

City of Hamilton Tax Collection Policy

Policy

The policy of the Taxation section of Corporate Services is to ensure the prompt, effective and efficient collection of realty taxation levied, utilizing the means provided in the following legislation:

- a) The Municipal Act (2001);
- b) The Assessment Act;
- c) City By-laws.

Methods permitted to enforce collection of realty taxation consist of the following:

- a) Penalty and Interest By-Law;
- b) Rent Attornment;
- c) Bailiffs; and
- d) Tax Sale.

1. Realty Taxation Billing

Taxes are currently billed on the basis of four instalments per year. Due dates will be on the last business day of the following months:

Interim Levy – Due February and April
Final Levy – Due June and September

City Tax levying By-laws are required for every billing to authorize the exact dates every year. Wherever the timing of providing the proper 21 day notice in advance of the due date cannot be met with a due date at the end of the month, the due date may be extended into the first part of the next month.

2. Payment Application Rules

Tax payments are due on the prescribed due dates and shall be applied first to the oldest year's penalties and interest, then the oldest years taxes and then the oldest years other charges (if any).

3. Payment Options

Payments can be made in person, by mail, through a drop box, or at a financial institution (in person, by phone, or online). All payments will be honoured as on time as long as they are stamped or post marked on or before the due date.

The City also offers five pre-authorized payment plans. There is a 10 month plan, with payments the first business day of February to November (inclusive). The City also offers two 12-month plans, with payments the first business day January to December (inclusive) while the second plan is a mid-month plan with payments due on or after the 15th of each month. These three plans are penalty exempt.

There is also an instalment plan, with payments withdrawn on the tax due dates, as well as a 12-month arrears plan, with payments withdrawn the last business day of January to December (inclusive). Penalties and interest are applied on any outstanding tax balances under these two plans. Any taxpayer who has two or more returned payments is subject to removal from any of our pre-authorized payment plans.

4. Notice of Tax Arrears

Notice of tax arrears are to be mailed to all delinquent taxpayers in March, May, July and October. These notices are sent after every due date and carry a user fee charge to cover the cost of print and mail as set by council under the user fee by-law. Taxpayers that are three or more years in arrears will receive personal letters in January of each year advising that their properties will be registered on title with a tax arrears lien and eligible for tax sale if the third year remains outstanding.

5. Supplementary and Omitted Assessments

The City will issue a minimum of two supplementary/omitted tax bills per year. Supplementary and omitted tax bills are issued for various reasons such as; new construction, tax class conversion, building additions, etc. There will be two instalment due dates for each billing billed in back to back months. As these bills tend to be large and may be for multiple years, taxpayers will be allowed to join one of our monthly pre-authorized payment plans in order to spread the payments out further for up to 12 months.

6. Collection Enforcement

a) Penalty and Interest on Taxation Arrears

A penalty charge shall be imposed on overdue taxes the day after taxes were due. Interest is then charged on the first day of each calendar month thereafter in which default continues. Both penalty or interest charges are applied at the beginning of the month and are applied for the whole month.

Penalty and Interest to be charged on unpaid tax arrears shall be at a rate of up to 1.25 percent per month (15 percent per year), as allowed under the Municipal Act. Council sets the rate to be charged via by-law as authorized under section 345 of the Municipal Act, 2001. These charges are applied only to any outstanding taxes or charges added to the tax roll to be collected in the same manner of taxes as allowed under legislation. Penalty and or interest is not charged on top of previous penalty and or interest and is not charged on any user fees added to taxes applied to the Other Field on the tax system.

b) Rent Attornment

The Municipality may seize the rents of an income producing property, whether commercial or residential upon giving proper notice. This method would only be used in extreme cases where the ability to collect by normal means may be jeopardized. This is authorized under Section 350 of the Municipal Act, 2001.

c) Bailiffs

Bailiffs would be used where there is the potential that the recovery of tax arrears by the other methods would not cover the outstanding taxes or where we are prohibited by one of the other methods due to overriding legislation. An example would be a tenant of a Crown property not paying taxes and the Crown unwilling to assist in collection. Crown owned property cannot be sold for tax sale, thereby taking away our ability to collect the outstanding amount via tax sale. This is authorized under Section 351 of the Municipal Act, 2001.

d) Tax Registration/Sale

Tax registration is used for unimproved (vacant) land in the second year following that in which the real property taxes become owing. For improved land, the tax registration shall commence the third year following that in which the real property taxes become owing. Once a property is registered under the tax sale process, the homeowner has one year to pay the taxes in full, or enter a two year extension agreement in which to make arrangements to pay the taxes in full. If after one year from the date of registration the taxes remain un-paid, the property may be sold by the municipality to recover the tax arrears and costs. Tax Sales are governed under Part XI of the Municipal Act, 2001.

7. Penalty and Interest Write-offs

Requests for penalty and interest write-offs are the most contentious issue faced by tax staff. In order to be fair and consistent it is necessary to set some guidelines, as there is numerous staff that will be fielding these requests.

Penalty and interest are only written-off upon a valid reason given by a taxpayer with a good payment history, or a long standing taxpayer with a good payment history. Other reasons staff may remove penalty and interest is where there has been a gross or manifest assessment error approved by a section 357 or 358 appeal, any taxes removed due to an assessment appeal, or an error by city staff. Staff is also allowed to reverse P&I where a payment was clearly made on time, but was inadvertently misapplied to another account by the taxpayer or their financial institution, causing P&I to be applied to the account where the payment should have made. In most cases removing P&I is allowed on a one-time only request, and staff are to record the reason in remarks on the system and on the balance adjustment done to reverse the charge.

In order to control the removal of penalty and interest charges the follow limits will apply:

Front line Customer Service staff can authorize a P&I adjustment for misapplied payment corrections, or a month late payment where there is a valid excuse and/or good payment history, for amounts not to exceed \$40;
Customer Service Rep I can approve up to \$100.00;

Tax Managers can approve up to \$1,000;

Tax Director can approve up to \$5,000;

Treasurer can approve up to \$10,000;

City Council approval is required for over \$10,000.

That the Treasurer be authorized to adjust the write-off limits above from time to time to adjust for inflation in regards to tax increases.

8. Small Balance Write-Offs

Amounts less than \$5.00 are written-off before tax billings and after reminder notices, as it is administratively more costly to bill and collect amounts less than \$5.00.

9. Special Payment Arrangements / Deferrals

Under the current Municipal Act a Treasurer can only write-off taxes upon a failed tax sale or successful assessment appeal. Where special circumstances exist, the Treasurer can authorize the deferral of tax arrears and the freezing of penalty and interest charges where it is not in the Cities best interest to proceed with a tax sale. This option would also be considered where in extreme cases it is in the best interest of all parties. Examples of such situations would be a private mortgage holder taking over a property significantly in arrears and disrepair, new owners assuming a brownfield property offering to remediate and clean-up of dilapidated properties, etc.

10. Charitable and Vacancy Rebate Programs

Both programs require applications to be submitted no later than February 28th of the year following the year the application is made. Every year, taxpayers in both groups miss the deadline and ask that the Municipality accept their applications late. Upon a request, in writing, along with a valid reason for the approval, the Tax Managers or Director are allowed to accept a late application as a one-time allowance.

11. User Fees

User fees are approved every year by a User Fee By-law submitted through the yearly budget process to City Council. Staff use best practices that other municipalities have adopted in an effort to recover costs for services outside the normal tax functions. Examples of such fees are addition of charges from other departments to the tax roll, requests for tax analysis or letters for income tax, returned cheques, change of ownership, new account set-up, printing and mailing of reminder notices, tax registration fee's on 3 years in arrears, etc.