

**THE CORPORATION OF THE CITY OF WINDSOR**  
**Office of the City Treasurer - Finance**



**MISSION STATEMENT:**

*"Our City is built on relationships – between citizens and their government, businesses and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together."*

<b>LiveLink REPORT #: 18074 AF2015</b>	<b>Report Date: November 19, 2015</b>
<b>Author's Name: Tano Ferraro</b>	<b>Date to Council: December 7, 2015</b>
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**To: Mayor and Members of City Council**

**Subject: 2016 Interim Property Tax Billing By-law**

**1. RECOMMENDATION: City Wide:  Ward(s): \_\_\_\_\_**

THAT City Council DIRECT Administration to prepare 2016 interim property tax bills based upon 50% of the prior year total municipal levy (inclusive of education tax); and

THAT City Council DIRECT that the collection of the 2016 interim property taxes be done in three instalments unless the property owner is enrolled in a pre-authorized payment plan; and

THAT City Council ESTABLISH a rate of 1.25% to be imposed as a penalty for non-payment of property taxes on the first day of default and a further 1.25% per month as interest on taxes due but unpaid pursuant to Section 345 of the Ontario Municipal Act, 2001; and

THAT the City Solicitor be AUTHORIZED to prepare the necessary by-laws to enact the 2016 interim tax bills.

**EXECUTIVE SUMMARY:**

N/A

**2. BACKGROUND:**

Section 317 of the Municipal Act, 2001 S.O. 2001, c.25, as amended, provides that City Council, before the adoption of budget estimates for the current year under Section 290, may pass a by-law that will levy interim property taxes. Historically Administration has recommended that this be done in order to generate sufficient working capital to fund operations until such time as the 2016 Operating Budget is approved. This by-law also provides for the due dates/instalments upon which payment will be required to be made and late payment charges should payments not be received on time.

### **3. DISCUSSION:**

#### **Amount of interim levy**

Pursuant to the legislation, where interim taxes will be levied, the amount of the interim levy cannot exceed 50% of total amount of taxes raised for the previous year (this amount is inclusive of both municipal and education taxes). Historically, Administration has recommended that Council establish the amount to be levied at exactly 50% of the prior year total taxes. Based upon the previous year, for 2016 the total estimated amount to be levied (rounded to the nearest 100,000) is:

Municipal	\$ 159,500,000
Education*	<u>33,500,000</u>
Total	<u>\$ 193,000,000</u>

\*Education taxes are levied on behalf of the Province and are paid to each of the four respective school boards on a quarterly basis.

#### **Impact on Property Owners**

For purposes of 2016 property taxes it is the 4<sup>th</sup> year upon where a phased-in assessment will be applied to those property owners whose overall property valuation increased as a result of the province-wide reassessment in 2013. Property assessments can also be impacted by a physical change (i.e. building construction or demolition) or a change in use (i.e. change from manufacturing to warehousing). Updated assessment notices are sent to property owners where changes have occurred on the property over the last year.

For purposes of the interim tax billing, revised assessment values will be utilized and shown on the property tax notice however it should be noted that the amount of the property tax bill will also contain an adjustment (either upwards or downwards) called "Tax Capping Adjustment". This adjustment ensures that the overall tax bill equates to 50% of the 2015 Final Tax bill.

A more detailed and comprehensive tax policy, as done in past years, will be brought forward to City Council after the 2016 Operating Budget has been approved. Upon finalization of the 2016 property tax rates, final tax bills will be issued to property owners (expected in June). These bills will be based upon the new 2016 assessment value as well as the approved 2016 tax rate. The interim taxes billed will be deducted thus resulting in the final billing amount.

Should property owners have questions about their 2016 interim tax bill they are encouraged to call 311.

#### **Billing Due Dates and Instalment Dates**

Section 342 of the Municipal Act, 2001 provides that a municipality may pass a by-law prescribing one or more instalments on which the taxes will be due. Historically, City Council has directed that property taxes be payable in six instalments (three interim due dates and three final due dates). In addition, City Council has authorized that property taxes may be paid over a ten-month period (February to November). However, to utilize this option requires enrolment in the City's pre-authorized payment plan.

Following past practice, Administration is recommending the following due dates for purposes of the 2016 Interim Tax Bill.

<b>In-Person Payment*</b>	<b>Pre-authorized Payment Plans</b>	
<b>Instalment Date</b>	<b>Due Date Plan</b>	<b>10-month Plan</b>
February 17, 2016	February 17, 2016	February 16, 2016
March 16, 2016	March 16, 2016	March 15, 2016
April 13, 2016	April 13, 2016	April 15, 2016
		May 16, 2016
		June 15, 2016

\*There are several acceptable methods for making in-person payments including telephone or internet banking and over-the-counter at many financial institutions. Those wanting to pay by way of cheque may also do so through the mail or drop-off boxes located at City Hall or any customer service centre during regular operating hours.

### **Late Payment Charges**

Municipal taxation is the fundamental revenue stream from which annual operating expenditures are funded. Without the necessary working capital, many of the services currently being offered to residents of the City would not be able to be provided.

In order to help ensure that property taxes are paid when due, municipalities are able to levy late payment charges for which there are two separate charges: penalty and interest. Penalties are applied the day after a tax instalment is due and is based only on the amount due. Where payment is received at any time after the payment due date, a penalty is assessed based upon the amount of the instalment due. Interest is applied on the first day of the month and is based upon the total amount of principal tax outstanding the month previous. There is no compounding of interest.

Historically, late payment charges are applied as follows:

- 1 ¼% of the amount of tax due and unpaid as a penalty for non-payment on the first day of default and;
- 1 ¼% of the amount of tax due and unpaid as interest for non-payment on the first day of each month.

This is a standard practice across the province and Administration recommends continuing with the existing late payment rates where there is non-payment. While the interest and penalty percentages are significant, they are meant to provide an incentive to taxpayers to prioritize the payment of property taxes which is critical if the municipality is to have the funds required to provide services to the community. Taxpayers are always encouraged to obtain lower cost financing from financial institutions or other sources if required in order to pay the tax levy on time. Additionally, the municipality provides payment plans of up to five years for taxpayers in arrears. Finally, the municipality also has a program to deal with cases of extreme poverty where qualifying individuals can get complete relief from the payment of property taxes for up to two years.

**4. RISK ANALYSIS:**

Issuance of interim tax bills allows the municipality to raise the necessary funds to continue operations until such time as final budgets have been approved and actual taxes for the year can be determined. Any adjustments required as a result of the final budget requirement and final tax rates will be made later in the year with the final tax billings. Failure to issue interim tax bills would result in a shortfall of the working capital required to provide municipal services.

**5. FINANCIAL MATTERS:**

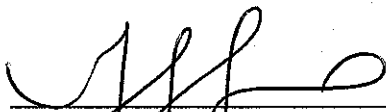
The tax revenue generated from the 2016 interim tax levy will be approximately \$193,000,000 inclusive of the education component and will provide the necessary working capital to support operations until such time as the final tax rates have been set and final tax bills issued.

**6. CONSULTATIONS:**

N/A

**7. CONCLUSION:**

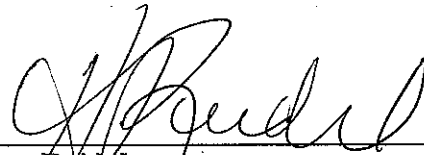
The interim tax bills generate the required funds to run the municipal corporation in the first part of the year. It is expected that bills will be mailed out in the latter part of January.



Tano Ferraro  
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Taxpayer Support



Onorio Colucci  
Chief Financial Officer/City Treasurer and  
Corporate Leader Finance and Technology



Helga Reidel  
Chief Administrative Officer

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**APPENDICES:**

**DEPARTMENTS/OTHERS CONSULTED:**

Name:  
Phone #: 519 ext.

**NOTIFICATION :**

Name	Address	Email Address	Telephone	FAX