

**CITY OF HAMILTON**

**CORPORATE SERVICES**  
*Taxation Division*

<b>TO:</b> Mayor and Members General Issues Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> July 9, 2012	
<b>SUBJECT/REPORT NO:</b> Methods of Payment of Municipal Taxes (FCS12054) (City Wide) (Outstanding Business List Item C – 2012 Budget Deliberations)	
<b>SUBMITTED BY:</b> Roberto Rossini General Manager Finance & Corporate Services Department	<b>PREPARED BY:</b> Larry Friday (905) 546-2424 Ext. 2425
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That Report FCS12054, respecting Methods of Payment of Municipal Taxes, be received for information purposes;
- (b) That item “C” from the General Issues Committee 2012 Budget Deliberations Outstanding Business List, respecting Methods of Payment of Municipal Taxes, be removed.

**EXECUTIVE SUMMARY**

During the 2012 budget deliberations, staff was asked to report back to the General Issues Committee on how taxpayers pay their property taxes. This report breaks down the various payment options available to taxpayers to make their payments.

***Alternatives for Consideration – Not Applicable***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS** (for Recommendation(s) only)

**Financial: None**

**Staffing: None**

**Legal: None**

**HISTORICAL BACKGROUND** (Chronology of events)

Property taxpayers have a number of options in which to pay their tax bills. They can join one of our pre-authorized payment plans as follows:

- A 10-month plan where taxes are paid in 10 equal instalments February to November.
- There are two 12-month plans where taxes are paid January to December. Under the first plan, payments are withdrawn on the first working day of each month. Under the second plan, payments are withdrawn mid-month. Under these three plans, taxes must be current and the monthly amount for January 1 and July 1 is re-calculated.
- There is also a pre-authorized instalment plan where the instalment amount is withdrawn on instalment due dates i.e., the last working days in February, April, June and September.
- Lastly, for those taxpayers whose taxes are not current, a 12-month arrears plan is offered where the taxpayer indicates how much they can afford to pay, on a monthly basis, which is withdrawn the last working day of each month. On this plan, the taxpayer is charged 1% penalty and interest per month on any outstanding tax balance.

Using 2011 data, we had 165,520 tax accounts. Of those, 54,768 paid via a pre-authorized plan (33%), 34,577 paid via their mortgage company (21%). The remaining 76,175 (46%) either paid on-line, via telephone banking, in-person at a financial institution, in-person at a municipal service centre or through the mail. As this 46% have different options of paying, we cannot definitively say that they pay the same way each time.

To further analyze this we then looked at the number of payments made in 2011 and where those payments came from. There were 1,006,689 payments applied against our 165,520 tax accounts. With the large monthly volume of pre-authorized payment plan taxpayers, 602,731 of the payments (61%) were received via the pre-authorized process. Payments submitted through mortgage companies accounted for 114,745

(11%). Payments made on-line, via telephone or in person at a financial institution accounted for 215,070 (21%). Payments mailed in accounted for 39,742 (4%); and 34,401 (3%) were paid at a Municipal Service Centre.

The pre-authorized payment options are the most popular form of payment and the number of taxpayers joining a pre-authorized payment plan has been steadily increasing by around 2.5% per year. Of the total payments applied in 2011, 61% of the payments were via a pre-authorized plan.

Taxpayers paying their bills on-line, through telephone banking or in person at a financial institution are also steadily increasing in popularity by around 5% per year. With today's technology, it is much easier for taxpayers to pay their bills from their homes, offices or mobile devices. For those taxpayers that go to their local financial institution we implemented through the City's bank, the Royal Bank of Canada (RBC), a process whereby on a daily basis we receive an electronic file of all payments made either on-line, via telephone or at a financial institution. The RBC compiles all the information from each of the other chartered banks and financial institutions to provide us one daily file. To meet the requirements of bank processing, a special line on each tax stub is printed that identifies the taxpayers 11 digit roll number. This line is printed using magnetic ink (MICR) and is the standard used in the banking industry. This data then gets read by the banking industry processing equipment, compiled into one electronic file and easily uploaded into our tax software. Of the total 2011 payments made, 21% were from taxpayers via their financial \ banking institution.

Taxpayers with mortgages who have not built up enough equity in their homes pay their taxes with their mortgage payments. Those institutions then forward payment to us on the billing due dates. This data is sent via database files to each mortgage company who verify the amount being paid and transmit the files and funds back to us. As this data is also in electronic format it is easily uploaded into our tax software. Payments made this way in 2011 accounted for 11 % of the total.

Taxes can also be paid, in person at one of our Municipal Service Centres, or they can put their cheque payment in a drop box located at each service centre. Each of the centres is set up with special readers to read a second line put on all tax stubs referred to as Optical Character Readers (OCR). The stubs are scanned to read the taxpayers roll number and then the amount of the payment recorded. At the end of the day, a file is created from each point of sale system and once again uploaded into the City tax system. 3% of the 2011 payments received were made at a Municipal Service Centre (MSC).

Lastly, taxpayers can mail their payment to the City. The Glanbrook MSC has high speed remittance processing equipment which reads the stubs and cheque payments

and ten creates electronic files that are uploaded into the City tax system. In 2011 this accounted for 4% of the overall payments processed.

While we can easily track the taxpayers who pay via pre-authorized payments and through their mortgage companies, it is more difficult to track the 46% (76,175 taxpayers) who have other payment options. As the monthly payments through pre-authorized plans inflate the number of payments made, the percentages of the other payments made become skewed. If the pre-authorized payments are removed from the equations along with the mortgage company payments, then the total 2011 payments made by 76,175 taxpayers were 289,213. The percentages therefore change for the other payment methods as follows:

- On-line, telephone, at financial institution – 215,070 (74%)
- In-person MSC – 34,401 (12%)
- Mailed in – 39,742 (14%)

Attached as Appendix “A” to Report FCS12054 “Payment Analysis of all Payments received and posted to tax accounts in 2011” illustrates the visual of the number and percentages of the different payment options.

#### **POLICY IMPLICATIONS**

N/A.

#### **RELEVANT CONSULTATION**

N/A.

#### **ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

N/A.

#### **ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

N/A.

**CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)**

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability,  
3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development,  
6. Environmental Stewardship, 7. Healthy Community

***Skilled, Innovative & Respectful Organization***

- ◆ More innovation, greater teamwork, better client focus

***Financial Sustainability***

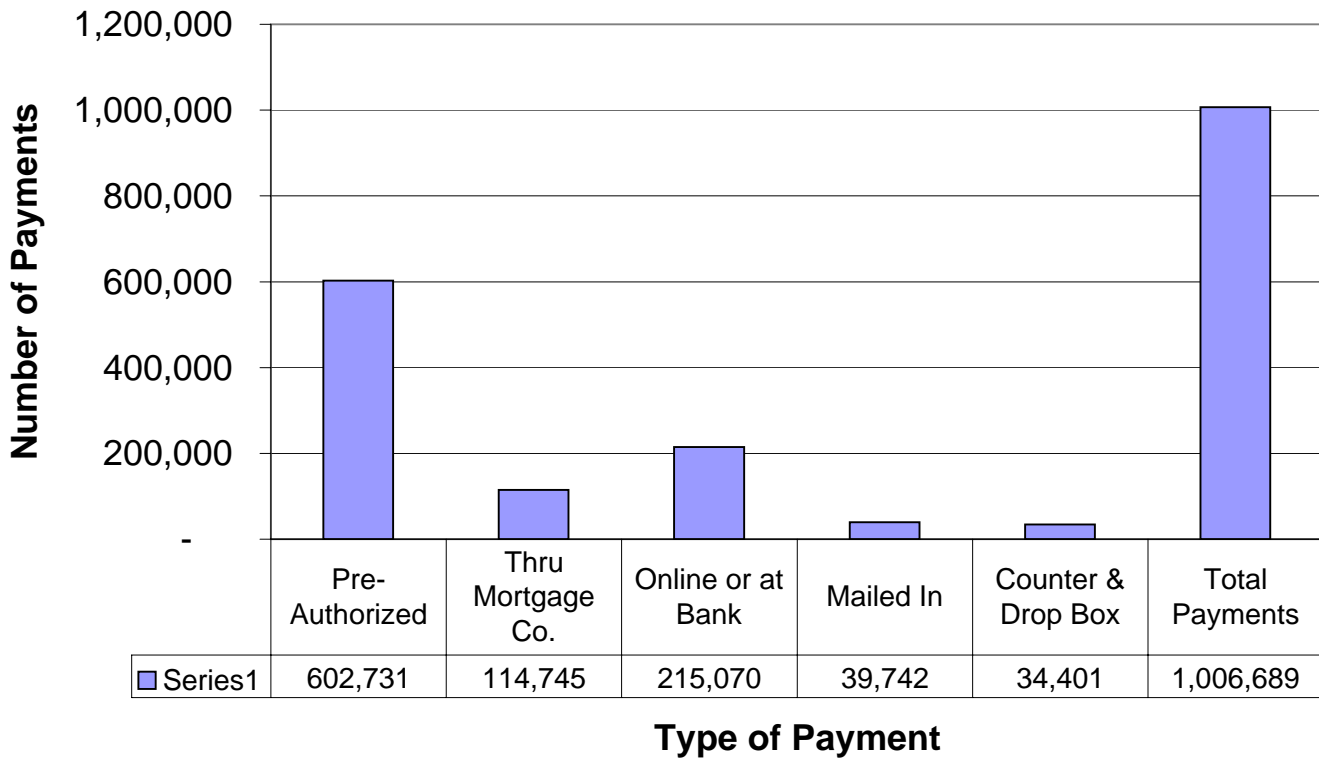
- ◆ Delivery of municipal services and management capital assets/liabilities in a sustainable, innovative and cost effective manner

**APPENDICES / SCHEDULES**

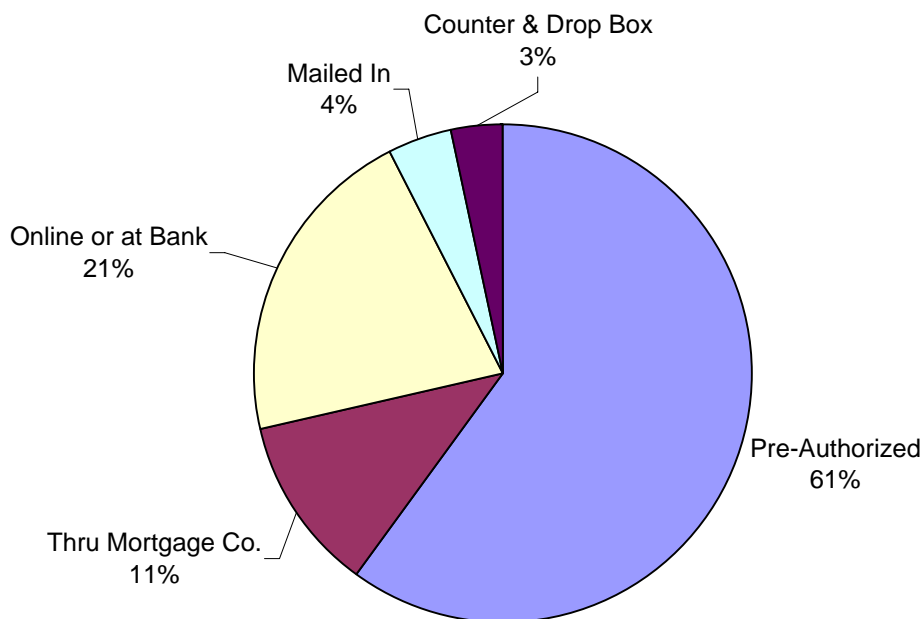
Appendix “A” to Report FCS12054 – Payment Analysis of all Payments received and posted to tax accounts in 2011.

**PAYMENT ANALYSIS OF ALL PAYMENTS RECEIVED AND POSTED TO TAX ACCOUNTS IN 2011**

**2011 Tax Payments by Type as a #**



**2011 Tax Payments by Type as a %**



This data shows the number of payments made by each category to the number of payment transactions processed.