

## **2023 Write-Off of Uncollectible Property Taxes and Accounts Receivable**

**Date:** May 01, 2024  
**To:** General Government Committee  
**From:** Interim Controller  
**Wards:** All

### **SUMMARY**

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This report provides information on accounts receivable amounts that were written off as uncollectible in 2023 under delegated authority provided to the Controller including property tax amounts owing, outstanding receivables for invoiced services, and Provincial Offences Act (POA) fines.

This report recommends that Council deem uncollectible and approve for write-off certain property tax amounts owing on 31 individual property tax accounts, comprising 182 receivable amounts which total \$1,950,451 that relate to taxation years 1995 to 2023. Staff are recommending these property tax receivable amounts for write-off as they are no longer returned on the assessment roll, or for which further collection efforts and recovery of outstanding amounts are extremely unlikely to be successful.

Additionally, there are 3 cases of POA receivables with a total dollar value of \$6,051,456 which this report recommends be deemed uncollectible and approved for write-off, as the Controller does not have delegated authority to write off. These offences relate to pre-transfer cases that are associated with corporations that are no longer in operation and for which City Legal has confirmed that they have no recoverable assets.

In 2023, the Controller, in accordance with delegated authority as provided in the City's Financial Control By-law, has approved the write-off of \$1,024,197 in outstanding receivables for various services invoiced by City Divisions where collection is considered doubtful. The Controller has also approved the write-off of 11,296 POA cases totalling \$8,052,086. In all cases, no amounts were recovered since debtors could not be located or were deceased, the business was no longer in operation and/or had no assets, or exhaustive collection efforts proved futile.

## RECOMMENDATIONS

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The Interim Controller recommends that:

1. City Council deem the unpaid property taxes levied in all years (including interest and penalties that have accrued on those unpaid taxes up to the time of write-off) on the 182 receivables listed in Attachment 1 as uncollectible, and direct the Controller to remove these amounts from the tax assessment roll by writing them off; and
2. City Council deem the Provincial Offences Act fines with a total value of \$6,051,456 listed in Table 3 and Attachment 3 of this report as uncollectible and direct the Controller to remove this amount from the respective account by writing it off.

## FINANCIAL IMPACT

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This report considers 3 components:

1. The total estimated property tax amounts to be written off with the adoption of the recommendation in this report is \$1,950,451 (Attachment 1), consisting of a municipal portion (which includes added charges) of levied taxes of \$134,615, a provincial education portion of \$478,220, and an additional \$1,337,616 in interest charges and fees as at April 4, 2024. The provincial education portion of \$478,220 to be written off will be recovered from the various school boards as these amounts have already been paid to the respective school boards.

The total write-off amount of \$1,950,451 represents an extremely small percentage of the total amount of taxes billed over the period 1995 to 2023. In general, the City annually collects 97% of all taxes in the year billed, with a long-term collection success rate of over 99.9%.

The penalty/interest portion of the total write off amount is 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 the recommended 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.

2. Amounts totalling \$1,024,197 (Attachment 2; representing 0.15% of \$678,055,710 of total billable revenues for 2023, excluding grants and billable revenues for Parking Tags, Tax, and Utilities) were written off by the Controller in 2023 after completion of appropriate collection efforts, in accordance with delegated authority provided in the City's Financial Control By-law. These amounts, which are included in the City's Accounts Receivable sub-ledger, have been provided for in the City's Allowance for

Doubtful Accounts and expensed in previous years; as such, there was no impact to 2023 operating expenditures. Details of actions taken, and the recommended write-offs are noted in the comments section below.

3. Through delegated authority, amounts totalling \$8,052,086 representing POA defaulted fines deemed uncollectible were reviewed and recommended for write-off by the Controller on July 26, 2023. This report also recommends that Council deem uncollectible and approve for write-off 3 additional POA defaulted fine cases with a total value of \$6,051,456 (Table 3), as the write-off amount exceeds the Controller's delegated authority for write-offs up to \$500,000.

There is no financial impact to the City's revenues arising from these POA defaulted fines write-offs. Revenues reported in the City's general ledger reflect only the portion of the outstanding POA fines that are deemed collectible.

The Chief Financial Officer and Treasurer have reviewed this report and agree with the financial implications as identified in the Financial Impact section.

## **DECISION HISTORY**

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The City of Toronto Municipal Code Chapter 71, Financial Control, authorizes the Controller to "write-off outstanding amounts owing to the City as uncollectible, if the amount is not more than \$50,000 and is not an amount raised as taxation or deemed to be taxes, except for items added to the tax bills for collection purposes only and not as a result of a tax or assessment appeal". The Financial Control By-law also states, "Write-offs of amounts owing to the City in excess of \$50,000 must be approved by Council except for tax reductions as a result of a successful appeal of assessment or taxes by taxpayer".

A further amendment to the Financial Control By-Law of June 24, 2008, authorizes the Controller to write-off amounts up to \$500,000 where the City Solicitor has attempted to recover the amount owing and has concluded that the amount is uncollectible.

At its meeting held on June 14 and 15 2023, City Council adopted [Item GG4.1 – 2022 Write-off of Uncollectible Property Taxes and Accounts Receivable](#) which recommended City Council deem the unpaid property taxes of 107 receivables totalling \$75,853 as uncollectible and directed the Controller to remove this amount from the tax assessment roll. In addition, the report also recommended City Council deem the POA fines totalling a value of \$1,420,974 as uncollectible and direct the Controller to remove this amount from the respective account by writing it off.

## COMMENTS

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### Property Tax Collection

The Revenue Services Division uses internal collection procedures, external bailiffs, and ultimately the municipal tax sale process as avenues to collect unpaid property taxes. Property Tax Account Statements/overdue notices are mailed to property owners in arrears advising of the overdue property taxes. Property owners with unpaid balances are issued up to 5 overdue notices each year, 1 at the beginning of each year and at the first and third installment due dates of each 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 2 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.

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 a written explanation of why conducting a tax sale would be ineffective or inappropriate." For amounts recommended for write-off in Attachment 1 to this report that no longer exist on the assessment roll, conducting a tax sale on these properties would not be appropriate since the unpaid taxes in all cases relate to tax accounts/properties that are no longer valid parcels.

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.

### **Property Taxes Recommended for Write-off as of April, 2024**

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.

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 182 receivables recommended for write-off from 31 individual properties, 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. As such, the outstanding amounts are not truly taxes owing, rather, the tax amounts were created as a result of errors on the assessment roll. There are 99 receivables from 21 properties in this category, totalling \$45,240 to be written off. These receivables are displayed in Attachment 1, Table 1.
- b) The outstanding taxes, not including interest, are less than \$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 is 1 receivable totalling \$84 in this category to be written off. This receivable is displayed in Attachment 1, Table 2.
- c) There are 6 properties in this category which is escheated or forfeited to the Crown (Province of Ontario) as a result of the dissolution of the prior corporate owner. Staff have exhausted all efforts to collect the outstanding taxes. The uncollected amounts may be written off under Section 319(4)(a) of the City of Toronto Act, 2006, where taxes may be written off without conducting a tax sale if the property is owned by Canada, a province or territory or a Crown agency, or a municipality. There are 79 receivables in this category and the total to be written off is \$1,764,592. These receivables are displayed in Attachment 1, Table 3.

- d) The properties in this category are exempt from taxation and should have been exempt for the years to which the arrears relate. As such, these tax amounts cannot be collected, as they are not truly taxes that are owed. There are 2 receivables from 2 properties in this category, totalling \$140,240 to be written off. These receivables are displayed in Attachment 1, Table 4.
- e) The outstanding amounts were incurred before amalgamation and were transferred from the old legacy property tax systems used by the former municipalities. There is no mechanism to determine what these outstanding amounts relate to, and staff have exhausted all collection efforts. There is 1 receivable in this category and the total to be written off is \$296. This receivable is displayed in Attachment 1, Table 5.

## **Billable Services**

Accounts receivable invoicing, revenue recognition, and collections are currently decentralized within the City. As part of their collection efforts, City Divisions that invoice for services are required to review their outstanding receivables on a regular basis and establish appropriate allowances for all accounts where collection is considered doubtful. In collaboration with the Revenue Services Division (RSD), these provisions are reviewed annually for adequacy and adjustments are made where appropriate.

Divisions are required to send invoices of less than \$1,000 to 2 collection agencies. If the first collection agency is unsuccessful within 6 months, the amount is sent to the second collection agency for another 6 months. As a general practice, amounts over \$1,000 are forwarded to Legal Services for collection action which may include litigation or small claims court action. Legal Services may recommend settlement based on the information available. Once all collection efforts have been exhausted and senior management staff, Legal Services, and/or the City's contracted collection agencies have deemed the amounts to be uncollectible, a write-off request is initiated and the required approvals are obtained from the appropriate Division, Director of Revenue Services and the Controller.

The account holders of the write-offs are added to Debtor Watch list for review by Purchasing and Materials Management Division, who use the Debtors Watch List as a tool necessary to adhere to the City's *Right to Reject Debtors and Set Off Policy* (FS-PMMD-26).

Table 1 outlines the total write-offs by Division generating the initial accounts receivable. The explanation and breakdown for each Division for the amounts recommended by the Controller for write-off are provided in Attachment 2.

Table 1: Amounts Approved for Write-off by the Controller in 2023 With Reference to Chapter 71, Toronto Municipal Code, Financial Control

Division	Write off < \$50K  Note 1	Write off Between \$50K and \$500K Note 2	Total	% of Billable Revenue	Billable Revenue in Millions(\$)
Corporate Real Estate Management		\$339,274	\$339,274	0.39%	87
Parks Forestry and Recreation		\$287,084	\$287,084	2.21%	13
Toronto Water	\$4,396	\$268,514	\$272,910	0.68%	40
Seniors Services and Long-Term Care		\$52,219	\$52,219	0.09%	60
Economic Development and Culture	\$36,765		\$36,765	0.61%	6
Transportation Services	\$21,068		\$21,068	0.03%	72
Solid Waste Management Services	\$10,551	\$2,804	\$13,355	0.04%	35
Toronto Fire Services	\$1,522	-	\$1,522	0.01%	25
<b>Total written off</b>	<b>\$74,302</b>	<b>\$949,895</b>	<b>\$1,024,197</b>		

Note 1: Individual amounts less than \$50,000 written off by the Controller under delegated authority.

Note 2: Individual amounts between \$50,000 and \$500,000 written off by the Controller as recommended by the City Solicitor.

### POA Defaulted Fines

POA defaulted fines are managed by Court Services based on court-ordered fine amounts and associated surcharges, costs, and fee amounts recorded in the Province's Integrated Court Offences Network system and supporting court documents. On May 22, 2018, City Council adopted [Item AU12.1](#) requesting that the Director of Court Services review the "Write-Off Policy for Fines under the Provincial Offences Act Deemed Uncollectible" and submit to Council proposed revisions to the [Policy](#) to reflect existing practices. An updated policy was approved by City Council in October 2019.

City Council also requested, through the adoption of Item AU12.1, that the Director of Court Services implement processes to ensure compliance with the updated policy. The

POA defaulted fines approved by the Controller under delegated authority and the recommendation of a case over \$500,000 for write-off approval by City Council reflects the application of these newly implemented processes.

The City makes every effort to collect unpaid fines. Collection tools utilized by Court Services include collection agencies, tax roll, civil enforcement, licence suspension, and plate denial.

The City currently contracts 12 collection agencies to collect POA defaulted fines. All defaulted fines are referred to a collection agency based on the age of the defaulted fine. Cases are rotated every 6 months to another collection agency within the same assignment category. Contractual performance incentives are applied, and the percentage of cases referred to a collection agency varies accordingly. Cases may be recalled from the collection agency when it is determined the account is eligible to be added to municipal tax rolls.

The City applies defaulted fine amounts to municipal tax rolls and pursues civil enforcement at the Superior Court of Justice. Legal Services may recommend settlement based on the information available.

The City notifies the Ministry of Transportation of all persons with defaulted fines eligible for enforcement through licence suspension and vehicle owner plate denials.

Once all collection efforts have been exhausted and where there are circumstances that arise for various reasons where unpaid fines are unlikely to be collected, staff from Court Services and Legal Services complete an annual assessment of the defaulted fines in accordance with internal procedures and the City Council Write-Off Policy for Fines under the Provincial Offences Act Deemed Uncollectible. A recommendation is then made to the Controller for write-off approval under delegated authority. Cases with an amount that exceeds \$500,000 are recommended by the Controller to City Council for write-off approval.

On July 26, 2023, the Controller approved the write-off of 11,296 POA defaulted fine amounts deemed uncollectible with a total value of \$8,052,086. Table 2 organizes these cases based on their Council Write-Off Policy categories.

Table 2: Provincial Offences Act Fines Approved for Write-Off by the Controller in 2023 (Based on Council Write-Off Policy)

<b>Council Write-Off Policy Category</b>	<b>Number of Cases</b>	<b>Dollar Value</b>
A – Deceased Person	1,195	\$1,059,411.09
C – Collection efforts exhausted.	202	\$1,910.42
F – Business is no longer in operation and has no assets	1,235	\$2,311,944.55
G – Debtor cannot be located	8,664	\$4,678,820.18
<b>Totals</b>	<b>11,296</b>	<b>\$8,052,086.24</b>



Following receipt of approval from the Controller, Court Services proceeded to update the cases in the Integrated Court Offences Network (ICON) with the write-off code CW (Council Write-Off). Cases with the CW write-off code were purged by the Province from ICON on October 6, 2023.

Of the total \$8,052,086 in uncollectible POA amounts that have been approved by the Controller for write-off, approximately \$6,763,752 (approximately 84%) pertain to offences that occurred prior to the transfer of provincial court administration to the City in 2002.

Table 3 below reflects 3 cases with a dollar value greater than \$500,000, each of which the Controller does not have delegated authority to write off. As a result, these cases are recommended to Council for write-off. The cases pertain to offences that occurred prior to the transfer of provincial court administration to the City in 2002 and are associated with corporations that are no longer in operation and have been confirmed by City Legal that they have no recoverable assets.

Table 3: Provincial Offences Act Fines Recommended for Write-Off Greater Than \$500,000 in 2023 (Based on Council Write-Off Policy)

<b>Council Write-Off Policy Category</b>	<b>Number of Cases</b>	<b>Dollar Value</b>
F – Business is no longer in operation and has no assets	3	\$6,051,456.00
<b>Total</b>	3	\$6,051,456.00

### **No Financial Impact Associated With Defaulted POA Fine Write-Off**

It is important to note that writing off these defaulted POA fines has no financial impact to the City. Defaulted POA fines reside on the province's ICON system. Accrued fine revenues reported in the City's SAP system reflect only the portion of outstanding fines that are deemed collectible. Writing off fines deemed uncollectible in accordance with the Council-approved write-off policy has no effect on the City's financial position.

The annual write-off process generates administrative efficiencies and is consistent with provincial guidelines and the Council-approved write-off policy. As part of the year-end review process, staff from Court Services, Revenue Services, Legal Services, and Accounting Services will continue to assess the appropriateness of the fines deemed collectible and recorded as receivables in the City's financial records.

## **CONTACT**

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## **SIGNATURE**

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David McIsaac  
Interim Controller

## **ATTACHMENTS**

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|---------------|-------------------------------------------------------------------------------------------------|
| Attachment 1: | Write-off Uncollectible Property Taxes From Tax Assessment Roll                                 |
| Attachment 2: | Divisional Breakdown and Explanation of Amounts Recommended by the Controller to be Written Off |
| Attachment 3: | Provincial Offences Act Fines Deemed Uncollectible Above \$500,000                              |