



STAFF REPORT ACTION REQUIRED

Apportionment of Property Taxes

Date:	March 22, 2007
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2007\Internal Services\Rev\gm07008Rev (AFS 3288)

SUMMARY

Section 322 of the *City of Toronto Act, 2006* (COTA) permits the apportionment of property taxes when one parcel of land is split into two or more parcels, and the division of land has not yet been captured on the assessment roll for the year. The *COTA* allows the Treasurer or an owner of the land to initiate the apportionment of any unpaid taxes for the year in which the application is made, and any previous years for which taxes remain unpaid. The apportionment process does not change the total amount of taxes levied, but rather splits the taxes between the newly created parcels of land.

The *COTA* requires that upon receipt of an application to apportion taxes, Council must hold a public meeting at which the applicants and owners of any part of the land may make representation. Authority to hold such public meetings has been delegated to the Government Management Committee.

This report recommends approval of 62 tax apportionment applications initiated by both the Treasurer and taxpayers for the properties listed in Appendices A and B (attached). This report also recommends a change to the City's current treatment of outstanding penalty/interest that has accrued on unpaid taxes pending the apportionment of those unpaid taxes. As legislative authority now exists, it is recommended that authority be delegated to the Director, Revenue Services, to write off such penalty/interest amounts.

RECOMMENDATIONS

The Treasurer recommends that:

1. the apportionment of property tax in the amounts identified in Appendix A and Appendix B, under the columns entitled “Apportioned Tax” and “Apportioned Phase In/Capping”, be approved;
2. authority be delegated to the Director of Revenue Services to write-off as uncollectible, as of the date of apportionment, the interest and penalty charges that have accrued on, and form part of, any unpaid taxes which are apportioned by Council on or after March 8, 2007; and
3. the appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

Appendices A and B identify that approximately \$73,805.99 (as at March 13, 2007) in penalty/interest charges have accrued on the tax accounts to be apportioned pending Council’s approval of the apportioned taxes. This amount, and any other interest that will accrue on the accounts pending the actual processing of the apportioned tax bills, will be written off, consistent with the recommendations contained in this report. Funding for the write-off of the interest/penalty amount is provided for in the 2007 Tax Penalty Account (Non-Program Budget).

With the exception of the penalty/interest amounts to be written off, the apportionment of property taxes has no financial impact on the City of Toronto. The apportionment process merely secures the City’s revenue by reallocating taxes from an account(s) that has ceased to exist, to the accounts that have resulted from a severance or redevelopment.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of April/May 2001, Council adopted a report (February 23, 2001) from the Chief Financial Officer and Treasurer, entitled “Apportionment of Taxes”, which recommended a policy for the hearing and disposition of unpaid tax apportionment applications pursuant to Section 356 of the *Municipal Act, 2001* (re: Clause 20 of Report No. 5 of the Administration Committee, adopted by Council at its regular meeting held on April 23, 24, 25, 26, 27 and its special meeting held on April 30, May 1 and 2, 2001). To view this report online please follow the link:

<http://www.toronto.ca/legdocs/2001/agendas/council/cc010424/adm5rpt/cl020.pdf>

More recently, at the February 15th, 2007 meeting of the General Government Committee (now the Government Management Committee), the Committee considered a report (January 26, 2007) from the Treasurer, entitled “Apportionment of Property Taxes”, which sought authority to a) apportion taxes on the identified accounts; b) write off associated interest/penalty amounts for accounts that were before the Committee on that day; and c) delegate authority to the Director of Revenue Services to write off as uncollectible the interest and penalty charges that have accrued on, and form part of, any unpaid taxes which are apportioned by Council. The recommendations that dealt with authority to write off interest/penalty amounts and the delegation of this authority, however, were inadvertently omitted from the Committee’s recommendations to Council, and therefore the delegation of this authority has not occurred, nor was authority provided to write off interest/penalty amounts for those accounts considered by the Committee on February 15th, 2007 (re: General Government Committee meeting No. 2, Report No. 9, as adopted by City Council at its meeting held on March 5, 6, 7 and 8, 2007). To view this report online please follow the link:

<http://www.toronto.ca/legdocs/mmis/2007/gg/reports/2007-02-15-gg02-cr.pdf>

ISSUE BACKGROUND

By law, municipalities are required to prepare tax bills in accordance with information provided by the Municipal Property Assessment Corporation (MPAC) on the annual assessment roll. An application to apportion taxes usually stems from incorrect assessed owner information on the assessment roll for properties that have been redeveloped. If, during the year, a parcel of land, owned by a developer, is redeveloped into multiple properties with townhouses/condominiums that are sold off individually, MPAC should update the following year’s assessment roll with new roll numbers containing the new property owner information. By their nature, the timing of redevelopments and changes in ownership are unpredictable. When delays cause MPAC to fail in updating the following year’s assessment roll with the correct parcels, or correct owner information, that year’s tax bill is sent to the wrong assessed owner (usually the developer). Concerned developers contact the City and request an apportionment of taxes to transfer tax responsibility to the appropriate owner. In other instances, the Treasurer must initiate the process to resolve the unpaid taxes.

For both treasurer-initiated and taxpayer-initiated applications, MPAC reviews the request and provides City staff with their recommendation as to how the original assessed value of the property should be divided/apportioned between the newly created parcels. Upon receiving feedback from MPAC, the Revenue Services Division calculates the recommended tax apportionments by applying the same ratio to the taxes as that used in relation to the assessment. Affected property owners will be sent Notices of Hearing to advise them of the recommended apportioned tax amount for which they will be responsible, if approved, and of the April 12, 2007 date of the upcoming hearing before the Government Management Committee. To facilitate the process and address taxpayer concerns, Revenue Services staff will be conducting an open house at the North York Civic Centre on Tuesday, April 10, 2007.

COMMENTS

Together, the attached Appendices A and B identify 62 properties for which the apportionment of taxes is recommended. Of these, 56 applications (identified in Appendix A of this report) are being initiated by the Treasurer as a means of collecting outstanding taxes. The remaining six (6) applications (identified in Appendix B) have been initiated by taxpayers.

With respect to the 56 applications initiated by the Treasurer, staff have undertaken various activities in an effort to collect the unpaid taxes from the original property owner, including:

1. Mailing of Collection Letters;
2. Mailing of Overdue Notices [Statement of Tax Account];
3. Mailing of Final Notices advising of pending Bailiff Action; and,
4. Mailing of Demand Letters by the City Solicitor's Office.

To date, the City's collection efforts have not resolved the outstanding property taxes considered in this report. In many cases, the City has been unable to locate the previous owner (i.e., the company may have ceased to exist) and in those cases where contact has been made, the previous owner may be refusing responsibility for the outstanding taxes. This may be as a result of MPAC's delay in updating the assessed owner information on the assessment roll (as described above), or because of arrangements made between vendor and purchaser when the property was sold. The City has no further means of collecting any unpaid taxes on these accounts if the taxes are not apportioned amongst the current owners. Municipal tax sale proceedings, which can normally be initiated once taxes on a property are at least three years in arrears, could not be used as a collection tool for these 56 original properties given that these assessment roll numbers for the original properties have ceased to exist and are no longer being returned on the assessment roll.

If Council approves the apportionment of taxes as recommended by this report, Notices of Decision will be mailed to taxpayers. Under section 322(11) of the *COTA*, an owner may appeal a decision of City Council to the Assessment Review Board (ARB) within 35 days of Council's decision. Tax bills to individual owners will be generated only after this review period has expired or a decision has been made by the ARB.

Additionally, at the previous meeting of the General Government Committee (now the Government Management Committee) on February 15th, 2007, the Committee considered a report (January 26, 2007) from the Treasurer, entitled "Apportionment of Property Taxes", which sought authority to a) apportion taxes on the identified accounts; b) write off associated interest/penalty amounts for accounts that were before the Committee on that day; and c) delegate authority to the Director of Revenue Services to write off as uncollectible the interest and penalty charges that have accrued on, and form part of, any unpaid taxes which are apportioned by Council. The recommendations that dealt with authority to write off interest/penalty amounts and the delegation of this authority, however, were inadvertently omitted from the Committee's recommendations to Council,

and therefore the delegation of this authority has not occurred, nor was authority provided to write off interest/penalty amounts for those accounts considered by the Committee on February 15th, 2007.

Accordingly, Recommendation 2 of this report is meant to address this omission by allowing the delegation of authority to the Director of Revenue Services to write off interest/penalty amounts that have accrued on unpaid taxes which are apportioned by Council on or after March 8, 2007. March 8, 2007 is the final date of the Council meeting at which Council approved the apportionment of the taxes as set out in the January 26th report from the Treasurer, and at which Council would have considered the original recommendations from the Treasurer to delegate the write-off of the interest and penalty charges which had accrued on the taxes so apportioned had these recommendations been included in the Committee's recommendations to Council as intended. This recommendation, if adopted, will give sufficient authority to the Director of Revenue Services to write-off the interest and penalty charges which have accrued on the unpaid taxes apportioned at the March 8th meeting, those unpaid taxes apportioned pursuant to this report, and all unpaid taxes apportioned by Council in the future.

The delegation only allows the Director of Revenue Services to write off interest and penalty charges accrued on such taxes to the date of the apportionment amongst the new owners of the divided parcels. If left unpaid by these owners, interest and penalty charges will again begin to accrue and be payable.

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SIGNATURE

Cam Weldon
Treasurer

ATTACHMENTS

- Appendix A: Apportionment Report – Treasurer Initiated Tax Apportionments (March 13, 2007)
- Appendix B: Apportionment Report – Taxpayer Initiated Tax Apportionments (March 13, 2007)