seller's and purchaser's lawyers would allocate the levies accordingly during the sale process. The allocation of levies will be shown in the "statement of adjustments" provided to the property owners by the law office completing the title transfer.

Consolidations are processed by MPAC at the written request of the property owner. Property owners should contact MPAC directly.

A severance or consolidation of a parcel identification number at the Land Registry Office does not constitute a consolidation or severance of a tax roll.

2. Payments

All tax payments will be processed in accordance with section 347(1) of the *Municipal Act*. The payment shall first be applied against penalties and interest owing and then to any outstanding taxes starting with the oldest amounts outstanding.

Instalment payments are due to the City by the date listed as the instalment due date. Acceptable payment methods are:

- Pre-authorized payment plans (PAP) offered by the City to taxpayers
- In person at Central Collections at the Civic Centre by cash, cheque or debit payment
- Cheques mailed to The City of Sault Ste. Marie 99 Foster Drive, Sault Ste. Marie, ON P6A 5X6 or dropped in person at Civic Centre Drop Box located near the front steps of the Civic Centre
- By credit card using a third party credit card service, www.paysimply.ca or through registering for access to their online account through Virtual City Hall and making a credit card payment
- Through telephone or internet banking with a financial institution
- In person at a branch of a financial institution



When mailing a property tax payment, the taxpayer assumes the responsibility for the late payment charge if the payment is not received by the City Tax Office by the due date.

Payments from financial institutions through telephone, electronic banking or third party credit cards payments, are processed by the City on the day received. This may be three to five business days later than the day individuals make the payment. The payment date noted on the file received from the bank is accepted as the effective payment date.

Cheques issued to the municipality for payment of taxes that are returned from the bank as non-negotiable, will be subject to the City's user fees by-law with the additional charge applied to the property tax roll and payment of taxes reversed. Interest and penalty will be applied where applicable.

Cheques that are post-dated will be accepted and held by the City until the date indicated on the cheque.

Third party cheques are not accepted. A cheque payable to the property owner and the City of Sault Ste. Marie is not considered to be a third-party cheque and will be accepted as payment.

Pre-Authorized Payment Plan - Current Taxes

Taxpayers whose property tax account is not in arrears are eligible to pay current taxes through a 10-month pre-authorized electronic payment plan from January to October on the 5th of each month or on the four tax installment due dates (March 5, May 5, July 5, September 5). If the fifth falls on a weekend or statutory holiday, payment will be processed on the next business day.

Pre-authorized payments for current year taxes are not subject to any late payment charges for the non-payment of taxes on the due dates.

Under the pre-authorized payment plan, all approved taxpayers agree to pay the required amount that is necessary for their tax account to be paid in full by October. Our current policy requires the property owner to pay any supplementary bills separate from the PAP program, as supplementary bills can be for multiple years and be of large dollar values.

Pre-authorized payments returned from the bank as non-negotiable, will be subject to the City's user fees by-law with the additional charge applied to the tax roll for any payment that does not clear. If two pre-authorized tax payments are not honoured in a calendar year, the plan will be terminated. A property owner can re-apply in the following year.

Taxpayers that are eligible to sign up for the pre-authorized payment plan can do so by filling out the application and submitting the application with a void cheque. Each property requires a separate application. The applications are available online on the City of Sault Ste. Marie's website and at Central Collections.



Pre-Authorized Payment Plan - Arrears

Taxpayers whose property tax account is in arrears are eligible to pay taxes through automatic withdrawals of an agreed amount. This program assists in bringing property taxes up to date, but does not eliminate penalty charges.

Under the pre-authorized payment plan - arrears, the goal is to have the required amount that is necessary for their tax account to be current prior to Tax Arrears Certificate Registration.

All Pre-Authorized Plans

Changes or removal requests must be received in writing at least 5 business days prior to the withdrawal date. Failure to remit notice within the 5 business days does not guarantee the request will be processed prior to withdrawal. Payments returned as a result will be subject to applicable fees as set out in the City's user fees by-law.

Penalty and Interest Charges

The rate for penalty and interest for non-payment of taxes is set in accordance with section 345 of the *Municipal Act* and by municipal by-law. The rate has been set at 1.25% per month. The penalty and interest is billed the first day of default and the first day of each month thereafter on all property tax arrears.

Failure to receive a property tax bill does not absolve the property owner from any taxes due or from penalty charges for late payment. It is the taxpayers' responsibility to notify the property tax office in writing of any mailing address changes as per Section 343 of the *Municipal Act*. Failure to notify the City Tax office of a mailing address change in writing is not considered to be an error.

Penalties and interest charges are only adjusted in accordance with:

- Tax appeal adjustments made under section 354, 357 and 358 of the *Municipal Act*
- Adjustments to the assessment roll made subsequent to roll close by MPAC made as a requirement of the *Assessment Act*
- Errors or omissions resulting in penalty and interest charges as a result of the City's error or omission or section 334 of the *Municipal Act*
- Taxes adjusted in accordance with a decision of the courts or an Assessment Review Board (ARB) decision and the applicable minutes of settlement for assessment changes made under section 40 of the *Assessment Act*.

Refunds and Credit Balances

Overpayments will be applied to subsequent instalments not due yet.

At written request for a refund of overpayment from the taxpayer, a refund cheque will be requisitioned, after allowing sufficient time (approximately 15 days) for the taxpayer cheque to clear their financial institution. The minimum refund request to be processed is \$20. Refunds will not be issued if there is a balance owing on a tax account.



Tax and assessment appeal credits will be refunded in compliance with Section 341(2) of the Municipal Act which states that the City "...shall refund any overpayment to the owner of the land as shown on the tax roll on the date the adjustment is made..." Former owners of a property applying to the City for refunds of property taxes must obtain a written letter of authorization from the property's current owners before any funds can be released to them.

Returned Items

If two cheques are returned non-negotiable, account closed, etc. personal cheques from the taxpayer will no longer be accepted unless certified. This restriction will be placed on the taxpayer for a period of one year for the first restriction and if there is future reoccurrence of two or more non-negotiable payments, cheques will no longer be accepted. An additional charge based on the City's user fee by-law will be applied to the tax roll for each occurrence.

Foreign Currency

If a tax payment is tendered in U.S Funds, the payment will be accepted at the exchange rate established/published by the City on the due date.

3. Tax Collection

Property taxes are a secured special lien on land in priority to any other claim except a claim by the Crown. Taxes may be recovered with costs as a debt due to the City from the original owner and/or any subsequent owner of the property.

The City will primarily use the following methods to collect Tax Arrears:

- Arrears Notices
- Telephone/email follow-up
- Payment arrangements
- Bailiff Services
- Rent Attornment
- Legal action
- Municipal Tax Sale

The ultimate resolution to clearing unpaid taxes two or more years in arrears is through a Tax Sale of the property. This authority is provided to municipalities as per Part XI of the *Municipal Act, 2001*, wherein it sets out the process for the Sale of Land for Tax Arrears. Prior to the commencement of Tax Sale proceedings, the following collection steps are available:

**Arrears Notices:**

Arrears notices are sent in March, July, September and December to all taxpayers whose taxes are overdue. No statement is issued to those accounts in which the balance is \$7.50 or less. The notice will show all amounts of taxes in arrears on the account including any penalty and interest or items added for recovery. These notices are sent to remind taxpayers of the current delinquency of taxes and to determine whether any discrepancies exist.

In January of each year, in accordance with tax legislation, a Year End Notice is sent to all taxpayers with an overdue amount greater than \$7.50 who owed taxes as of December 31 of the preceding year.

Payment Arrangements

Staff may enter into payment arrangements at any time prior to the registration of a Tax Arrears Certificate to ensure arrears are paid in full prior to the registration of a Tax Arrears Certificate.

Satisfactory payment arrangements would be a commitment to make payments on prearranged dates, enrollment in the City's preauthorized tax payment program or post-dated cheques to ensure tax arrears amounts are cleared prior to a Tax Arrears Certificate being registered.

Collection Steps

In addition to issuing year-end statements and arrears notices each year, the following actions may be taken once a property owner is in arrears for one year plus current year.

1. Tax Reminder Notices are mailed to property owners one year in arrears. The notice advises that they have to pay the taxes or enter into a firm, suitable payment arrangement with the City to ensure arrears are cleared prior to the registration of a Tax Arrears Certificate.
2. Telephone / Email Follow-Up will be attempted in addition to mailing of arrears notices. Every effort is made to try to reach an agreement that is satisfactory to both the taxpayer and the municipality. Results of this contact will be documented and noted on the property tax account for future reference.
3. Final Notices are mailed to property owners one year in arrears. The notice advises that they have to pay the taxes or enter into a firm, suitable payment arrangement with the City to ensure arrears are cleared prior to the registration of a Tax Arrears Certificate.
4. The City is authorized to utilize third party services as needed, including a Bailiff, to expedite collection of tax accounts which are in arrears and have received all of the previously described notices. The Bailiff will perform a site visit and advise the property owner of the pending registration or tax sale of the property and attempt collection. The costs of the Bailiff service are the full responsibility of the property owner and will be added to the tax account.



5. If the property owner fails to respond to the previous notices, or the attempts by Bailiff to collect and the property remains in arrears, a Notice of Impending Registration is issued as one last notification to the property owner of their outstanding balance prior to proceeding with a Municipal Tax Sale. The Notice of Impending Registration advises the property owner that they must pay the outstanding balance prior to a Tax Arrears Certificate being registered and make suitable payment arrangement with the City. Otherwise, the City will register a Tax Arrears Certificate against their property.
6. Municipal Tax Sale proceedings can begin once taxes have been in arrears for at least 2 years. The City will utilize other collection efforts for at least 2 years prior to initiating the tax sale process.

Once all other collection efforts are exhausted and the City has been unable to secure payment of the Tax Arrears prior to registering a Tax Arrears Certificate, the City may commence Municipal Tax Sale proceedings. Once a Tax Arrears Certificate has been registered, only full payment of the Cancellation Price will be accepted. In the event of non-payment, the City will proceed with a Municipal Tax Sale.

In addition to the collection steps above, non-residential properties that fail to respond to the Final Notice can be issued to the Bailiff for collection (ie. The City issues a Tax Warrant to the Bailiff to collect the outstanding taxes). Once the Tax Warrant is issued, the property owner makes payments on the outstanding amount directly to the Bailiff.

Bailiff tax recovery actions include:

- Serving a Warrant to Distrain for Taxes (Warrant) to the assessed address advising the property owner of such outstanding taxes, penalties and Interest and lawful costs of said distress
- Mailing notices to the property owner advising that a Warrant has been issued and the amount of the Warrant
- Telephone contact with the property owner(s), mortgage holder(s) and all other parties with an interest on title
- Site visits
- Attornment of Rent, directing the tenants, if applicable, to submit rent payments to the Bailiff. Attornment of Rents are then applied against the outstanding Property Taxes
- Issuing a Warrant to Seize Goods/Chattels allowing the Bailiff to physically seize and remove goods/chattels from the property and ultimately sell items seized to recover the Tax Arrears, and
- Issuing a Warrant to Distrain Goods/Property. The Bailiff can register a common law lien against goods/property located in or on an owner's property

If the Bailiff is unable to collect the outstanding amount and the taxes become 2 years in arrears, the account is returned to the City to proceed with Municipal Tax Sale.



Municipal Tax Sale

Tax Sale Registration should only be considered after all reasonable means of collection have been exhausted. Staff will make every effort to work with the taxpayer to make suitable arrangements prior to this step. Council directs staff to initiate tax sale process, beginning with registration of a tax arrears certificate, as soon as arrears threshold has been reached.

The City 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.

Prior to commencement of the Tax Sale process, a *Farm Debt Mediation Act* "Notice of Intent to Realize on Security" will be sent to the registered property owner(s). This notification serves as a final notice before a Tax Arrears Certificate Registration is completed. It provides the property owner with fifteen (15) days to set up farm debt mediation, if applicable. This also allows time for the property owner to pay their tax arrears in full or enter into a firm, suitable arrangement with the City that will have the arrears paid in full prior to a Tax Arrears Certificate being registered on title. Otherwise, the City will register a Tax Arrears Certificate against the property.

Once registered, within 60 days the City will send a Notice of Registration of Tax Arrears Certificate to the property owner and all interested parties (section 381(1) *Municipal Act*). There is a one (1) year redemption period after the Tax Arrears Certificate is registered on title, during which full payment of all taxes, penalties/interest and costs can be made. No partial payments are allowed and must be paid by certified funds or bank draft. If full payment is made, the City will register a Cancellation Certificate, as defined by the *Municipal Act, 2001*.

If requested within the redemption period, the Chief Financial Officer and Treasurer or designate may enter into an Extension Agreement as defined under section 378 of the *Municipal Act, 2001*.

The Treasurer or designate has the discretion to cancel a Tax Sale pursuant to section 382(6) of the *Municipal Act, 2001* at any time up to the registration of a tax deed or notice of vesting.

From the sale proceeds, the City retains sufficient funds to clear all outstanding taxes, penalty/interest and costs (total is considered to be the "Cancellation Price"). Any proceeds in excess of the Cancellation Price shall be paid into the Court, where any party having a claim may apply for a share of the surplus.

If there is no successful Tax Sale, staff shall prepare a report to Council suggesting further actions that may be taken, which may include registration of a notice of vesting.



Extension Agreement

An Extension agreement is an agreement between the City and the taxpayer (or party of interest) to extend the period of time in which the cancellation price is to expire. The maximum time period is one year to pay the cancellation price. This agreement freezes the tax sale registration process. An extension agreement outlines the details of the payment plan set in place to remit payments on the Tax Sale Registration file in order to clear the balance owing. In the event of default, a taxpayer is notified by registered letter and the agreement is thereby terminated, putting the property in the same position in the Tax Sale Registration proceedings as it was prior to entering the Extension Agreement.

4. Miscellaneous

Minimum / Small Balance Write-offs

A balance owing of less than \$7.50 dollars on an account after payment is received will automatically be written off following the last interim instalment date and at December 31st each year, as it is uneconomical for the City to pursue collection of these amounts.