

Information Report



Service Area	Corporate Services
Date	Friday, February 28, 2020
Subject	Property Tax Receivables and Collections
Report Number	CS-2020-06

Executive Summary

Purpose of Report

As per the City of Guelph's Tax Billing and Collection Policy, annually staff provide Council with an analysis on the current state of tax collection and arrears.

This report provides information as of December 31, 2019.

Key Findings

Property tax receivables as a percentage of tax levied annually is 1.48 per cent as at December 31, 2019 (2018 – 1.81 per cent) and continues to remain lower than the 2018 Southwest Ontario municipal average of 5.4 per cent as reported in the 2019 BMA Management Consulting Inc. Study. The total 2019 tax arrears as a percentage of taxes levied is 2.16 percent (2018 – 2.25 per cent). As the number of properties in Guelph has increased from 41,232 in 2011 to 46,744 in 2019, the City has experienced a consistent low level of tax receivables and tax arrears that are reflective of the strong economic and financial health of Guelph. Enhanced payment options such as multiple pre-authorized debit (PAD) plans with now over 35% of property owners on a PAD, and the ability to pay at any Canadian financial institution or by credit card also contribute to the low tax receivables.

During 2019 there were no properties that were advertised for Tax Sale.

Financial Implications

Tax arrears as a percentage of taxes levied is an important financial indicator of municipal economic health and is considered by Standard and Poor's in their determination of a credit rating. The lower percentage of tax arrears is a favourable factor to the City's credit rating.

Interest and penalty income from unpaid taxes directly relates to the amount of arrears outstanding on a monthly basis.

Report

Details

Definition of Terms

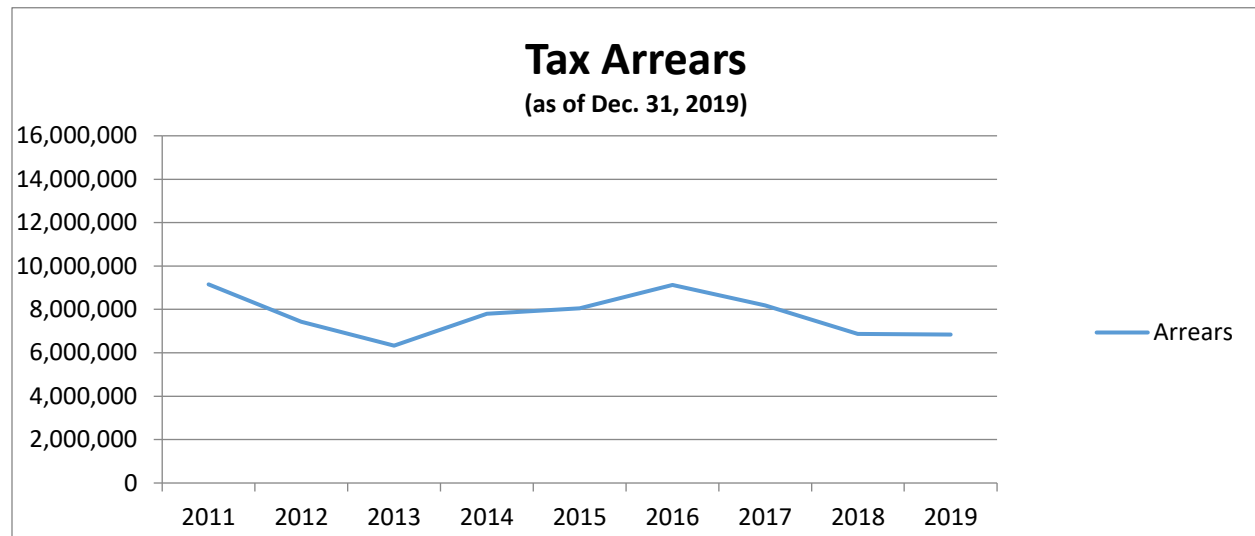
Tax arrears – the amount of taxes outstanding on all accounts.

Tax credits – credits on the tax account which occur due to pre-payments by the property owner, assessment reductions, vacancy rebates, or Municipal Act dictated tax adjustments applied to the account.

Tax receivables – the net amount of taxes owing to the City (tax arrears less tax credits).

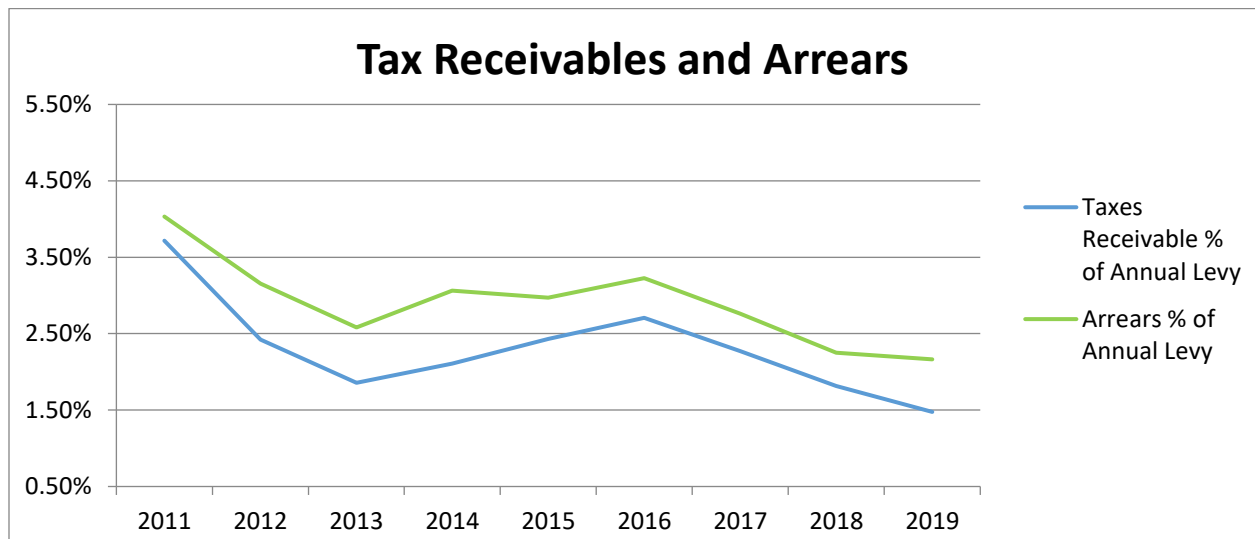
Tax arrears

From 2011 through 2019, tax arrears at yearend have fluctuated as illustrated in the chart below.



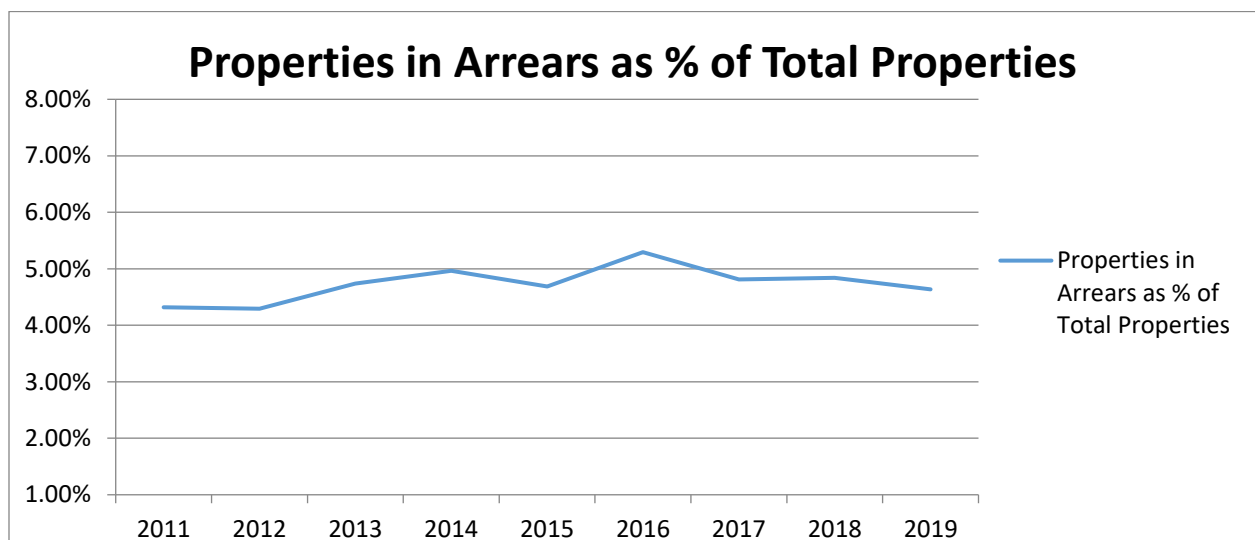
Tax receivables and arrears

The low tax receivables and tax arrears reflect the City's strong economic health and the ability of taxpayers to meet their financial obligations. The availability of payment options and the application of the Tax Billing and Collection Policy also contribute to keeping arrears as low as possible. The City's tax receivables as a percentage of taxes annual levied is 1.48 per cent in 2019 (2018 – 1.81 per cent) and continues to remain much lower than the Southwest Ontario 2018 municipal average of 5.4 per cent as reported in the 2019 BMA Management Consulting Inc. Study. The overall tax arrears percentage as a percentage of taxes annually levied is also significantly lower than 5.4 per cent sitting at 2.16 per cent in 2019 (2018 – 2.25 per cent).



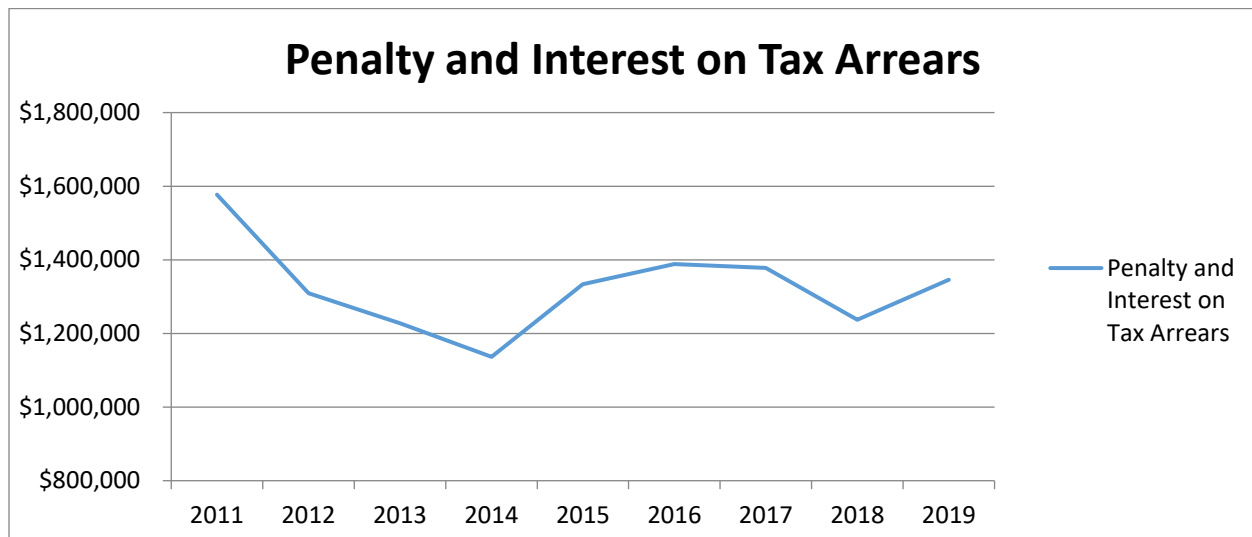
Properties in arrears

At the end of 2019, there were 2,168 properties in arrears, representing 4.64 per cent of all properties compared to 2,223 properties of 4.84 per cent in 2018.



Penalty and interest on tax arrears

Penalty and interest revenue increased in 2019 to \$1,345,947, up from \$1,237,634 in 2018. This was a positive variance as penalty and interest was budgeted at \$1,295,000 in 2019. Fluctuation in penalty and interest is to be expected. This increase, on its own, is not concerning as it relates to a taxpayers ability to meet their obligations. The nine-year trend is shown below.



Payment Plans

As of December 31, 2019, there were 12,841 properties enrolled in one of the monthly PADs and 3,739 properties enrolled in the due date PAD. The number of properties enrolled in a PAD increased by 835 in 2019. This translates to an overall increase in enrollment of five per cent, with total enrolled representing 35 per cent of all properties in Guelph.

Increased enrollment for PAD plans is a successful efficiency initiative that enables the City to process a large number of tax payments without manual entry, provides a stable cash flow through the calendar year and allows taxpayers the opportunity to spread their payments out on a monthly basis.

Collection procedures

On an annual basis, if arrears two years and greater are not paid by January 31, the City will commence the tax sale registration. From commencement of the tax sale registration process, many property owners will pay their outstanding property taxes prior to actual registration occurring later in the year. Once registration takes place, the effected property owners have one year from the date of registration to pay all taxes and associated costs including penalty and interest. If the taxes remain unpaid at the end of the one-year period, the property will be sold by the City to recoup the taxes outstanding.

At the end of 2019 there were 283 properties eligible for tax sale registration compared to 313 at the end of 2018. These properties in arrears will be reviewed for tax sale registration later in the 2020. As a result of a legislative change, 2019 was the second year where all properties two years in arrears were eligible to be registered for tax sale. This legislative change has created an environment where the individual arrears are not as significant and may be less onerous for property owners to work out payment plans with the City.

The City did not conduct any tax sales in 2019. At the end of 2019, 28 properties were under review for tax sale registration, with registration to occur in January 2020. Further, at the time this report was authored, four properties are currently advertised for tax sale with a tax sale date of March 5, 2020.

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Consultations

None.

Strategic Plan Alignment

This report aligns with Strategic Plan priority working together for our future, running an effective, fiscally responsible and trusted local government.

Attachments

None.

Departmental Approval

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