

Finance Department Policy Statement

POLICY#: RS27

Refund Policies and Operational Procedures for the Refund/Transfer of Tax Credit Balances

DIVISION: Revenue Services

DATE: June 1, 2010

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Purpose

To outline refund/transfer policies and operational processes for property tax credit balances as adopted by City Council and established in accordance with the *City of Toronto Act, 2006 (COTA)*.

Background Information

An overpayment of property taxes or a credit balance on a property tax account may result 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).

Credit Balance(s): Policies and Procedures for Refunds/Transfer

The following is a summary of the legislative (*COTA*) and Council approved policies and procedures undertaken by staff with respect to processing tax refunds.

- Credit balances resulting from assessment appeals or an error of the City are refunded to the current assessed owner. (*City of Toronto Act, 2006, Section 306-2a*)
 - The City is required to pay interest on overpayments resulting from errors and changes under the *Assessment Act* (i.e. assessment appeals), and interest begins to accrue, in the case of errors, on the day the error is corrected, and in the case of assessment appeal changes, 120 days after the City is notified of the change by the Municipal Property Assessment Corporation, the Assessment Review Board or the court. In order to mitigate the cost of interest payable, credits may be refunded by way of a cheque if the issuance of the tax bill falls beyond the legislated timeframe in which interest becomes payable.
- Credit balances on all property tax accounts equal to or less than five hundred dollars (\$500) are applied as a credit to the property 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 will be refunded directly to the current assessed owner by way of a cheque.
- Credit Balances greater than \$500:

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- Residential credit balance/overpayment greater than \$500 amount shall be credited or refunded to the current assessed owner of the property, upon receipt by the City of a written request signed by the current assessed owner, together with an Indemnification Agreement in a form satisfactory to the City Solicitor; or
- For credit balances that do not fall within any of the above described criteria (i.e. Non-Residential property tax accounts), credit balances are refunded to the individual/entity 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.

Verification Procedures:

- Staff routinely produce reports of credit balances from the City's tax billing system, and issue letters to property owners or other individuals/entities identifying credit balances greater than \$500 (credit notification letters). In attempting to determine who is entitled to the refund, staff will request that owners, prior owners, or their agents submit proof of payment and other supporting documentation, e.g., articles of incorporation, statement of adjustments from a property transaction, etc.
 - Staff also perform alpha checks against the City's tax and utility billing systems to ensure that the individual claiming the refund does not have outstanding amounts owing on other properties. Before any refund amount is provided, staff will ensure that claimants provide a signed refund request form, together with an Indemnification Agreement that protects the City against claims where refunds are paid out, and proof that the claimant made the payment for which the refund is requested.
- In cases where the notification letters or refund cheques are returned by Canada Post as undeliverable (for a variety of reasons), Refund staff attempt to locate the intended recipient by searching various databases. The available databases include Revenue Services Utility Management/Billing Accounting and Collections System (UMACS) to determine if a forwarding address is available or on the Property Tax Management/Billing Accounting and Collections System (TMACS) in the event that a forwarding address was provided after the letters or cheques were first mailed. Other sources of information include the online telephone directory (www.canada411.com) and MPAC's database known as Municipal Connect. In the event that the recipient has a common name, staff will attempt to determine the mailing address by matching the date of sale on the recipient's previous property with the purchase date of a

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property which may be then owned by the recipient. Lawyers used for the sale of the property may also be contacted to obtain the forwarding address.

- If all of the above activities are undertaken and staff cannot verify who the credit balance should be refunded to, and/or if the City has not received a request for a refund, or a signed Indemnification Agreement and/or proof of payment, no refund will be issued and all credit balances shall be held in trust for one year, and will then be transferred to the City's Tax Repayment Account.

Staff Reports and Council Authority

On June 22, 23 and 24, 2004, City Council adopted new recommendations/policies aimed at improving the property tax refund process (re: Clause 11 in Administration Committee Report 4 titled "Overpayment of Property Taxes"):

<http://www.toronto.ca/legdocs/2004/agendas/council/cc040622/cofa.pdf>

<http://www.toronto.ca/legdocs/2004/agendas/committees/adm/adm040602/it013.pdf>

On June 7, 2005 the Treasurer provided information on the implementation of the new tax refund processes approved by Council in June 2004 (re: Clause 32(b) in Administration Report 6, which was received for information by City Council at its meeting held on July 19, 20, 21 and 26, 2005).

<http://www.toronto.ca/legdocs/2005/agendas/council/cc050719/cofa.pdf>

<http://www.toronto.ca/legdocs/2005/agendas/committees/adm/adm050628/it009.pdf>

On, April 23 and 24, 2007, following a review undertaken by the Auditor General, Council adopted report AU2.6: Property Tax Appeals and Refund Processing.

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-04-23-cc07-dd.pdf>

<http://www.toronto.ca/legdocs/mmis/2007/au/bgrd/backgroundfile-2689.pdf>

On May 31 and April 1, 2010 City Council, adopted as amended GM29.1 titled "*Property Tax Credits: Increased Dollar Threshold for Transferring Credit Balances to Interim and Final Tax Bills*":

<http://www.toronto.ca/legdocs/mmis/2010/gm/decisions/2010-03-11-gm29-ds.htm>

<http://www.toronto.ca/legdocs/mmis/2010/gm/bgrd/backgroundfile-28108.pdf>