

SCHEDULE "A"



CORPORATION OF THE TOWN OF RAINY RIVER

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Finance Department

# Collection Policy

## Policy Statement & Rationale

Council has a fiduciary duty to all ratepayers to collect taxes as levied and wishes to ensure the duty is satisfied.

Council wishes to ensure

- prompt, efficient, courteous and consistent services to all taxpayers of the municipality.
- collection procedures are appropriate within the requirements of the legislation relative to tax collection.

For the purposes of transparency and accountability, Council hereby establishes a policy to define the actions the Town will take to collect overdue property taxes.

### Scope

This document is to provide guidance to staff and to provide a basis for decision-making relating to Tax Billing and Tax Collection procedures for all taxpayers in the Town of Rainy River.

## Policy, Procedure & Implementation

### I) Purpose

The guidelines contained in this policy serve to supplement the Provincial legislation that govern this area, especially for situations where Provincial legislation provides a choice, allows for Chief Administrative Officer's discretion, and for issues on which the legislation is silent. Legislation which should be reviewed within the context of this policy is the *Municipal Act, 2001*, with particular attention to Parts VIII, IX, X, and XI.

### II) Billing

- 1) A levying by-law passed by Council is required in advance of either an Interim or Final tax billing.
- 2) Interim tax billings shall be produced in March of each year based on 50% of the annualized taxes of the property for the previous calendar year. Outstanding charges authorized by legislation may be added to the interim billing at one hundred percent.

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- 3) The tax billing will clearly identify the municipality, property and owner, state the demand date, the annualized taxes for the prior calendar year, the percentage used to calculate the interim taxes up to a maximum of 50%, and calculated taxes levied and any arrears owing against the property.
- 4) Final tax billings are produced subsequent to the passing of the annual municipal budget and are based on tax rates established by by-law from the budget requirements of the Municipality and the Ministry of Finance, in relation to the education tax rate. The tax billing will be calculated to produce a tax billing equal to the current market value assessment and the appropriate tax rate, all local improvements charges, area charges, business improvement area charges and any special charges levied by the municipality or provincial government. The tax bill will fully comply with the Standardized Tax Bill format as defined by legislation.
- 5) The Municipal Act requires tax billings be post marked and mailed not later than twenty one calendar days prior to the due date. The Municipality will endeavor to post mark and mail the tax billing no less than twenty-eight calendar days prior to the due date wherever possible.
- 6) Bill messages may be used on the face or reverse of the tax billing. All messages must be approved by the Chief Administrative Officer.

### III) Due Dates

Due dates for the payment of taxes shall be dependent, in the case of the Final Bill, on the final approval of the budget by Council and the subsequent passing of a levy by-law. Notwithstanding that there may be fluctuations as a result of budget approval, tax billings will normally be as follows:

- |                   |                        |
|-------------------|------------------------|
| > Interim Billing | March 31 <sup>st</sup> |
| > Final Billing   | July 31 <sup>st</sup>  |

### IV) Minimum Bills

In accordance with the provisions permitted in the Municipal Act, section 355 (1), the Town will have a minimum tax bill at the amount permitted under the Act. The amount levied in excess of assessment times the tax rate becomes part of the general funds of the municipality. The rationale behind this provision is to ensure the issuance of tax bills is cost effective for the municipality. The amount of minimum billing shall be clearly defined by a Municipal By-law.

### V) Settlement of Accounts

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- 1) Payment will be in the form of cash, cheques, money orders, debit card, bank drafts, internet or telephone banking made payable to the Town of Rainy River. Cheques which are post-dated to the tax due date will be accepted and held by the Municipal Office.
- 2) Third party cheques will not be accepted. A cheque payable to the property owner and the Town of Rainy River will not be considered to be a third party cheque and is to be accepted as payment.
- 3) Should a credit appear on the tax account as a result of an overpayment, it will be applied to subsequent installments not yet due in the current year. However, at the written request of the taxpayer, a refund cheque will be requisitioned, after allowing sufficient time (15 business days) for the taxpayer's cheque to clear their financial institution. The minimum amount for a refund request to be processed will be \$25.
- 4) If two cheques are returned for non-sufficient funds on a taxpayer's account, personal cheques from that taxpayer, for any financial transaction within the municipality, will no longer be accepted unless they are certified. This restriction will be placed on the individual for a period of two years on the first restriction, and if there is a subsequent reoccurrence of two more non-sufficient funds payments, personal cheques will no longer be accepted from the individual.
- 5) Should payments of a tax account be tendered in US funds, it will be accepted at the exchange rate established by the financial institution holding the accounts of the municipality on the day of deposit.

### VI) Collection – Payment Incentives

There are five basic incentives set out by legislation to promote timely payment of taxes as follows:

- Penalty/Interest
- Bailiff Action
- Collection Agency
- Rent Attornment
- Tax Registration/Tax Sale

#### 1) Late Payment Charges

The rate at which penalty and interest is charged is set by the Municipal By-Law. Currently, the rate is established under the provision of the Municipal Act Section 345. The municipality may review the rate each year, but cannot exceed the maximum percentage established at 1.25% per

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month. The purpose of the penalty is to persuade ratepayers to pay on time. Penalty and interest shall be charged as set out in the legislation.

### 2) Bailiff Action

Section 349 of the Municipal Act, provides that taxes may be recovered with costs as a debt due to the municipality from the taxpayer originally assessed for them and from any subsequent owner of the assessed land or any part of it.

The Municipality may issue a warrant to distrain for property taxes if the taxes remain unpaid for a period of fourteen days after the installment due date. Further information regarding Bailiff Action is provided within the policy.

### 3) Collection Agency

A collection agency is a third-party agency, called such because such agencies were not a party to the original contract. The Town assigns accounts directly to such an agency on a contingency-fee basis, which usually initially costs nothing to the Town, except for the cost of communications. Tax accounts assigned are those which the Chief Administrative Officer deems as having a high probability of collection and shall fall within the schedule below:

i) In the first year of this policy, property tax accounts that are at risk for falling under the Tax Sale process at the beginning of the following year or are currently at risk.

ii) At the end of August of the second year, property tax accounts that are at the risk for falling under the Tax Sale process at the beginning of the following year.

iii) At the end of October of the second year, property tax accounts that will be within one year of the Tax Sale process at the beginning of the following year.

iv) At the end of August of the third year and subsequent years, property tax accounts that will be within one year of the Tax Sale process at the beginning of the following year.

### 4) Rent Attornment

Under Section 350(1) of the Municipal Act, where taxes are due upon any land occupied by a tenant, the Municipality may give the tenant notice in

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writing requiring the tenant to pay the rent as it becomes due to the Municipality until taxes are satisfied. It is a severe action and should only be initiated after adequate notice. Further information regarding Rent Attornment is provided within this policy.

After taxes have been in arrears for one year and other collection procedures of this policy have been unsuccessful, a notice will be sent to the taxpayer informing him of our intention to proceed with rent collection and allowing the taxpayer a final opportunity to make suitable payment arrangements within fourteen (14) days.

If taxes remain unpaid after the 14 day grace period, the tenants of the rental property will be informed by letter to direct their rental payments to the Municipality. A copy will be sent to the land owner.

Rents will continue to be collected until such time as all penalties, interest, and taxes have been collected or an alternative arrangement has been negotiated between the property owner and the Municipality.

### 5) Tax Registration/Tax Sale

Properties which are eligible for tax registration under the Municipal Act. The property owner or interested party has one year from the date of registration in which to redeem the property for all taxes, interest and penalty outstanding, including any associated costs. A contracted tax registration firm may be used to process the required statutory notices/declarations. The administration fee associated with this process is in addition to the charges by the third party firm who completed the required statutory notices/declarations and will be defined in the Tariff of Fees By-Law of the Municipality.

Registration is a last resort and should be avoided if possible by encouraging the ratepayer to either make full payment or arrival at a mutually agreed upon payment plan.

It is imperative that the schedule for registration be adhered to. Letters and correspondence should encourage payment. It is only as a last resort that the property would become subject to tax registration. Further information regarding tax sales is provided within this policy.

At any time during the year in which tax registration has been commenced on a property, the property owner may request an extension to the time afforded to pay the taxes and other amounts owing. An extension agreement may be negotiated and approved as per the current legislation.

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### 6) Additional Collection Tools

The following additional tools are available to assist in the collection of realty taxes:

- Reminder Notices
- Form or personalized letters
- Telephone follow up
- Interviews
- Title Searches – Interested Party Notification

### VII) Steps and Timing of the Collection Procedure

- 1) Interim Tax Notices are sent in March and Final Tax Notices in July (subsequent to the passing of the Municipal Budget). Tax arrears owing at the time of the billing are included on each tax notice.
- 2) Late payment charges are charged according to municipal by-laws (penalty – first day of default and interest is charged on the first day of each month thereafter).
- 3) Reminder notices for the current year are sent prior to the 15<sup>th</sup> day of the months of February, May, September, and October. Notices for amounts less than \$15.00 will not be mailed.
- 4) Any notice sent by ordinary mail is considered delivered to and received by the addressee unless the notice is returned by the Post Office or an error in the mailing address is proven. Failure to notify the Municipal Office of an address change in writing is not an error. Section 343 of the Municipal Act identifies that tax bills shall be sent to the taxpayer's residence or place of business or of the premises where the taxes are payable for, unless the taxpayer directs the municipality otherwise. The direction for the delivery of tax bills continues until it is revoked in writing by the taxpayer (343(8)).
- 5) Priority of tax accounts for collection is:
  - i. Tax Accounts with three or more previous years outstanding
  - ii. Tax Accounts with two previous years outstanding
  - iii. Tax Accounts with one previous year outstanding
  - iv. Tax Accounts with current year only outstanding
- 6) For tax accounts which indicate previous year's taxes owing, a collection letter is sent by February 15<sup>th</sup> of the current year to the property owner(s) advising of the tax arrears situation and asking for payment in full or satisfactory payment arrangements to be made by a given date. If acceptable payment arrangements are made, the account is monitored for compliance and follow-up is done by telephone or in writing as required.

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Telephone contact is only used when the taxpayer has provided the municipality with a telephone number.

- 7) Satisfactory payment arrangements would be a series of post-date cheques of a commitment to make payments on prearranged dates via telephone or internet banking or in person.
- 8) A series of letters will be sent with the arrears notices depending on the status of the tax arrears. The letters are documented in Schedule A – Letters 1 through 4.
- 9) If no reply is received from the notices a final notice will be sent by registered mail by October 15<sup>th</sup> of the second year of arrears stating that failure to reply may result in the account being forwarded to a bailiff to collect the outstanding taxes, which will result in additional costs to the property owner. Costs associated with preparation and mailing of the final notice will be added to the property tax account
- 10) If there is no reply to the final notice, a sub search of title may be done to obtain information on any mortgage holders or interested parties. The mortgage holder(s) is then notified in writing of the outstanding taxes and payment in full is requested. In most cases, the mortgage holder will pay the taxes or ensure that the property owner does. This action will be used no earlier than the fourth quarter of the year after the taxes were levied. These costs will be added to the property tax account.
- 11) A bailiff may be used if no reply to the final notice is received within 30 days of the mailing or there is no response for the mortgage holder. Costs associated to this action are the responsibility of the property owner and are deducted by the Bailiff, in accordance with legislation, prior to the remittance of payment to the municipality.

Once an account has been forwarded to a Bailiff for collection purposes, the property owner must deal directly with the Bailiff and make payments directly to the bailiff. The Municipality should not accept payments from property owners in this case as it blurs the line of accountability and record keeping in regard to collection efforts and costs.

- 12) If a property is in the position that a tax arrears certificate could be registered and an application is made to divide land that is assessed as one block into two or more parcels, if each parcel is one that can be legal conveyed under the *Planning Act*, the applicant cannot proceed, whether or not the tax arrears certificate has actually been registered. (Municipal Act, (356(3)))



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- 13) All costs incurred for collection to obtain information and/or collect tax arrears are payable by the property owner and are added to the tax account (section 349(1)). These costs may include, but are not limited to:
- All title search fees
  - All corporate search fees
  - Registered mail
  - Administrative charges
  - All site visits

These fees will be charged as outlined in the Miscellaneous User By-Law of the Town of Rainy River.

- 14) If rent attornment is chosen as a collection tool, the Chief Administrative Officer will give notice to the tenant in writing requiring the tenant to pay the rent normally paid to the Landlord, to the Town of Rainy River as it becomes due, until the amount of taxes due and any unpaid costs are paid in full.

The tenant is required by section 350(1) of the Municipal Act to comply with this notice.

The Chief Administrative Officer has the same authority as the landlord of the premises to collect the rent by seizure or otherwise to the amount of the taxes due and unpaid costs, but by collecting the rent, the municipality does not assume the responsibilities of the landlord.

Amounts paid as a result of rent attornment, may be deducted by the tenant from the rent paid to the landlord.

### VII) Late Payment Charge Adjustments

Late payment charges are adjusted only in the following circumstances:

- Taxes are adjusted under Section 354, 357, or 358 of the Municipal Act;
- Taxes are adjusted following an Assessment Review Board Decision
- Taxes are adjusted in accordance with a decision of the Courts
- The interest or penalty was charged as a result of the Municipality's error or omission. It shall be at the direction of the Chief Administrative Officer to decide whether or not the interest amount should be adjusted in such cases up to the amount budgeted for write-offs in the annual budget and no more than the purchasing policy limits.

## Appendix A

### Sample Letters

Letter 1 – February 15, 20??

Dear (Taxpayer)

Payments of property taxes are the lifeblood of our Municipality. These taxes go towards providing the necessary services and facilities which make Rainy River the great place it is to live in. When taxes remain unpaid, it forces the Town to arrange short-term borrowings to finance our cash shortfall. These borrowings are expensive and consequently, impact the costs of running the Town and ultimately can result in increased taxes and/or service reductions.

As you can see from the statement attached, your property taxes are presently in arrears. Should you have a problem with your bill, please contact me at your earliest convenience at 807-852-3978.

If you have made a payment prior to receiving this notice, please disregard it and accept our apologies for the inconvenience.

Yours truly,

Veldron Vogan, AMCT  
Chief Administrative Officer  
Town of Rainy River

## Appendix A

### Sample Letters

Letter 2 – September 15, 20??

Dear (Taxpayer)

Your taxes have now been in arrears for over 12 months. Commencing with the first day of the month following the month in which your taxes went into arrears, interest has been accruing at a rate of 1.25% per month or 15% per annum. These are very high rates considering a consumer bank loan is currently much less.

While the preferred method for payment of taxes in full when due, the Town of Rainy River does accept partial payment of tax balances. Should your situation find this to be a more suitable arrangement, we would be willing to negotiate a mutually satisfactory payment plan. Please contact me at your earliest convenience at 807-852-3978 to further discuss this option.

**Please be advised that your account may be turned over to a collection agency. The collection agency currently charges an additional fee of 30% of the outstanding balance. A transfer of your account to the collection agency may result in notations being placed on your credit report and may impact your ability to obtain credit in the future.**

If you have made payment prior to receiving this notice, please disregard it and accept our apologies for the inconvenience.

Yours truly,

Veldron Vogan, AMCT  
Chief Administrative Officer  
Town of Rainy River

## Appendix A

### Sample Letters

Letter #3 – February 15, 200?

Dear (Taxpayer)

Taxes on your property have remained unpaid for over one year. They are continuing to accrue interest at the rate of 1.25% per month or 15% per year. This situation creates problems for both parties; the Town having a shortfall in cash flow and the property owner who is having a considerable interest charge applied each month.

The Town of Rainy River would like to see this balance cleared up as soon as possible. If your financial situation is such that payment in full is impossible, please contact me at your earliest convenience at 807-852-3978 to discuss other suitable arrangements.

**Please be advised that your account may be turned over to a collection agency. The collection agency currently charges an additional fee of 30% of the outstanding balance. A transfer of your account to the collection agency may result in notations being placed on your credit report and may impact your ability to obtain credit in the future.**

If you have made payment prior to receiving this notice, please disregard it and accept our apologies for the inconvenience.

Yours truly,

Veldron Vogan, AMCT  
Chief Administrative Officer  
Town of Rainy River

## Appendix A

Sample Letters

Letter #5 – October 15, 20??

### **IMPORTANT NOTICE TO THE PROPERTY OWNER**

Dear (Taxpayer)

**REGARDING** Roll Number 59-42-000-000-?????-0000  
**OUTSTANDING TAXES** \$xx,xxxx (As of today's date)  
**PROPERTY ADDRESS** ??? NNNNNN, NG, RAINY RIVER

Please be advised that effective January 1, 20?? the above noted property will be eligible for Tax Registration as outlined within the *Municipal Act*. The balance shown on the correspondence provides the outstanding taxes and late payment charges owing on account to the date of this letter. Late payment charges are added on the first day of each month of default at the rate of 1.25%.

Under current legislation, the Town of Rainy River may commence tax sale proceedings by registering a tax arrears certificate on title of the property if the account remains unpaid after December 31, 20??. All costs associated with filing the necessary lien documents, estimated at \$1,000 - \$4,000 will be added to the property tax account. Once the certificate of tax arrears is registered, no partial payments on account will be accepted. However, the property owner or any party having an interest on the property, will have one year to redeem the property by paying the full cancellation price which includes all taxes, accumulated penalties and interest plus all administrative costs owing at the date of payment. **Failing this, the property will be offered for sale through a public tendering process.**

Prior to registering the tax arrears certificate, a title search will be conducted by the Town of Rainy River and the cost of the search will be added to your tax account.

To avoid incurring these costs and jeopardizing the ownership of your property, please ensure that all tax arrears are paid by December 31, 20??. Should the account remain unpaid after December 31, 20??, no further notice will be provided prior to the municipality's lien action. This office urges you to take action.

**Please be advised that your account may be turned over to a collection agency. The collection agency currently charges an**

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**additional fee of 30% of the outstanding balance. A transfer of your account to the collection agency may result in notations being placed on your credit report and may impact your ability to obtain credit in the future.**

If you have any questions relating to this correspondence or if additional information is required, please contact the undersigned as soon as possible at 807-852-3978.

If you have made payment prior to receiving this notice, please disregard it and accept our apologies for the inconvenience.

Yours truly,

Veldron Vogan, AMCT  
Chief Administrative Officer  
Town of Rainy River

## Appendix A

Sample Letter #6

Collection of Rents – Landlord

Dear (Landlord)

Where property taxes are outstanding on a rental property, pursuant to Section 350(1) of the Municipal Act, the Municipality can direct tenants to pay rent owed to the landlord to the Municipality.

There currently exists a balance of unpaid taxes on your property. Efforts to recover payment on this account have been unsuccessful. Therefore, if you do not contact our office at 807-852-3978, to make arrangements within 14 days, the Town of Rainy River will direct your tenants to pay their rents to the Municipality.

I hope to hear from you before the expiration of the grace period so suitable payment arrangements can be made and collection of your tenant's rents can be avoided.

**Please be advised that your account may be turned over to a collection agency. The collection agency currently charges an additional fee of 30% of the outstanding balance. A transfer of your account to the collection agency may result in notations being placed on your credit report and may impact your ability to obtain credit in the future.**

If you have made payment prior to receiving this notice, please disregard it and accept our apologies for the inconvenience.

Yours truly,

Veldron Vogan, AMCT  
Chief Administrative Officer  
Town of Rainy River

## **Appendix A**

### Sample Letters

#### Letter #7 – Collections of Rents – Tenants

Dear (Tenant)

Where property taxes are outstanding on a property which is rented, pursuant to Section 350(1) of the Municipal Act, the Municipality may direct the tenant to pay rent owed to the landlord to the Municipality.

There currently exists a balance of unpaid taxes on the property which you are renting. The Town of Rainy River therefore requests you to pay your monthly rent to the following address:

Town of Rainy River  
Attention: Chief Administrative Officer  
201 Atwood Avenue  
P.O. Box 488  
Rainy River, Ontario  
P0W 1L0

You will be notified when to cease making payments to the Municipality as soon as this balance has been brought to current.

If you require any additional information on the above, please do not hesitate to contact the undersigned at 807-852-3978. Your immediate attention to the very important matter would be greatly appreciated.

Yours truly,

Veldron Vogan, AMCT  
Chief Administrative Officer  
Town of Rainy River

cc. Property Owner



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**ADOPTION & REVIEW GUIDELINES**

Approved by Motion #08-209 on October 20, 2008  
Reviewed/Revised by Res. # 17-165 on December 11, 2017

Approximate date of next review \_\_\_\_\_, 20\_\_\_\_

<b>REFERENCES:</b>	<b>POLICY AREA</b>	<b>POLICY NUMBER</b>
	Finance _____	Section F-6 _____