



Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 7, 2017
SUBJECT/REPORT NO:	Feasibility of Separating Municipal and Education Tax Bills and Mailings (FCS17100) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

Council Direction:

General Issues Committee, at its meeting on March 23, 2017 approved the following:

“Staff were directed to investigate the feasibility of mailing out the Tax Bills for municipal taxes and education taxes completely separate; using City of Hamilton letterhead and envelopes for the municipal tax bills; and, Board of Education letterhead and envelopes for the education tax bills, and report to the Audit, Finance and Administration Committee.”

Information:

Ontario municipalities are required to bill and collect taxes levied for both municipal and education property taxes. The City of Hamilton bills municipal and education property taxes at various times of the year. Interim tax bills are mailed out early February, with due dates on the last business day of February and April. Final tax bills are mailed out early June, with due dates on the last business day of June and September. In addition to this, there are approximately three Supplementary and Omitted tax billings that are mailed out in the later part of the year (various instalment due dates), which takes into account new construction, improvements, etc. As most properties are subject to both municipal and education taxes, all of these billings reflect both on one bill.

The current practice of combining the billing of both municipal and education taxes provides for efficiencies in billing and collections, savings in printing and postage costs and ensures the City meets the prescribed deadlines for remittance to the school

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boards. Although municipal and education property taxes are combined on the current property tax bills, the education property taxes are clearly identified separately from the municipal property taxes. As such, taxpayers can clearly distinguish between the two. On an average residential property tax bill, education taxes accounts for approximately 15% of the total property tax bill.

The Municipal Act allows a municipality to pass a by-law providing for separate property tax bills for municipal purposes and for school purposes, however, staff are not aware of any Ontario municipality that has elected to do so. The main reason for not electing to bill education taxes separately is costs, as it would be borne fully by the municipality. Billing separately would significantly increase printing and postage costs, as well as staffing costs related to billing and collections. Separating the billings would reduce efficiencies and increase staff time required to complete the billings, process payments and answer inquiries. As identified under the “costs” section of the report, the overall estimated increase in annual costs would equate to approximately \$400,000.

If the City of Hamilton is to consider separate billings for municipal and education property taxes, the following items would need to be considered:

Costs

Separate education property tax bills for interim, final and supplementary/omitted tax billings would increase annual printing and postage costs by approximately \$270,000.

The 2016 printing costs for the interim, final and supplementary/omitted billings equated to approximately \$65,000. This cost is inclusive of pre-printed envelopes and tax bill shells (pre-printed stock on which the bills are printed on). This cost would essentially double if separate education tax bills were printed. The 2016 postage costs for the interim, final and supplementary/omitted tax billings equated to approximately \$205,000. Similar to printing costs, mailing out separate education tax bills would result in twice the annual postage costs.

In addition to increased printing and postage costs, separate billings would also result in more staff time required to both issue tax bills and process payments. Currently, approximately 80,000 interim bills, 175,000 final bills and, on average, 1,500 bills per each supplementary/omitted billing, are mailed out each year. Separate education tax bills would double these volumes, resulting in increased call/e-mail inquiries and increased staff time required to handle and process tax bill payments. The time required to complete the actual billings would also be prolonged if two separate billings are required. Overall, increase in staff time (both Taxation and Customer Service staff) could result in additional costs of approximately \$130,000.

Billing Software

The City's billing software provider's solution for accommodating separate municipal and education tax bills is to simply complete two separate billings. Staff would not be able to run these billings in parallel, and instead would need to complete one billing before commencing the second billing. In other words, staff would need to fully complete the billing for municipal taxes prior to starting the billing for education taxes. Staff are prohibited from making any changes to the tax roll accounts during the interim and final billings (i.e. there is a hold of up to one week per billing on ownership changes, uploading of payments, etc). This ensures that the Interim and Final Collector's Roll produced matches what was actually billed. Prolonging the billing process to accommodate two separate billings, would prolong the time staff are not allowed to update tax roll information. This would result in reduced efficiencies.

The Municipal Act states "The treasurer shall send a tax bill to every taxpayer at least 21 days before any taxes shown on the tax bill are due." With the City's current combined billing, the timeline to meet this 21 day legislative requirement, particularly for the June final billing, is extremely tight. Moving to separate billings would require revising the existing due dates in order to continue to meet this legislated requirement. Note that regardless of any changes to the instalment due dates, the City would still need to adhere to the Education Act and remit payment of the education taxes to the school boards in four instalments, being March 31, June 30, September 30 and December 15th.

Some other areas of concern that would require further investigation would include:

- The current Interim and Final tax bills identify any arrears on the tax roll account. Staff would need to investigate if the current billing software would be able to accurately split the arrears for separate municipal and education tax bills.
- Reminder Notices – The City currently mails out reminder notices four times a year to taxpayers in arrears. These notices are generated the month following an instalment due date, and do not separate the past due amount between municipal and education taxes. The issuance of separate education tax bills may impact the current reminder notice process, of which current printing and postage costs equate to approximately \$80,000 annually.
- Pre-authorized Payments - There are just under 55,000 taxpayers enrolled in one of the City's monthly pre-authorized payment plans. Taxpayers on a monthly pre-authorized payment plan currently receive one tax bill in June identifying the municipal and education taxes and the resulting monthly withdrawal amount. In December, these same taxpayers also receive a letter identifying the revised

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monthly withdrawal amount for the first six months of the following year. If separate municipal and education tax bills are mailed out, the City may need to make two separate withdrawals every month (one for municipal taxes and a second for education taxes). The issuance of separate education tax bills may also then result in separate pre-authorized payment letters, of which current printing and postage costs equate to approximately \$50,000 annually.

Tax Bill Layout

The Municipal Act currently dictates what information is to be included on the tax bill. For the most part, all the same mandatory information (roll number, property address, legal description, property owner, mailing address, assessment, property class, etc.) would be identical on separate municipal and education tax bills. It should be noted that the current practice of a combined municipal and education tax bill does in fact clearly identify the education taxes separately from the municipal taxes. As such, the taxpayer can clearly see how much of the total tax bill is attributed to both municipal and education taxes. Separate tax bills would require the taxpayer to add up both tax bills to determine their annual property taxes.

The City of Hamilton would need to receive authorization from each of the four school boards in order to use their respective logo on the City produced education tax bills and envelopes. Taxpayers determine which school board they would like their education taxes directed to. As a taxpayer, one can choose to support one, two, three or all four school boards. The separate education tax bills would require all four school board logos to be printed on the education tax bills/envelopes (assuming the City has the permission to do so from all four school boards), regardless of school support.

For seniors who receive the Senior's Rebate (2017 rebate = \$186), the rebate is shown as a credit on the Final June Tax bill, reducing the overall total taxes. As the school boards pay their share of this rebate, one would question if the City would then be required to split this rebate between the two separate bills (i.e. \$161 credit on the municipal tax bill and \$25 credit on the education tax bill). If it is determined that the separate education tax bills need to reflect the school board's share of the rebate, this would inevitably lead to required changes on how the rebate is recorded and applied to the tax roll accounts.

Taxpayer Confusion

Taxpayers are accustomed to receiving one tax bill for their total property taxes. For taxpayers to start receiving their property taxes in two separate bills would likely lead to confusion and possibly anger. The potential for taxpayers being confused, thinking they paid their taxes, when in fact they only paid just the municipal or education portion, is a

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likely possibility. The City would need to allocate resources to effectively communicate to the taxpayer and educate them on this change in advance of considering separate bills.

This Information Report addresses the matter respecting the feasibility of separating municipal and education tax bills and mailings and can be removed from the Audit, Finance and Administration Committee Outstanding Business List.

Appendices and Schedules Attached

Not Applicable.

MD/cr