

Write-Off of Uncollectible Business Taxes from the Collectors Roll

(City Council on December 14, 15 and 16, 1999, adopted this Clause, without amendment.)

The Administration Committee recommends the adoption of the following report (November 16, 1999) from the Chief Financial Officer and Treasurer:

Purpose:

To seek authority to strike off from the Tax Collector's Roll certain taxes deemed uncollectable by the Treasurer.

Financial Implications:

The amount of business taxes that require removal from the Tax Collector's role is \$13,674,070.89 plus \$69,920.30 attributable to business improvement areas (BIA). The comparable 1998 tax write-off was \$19,212,684.20. Approximately \$4,215,800 of this amount is the City's share with an additional approximately \$4,210,000 in lost interest revenue. The balance of approximately \$5,250,000 is the School Board's share and will be recovered.

The BIA total amount of \$69,920.30 is for each of the former cities of Toronto, Scarborough, York and Etobicoke. This is offset by an allowance amount set aside for this purpose as part of the BIA levy and does not have a financial impact to the city. A breakdown of the recommended strike-offs is in Schedule "A" attached.

This recommended tax write-off can be accommodated in the 1999 budget for tax deficiencies.

Recommendations:

It is recommended that:

- (1) uncollectible business taxes of \$13,674,070.89 be stricken from the Tax Collector's Roll under the provisions of *Section 441* of the *Municipal Act*, and
- (2) the amount attributable to uncollectible taxes from Business Improvement Areas (BIA) in the amount of \$69,920.30 be written off as a receivable under *Section 441*.

Background:

Prior to the introduction of the Current Value Assessment (CVA) system in 1998, municipalities levied for both realty and business occupancy taxes. Effective January 1, 1998, provincial legislation eliminated Business Occupancy Tax. BOT was the source of a large portion of a municipality's tax arrears, and municipalities and businesses alike asked for its elimination.

Business occupancy taxes (BOT) and other charges levied as taxes, such as business improvement areas (BIAs), can be struck from the Tax Collector's Roll under the provisions of Section 441 of the *Municipal Act*, R.S.O. 1990. The Section 441 process differs from other tax related adjustments because only Council can approve the write-offs being removed from the Roll. The process does not include cancellation of taxes due to assessment appeals (i.e., the section 40 process).

Section 441 of the *Municipal Act*, states "Where the Treasurer ascertains that certain receivables are uncollectable, the Treasurer shall recommend to Council that such outstanding receivables be struck off the roll and the Council may direct the Treasurer to strike such receivables off the rolls."

Discussion:

The City still has a number of receivables related to 1997 and prior year business occupancy taxes. In an attempt to recover the business tax arrears, the Finance Department's methods of collection includes such activities as internal collectors conducting a series of telephone calls, mailing of collection letters, and site visits. Once all internal resources have been exhausted, and business taxes remain unpaid, the account is assigned to a bailiff, collection agency or for legal action. Once all collection efforts are exhausted, the Treasurer recommends to Council that such outstanding taxes be struck off the Collector's roll, in accordance with section 441 of the *Municipal Act*.

The tax accounts recommended in this report have gone through the collection processes identified above. In certain cases, payment arrangements were entered into between the taxpayers and the City. Unfortunately, due to bankruptcies and business closures, the City is unable to collect all of the total outstanding amounts. Schedule "A" attached identifies the former municipality and the recommended write-off by year. Schedule "B" identified the taxes receivables as of October 31st, 1999. The amounts shown in brackets represent credits on the general ledger and are not reflected in any way for council write-off. Credits are created by either an overpayment on an account or an adjustment due to an appeal decision. These credits will be refunded to the property owner or transferred to other outstanding accounts.

Conclusion:

The list of uncollectible business taxes has been reviewed for each area district by the Tax Collector. All appropriate collection action has been performed. The taxes are deemed to be uncollectible. It is recommended that Council cancel the uncollectible business taxes and strike them off from the Tax Collector's Roll.

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Schedule 'A'

Breakdown of 1999 Council Business Tax Write-Offs by District Area

CITY OF TORONTO RECOMMENDED TAX AND BIA WRITE-OFFS BY DISTRICT AND TAX YEAR				
MUNICIPAL CODE	TAX YEAR	NO. OF TAX ACCOUNTS	TOTAL (\$)	1998 APPROVED WRITE-OFF
1901 – Former Scarborough	1994	1	599.99	1,460,745.30
	1995	2	1,644.11	
	1996	7	8,329.18	
	1997	49	77,044.86	
	1998	<u>1</u>	<u>33.05</u>	
	Total	<u>60</u>	<u>87,651.19</u>	
1904 – Former Toronto	1990	1	1,123.71	8,871,208.02
	1991	2	4,918.91	
	1992	10	21,753.66	
	1993	19	78,112.56	
	1994	231	1,030,477.33	
	1995	594	1,857,874.44	
	1996	1,124	3,209,960.30	
	1997	<u>2,387</u>	<u>6,184,688.06</u>	
	Total	<u>4,368</u>	<u>12,388,908.97</u>	
1906 – Former East York	1995	1	1,009.49	550,934.88
	1997	<u>4</u>	<u>2,637.38</u>	
	Total	<u>5</u>	<u>3,646.87</u>	
1908 – Former North York	1993	5	15,706.39	1,523,448.15
	1994	8	36,648.29	
	1995	15	29,325.67	
	1996	22	32,012.39	
	1997	82	212,420.32	
	1998	1	47,744.44	
	1999	<u>1</u>	<u>34,437.74</u>	
	Total	<u>134</u>	<u>408,295.24</u>	
1914 – Former York	1996	10	23,730.17	1,500,063.13
	1997	<u>3</u>	<u>1,388.52</u>	
	Total	<u>13</u>	<u>25,118.69</u>	
1919 – Former Etobicoke	1995	22	529,796.02	
	1996	31	222,733.37	
	1997	45	77,180.25	
	1998	<u>6</u>	<u>660.59</u>	

CITY OF TORONTO RECOMMENDED TAX AND BIA WRITE-OFFS BY DISTRICT AND TAX YEAR				
MUNICIPAL CODE	TAX YEAR	NO. OF TAX ACCOUNTS	TOTAL (\$)	1998 APPROVED WRITE-OFF
	Total	<u>104</u>	<u>830,370.23</u>	5,306,284.72
Total by Year	1990	1	1,123.71	
	1991	2	4,918.91	
	1992	10	21,753.66	
	1993	24	93,818.95	
	1994	240	1,067,725.61	
	1995	634	2,419,649.73	
	1996	1,194	3,496,765.41	
	1997	2,570	6,555,359.39	
	1998	8	48,438.08	
	1999	<u>1</u>	<u>34,437.74</u>	
	Total	<u>4,684</u>	<u>13,743,991.19</u>	<u>19,212,684.20</u>

Schedule "B"

City of Toronto - Taxes Receivable As at October 31, 1999

Tax Year	As at October 31, 1999				As at Dec. 31, 1998
	Fees (\$)	Interest (\$)	Principal (\$)	Grand Total (\$)	Total (\$)
Business receivables					
1983			(5,428.05)	(5,428.05)	(5,428.05)
1986		-	(431.97)	(431.97)	124.53
1987		711.12	(2,276.54)	(1,565.42)	(2,525.39)
1988		71.08	(11,272.19)	(11,201.11)	2,189.24
1989		61.39	(21,307.29)	(21,245.90)	19,468.79
1990		1,600.11	(134,372.11)	(132,772.00)	10,824.96
1991		1,806.94	(649,909.60)	(648,102.66)	(554,603.90)
1992		27,341.48	(1,135,423.64)	(1,108,082.16)	(14,378.80)
1993	75.00	136,957.50	(758,056.42)	(621,023.92)	1,060,502.97
1994	200.00	1,270,566.27	470,478.45	1,741,244.72	3,034,210.49
1995	635.00	4,709,302.58	5,468,767.93	10,178,705.51	13,400,859.65
1996	1,092.34	4,719,891.60	8,673,224.48	13,394,208.42	21,734,831.08
1997	10,620.95	6,838,127.25	16,643,569.55	23,492,317.75	47,518,336.10
Total Business	12,623.29	17,706,437.32	28,537,562.60	46,256,623.21	86,204,411.67
Realty receivables					
1980					140,345.69
1988					68,812.80
1989		3,338.78	(472.03)	2,866.75	(116,612.40)
1990		6,374.48	(301,016.04)	(294,641.56)	(93,712.17)
1991		10,385.65	(658,266.25)	(647,880.60)	(710,449.81)
1992	60.00	63,659.39	(523,966.16)	(460,246.77)	217,590.25
1993	-	341,072.45	(98,418.03)	242,654.42	1,114,966.60

1994	44.97	909,656.32	(62,818.51)	846,882.78	4,543,890.91
1995	(1,429.67)	2,668,969.08	2,548,325.73	5,215,865.14	10,738,133.05
1996	(6,389.65)	3,229,405.22	228,821.00	3,451,836.57	14,645,139.23
1997	1,263.52	4,953,651.21	2,556,888.01	7,511,802.74	46,892,830.94
1998	22,595.23	11,817,208.71	71,210,590.11	83,050,394.05	168,210,106.61
Sub-Total	16,144.40	24,003,721.29	74,899,667.83	98,919,533.52	245,651,041.70
1999	17,166.51	10,222,854.72	259,548,729.72	269,788,750.95	-
Total - Realty	33,310.91	34,226,576.01	334,448,397.55	368,708,284.47	245,651,041.70
Grand Total - Gross	45,934.20	51,933,013.33	362,985,960.15	414,964,907.68	331,855,453.37
Less:					
Allowance/Provision				(107,908,289.00)	(107,908,289.00)
Total – Net of Provision				307,056,618.68	223,947,164.37

Schedule "B"
City of Toronto -
Taxes Receivable
As at October 31,
1999

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