



Corporation of the Township of Brock

Staff Report to the Mayor and Members of Council

From: Donna Condon
Position: Tax Collector
Title / Subject: Property Taxation Update
Date of Report: March 4, 2025
Date of Meeting: March 10, 2025
Report No: 2025-FI-014

1.0 Issue / Origin

To provide an update to Council on the state of the Township of Brock's ("Township") Property Taxation and Receivables.

2.0 Background

The Township issues property tax bills twice a year; an Interim property tax bill in January and a Final property tax bill in June. The property tax bill includes three components; local (Brock) township property taxes, Region of Durham property taxes and Education (School Board) property taxes. The Township is responsible for collecting property tax payments and regardless of whether the property taxes are collected or not, the Township is required to remit a specified amount on a specified date to the Region and School Boards (based on legislation and Regional Bylaw). In order to ensure and encourage payments by the installment due date, the Township charges penalty/interest charges of 1.25% (the amount allowed by the Municipal Act) on unpaid property tax balances that remain outstanding, at the beginning of the month. The Township keeps 100% of the penalty/interest charges. Penalty/Interest charges on property taxes is an important revenue source for the Township and the 2025 Budget for this revenue is \$430,000.

The Township currently sends Tax Reminder Notices, the month after a tax installment is due, as well as a notice at the end of the year, which is mailed in early January. These Notices clearly state the property taxes in arrears on the property and that an interest rate of 1.25% is charged monthly. The Interim Property Tax Bills and the Final Property Tax Bills, include any property taxes in arrears.

The Township conducts more in-depth reviews of its property tax accounts in arrears, as needed, in order to identify accounts that are deteriorating and may have characteristics such as irregular and insufficient payments, large dollar values in arrears and arrears in excess of one year. For the accounts identified by this review, the Township generally sends out notices as follows:

- (a) "First Notice" letter along with a Tax Reminder Notice to the owner, that states that their account has been identified as needing "immediate action", and we recommend that the owner take one of three recommended payment options (i) pay tax arrears in full, (ii) contact the Tax Collector and enter into an acceptable payment arrangement plan or (iii) enroll in the Township's Arrears Pre-Authorized Payment Plan (PAP). The letter states, that failure to choose a payment option, would result in the property being registered for tax sale.

- (b) if no response is received or action taken in (a) above, the Township will send a "Final Notice" letter along with a Tax Reminder Notice to the owner, that states that this is their Final Notice prior to Tax Sale Registration and urges the owner to accept one of the three recommended options as outlined above. In addition, the letter outlines the Tax Sale Registration process in detail, as per below.

Provincial legislation allows the Township to recover the taxes in arrears by the registration of a Tax Arrears Certificate, on a property for accounts that are in arrears of two years or more as of January 1. The tax sale registration process is outlined below for your information

Tax Sale Registration

Municipal tax sale proceedings can begin once property taxes have been in arrears for at least two years. When all collection efforts have been exhausted, no payment agreements have been negotiated, and the Township still has been unable to secure payment of the tax arrears, the Township will start the tax sale registration process by registering the Tax Arrears Certificate on the parcel register at the Land Registry Office.

If full payment is not received within 280 days of the Tax Arrears Certificate registration, the Township will issue a Final Notice to the property owner(s) and all interested parties within 30 days after the expiry of the 280 day period. This final notice specifies the date on which the property will be advertised for public tender if the tax arrears remain unpaid or an extension agreement is not arranged.

Once a Tax Arrears Certificate has been registered, only full payment of the cancellation price will be accepted unless an extension agreement has been arranged. The cancellation price is the amount of all tax arrears owing together with penalties, interest, land-related liens and costs incurred for processing registration and tax sale proceedings.

Partial payments are no longer permissible after the Tax Arrears Certificate has been registered at the Land Registry Office. Partial payments received in error will be returned to the property owner immediately.

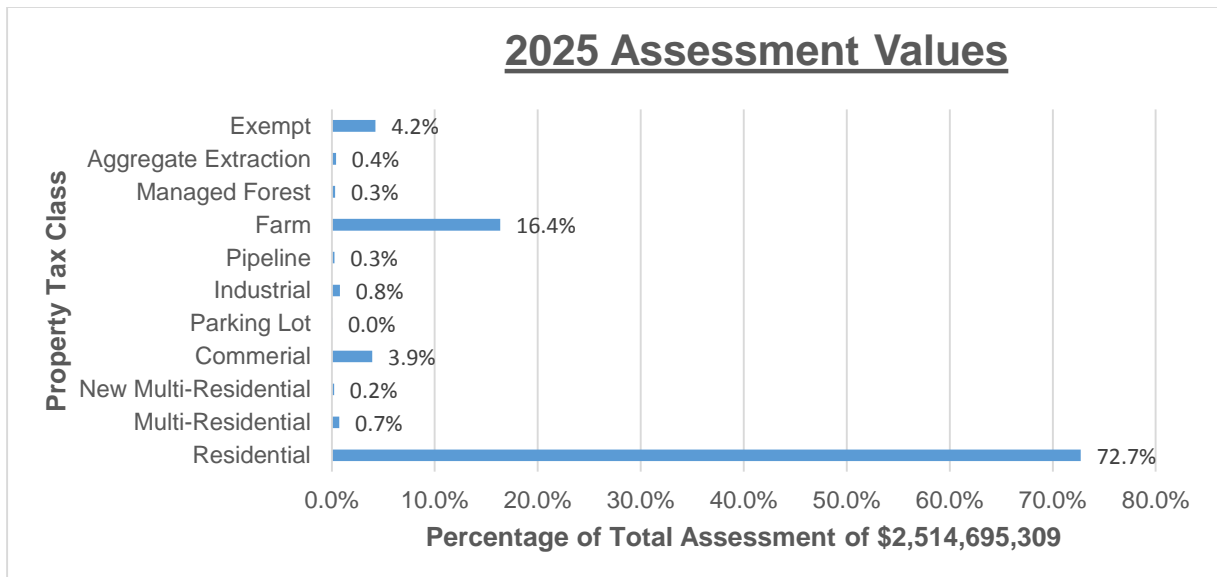
Full payment of the cancellation price will remove the Tax Arrears Certificate. Failure to pay the cancellation price within one year of the tax registration, will result in the Township proceeding with the municipal tax sale and the property will be advertised for public sale, by the Township, in order to recover the taxes in arrears.

3.0 Analysis

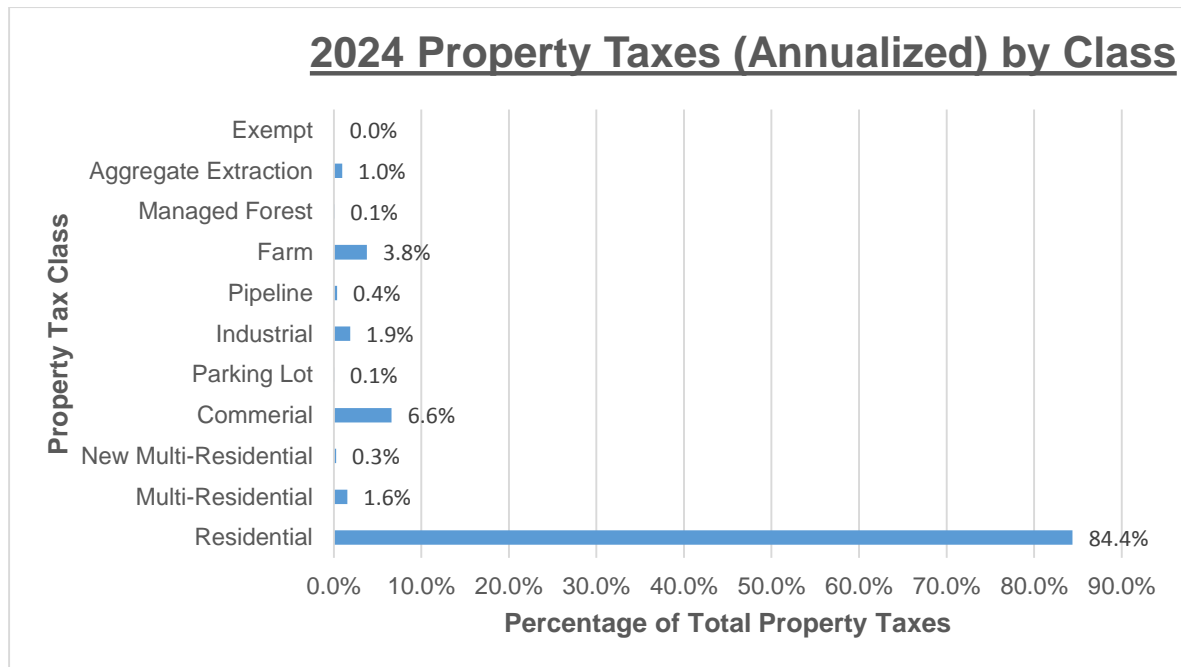
Property Tax Assessment and Taxes:

The Municipal Property Assessment Corporation (MPAC) is responsible for determining assessment values and property tax classifications for all properties in the Township of Brock. The Ontario government establishes the Province’s assessment and taxation laws. Due to the COVID-19 pandemic, the Ontario government has postponed the 2020 Assessment Update. On August 16, 2023, the Ontario government filed a regulation to amend the Assessment Act, extending the postponement of a province-wide reassessment through the end of the 2021-2024 assessment cycle. Property assessments for the 2025 property tax year will continue to be based on fully phased-in January 1, 2016 current assessment values (CVA).

The Township’s total assessment value for 2025 is \$2,514,695,309 (not weighted). In the table below, assessment is broken down according to property tax classification. Residential assessment makes up the bulk of this assessment at 72.2%, followed by farm assessment of 16.4%.



The chart below, indicates property taxes (annualized) in 2024 by property tax classification. Residential is the main source of property taxes at 84.4%, followed by commercial at 6.6% and farm of 3.8%. As a result of the tax ratios, each property class has its own weighting and property tax rate. For instance, the farm tax ratio is 20% of the residential rate.



Processing the 2025 Interim Property Tax generated 6,136 bills. Of these, 1,345 accounts are registered in the Township’s pre-authorized payment plans, 893 accounts are paid through Mortgage companies, with the remainder of accounts are paid directly by either electronic transfer, through payments at banks, telephone banking, cash, cheque or debit. For the 2025 Interim tax bills, 193 bills (2024 – 142 bills) were emailed to taxpayers. Staff would like to increase the number of property owners registered for email delivery in 2025 and will be working on a plan to increase enrolment.

The Township offers a Low Income Seniors Tax Rebate Program to assist low income seniors with their property taxes. To be eligible for the rebate, the applicant must be 65 years of age or older, the applicant must own and occupy the property as a principal residence, is in receipt of the Guaranteed Income Supplement for the year being applied for and it must be applied for annually on or before September 30th of each year. This Program is local, it is not shared by the Region of Durham or the school boards. In 2024, the rebate was \$355 (2023 - \$350 and 2022 - \$330) per property owner, with 91 (2023 – 89 and 2022 – 102) successful applicants. The cost of this program in 2024 was \$32,305 (2023 - \$31,150 and 2022 - \$33,660).

Review of Property Tax Arrears:

In March of 2024, a detailed review was conducted on property taxes in arrears. The focus was on identifying accounts with a large dollar value in arrears (over \$5,000) and/or accounts with property taxes in arrears in excess of two years. The review resulted in 271 properties being identified as needing further attention. These properties were sorted into 3 batches.

- Batch 1 – the Township sent out 60 (for 60 properties) First Notice's in May 2024 with a response date of June 2024. Properties with no response from the First Notice, were issued Final Notices in October 2024, with a response date of November 2024. Properties with no action will be registered for tax sale registration in 2025.
- Batch 2 – the Township sent out 59 (for 70 properties as some property owners hold more than one property in arrears) First Notice's in August 2024 with a response date of September 2024. Properties with no response from the First Notice, were issued Final Notices in October 2024, with a response date of November 2024. Properties with no action will be registered for tax sale registration in 2025.
- Batch 3 – the Township will send collection notices out for an estimated 60 properties in March 2025.

The remaining properties did not require letters to be issued.

The current Status of these 271 properties is as follows:

- **54** taxpayers have entered into a payment arrangement plan with the Township, and the Township will continue to monitor these accounts to ensure payments are received;
- **17** taxpayers are enrolled in the Township's monthly arrears payment plan, whereby on the 20th day (approx.) of each month, a specified amount is withdrawn from the taxpayers bank account;
- **8** properties were identified as being in arrears, but the owner is making regular payments, so the Township will continue to monitor these accounts and their progress;
- **60** properties in Batch 3, will be sent First Notices in March 2025;
- **3** accounts are currently in the process of Tax Sale Registration, with a Tax Sale date set for June 26, 2025 for 2 of those properties, while the third property owner has entered into an Extension Agreement;

- **15** properties commenced the Property Tax Registration process in February 2025 (with total property taxes in arrears of \$307,772 on December 31, 2024), with a planned tax sale in 2026;
- **19** properties are planned to commence the Property Tax Registration process in May 2025 (with total property taxes in arrears of \$416,654 on December 31, 2024), with a planned tax sale in 2026; and
- **95** accounts (or 35% initially identified accounts) have been paid in full, so require no further action at this time.

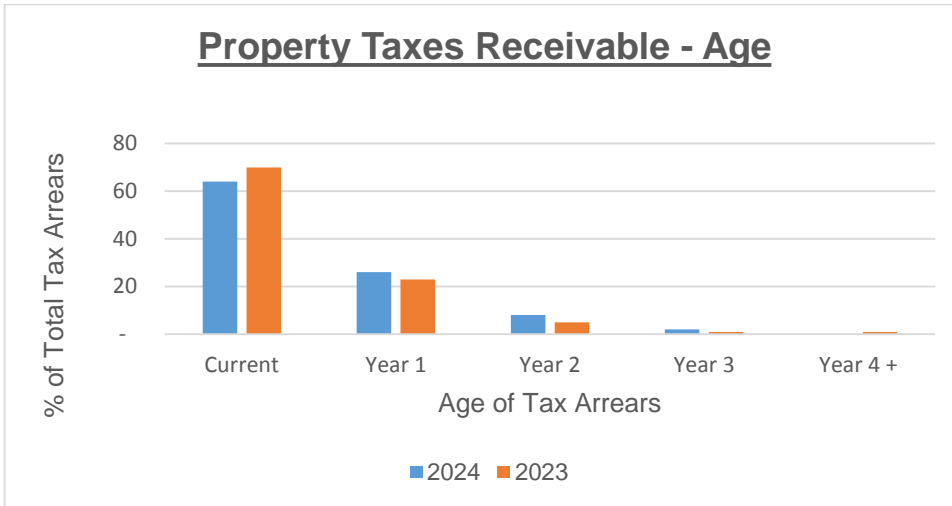
Property Tax Receivables at December 31, 2024:

Property taxes receivable at the end of December 31, 2024 was \$3,346,739 (2023 - \$2,767,139) and includes credit balances of \$202,138 (2023 - \$277,142). There were 860 (2023 – 804) properties with arrears at the end of 2024. The result is that property taxes receivable (net) at the end of 2024 increased by 21% over 2023, while the number of properties with arrears at the end of 2024 increased by 7% over 2023. Based on the above, the average arrears (gross) balance at the end of 2024 was \$4,127, compared to \$3,786 at the end of 2023. Of note, the top 15 properties with arrears at the end of 2024, was \$580,316. When we remove the top 15 properties in arrears, the average arrears is \$3,513 in 2024.

The Township is aware that the significant increase in taxes in arrears at the end of 2024, appears to be a trend experienced by a number of other municipalities in the area. Many property owners have been negatively impacted by rising interest rates, increases in food and housing costs, inflation and the lingering impact of COVID on the economy.

Total property taxes billed (includes local, Region, school boards, interim, final and supplementary billings, penalties and adjustments) increased \$1.7 million or 6.0% in 2024 from the previous year (2023 - 4.9%). Net cash collections increased 5.0% from \$30.1 million in 2024 from \$28.7 million in 2023. Property Tax Receivable (net) at the end of the year as a percentage of property taxes billed were 10.9% in 2024 (2023 – 9.5%, 2022 – 8.9% and 2021 – 9.1%).

The chart below shows the aging of property taxes receivable, at the end of 2024 and 2023. Note that the aging of property tax receivables is pretty consistent from year to year.



Despite the significant increase in Property Tax Receivables at the end of the year, other indicators (billing/cash collections and aging) as noted above show that the receivables are pretty consistent with prior years and are well managed. The Township will continue to review and manage property tax receivables throughout 2025.

4.0 Related Policies / Procedures

N/A

5.0 Financial / Budget Assessment

The Township will continue to monitor penalty/interest charges on property taxes in arrears to ensure that penalty/interest revenues of \$430,000 (according to the 2025 Budget) are achieved.

5.1 Asset Management

N/A

6.0 Climate Change Impacts

N/A

7.0 Communications

N/A

8.0 Conclusion

This report provides an update to Council on outstanding arrears accounts as well as the efforts staff are undertaking to reduce outstanding accounts.

9.0 Recommendation

That report 2025-FI-014 be received for information.