

Municipality Of Chatham-Kent
Finance, Budget & Information Technology Services
Financial Services
Information Report

To: Mayor and Members of Council

From: Steve Brown, CPA, CMA
Director, Financial Services

Date: April 18, 2018

Subject: Tax Sale Proceeds

This report is for the information of Council.

Background

The Municipality of Chatham-Kent holds tax sales to collect outstanding taxes on properties which have property taxes in arrears greater than three (3) years. The minimum tender (formerly auction) price is the outstanding taxes and penalties accrued on the property, otherwise known as cancellation price. In many instances, during the tender, the price paid by the tenderer exceeds the minimum price. When this occurs, the surplus proceeds are paid into the Superior Court of Justice and the former property owner or other vested individuals are able to apply for the proceeds.

Prior to updates of the *Municipal Act* in 2017, section 380(6) and (6.1) of the *Municipal Act* entitled municipalities to apply for payment out of court of those unclaimed surplus proceeds under section 380(2) of the *Municipal Act*.

Comments

Chatham-Kent had not previously applied to the Court under section 380(6) and (6.1) of the *Municipal Act*. With the assistance of Legal Services, Financial Services applied to the Court to have surplus proceeds paid out to the Municipality from tax sales that were held between 2002 and 2016. The total amount that was recovered as a result of this application was \$654,058.94 which has been deposited into Chatham-Kent's general bank account in accordance with section 380(9) of the *Municipal Act*.

Chatham-Kent has continued to be over budget in its Allowance for Doubtful Accounts, which is used to write-off taxes as uncollectable for varying reasons such as ARB

appeals. Administration has deposited the proceeds received from the Court into the Allowance for Doubtful Account budget line as an offset to these tax write-offs.

Effective January 1, 2018, the *Municipal Act* was amended, with the result that municipalities are not entitled to apply for payment out of court of surplus proceeds paid in under section 380(2) for any tax sales resulting from tax arrears certificates registered after December 31, 2017. By virtue of the relevant grandfathering section of the revised *Municipal Act*, being section 388.2, municipalities can still apply for those amounts. This will allow Chatham-Kent to apply for surplus funds one further time for all surpluses that will be submitted to the courts for certificates that were registered prior to January 1, 2018.

Consultation

Legal Services was consulted on the changes to the Municipal Act for this report.

Financial Implications

The total proceeds recovered from the courts amounted to \$654,058.94. By way of depositing these funds to the Allowance for Doubtful Accounts there will be no impact on the 2018 operating budget.

Prepared by:

Reviewed by:

Steve Brown, CPA, CMA
Director, Financial Services

Mike Turner, CPA, CMA
Chief Financial Officer, Treasurer

Consulted and confirmed the content of the consultation section of the report by:

Dave Taylor
Manager, Legal Services

Attachment(s): None
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