



STAFF REPORT ACTION REQUIRED

Communications Plan for Refunds of Property Tax Credit Balances

Date:	June 2, 2010
To:	Government Management Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2010\Internal Services\rev\gm10019rev (AFS11914)

SUMMARY

The purpose of this report is to provide a communications plan for the City's property tax refund processes, including transfers of property tax credit balances to interim and final tax bills for property tax credits of less than five hundred dollars.

RECOMMENDATIONS

The Treasurer recommends that:

1. The communication plan presented in Appendix A of this report to communicate the City's process for property tax refunds, and specifically for transfers of property tax credit balances to interim and final tax bills for credits less than five hundred dollars (\$500), be approved.

Financial Impact

There are no financial implications associated with the report.

Development and production costs associated with updating property tax brochures, tax bill layout (including the new credit identifier line) and the City's web-site for property tax refunds information have been included in the Office of the Treasurer - Revenue Services Division's 2010 Approved Operating Budget.

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

DECISION HISTORY

At its meeting held on March 31 and April 1, 2010 City Council, in its consideration of GM29.1 titled “*Property Tax Credits – Increased Dollar Threshold for Transferring Credit Balances to Interim and Final Tax Bills*”:

- a) directed that credit balances on all property tax accounts, equal or less than five hundred dollars (\$500), be applied as a credit to the tax account of the current assessed owner of the property, and where requested in writing or required in order to meet legislated refund timelines, credit amounts between fifteen (\$15) and \$500 be refunded directly to the current assessed owner by way of a cheque, therein updating and amending the previously approved dollar threshold of one hundred dollars (\$100) for automated refunds of credit balances; and,
- b) requested the Treasurer to submit a communications plan to the Government Management Committee for approval, such plan to include the specific wording to be used in communicating this information.

The following is the link to the Council decision and staff report:

<http://www.toronto.ca/legdocs/mmis/2010/gm/reports/2010-03-11-gm29-cr.htm#GM29.1>

ISSUE BACKGROUND

An overpayment of property taxes or a credit balance on a property tax account may arise from various circumstances, including:

- assessment and/or tax appeals
- credits due to rebate, deferral or cancellation programs
- multiple individuals remit payment(s)
- misapplication of payment(s)
- overpayment of taxes (e.g., owners submit payment amounts in excess of the property tax amount billed).

The *City of Toronto Act, 2006* and other provincial legislation require that refunds or credits created as a result of assessment appeals be refunded to the assessed owner of the property (i.e., the owner identified on the assessment roll at the time the credit was created). For any other circumstances, (e.g. overpayment of taxes), credits must be refunded to the person who made the payment.

Current Process for Refunding Tax Credits

In an effort to streamline the tax refund process, Council has adopted procedures aimed at improving and expediting the property tax refund process. The City’s current processes provide that:

- a) Credit balances of \$500 and less are automatically refunded to the current property owner, with the credit amounts reflected on the owner’s subsequent interim or final property tax bill. An exception to this is credit balances of \$500

or less that result from assessment appeals or an error of the City. As the *City of Toronto Act* requires that interest be paid on overpayments resulting from errors and changes under the *Assessment Act* (i.e., assessment appeals), these credits are processed as soon as possible in order to minimize the amount of interest payable.

- b) Any overpayment or credit greater than \$500 is refunded to the individual that made the payment, and proof of such overpayment must be provided before the credit will be refunded. Staff undertake various measures to ensure that refunds of credit balances are paid only to the individual that made the overpayment, and only after satisfactory evidence is provided that establishes that the individual claiming the refund is the individual that made the overpayment or that caused the credit to be created.

COMMENTS

In order to clearly communicate the process for property tax refunds, including the process for credit balances of \$500.00 or less, the Revenue Services Division consulted with Communications staff to develop a comprehensive communications plan.

The communications plan includes the following elements:

- **New "Credit Balances" section within the City's property tax brochure**

A brochure entitled *Important Information about your Property Tax Bill* is mailed with the City's interim and final property tax bills. This brochure will include a new section headed *Credit Balances* with the following message:

"If your property tax account has a credit balance of \$500.00 or less at the time of the final tax billing, the credit may be applied to your tax bill and will reduce your first instalment. Visit www.toronto.ca/taxes/property_tax for more information about property tax refunds."

- **New "Credit Balances" item on the main property tax webpage**
www.toronto.ca/taxes/property_tax

The City's main website page for property tax information has been updated to include a new item labelled *Credit Balances* which includes the following message:

- *If your property tax account has a credit balance of \$500.00 or less at the time of the final tax billing, the credit may be applied to your tax bill and will reduce your first instalment. More information*
- *In accordance with provincial legislation, property tax credit balances greater than \$500 must be refunded to the individual that made the payment. More information*

The underlined text (i.e. More Information) is a hyperlink that takes internet users directly to a detailed summary of the City's property tax refund processes as

adopted by Council and in accordance with legislative requirements under the *City of Toronto Act, 2006*.

- **New "Credits" identifier on property tax bills**

Final Property Tax Bills will be updated to include a separate "Credits" identifier line on the tax bill. Tax credit balances of \$500 and less will be specifically identified on a separate line as a "Credit Transfer Amount" within the main tax bill under the "Summary" section for all regular bills and for all bills on the City's pre-authorized tax payment plan.

Additionally, property tax bills will contain a message on the flap portion of the bill labelled "Credit Amount" and a text message that identifies the amount of the credit at a given date (usually the date the tax bill information was extracted from the City's system), and how the credit will be applied, e.g. "This credit amount has been applied to your 2010 main billing".

Appendix B, attached, provides a sample Property Tax Bill with the "Credits" line and the "Credit Amount" message highlighted.

Tax credit balances are applied to reduce the first tax instalment payment. Any remaining credit amounts are applied to reduce the remaining tax instalments. The corresponding instalment amounts payable for each of the due dates are reflected on the payment stubs attached to the bill, or on the pre-authorized tax payment schedule. These practices will ensure that any applicable tax credits are realized as soon as possible towards reducing any interim or final property taxes due.

The automated tax credit balance refund/transfer process will be undertaken bi-annually (December and May in each tax year), for the interim and final tax billing respectively.

To clearly communicate the City's processes for property tax refunds, including the process for automated tax credit refunds and transfers for credits of \$500 or less, it is recommended that the communication plan presented above and summarized in Appendix A be approved.

Revenue Services Division will ensure that the City's property tax bills, property tax information brochures and the City's website are updated as necessary to reflect changes in property tax programs and services, and to clarify or better explain the City's programs and services based on feedback received from the public.

CONTACT

Casey Brendon, Acting Director, Revenue Services

Phone: (416) 392-8065, Fax: (416) 696-4230, E-mail: cbrendo@toronto.ca

SIGNATURE

Giuliana Carbone
Treasurer

ATTACHMENTS

Appendix A: Communication Plan for Property Tax Refund Processes

Appendix B: Sample Property Tax Bill with new "Credits" Identifier

Appendix A - Communication Plan for Property Tax Refund Processes

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- *In accordance with provincial legislation, property tax credit balances greater than \$500 must be refunded to the individual that made the payment. [More information](#)*

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The Revenue Services Division will ensure that the City's property tax bills, property tax information brochures and the City's website are updated as necessary to reflect changes in property tax refund process, and to clarify or better explain the City's programs and services based on feedback received from the public.

Appendix B

Sample Property Tax Bill with the New "Credits" Identifier



Tax Bill

Final 2010

Billing Date May 6, 2010

ASSESSMENT ROLL NO. 00-00-00-0-000-0000-0-0

000000 XX1234 (G)
JOHN SAMPLE
JANE SAMPLE
1234 ANY STREET
ANY CITY, ON A1A 1A1

LEGAL DESCRIPTION > PLAN 000 PART 00 LOT 0000

PROPERTY LOCATION > 1234 ANY STREET

ASSESSED OWNER > JOHN SAMPLE
JANE SAMPLE

Assessment		Municipal		Education		
TAX CLASS	VALUE	LEVIES	TAX RATE (%)	AMOUNT	TAX RATE (%)	AMOUNT
Industrial Full Rate	\$307,083	City	1.990016000	\$6,111.00	1.704118400	\$5,233.06
Residential Full Rate	\$153,918	City	0.589570200	\$907.45	0.240188000	\$369.69
Sub Totals				Municipal Levy \$7,018.45		Education Levy \$5,602.75

Special Charges/Credits

CVA Adjustments

Summary	
Tax Levy Sub-Total (Municipal+Education)	\$ 12,621.20
2010 Tax Cap Adjustment	\$ 151.82
Final 2010 Taxes	\$ 12,773.02
Less Interim Billing	(\$ 6,348.13)
Credit Transfer Amount	(\$ 150.00)
Total	Total Amount Due \$ 6,274.89

PRE-AUTHORIZED TAX PAYMENT PROGRAM

Please do not send payments.

Your tax payments are deducted from your financial institution account.

Assessment Roll No. 00-00-00-0-000-00000-0000-0-0

Financial Institution Account No. NOT DISPLAYED AT YOUR REQUEST

Financial Institution Name NOT DISPLAYED AT YOUR REQUEST

If the financial institution information above is NOT correct, please see the instructions for changing your financial information on the reverse side of this bill under Pre-Authorized Tax Payment Program details.

WITHDRAWAL DATE	AMOUNT
Jul 15, 2010	\$921.00
Aug 16, 2010	\$1,071.00
Sep 15, 2010	\$1,071.00
Oct 15, 2010	\$1,071.00
Nov 15, 2010	\$1,071.00
Dec 15, 2010	\$1,069.89
	\$6,274.89

RESIDENTIAL

Explanation of Tax Changes 2009 to 2010

Final 2009 Levies	\$1,212.73
Final 2010 Levies	\$1,277.14
Total Year Over Year Change	\$64.41

Explanation of Tax Changes

Final 2009 Levies	\$ 1,212.73
*2009 Annualized Taxes	\$ 1,212.73
2010 Local Municipal Levy Change	\$ 25.57
2010 Provincial Education Levy Change	\$ 0.00
2010 Tax Change Due To Reassessment	\$ 38.84
**Final 2010 Levies	\$ 1,277.14

* An annualized tax figure is used in this analysis to compensate for mid-year adjustments in tax treatment or assessment value. If a property did not have any mid-year adjustments, the annualized taxes should equal the Final 2009 Levies listed above.

** Final Levy amount applies only to the property or portion(s) of property referred to in this notice and may not include some special charges or credit amounts.

INDUSTRIAL

Explanation of Property Tax Calculations 2010 Taxation Year

Total 2010 CVA Taxes	\$11,344.06
2010 Adjusted Taxes	\$11,495.88

Calculation for Adjusted Taxes

2010 CVA Taxes	\$11,344.06
*2009 Annualized Taxes	\$11,493.52
2010 Tax Cap Amount	(\$46.15)
2010 Provincial Education Levy Change	\$0.00
2010 Local Municipal Levy Change	\$58.51
**2010 Adjusted Taxes	\$11,495.88

* An annualized tax figure is used in this analysis to compensate for mid-year adjustments in tax treatment or assessment value.

** Adjusted Tax amount applies only to the property or portion(s) of property referred to in this notice and may not include some special charges and credit amounts or levies that are not part of the capping calculation.

2010 Tax Cap Adjustment

Your industrial assessment related tax decrease would have been \$197.97. However, City Council has passed a by-law in 2010 that limits the allowable decrease to 23.312173% of this amount or \$46.15.

The capping adjustment \$151.82 shown on this bill is the total decrease minus the allowable decrease (\$197.97-\$46.15).

2010 Final Property Tax Bill

If you are awaiting the outcome of a Tax Appeal, Request for Reconsideration or ARB appeal, please be advised that until the process is finalized, your property taxes must be paid in full as billed.

CREDIT AMOUNT

Our records indicate that as of May 6, 2010, your property tax account had a credit balance of \$150.00. This credit amount has been applied to your 2010 Main Billing.

Penalty and Interest

Payment must be received by the due date to avoid penalty and interest charges.

A penalty of 1.25% will be added on the unpaid amount of an instalment on the first day after the instalment due date. A further 1.25% will be added on the first day of each month thereafter, as long as the taxes remain unpaid. Monthly interest charges will be imposed on any unpaid taxes from prior years. Penalty and interest rates are set by City by-laws pursuant to the City of Toronto Act, 2006.

Penalty and interest charges cannot be waived.

Fees may also be added when taxes are outstanding. See reverse for details.