

Municipality of Chatham-Kent

Finance, Budget, Information Technology & Transformation

Financial Services

Information Report

To: Mayor and Members of Council
From: Matt Torrance, MBA, CPA, CGA
Director, Financial Services
Date: July 28, 2020
Subject: 2020 Tax Arrears

This report is for the information of Council.

Background

Council approved the following recommendation at the April 6, 2020 Council meeting:

'1. The Municipality of Chatham-Kent take the following actions to provide immediate financial relief to residents and businesses:

- a. By-law 161-2019, a By-law to provide for a 2020 interim Tax Levy, be amended to change the second 2020 interim tax levy due date from Friday, May 1, 2020 to Friday, July 10, 2020.*
- b. Waive late payment charges on the current year tax arrears from April 1 to July 10, 2020.*
- c. Change all payment due dates and waive late penalty charges for Business Licenses, Dog Tag fees, Loan Agreements, CIP Agreements, and Accounts Receivables, to June 30, 2020. Note this does not include Provincial Offences Act charges, legal charges or Building Permit fees."*

The approved recommendations in the aforementioned report were measures put in place to assist with the immediate needs of taxpayers by providing additional time for COVID-19 relief programs to flow through to property owners.

Comments

During the onset of the COVID-19 pandemic, the Municipality provided temporary relief to property owners. This was done by amending the second instalment of the 2020 interim tax levy and waiving late payment charges on current year tax arrears from April 1 to July 10, 2020. The payment deferral provided the time necessary for property owners to apply for Provincial and Federal benefits.

Property Tax revenue for the Municipality of Chatham-Kent accounts for approximately half of all municipal revenues. With this in mind, if the majority of property owners

utilized the COVID-19 payment deferral option, there was a potential for significant reduction in cash flow over the period of the deferral. As of May 1, 2020, which was the original tax due date for the second interim installment, \$74.9 million of the \$93 million that was due, had been paid. This represents 80.5% of taxes that were due. For comparison purposes, 92.8% of taxes due were paid at the same time period in 2019. This indicates that only a small percentage of property owners used the deferral option.

Table 1 below provides a summary of current year tax arrears for the last four years. These figures represent taxes billed in the current year and is not a comparison of total arrears. Total arrears have generally been trending downward over the last several years as a result of favourable economic conditions and a change in tax sale policy in 2018 from a 3 year process to a 2 year process.

Table 1 - Current Year Arrears vs Taxes Levied			
Tax Year	Arrears (Current Year)	Interim Levy	Percentage
2017	\$ 6,643,558	\$ 84,427,776	7.87%
2018	\$ 6,857,261	\$ 87,547,844	7.83%
2019	\$ 6,532,206	\$ 90,133,634	7.25%
2020	\$ 5,239,589	\$ 93,023,478	5.63%

The figures compiled in Table 1 indicate that the COVID-19 pandemic has not had a significant impact on tax arrears at least in the short term. The changes adopted by Council in April appear to have provided the temporary relief to those property owners who required it.

Financial Implications

There are no financial implications of this report.

Prepared by:

Reviewed by:

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Attachments: none

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