



Town of Erin

Corporate Report

Department: Corporate Services	Report Number: F2020-07
Business Unit: Finance	Meeting Date: 5/5/2020
Presented/ Prepared By: Ursula D'Angelo, Director of Finance & Treasurer	

Subject

Waiving of Penalty and Interest Fees on Outstanding Property Taxes and Water Billings

Recommendation

Be it resolved that Council hereby receive report number F2020-07 *"Waiving of Penalty and Interest Fees on Outstanding Property Taxes and Water Billings"* for information;

And that Council hereby approve the proposed by-law to amend By-law 20-09 "2020 Interim Tax By-law" as presented in Appendix B of this report;

And that Council hereby approve the proposed by-law to amend By-law 19-27 "2019 Tax Rate By-law" as presented in Appendix C of this report.

Background

2020 Tax Dates and Payment Options

This report is in response to announcements from all municipalities in the County of Wellington to provide 60 days penalty and interest relief on all outstanding taxes and to extend March water billings deadline from 30 days to June 30, 2020. In order to waive penalties and interest, there are two by-laws that need to be amended.

First, the Interim Tax By-law 20-09 (Appendix A) that Council adopted on March 3, 2020 which authorized the first two tax installment dates of March 31, 2020 and May 29, 2020 for all property types. This by-law also allowed the Town to collect penalties and interest on outstanding taxes. Hence, an amending by-law is needed in order to not charge penalties and interest. Appendix B is the proposed by-law to amend Interim Tax By-law 20-09 to not charge penalties on April 1, 2020 and May 1, 2020.

Second, the Town's announcement also included waiving interest on outstanding taxes from prior years. This involves the amendment of 2019 Tax Rate By-law. For Council consideration, Appendix C is the proposed amending by-law to waive interest on all outstanding taxes on April 1, 2020 and May 1, 2020.

Payment Methods Accepted

The Town typically allows payments in the following ways:

- Cash and debit card
- Cheque via mail or through the mail drop
- Online payment through your financial institution (including mortgage companies)
- eTransfers
- Pre-Authorized payments on the 15th of each month

Pre-Authorized Payments

PAP plans are spread out payment of taxes over 11 months starting in January and ending in November. The previous year's taxes are divided by 12 to determine the monthly payment for interim purposes.

For residential PAP customers the monthly amount is adjusted for the August 15th payment to spread the remaining balance over the period August to November. Therefore, in August residents will see a change in their PAP amount.

In the past, there have been instances where taxpayers have requested to skip a month of their PAP. These requests were considered on a case by case basis and where approved, the payments were recovered the following month. We anticipate similar requests as a result of the COVID-19 pandemic.

Taxes for Wellington County and School Boards

The Town of Erin collects property taxes for Wellington County and Public, Catholic, and French School boards of Ontario. The Town sends payments quarterly to the County and the School boards regardless if the collection of taxes has occurred. We keep any interest and penalties on these uncollected funds; however, we are legally required to remit regardless if we have collected or not. The Provincial Government has deferred the School boards June 30 and September 30 installment dates by 90 days each. However, the December installment will have include two quarters.

Other Items for Council Consideration

Section 345 of the *Municipal Act, 2001* deals with penalties and interest on late payments. This requires a by-law to be passed in order to charge penalties and interest. By-law 002-20 established that penalties and interest in the amount of 1.25% per month shall be added for late payments of the interim tax bill. Any changes to this would require a by-law to be passed, or the existing amended.

At this time, the 2020 Tax Rate By-Law has not been brought to Council and the proposed dates are shown below.

<u>Tax Class</u>	<u>Final Instalment #1</u>	<u>Final Instalment #2</u>
Residential & Farm	August 31, 2020	October 30, 2020
Commercial & Industrial	September 30, 2020	November 30, 2020

If the final instalment dates for Residential & Farm are moved to match Commercial and Industrial Tax Class, the Town may not be able to make the third quarter installment payment on September 30, 2020. Staff do not recommend to change the dates as it will affect the third quarter payments to the County and schoolboards.

Strategic Pillar

Service Excellence & Good Governance

Financial Impact

The following are estimates of the financial impact of waiving penalties and interest on current and prior year outstanding taxes. These estimates are based on 2019 results and it does not take into account current circumstances. Combined total will reduce Penalties and Interest revenue by \$98,000 to \$222,000. To reflect March 31, 2020 deadline of outstanding taxes, the penalties would be \$50,000 per month.

	2020 Penalties	2019 and Prior Years Interest
April	20,000	29,000
May	20,000	29,000
	\$ 40,000	\$ 58,000

Conclusion

Be it resolved that Council hereby receive this report

Attachments

Appendix A – 20-09 2020 Interim Tax By-law

Appendix B – By-law to Amend 2020 Interim Tax By-law

Appendix C – By-law to Amend 2019 Tax Rate By-law

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