

Date: September 4, 2020	Originator's files:
To: Chair and Members of Budget Committee	
From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: October 7, 2020

Subject

Status of Tax Collections in 2020

Recommendation

That the report of the Commissioner of Corporate Services and Chief Financial Officer dated September 4, 2020 entitled "Status of Tax Collections in 2020" be received for information.

Report Highlights

- Property tax payments continue to be received in a similar trend to prior years leading to no concerns at this time of increased tax arrears. Staff will continue to monitor.
- The tax collection process for the City of Mississauga has been established through Corporate Policy 04-02-03.
- The policy establishes a fair and equitable process for the collection of overdue municipal property taxes.
- The suspension of limitation periods through Ontario Regulation 73/20 from March 16 to September 14, 2020 included the limitation periods on tax collection processes within the *Municipal Act, 2001*.
- Collection activities have been suspended during the COVID-19 pandemic.
- Council deferred property tax payments for 2020 to provide assistance to taxpayers during the COVID-19 pandemic.

Background

Property taxes are a secured special lien on land in priority to any 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 billed approximately \$1.78 billion in property taxes in 2020 for municipal and school purposes of which approximately \$538 million is for City purposes. Property taxes represent approximately 58% of the annual revenue required by the City. Most property owners pay their taxes on time, with approximately 97% being paid within the year in which the taxes are billed.

Tax collection and the municipal tax sale process are legislated by the *Municipal Act, 2001*. Legislation related to tax sales is prescriptive. Tax collection processes prior to the initial stage of tax sale are discretionary and determined by each municipality. For property owners having difficulties in paying their property taxes, payment arrangements can be established at any point prior to initiating tax sale. Tax sale registration typically occurs once property taxes are three years in arrears.

The City's tax collection process primarily uses the following methods to collect tax arrears:

- Verbal communication;
- Send the taxpayer a form or personalized letter(s);
- Issue year-end statements of taxes, overdue notices and final notices;
- Arrange terms of payment;
- Issue notices to interested parties;
- Bailiff services;
- Legal action; and
- Municipal tax sale.

Each January, in accordance with legislation, a year-end tax statement is sent to all taxpayers owing taxes as of December 31st of the preceding year.

Comments

Council deferred property tax payments in 2020 to provide financial assistance to taxpayers during the COVID-19 pandemic. Council also suspended penalty and interest charges from July 2 to December 31, 2020 to provide additional flexibility in the timing of tax payments. The due dates for interim taxes have now passed and any 2020 interim taxes not paid are outstanding. The due dates for final taxes are October 1st, November 5th and December 3rd.

At the end of every month staff monitor the balance of outstanding taxes billed and due as a means to ensure that tax payments are being received. The table below shows the percentage of outstanding taxes for the current year taxes billed and due as at August 31 for the last four years. As indicated the percentage of outstanding taxes billed and due for 2020 is consistent with the prior years.

2020	2019	2018	2017
3.89%	3.81%	3.94%	3.57%

In addition to the standard monitoring staff have been tracking the arrears by ward and property type beginning at the end of May. This includes tax arrears, penalty and interest and outstanding fees and charges. Staff will continue to monitor balance of outstanding taxes billed and due and tax arrears.

The table below by property type shows the total taxes billed in 2020 compared to the arrears for 2020 and the arrears for all years as of the end of May and the end of August.

Property Type	Total Billed 2020		29-May-20				04-Sep-20			
	Property Count	Taxes	Property Count	Arrears for 2020	Percentage of Total Billed	Arrears for All Years	Property Count	Arrears for 2020	Percentage of Total Billed	Arrears for All Years
Single Family Dwelling	134,731	\$ 793,272,623	9,513	\$ 8,451,837	1.1%	\$ 43,909,120	15,154	\$ 25,018,440	3.2%	\$ 43,679,158
Residential Condominium	69,764	\$ 186,952,341	5,547	\$ 2,360,058	1.3%	\$ 13,729,674	8,341	\$ 5,855,070	3.1%	\$ 10,301,883
Multi-Residential	360	\$ 68,521,073	7	\$ 282,941	0.4%	\$ 282,941	6	\$ 88,094	0.1%	\$ 88,094
Shopping Centres	308	\$ 129,522,263	25	\$ 961,877	0.7%	\$ 1,202,278	26	\$ 921,796	0.7%	\$ 927,837
Retail	215	\$ 11,488,187	32	\$ 455,493	4.0%	\$ 755,897	28	\$ 338,741	2.9%	\$ 569,989
Office	485	\$ 122,647,287	52	\$ 1,394,589	1.1%	\$ 1,423,301	47	\$ 1,092,711	0.9%	\$ 1,108,170
Hotels	59	\$ 13,057,714	3	\$ 98,953	0.8%	\$ 153,759	4	\$ 146,986	1.1%	\$ 201,029
Restaurants	69	\$ 3,052,970	9	\$ 156,821	5.1%	\$ 281,594	7	\$ 96,632	3.2%	\$ 207,696
Airport Tenants	132	\$ 19,640,771	45	\$ 688,649	3.5%	\$ 1,223,911	43	\$ 368,277	1.9%	\$ 843,993
Automotive	249	\$ 16,822,466	23	\$ 352,164	2.1%	\$ 386,156	21	\$ 267,239	1.6%	\$ 299,920
Other Commercial	2,670	\$ 26,228,154	520	\$ 1,545,620	5.9%	\$ 2,622,185	443	\$ 1,226,778	4.7%	\$ 1,754,550
Industrial	5,146	\$ 367,385,370	651	\$ 4,900,830	1.3%	\$ 9,245,733	587	\$ 3,552,363	1.0%	\$ 7,280,113
Vacant Land	1,021	\$ 24,453,691	248	\$ 1,141,043	4.7%	\$ 2,794,799	305	\$ 1,413,780	5.8%	\$ 2,504,417
Total	215,209	\$ 1,783,044,910	16,675	\$ 22,790,875	1.3%	\$ 78,011,348	25,012	\$ 40,386,906	2.3%	\$ 69,766,847

The table below shows the same information by ward.

Ward	Total Billed 2020		29-May-20				04-Sep-20			
	Property Count	Taxes	Property Count	Arrears for 2020	Percentage of Total Billed	Arrears for All Years	Property Count	Arrears for 2020	Percentage of Total Billed	Arrears for All Years
1	14,350	\$ 140,431,526	1,238	\$ 2,322,359	1.7%	\$ 6,880,760	1,912	\$ 4,475,411	3.2%	\$ 7,146,547
2	15,153	\$ 133,831,564	1,107	\$ 2,137,125	1.6%	\$ 6,415,920	1,832	\$ 4,352,047	3.3%	\$ 6,824,780
3	14,730	\$ 107,877,541	755	\$ 953,696	0.9%	\$ 5,455,917	1,242	\$ 1,735,347	1.6%	\$ 5,070,372
4	25,201	\$ 143,403,678	1,770	\$ 940,384	0.7%	\$ 5,624,341	2,708	\$ 2,786,657	1.9%	\$ 4,847,263
5	25,957	\$ 457,196,294	2,521	\$ 7,479,386	1.6%	\$ 16,002,488	3,780	\$ 7,393,381	1.6%	\$ 11,750,828
6	19,745	\$ 126,274,708	1,328	\$ 1,389,341	1.1%	\$ 5,875,986	2,077	\$ 3,189,462	2.5%	\$ 5,643,952
7	24,558	\$ 132,115,077	2,238	\$ 1,656,196	1.3%	\$ 7,264,152	3,103	\$ 3,509,236	2.7%	\$ 6,112,119
8	21,205	\$ 148,487,247	1,394	\$ 1,983,892	1.3%	\$ 7,185,702	2,174	\$ 4,001,993	2.7%	\$ 6,712,100
9	16,861	\$ 141,891,797	1,354	\$ 1,018,471	0.7%	\$ 3,944,815	1,600	\$ 1,937,865	1.4%	\$ 3,239,782
10	20,472	\$ 104,243,056	1,594	\$ 1,185,723	1.1%	\$ 6,834,322	2,478	\$ 3,421,214	3.3%	\$ 6,332,204
11	16,962	\$ 142,928,642	1,375	\$ 1,718,628	1.2%	\$ 6,521,271	2,104	\$ 3,578,756	2.5%	\$ 6,081,366
33 *	15	\$ 4,363,781	1	\$ 5,675	0.1%	\$ 5,675	2	\$ 5,536	0.1%	\$ 5,536
Total	215,209	\$ 1,783,044,910	16,675	\$ 22,790,875	1.3%	\$ 78,011,348	25,012	\$ 40,386,906	2.3%	\$ 69,766,847

Ward 33 is hydro, pipeline properties that are not ward specific

As shown in these tables there has been an increase in the 2020 outstanding taxes from May to August and mainly for residential properties. This reflects interim taxes that have not been paid.

There is a reduction in the total taxes outstanding of \$8.2 million indicating that taxpayers are still making tax payments. There are many reasons why there has been an increase in the 2020 interim taxes unpaid, this could relate to property owners using the flexibility in payment timing resulting from the suspension of penalty and interest or with the deferral of the due dates from originally billed in January, taxpayers have forgotten to pay. Reminder notices have been mailed to all tax accounts currently in arrears as of September 30. There is no additional fee for this notice and staff have included information on payment options and contacting the Tax office.

Staff also monitor the properties where a Tax Arrears Certificate has been registered. Of the 56 properties that had a tax arrears certificate registered as of January 1, 2020, 34 have been paid in full, resulting in these properties no longer being in a tax sale position.

Policy 04-02-03 states that a minimum of one notice of overdue taxes will be issued each year following the last final billing instalment. Overdue notices are typically mailed in October following the last instalment due date in September.

In the fourth quarter of each year, final notices are mailed to residential property owners approaching three years of property taxes in arrears and to every non-residential property owner with an outstanding balance greater than \$100, advising the taxpayer that they have to pay their taxes or enter into a firm, suitable payment arrangement with the City. Further collection activities are taken for any property owner that does not respond to the final notice.

As the last instalment due date this year is in December and legislatively we are required to mail a year-end statement of taxes showing any outstanding balance of taxes as of December 31, overdue notices will not be mailed and the year-end statement of taxes will be the only notice sent for 2020 outstanding tax balances.

Financial Impact

An increase in tax arrears impacts the City's cash flows. Currently tax arrears are trending consistently with prior years.

Conclusion

Property tax payments continue to trend consistently with prior years. There is an increase in outstanding interim taxes for 2020 and staff have mailed a reminder notice to encourage payment of these taxes. Staff will continue to monitor balance of outstanding taxes billed and due and tax arrears.

With the exception of the timing of overdue notices for 2020 due to the deferred tax due dates all collection activities are resuming as per Policy 04-02-03.

Attachments

N/A



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