

(Proposed Draft)

## Waiving Late Payment Penalties and Fees for Property Tax Payments

Policy #:

Contact:

Date:

### INTRODUCTION

The City issues two property tax bills per year - an interim and a final. Each regular tax bill has three instalment due dates; three instalments for the interim bill and three for the final bill. The interim property tax bill is mailed in January, and the instalment due dates are on the first business day of March, April and May. The final property tax bill is mailed in May, with instalment due dates on the first business day of July, August and September.

When a property tax account has an outstanding balance of \$100.00 or more, an overdue notice is sent to the property owner and a statement fee is applied to the property tax account. These overdue notices are issued four times per year in the months of March, May, July and September, when taxes are outstanding.

Circumstances may arise where the penalty, interest and any associated fees may be waived where a customer has maintained a good previous payment history. Reasons for considering a request to waive penalties, interest and fees include (but are not limited to):

- extenuating circumstances (illness or death in the family, emergency, travel, etc.);
- financial circumstances where additional charges or fees may cause hardship;
- problems with mail delivery (i.e., payment was mailed on time but delivered late);
- banking errors.

This policy sets the parameters for waiving late payment penalties and associated fees for property tax payments.

### PURPOSE

To establish a policy outlining the parameters for waiving late payment penalties, interest and associated fees for property tax payments so that:

1. Taxpayers with a good payment history are recognized, rewarded and encouraged to continue to make payments on full and on time;
2. Taxpayers with extenuating circumstances are not unfairly penalized;
3. Taxpayers who make minor errors during their payments are not subject to a penalty; and
4. All taxpayers are ensured a fair and consistent approach when applying this policy.

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### **APPLICATION**

This policy applies to staff of the Revenue Services Division, with specific details outlined in the policy section below.

### **DEFINITIONS**

For the purposes of this policy, the following definitions apply:

- **Good payment history** refers to a continuous period of five or more years where no late payments (or penalty/late payment fees) are recorded on the property owner's tax account, in cases where the current owner has owned the property continuously for the entire 5-year preceding period. Where the property has been owned for fewer than five years, a good payment history refers to a continuous period where no late payment penalties/fees have been incurred since the purchase date of the property by the current owner.
- **Instalment due date** refers to the date for payment of property taxes as set out in the interim and final tax levy by-laws.
- **Penalty** refers to a percentage charge of 1.25 percent of taxes due and unpaid to be imposed as a penalty for non-payment of taxes on the day after the instalment due date.
- **Interest** refers to a percentage charge of 1.25 percent of taxes due and unpaid applied on the first day of each month thereafter.
- **Overdue Statement fee** refers to a fee added to a property tax account to cover the cost of producing and mailing a statement that advises a property owner of their overdue taxes where there is an outstanding balance of \$100.00 or more.

### **POLICY**

Staff have the authority to waive late payment penalties and associated Overdue Statement fees for taxpayer accounts that meet the following criteria:

1. The property tax account must be classified under one or more of the following property tax classes:
  - Residential
  - Commercial
  - Multi-Residential
  - Industrial

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2. Only taxpayers with a Good payment history (as defined above) are eligible for the waiver.
3. Taxpayers are permitted to receive the waiver of one late payment penalty and associated Overdue Statement fees for late property tax payments once in any five-year period.
4. An application or request to receive a waiver of late payment penalties/fees may be made by the property owner of the tax account, or by the person authorized by the property owner to make property tax payments, (e.g., a tenant, an agent or a property manager appointed by the owner).
5. The maximum amount of the waiver shall be limited to the total of the late payment penalty applied to the account for the first late/missed payment (i.e., the penalty imposed on the first day of default), plus the amount of any Overdue Statement fee charged to the account as a result of the late/missed payment. Subsequent interest amounts added to the account (those applied at the beginning of any following month where an outstanding balance persists), or any subsequent fee incurred for additional overdue notices, are not eligible to be considered for a waiver.
6. A waiver of late payment penalties and/or Overdue Statement fees will only be approved and applied to a property tax account where the City has received payment for the full amount of the instalment or billed amount that caused the late payment penalties/fees to be incurred, i.e., payment must be received in full for the overdue amount in order to have the late payment penalties/fees reversed.
7. A waiver will not be approved where it is determined or disclosed that a property owner has been reimbursed or otherwise compensated for the late payment penalty/fee by any third party, e.g., the customer's bank or financial institution, mortgage company, etc.

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Where the above prescribed criteria are met, staff have the authority to waive penalty and associated Overdue Statement fees for taxpayer accounts based on the following thresholds:

- Revenue Services Supervisors approval up to \$100;
- Revenue Services Managers approval up to \$5,000;
- Revenue Services Director approval up to \$25,000;
- Treasurer approval up to \$50,000;
- City Council approval is required for amounts over \$50,000.

Waivers of late payment penalty/fees must be approved by one of the named positions above, and documented within the City's tax billing system.

Annual waivers and adjustments under this policy will be reported in the Treasurer's *Accounts Receivable Write-off Report*.

### **LEGISLATIVE OR RELATED POLICIES**

The City of Toronto Municipal Code, Chapter 767: Toronto Municipal Code, Chapter 767: *Taxation, Property Tax*, provides additional information on penalty and interest charges and fees associated with late payment of property taxes:

[Link to Toronto Municipal Code, Chapter 767, Taxation, Property Tax](#)

### **CONTACTS**