

# Town of Whitby

## Staff Report

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### Report Title: Enhanced Property Tax Payment Options

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**Report to:** Committee of the Whole

**Date of meeting:** May 13, 2024

**Report Number:** FS 17-24

**Department(s) Responsible:**

Financial Services Department

**Submitted by:**

Fuwing Wong, Commissioner of  
Financial Services / Treasurer

<b>Acknowledged by M. Gaskell, Chief Administrative Officer</b>
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**For additional information, contact:**

Crystal Doucette, Sr. Manager of  
Revenue and Taxation, ext 2815

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### Recommendation:

1. That the Town implement two new property tax pre-authorized payment plans as outlined in Report FS 17-24;
2. That staff be authorized to adjust the terms & conditions of the Pre-authorized Payment plans as required;
3. That, despite the two (2) years provided for in the Municipal Act, the Town of Whitby only proceeds to Tax Registration with accounts that are three (3) years in arrears plus the current year;
4. That the Town initiate a process to search title on a tax roll prior to Tax Registration in the year the account is two (2) years in arrears plus current and notify interested parties of the impending Tax Registration; and,
5. That the Town's Fees and Charges By-law be amended to include a "Tax roll sub-search of Title" in the amount of \$150.00.

**1. Highlights:**

- The Town of Whitby currently has only one pre-authorized payment (“**PAP**”) plan for property taxes (an 11-month plan, January to November);
- Two additional PAP plans are proposed based on feedback received from taxpayers and to assist taxpayers that are in tax arrears:
  - a) An Instalment Due Date PAP Plan (four times a year where withdrawals coincide with instalment due dates)
  - b) An Arrears PAP Plan
- The Town of Whitby’s accounts receivable for property taxes has been trending higher in recent years. The Town would like to take a proactive approach to assisting the property owners of Whitby with protecting their property by clearing their past due property tax balances.
- Despite a trend of higher tax arrears, the Municipal Affairs and Housing’s (“**MMAH**”) Financial Indicator Review (received January 2024) indicates that the Town’s taxes receivable as a % of total taxes is still in the low risk range.

**2. Background:**

The Town of Whitby currently has only one pre-authorized plan whereby property taxes are withdrawn from taxpayer bank accounts over 11 months, January to November. Pre-authorized payment plans are a convenient way for taxpayers to make payments in a timely manner thereby avoiding late payment fees. Currently, 13,014 taxpayers (or 26% of the 49,250 tax rolls) are enrolled in the Town’s 11-month PAP plan.

Property taxes are due four (4) times a year (i.e. February, April, June, and September). For taxpayers that do not participate in the Town’s PAP plan, a common reason provided is that they do not wish to pay the Town “early” (e.g. a January PAP withdrawal when the instalment date is February). Accordingly, it is recommended that the Town implement an Instalment Due Date Pre-authorized Plan where the timing of the withdrawal of funds is the same four (4) payment instalment dates in February, April, June, and September.

The Town’s property tax arrears (or taxes receivable) as a % of total taxes levied has been trending upwards since 2019 as shown in the table below:

Year	Taxes Receivable (\$ millions)	Taxes Levied (\$ millions)	Taxes Receivable as a % Taxes Levied
2019	\$14.0	\$293.5	4.76%
2020	\$16.3	\$314.1	5.18%
2021	\$14.7	\$319.0	4.61%
2022	\$20.5	\$333.0	6.17%
2023	\$30.0	\$357.7	8.37%

Note: Taxes Receivable and Taxes Levied include the Town, Region, and School Board portions of all tax accounts in arrears. The Town collects property taxes for the Town services and services provided by the Region of Durham and School Boards. When a property is in tax arrears, the Town up-fronts the instalment payments to the Region and School Boards on behalf of the property owner and charges late payment fees to offset costs incurred (if any) or opportunity costs.

Despite a trend of higher tax arrears, the Financial Indicator Review, sent to Ontario municipalities annually from the MMAH, shows that Taxes Receivable as a % of Total Taxes levied under 10% is Low Risk (10 to 15% Moderate Risk; and > 15 is High Risk). The last Financial Indicator Review summary, received from MMAH in January 2024 (for 2022 financials), indicates that the Town's taxes receivable as a % of total taxes is still in the low risk range.

Once a tax account is in arrears for two (2) years plus the current year, a municipality may initiate a tax sale of the property to recover the property taxes outstanding:

- Of the 6,404 tax accounts in arrears as of the end of December 2023, 336 (or approximately 5%) are in arrears for two (2) years or more.
- Section 373 (1) of the *Municipal Act, 2001* notes that "where any part of tax arrears is owing with respect to land in a municipality on January 1 in the second year following that in which the real property taxes become owing, the treasurer of the municipality, unless otherwise directed by the municipality, may prepare and register a tax arrears certificate against the title to that land."
- Prior to May 2017, tax sales were initiated following three (3) years.
- Since the change to two (2) years, many municipalities (including all of the Durham municipalities except for Oshawa) continued with proceeding with a tax sale process after three (3) years.

Although the Municipal Act currently allows for tax sales (related to the non-payment of property taxes) to be initiated after two (2) years, it is recommended the Town of Whitby continue to initiate the tax sale process after three (3) years of tax arrears. Further, a Tax Arrears PAP plan is recommended to assist taxpayers become current in their property tax payments by suspending all tax sale activity while the taxpayer is on the plan and providing the taxpayer with calculations on how to become current on their property taxes over a fixed period of time. See more information on the Tax Arrears PAP plan in the Discussion section, below.

### **3. Discussion:**

This report recommends two additional pre-authorized payment plans to be implemented:

- 1) Instalment Due Date PAP Plan to provide more options to taxpayers;
- 2) Arrears PAP Plan to assist taxpayers, currently in arrears, with a roadmap to bring their account current over a maximum of three (3) years.

#### ***Instalment Due Date PAP Plan***

The Instalment Due Date PAP plan will allow residents, who have tax accounts that are current, to pay their four (4) regular tax instalments per year via automated bank withdrawals. The withdrawal dates for this plan would fall on the due dates of the Interim

and Final bills (i.e., February, April, June, and September). Interim and Final property tax bills will continue to be mailed/emailed to residents on this plan at least 21 days before the first due date listed on the bill. The tax bill provides the instalment amount and due dates that will be aligned to the Instalment Due Date PAP Plan withdrawal dates.

It is hopeful that this additional PAP option will encourage more taxpayers to sign-up for PAP and avoid missing an instalment payment/incurred late payment charges.

A sample of the Instalment Due Date PAP Plan application form (with terms and conditions) is shown in Attachment 1 to this report.

***Tax Arrears PAP Plan (12-Monthly Withdrawals per Year)***

For property taxpayers that are in tax arrears, the Tax Arrears PAP Plan assists the taxpayer to bring their account current by:

- 1) Calculating the minimum monthly withdrawal amounts over a fixed period of time (maximum of three years), adjusted annually for tax increases, late payment fees, to bring the account current by the end of the fixed period;
- 2) Automatically deducting these amounts from the taxpayer's bank account annually over all twelve (12) months (January to December); and
- 3) Providing a commitment not to initiate a tax sale while the taxpayer is on the Tax Arrears PAP plan and is in good standing (i.e., has not missed any payments).

Late payment fees will continue to be charged in accordance with the Town's by-law and the Municipal Act. However, under this plan late payment fees are factored into the monthly payments that will help the taxpayer bring the tax account current in three (3) years or less.

A sample of the Tax Arrears PAP Plan application form with all other terms and conditions is shown in Attachment 2 to this report.

For completeness, a revised application form for the Town's current 11-month PAP plan is shown in Attachment 3 to this report. The Terms and Conditions are listed on the back of all PAP Plan application forms and outline items like eligibility to enrol in the plan, termination and voluntary cancellation from the plan, and clarification when the property is sold by the property owner. Terms and Conditions for the PAP program should reflect industry best practices, changes, municipal trends, and be responsive to resident concerns. Accordingly, it is recommended that staff be authorized to update and amend terms and conditions for the Town's Pre-authorized Payment plans, as necessary. All taxpayers registered for the Town's PAP program will be notified of changes to terms and conditions following updates.

***Tax Roll Sub-Search of Title***

As noted in the Background section of this report, the Town's Tax Arrears (or taxes receivable) as a % of Taxes Levied has been trending upward since 2019.

Concurrent with the Tax Arrears PAP Plan to assist taxpayers become current, the Town is also recommending a tax roll sub-search of title (and associated fee) in year two (2) of a tax account becoming in arrears. That is, to reduce taxes receivable and avoid the Town's taxes receivable becoming moderate risk or high risk (as determined

by annual Provincial Financial Indicator Review), it is recommended that the Town complete a Tax sub-search of title on the property and notify any mortgage holders of the details of the arrears. Mortgage companies, then, may elect to pay all property taxes owing and add the property taxes to their clients' regular mortgage payments.

Subject to Council approval of this report, the Town's Fees and Charges By-law will be updated to include a "Tax roll sub-search of Title" fee in the amount of \$150.00 inclusive of disbursements, to cover this service.

#### **4. Financial Considerations:**

The additional PAP plans should provide taxpayers more options to pay their property taxes in a timely manner. As the Town currently only has one 11-month PAP plan, taxpayers generally pay in-person, provide post-dated cheques, and/or set-up their own post-dated electronic bill payments via online banking. Pre-authorized payment plans will automatically deduct amounts from taxpayer accounts even if they become too busy at tax instalment time and cannot come in-person/set-up an online bill payment or have lost/misplaced or did not receive their tax bill.

Preauthorized Payments are also more efficient for the Town to process property tax payments as multiple property tax accounts may be processed at once via the Town's online banking system. It is estimated that the two additional PAP plans will cost the Town of Whitby approximately \$80.00 annually in additional bank fees plus \$0.045 per transaction.

#### **5. Communication and Public Engagement:**

The proposed two (2) new pre-authorized payment options would become available for enrollment in June 2024.

Promotional materials and social media posts will be prepared to promote the new payments options.

#### **6. Input from Departments/Sources:**

Legal services have reviewed the pre-authorized payment forms and terms and conditions for each plan.

#### **7. Strategic Priorities:**

The proposed additional pre-authorized payment plans/options is consistent with Action 4.3.1." Continually improve the customer experience through the use of technology, more flexible payment and service options, and the implementation of a consolidated customer contact centre" of Whitby's Community Strategic Plan.

#### **8. Attachments:**

**Attachment 1:** Instalment Due Date Pre-authorized Tax Payment Plan Application

**Attachment 2:** Arrears Pre-authorized Tax Payment Plan Application

**Attachment 3:** Monthly Pre-authorized Tax Payment Plan Application