

MUNICIPALITY OF CHATHAM-KENT

CORPORATE SERVICES

FINANCIAL SERVICES

ROUTINE APPROVAL

TO: Mayor and Members of Council
FROM: Stuart Wood
Director, Financial Services / Treasurer
DATE: August 18, 2008
RE: Taxes and Assessment Adjusted to July 31, 2008

Because of rulings by the Assessment Review Board (ARB) and Rebate Programs implemented under Section 364 of the Municipal Act, 2001, \$772,963 in tax and interest adjustments were charged as follows:

Municipal Taxes	\$	567,217
School Boards	\$	201,155
Interest	\$	4,591
Total Adjustment	\$	<u>772,963</u>

It should be noted that tax adjustments are not being written off as bad debts. They are being adjusted on account to reflect proper assessments for the reasons listed.

ARB adjustments are done under the Assessment Act and are binding on the Municipality. The Vacancy Program, previously administered by the Assessment Office, is now done by the Municipality. All aspects of this program are dictated by Provincial legislation.

The following summary shows only **the net Municipal tax impact** without interest or education amounts. Interest write-offs are netted against interest revenues.

Legislated programs:	Actuals YTD	2008 Budget Provision
357 / 358's	\$ 36,307	\$ 150,000
ARB's	\$ 989,039	\$ 1,000,000
Part IX, Tax Limitations	\$ 6,691	\$ 25,000
FAL appeals	\$ -	\$ -
Rebate Programs	\$ 456,335	\$ 450,000
Tax sale losses	\$ 673,235	\$ 250,000
Other tax losses	\$ 242	\$ 13,000
Capping tax shortfall	\$ -	\$ -
	\$ <u>2,161,849</u>	\$ <u>1,888,000</u>

	Actuals YTD	2008 Budget Provision
Council Programs:		
Municipal properties write-offs	\$ 73,014	\$ 85,000
Capping claw-back adjustments	\$ 657,708	\$ 670,000
Financial Incentive Programs	\$ -	\$ 100,000
	<u>\$ 730,722</u>	<u>\$ 855,000</u>
Other:		
MTE fees	\$ -	\$ -
Other bad debts written-off	\$ -	\$ -
A/R invoice losses	\$ 11,575 ¹	\$ 50,000
	<u>\$ 11,575</u>	<u>\$ 50,000</u>
Totals	\$ 2,904,146	\$ 2,793,000

Allowances remaining are to provide against significant losses that the Municipality may be exposed to. Where actuals exceed budget, the provision for tax adjustment is reduced. There will be no effect on the 2007 budget.

Prepared by:

Stuart Wood, CMA
Director, Financial Services/Treasurer
Corporate Services

Reviewed by:

Reviewed by:

Gerry Wolting, B.Math, CA
General Manager, Corporate Services

C. D. Weldon
Chief Administrative Officer

Attachment: Appendix A Description of Programs

R:\F&PS\Finance\2008\Routine Approvals\RA08003 - Taxes and Assessment Adjusted to July 31, 2008.doc

¹ Canada Day fireworks in Wallaceburg had been in place for at least 15 years prior to 2007. These fireworks have been paid by Chatham-Kent following annual fundraising efforts. The existing \$11,575 deficit has accumulated over the past several years. For example, 2006 had a shortfall of \$1,785; 2005 a shortfall of \$713; 2004 a shortfall of \$1,225, and so on. Canada Day fireworks were always intended to occur without a tax subsidy. No fireworks occurred in 2007 and none are planned for 2008. There is no remaining group or fundraising effort against which to apply the \$11,575 deficit. Consequently, the deficit which is considered a Municipal receivable is uncollectible and is written off.

APPENDIX "A"

This glossary is provided to briefly explain those circumstances under which taxes may be adjusted.

Assessments are amended and/or taxes are adjusted under the Assessment Act, the Planning Act and the Municipal Act. Each year Financial Services provides for these changes as part of tax policy. The eight main categories of change are:

- 1) Section 357/358, Council Applications
- 2) Assessment Review Process
- 3) Part IX, Limitations on taxes for Certain Property Classes
- 4) Frozen Assessment Listing (FAL) Adjustments
- 5a) Charities / Legion / Capitol Theatre Rebate
- 5b) Tax Rebate due to Commercial or Industrial Vacancies
- 6) Tax Sales Losses
- 7) Other Tax Losses
- 8) Capping Tax Shortfall
- 9) Municipal Property Write-offs
- 10) Tax Revenue loss due to Claw-Back Adjustments
- 11) Financial Incentive Programs

1) Under **Section 357/358** of the Municipal Act an application can be made to Council for the cancellation, reduction or refund of taxes levied in the year, by any person for the following reasons:

- a) property subject to a tax class or tax rate change;
- b) property that became exempt from taxation;
- c) a building being razed / damaged by fire, demolition etc;
- d) a mobile unit that is removed;
- e) inability to pay taxes due to extreme poverty;
- f) gross or manifest error (i.e. transposition of figures, typographical);
- g) repairs or renovations rendering a property unusable for at least three months.

2) The **assessment review process** permits property owners to appeal assessment values if there is reason to believe that the value is incorrect. This process is carried out under the Assessment Act.

A reduction in taxes may result from:

- a) A request for reconsideration
- b) An assessment review
- c) An Assessment Review Board hearing (ARB)
- d) A review of an ARB decision
- e) Ontario Municipal Board (1997 & prior) or Divisional Court
- f) Change in regulation / legislation
- g) Agricultural Tribunal Decision

3) **Part IX** of the Municipal Act deals with capping of taxes for certain property classes. Under this section the Municipality is required to levy taxes on certain properties that do not exceed the weighted average taxes previously levied on specific comparable properties. Properties qualifying under this section include:

- a) New construction
- b) Property class changes
- c) Properties moving from exempt to taxable
- d) Property improvements

4) **Frozen Assessment Listing (FAL) Adjustment**

The FAL is the assessed value of property on December 31, 1997 based on the new assessment methodology that took effect on January 1, 1998. Using FAL, a property's 1997 tax liability was calculated. This value was subsequently used for capping purposes. Capped properties current tax liabilities are established for the most part, as a percentage of taxes derived from FAL. If the owner of a capped property can successfully argue that the FAL was over stated an adjustment and refund of taxes for 1998 through to 2004 will result. As long as capping remains in place, future taxes will also be lower. Municipal Tax Equity Consultants (MTE) act for the Municipality in disputes.

5a) **Charities Rebate (also Legion and Capitol Theatre)**

Each Municipality is required to provide for a Charities Rebate Program. Included in this category, at Council's option is Legions. The Chatham-Kent program provides a 40% tax rebate (100% for Legions) on commercial and industrial property to eligible charities. Until operational, the Capitol Theatre also gets a 100% rebate of taxes as directed by Council

5b) **Tax Rebate due to Commercial or Industrial vacancies.**

Under Section 364 of the Municipal Act, commercial/industrial properties vacant for at least 90 consecutive days are entitled to a tax reduction of 30/35% respectively on qualifying space provided all program criteria are met. The program requires retroactive tax adjustments by application and is administered directly by the Municipality. Disputes involving eligibility for or calculation of refunds are defended at the ARB by the Municipality not through the Municipal Property Assessment Corporation.

6) **Tax Sale Losses**

Properties 3 years in tax arrears are placed in registration following which properties are auctioned if not first redeemed for a minimum of the taxes owing. Properties with no bid are vested with the Municipality and taxes are written off.

7) Other tax losses

Under section 354(2) of the Municipal Act, “The Treasurer of a local municipality shall remove unpaid taxes from the roll if (a) the Council of the local municipality, on the recommendation of the Treasurer, writes off the taxes as uncollectible”.

This situation arises where the Municipality cannot, or chooses not to, realize on its security. Examples include existing senior government liens or environmental concerns that make the sale or vesting of the property not practical or desirable.

8) Capping Tax Shortfall

Where a property class is subject to a tax cap, under legislation it may not be possible to collect the taxes required from that property class, causing a tax revenue shortfall.

9) Municipal Property Write-offs

Some municipally owned properties have non budgeted tax costs that accumulate. Once three years has elapsed, these taxes, including the education portion, are written off. One example is properties acquired through tax sale not yet disposed of.

10) Clawback Adjustments

In situations where there is a taxation shortfall within a tax class due to Provincial capping limitations, properties in the same class may forgo tax reductions, to which they are otherwise entitled, to make up this shortfall. Council tax policy, beginning in 2004, sought to reduce this inequitable tax burden by partially offsetting “in class” revenue shortfalls with an increase in general revenues.

11) Community Improvement Plan Financial Incentives

Financial Incentives applicable to the tax write-off area include the following Council approved programs.

- Planning and Building fee rebate
- Development charges rebate
- Heritage tax rebates
- Property tax increment equivalent
- Façade improvement tax relief

These programs, administered by the Planning department, are intended to encourage certain maintenance and development activities by providing property tax incentives. Where loans are not repaid or insufficient funds are available to meet previously committed obligations, this provision may, on occasion, be used.