



## Write-off of Uncollectible Property Taxes from the Tax Roll

**Date:** June 10, 2019

**To:** General Government and Licensing Committee

**From:** Controller

**Wards:** All

### SUMMARY

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This report recommends the write-off of property taxes for 88 receivable amounts relating to 27 individual property tax accounts for the taxation years 1998 to 2018. The receivable amounts relate to property tax accounts that are no longer returned on the assessment roll, making collection efforts and recovery of outstanding amounts impossible. The total estimated amount to be written off is \$1,856,352, consisting of taxes of \$504,026, and interest/penalty of \$1,352,326. All reasonable and appropriate collection efforts have been exhausted. It is recommended that the property taxes, interest and fees that have accumulated over the period 1998 to 2018 be deemed uncollectible and written off. The write-off of these amounts will have no impact on the current year's budget, as these amounts have been previously provided for in the Allowance for Doubtful Tax Receivables Account in prior years.

### RECOMMENDATIONS

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The Controller recommends that:

1. City Council deem the unpaid property taxes (including interest and penalties which have accrued on those unpaid taxes up to the time of write-off) levied from 1998 to 2018 as uncollectible on the 88 receivables listed in Attachment 1 and direct the Controller to remove these amounts from the tax roll.

### FINANCIAL IMPACT

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The total estimated amount to be written off with the adoption of the recommendations contained in this report is \$1,856,352, consisting of a municipal portion of levied taxes of \$270,679, a provincial education portion of \$233,347 and an additional \$1,352,326 in penalty and interest charges as at May 1, 2019. The total write-off amount of \$1,856,352 represents a very small percentage (less than 1/100 of one per cent) of the total amount of taxes billed (over \$80 billion) over the period 1998 to 2018. In general, the City annually collects 97 percent of all taxes in the year billed, with a long-term collection success rate of over 99.9 percent.

The penalty/interest portion of the total write off amount is considered to be an estimate. Since interest accrues on tax accounts on a monthly basis, the amount of interest/penalty to be written off will continue to increase until the date the actual write-off is approved and processed. The write-off of these amounts will have no impact on the current year's budget, as these amounts have been provided for in the Non-Program Allowance for Doubtful Tax Receivables Account in prior years.

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

## **DECISION HISTORY**

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At its meeting on October 3, 4 and 5, 2000 and its Special Meeting on October 6, 10, 11 and 12, 2000, Council adopted a report entitled "Public Disclosure and Tax Arrears Information and Strategy for Aggressive Collection Procedures" which recommended the adoption of a comprehensive collection process for commercial, industrial and multi-residential properties. To view this report online please follow the link below:

<http://www.toronto.ca/legdocs/2000/agendas/council/cc/cc001003/adm19rpt/cl002.pdf>

At its meeting held on April 23 and 24, 2007, City Council adopted item GM3.19: "Write-off of Unpaid Property Taxes for Apportionment Applications Related to 2002 and Prior Years" which recommended that the Director of Revenue Services be authorized to withdraw 116 apportionment applications previously filed to the ARB and that the unpaid taxes, totalling \$1.0 million, be written off as uncollectible and removed from the tax rolls. To view this report online please follow the link below:

<http://www.toronto.ca/legdocs/mmis/2007/gm/reports/2007-04-12-gm03-cr.pdf>

At its meeting held on July 4, 5, 6 and 7, 2017 City Council adopted item GM21.4: "Write-off of Uncollectible Property Taxes from the Tax Roll" which recommended that City Council deem the unpaid property taxes of 713 receivables totalling approximately \$5.8 million as uncollectible and direct the Treasurer to remove these amounts from the tax roll.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.GM21.4>

At its meeting held on July 23, 24, 25, 26, 27 and 30, 2018 City Council adopted item GM29.7: "Write-off of Uncollectible Property Taxes from the Tax Roll" which recommended that City Council deem the unpaid property taxes of 198 receivables totalling approximately \$446,928 as uncollectible and direct the Treasurer to remove these amounts from the tax roll.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.GM29.7>

## **COMMENTS**

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The Revenue Services Division uses internal collection procedures, external bailiffs and ultimately the municipal tax sale process to collect on unpaid property taxes. Property Tax Account Statements/overdue notices are mailed to property owners in arrears

advising of the overdue property taxes. Overdue notices are issued at the beginning of each year and at the first and third installment due dates of the interim and final property tax bills. Revenue Collectors also contact owners by telephone and/or by letter to attempt to secure suitable payment arrangements with property owners. Final Notices (prior to issuance to a bailiff) are issued to property owners where unpaid amounts exist from the previous taxation year in or around April of each year for residential properties and in November for non-residential properties, per Council's previously approved procedures.

A Final Notice advises the property owner that failure to pay arrears will result in their account being transferred to a bailiff for collection. It allows the property owner one last opportunity to make full payment or to make suitable payment arrangements within 21 days of the issuance of the Final Notice.

Internal collection efforts are deemed exhausted when there has been no response to a Final Notice and where the property owner cannot be reached, and where no suitable payment arrangements have been made. These accounts are then transferred to an external bailiff company to attempt to collect the unpaid taxes on behalf of the City. A Notice of Issuance to Bailiff is issued to the property owner indicating that their outstanding tax arrears have been issued to an external bailiff company. It advises that any further payments on the outstanding amounts must be made to the bailiff directly, including bailiff fees.

In accordance with the provisions set out in the City of Toronto Act, 2006, the City will commence tax sale proceedings on properties where three or more years of taxes remain unpaid, and where all collection efforts, by both city staff and the bailiff, have proven unsuccessful. In circumstances where tax sale proceedings are ineffective or inappropriate, the City of Toronto Act, 2006 provides a mechanism to write-off unpaid taxes. Prior to 2006, the Municipal Act, 2001 stipulated that the City could only write-off taxes as uncollectible after an unsuccessful tax sale had been held.

Under the City of Toronto Act, 2006, Section 319(4)(b) allows taxes to be written off as uncollectible "if the recommendation of the treasurer provides written explanation of why conducting a tax sale would be ineffective or inappropriate." For the amounts recommended for write-off in Attachment 1 to this report, conducting tax sales on these properties is not appropriate since the unpaid taxes in all cases relate to tax accounts/properties that no longer exist on the assessment roll.

In certain circumstances where tax arrears remain on an account that is no longer returned on the assessment roll, the unpaid taxes can be apportioned amongst current tax accounts that formed part of the former parcel of land (e.g., the new parcels created following a severance or re-development of a property). In other cases, the apportionment of old arrears to new parcels is not possible, due to a lack of information concerning how the taxes should be apportioned, or to the passage of time, or other factors. In these cases, the tax sale process cannot be used to collect the taxes because the original parcel (against which the arrears are associated) no longer exists.

Revenue Services staff have conducted a review of properties with outstanding taxes that are no longer returned on the assessment roll. As a result of the review, staff have initiated the apportionment process for several properties as a method to recover the unpaid taxes. Where unpaid taxes are apportioned to properties that are still returned on the assessment roll, normal collection processes will continue to apply. However, the properties listed in Attachment 1 represent those properties where all reasonable and appropriate collection efforts have been exhausted, and where an apportionment would not be an appropriate method to recover the unpaid taxes.

The properties in Attachment 1 have been grouped into categories, identifying why the arrears are being recommended for write-off, and why conducting an apportionment would not be feasible, and consequently why a tax sale would be ineffective and inappropriate. Some properties have multiple tax years in arrears. An outstanding receivable balance from each tax year is considered a separate receivable. In Attachment 1, there are 88 receivables from 27 individual properties that are recommended for write-off, grouped within the following categories:

(a) Properties returned on the assessment roll in error. There are no appeal or legislative mechanisms available to correct these errors. An example of this is a duplicate assessment that has not been removed from the assessment roll in a timely manner. Apportioning these amounts would essentially result in double taxation of a parcel of land. There are 6 receivables from 2 properties in this category, totalling \$137,280 to be written off. These receivables are displayed in Attachment 1, Table 1.

(b) The outstanding taxes, not including interest, are under \$1,000. Given that these properties represent a relatively small amount, it would not be cost effective to pursue an apportionment for the unpaid taxes. There are 58 receivables from 19 properties totaling \$4,341 in this category to be written off. These receivables are displayed in Attachment 1, Table 2.

(c) Federal tenanted properties where taxable tenants vacated the premises and collection efforts have been exhausted. Normally unpaid taxes result in a tax sale, however federal bodies are exempt from property tax and the tax sale process. Therefore, pursuant to paragraph 319(4)(a) of the City of Toronto Act, 2006 when unpaid taxes are deemed uncollectible, they may be written off without a tax sale if the property is federally owned. Federal tenanted properties cannot be apportioned. There are 24 receivables from 5 properties totaling \$1,714,731 in this category to be written off. These receivables are displayed in Attachment 1, Table 3.

At its meeting held on July 4, 5, 6 and 7, 2017 City Council adopted item GM21.4: "Write-off of Uncollectible Property Taxes from the Tax Roll" which recommended that City Council amend Attachment 1 to the report to exclude properties that are owned by the Federal Government and directed the Treasurer to continue to pursue the collection of property taxes owed to the City of Toronto. Since that time, there have been several meetings and discussions with the Federal Government in search of a resolution to the outstanding property taxes on these properties. As a result of these discussions, the Federal Government will be reviewing the status of payments made, and further

payments may be forthcoming. However, the Federal Government has identified that it will not be making any further payments for the properties listed in Attachment 1, Table 3. All collection efforts have been exhausted for these properties.

All of the amounts recommended for write-off in this report are those for which further collection efforts are considered extremely unlikely to be successful. Utilizing the tax sale process to recover tax arrears would also not be appropriate, given that the original accounts no longer exist. All reasonable and appropriate collection efforts have been exhausted. Accordingly, the Controller recommends that Council approve that the tax arrears be deemed uncollectible, and direct the Controller to write off the outstanding property taxes, and accumulated penalty, interest and fees amounts listed in Attachment 1.

## **CONTACT**

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## **SIGNATURE**

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Andrew Flynn  
Controller

## **ATTACHMENTS**

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Attachment 1: Listing of Tax Accounts to be Written-off