



## The Corporation of the Town of Tecumseh

Financial Services

**To:** Mayor and Members of Council

**From:** Tom Kitsos, Director Financial Services & Chief Financial Officer

**Date to Council:** Tuesday, January 28, 2025

**Report Number:** FS-2025-03

**Subject:** Taxes Receivable December 2024

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### Recommendations

It is recommended:

**That** Financial Services Report No. 2025-03, Taxes Receivable December 2024, **be received.**

### Executive Summary

An annual report is provided to Council regarding the status of year-end tax arrears.

### Background

This report describes the status of property taxes outstanding as of December 31, 2024 for the Town of Tecumseh.

### Collection Procedures

Interim tax notices are mailed to all ratepayers in January with due dates in February and April. In 2024, final residential notices were mailed in May with due dates in June and September, while final commercial/industrial notices were mailed in late August with

due dates in September and November. Starting in 2025, all final tax notices will be mailed in May with due dates in June and September.

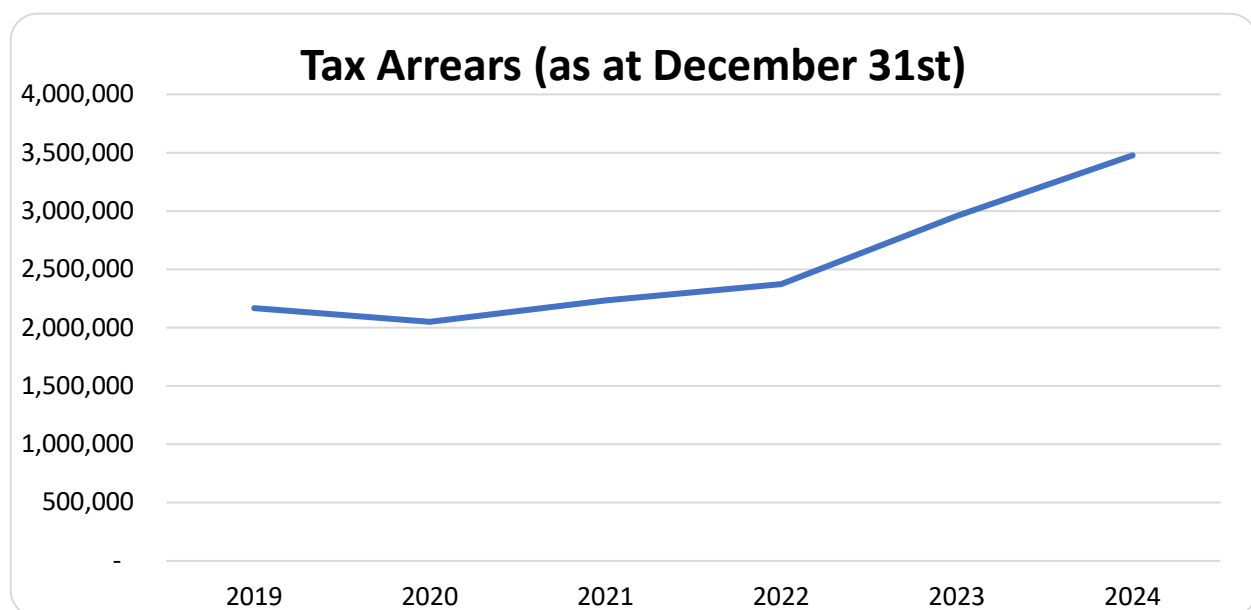
Interest and penalties are applied to accounts in arrears on the first day of each month. Arrears notices are issued in the month following an instalment due date. In 2024, these notices were distributed five times during the year (March, May, July, October, and December). Effective 2025, the issuance of arrears notices will be reduced to four times per year (March, May, July and October).

On an annual basis, if an account is three years in arrears, letters are mailed asking ratepayers to make payment arrangements to avoid tax registration. If payment is not received or a payment arrangement is not entered, a final letter is sent in April informing the ratepayer that we may proceed with tax registration. After all collection attempts on outstanding arrears have been exhausted, a tax arrears certificate is registered under the Municipal Act, Section 373(1). The ratepayer has one year from the date a tax arrears certificate is registered to redeem the property (i.e. the “cancellation date”). To do so, the ratepayer must pay all tax arrears, current taxes, interest, and penalties at the time of payment, and all reasonable costs incurred by the Town to register a tax arrears certificate. If a ratepayer fails to redeem their property by the cancellation date, it becomes eligible for tax sale.

## Comments

### Taxes Receivable/Arrears

For 2019 through 2024, tax arrears as at Dec 31<sup>st</sup> have fluctuated as illustrated in the chart below, ranging between \$2,000,000 and \$3,500,000.



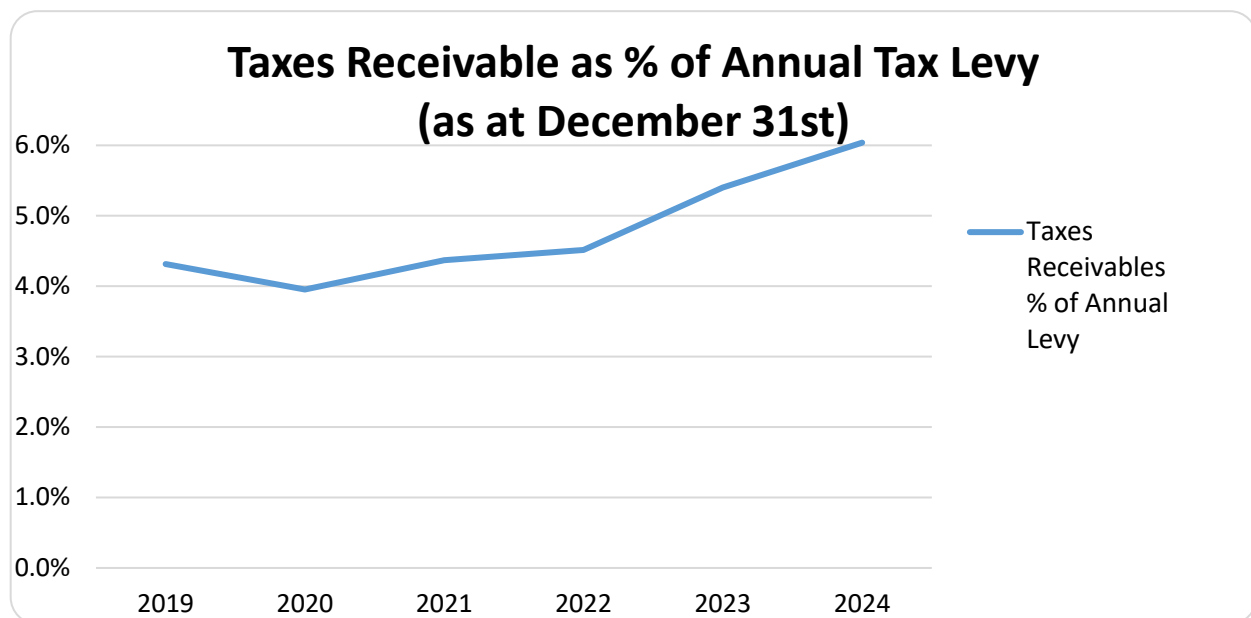
Taxes receivable is the amount of outstanding taxes owed to the municipality. High outstanding taxes may reflect the inability of residents to pay their taxes, or it could indicate problems with the municipality's tax collection procedures. High outstanding taxes could also create cash flow problems for the municipality or result in higher tax rates to fund uncollectable taxes or tax write-offs.

	2024	2023	2022
<b>Residential</b>			
# of Properties in Arrears	723	671	603
Total \$ Arrears	\$ 2,458,558	\$ 2,187,583	\$ 1,613,382
<b>Commercial</b>			
# of Properties in Arrears	108	76	70
Total \$ Arrears	\$ 512,122	\$ 367,371	\$ 447,877
<b>Industrial</b>			
# of Properties in Arrears	54	29	29
Total \$ Arrears	\$ 506,375	\$ 403,829	\$ 397,753
<b>Total</b>			
# of Properties in Arrears	853	761	682
Total \$ Arrears	\$ 3,477,055	\$ 2,958,783	\$ 2,459,012

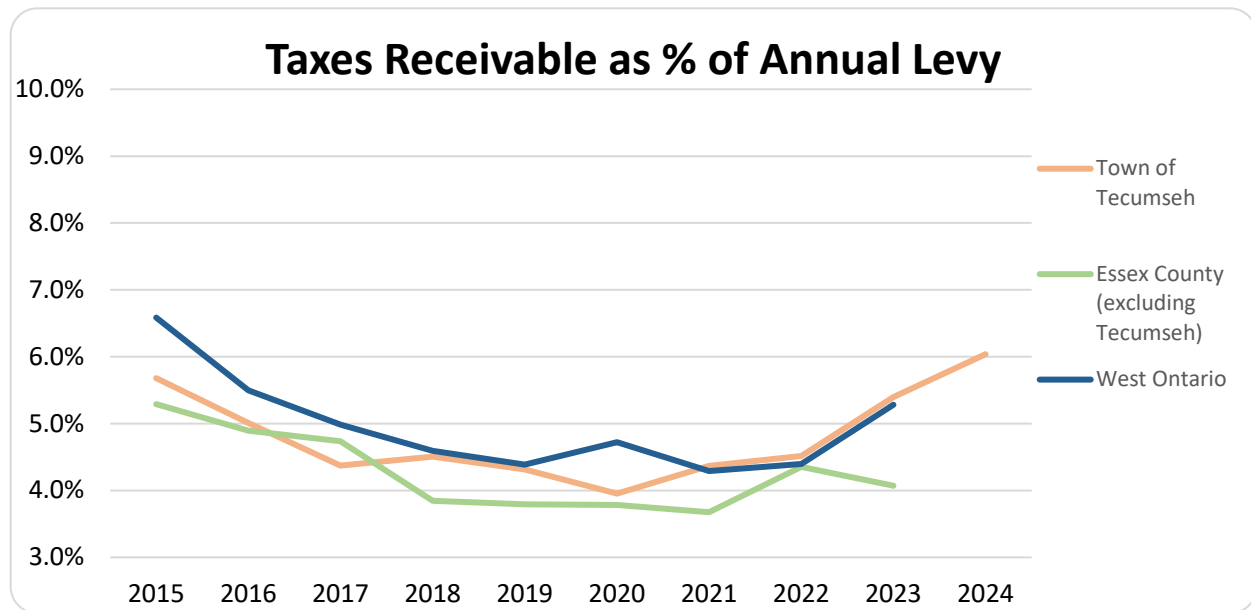
The following table shows the percentage of arrears by property type.

	2024	2023	2022
<b>Residential</b>	82%	86%	86%
<b>Commercial</b>	11%	10%	10%
<b>Industrial</b>	6%	4%	4%

Total uncollected property tax as a percentage of total taxes levied (Tax receivable as a percentage of tax levy) is one of several measures used to evaluate the economic health of a municipality. An increasing percentage over time may indicate an overall decline in the municipality's economic health.



The following chart represents taxes receivables as a percentage of annual tax levies for fiscal years ending December 31<sup>st</sup> for the Town of Tecumseh, Essex County (average of lower-tier municipalities in Essex, excluding Tecumseh) and West Ontario. Comparable data is based on Financial Information Returns (FIR), which are currently available up to 2023.



Data source: MIDAS - SLC 72 0290 09, SLC 26 9199 03

Taxes receivable as a percentage of tax levy increased to 6.0% as at December 2024 (from 5.4% in 2023). Since 2017, the Town has been in the 4.0% - 6.0% range, whereas West Ontario has been between 4.3% - 5.3%. Credit rating agencies consider a measure greater than 8% a negative factor (BMA Municipal Study, 2017).

### Pre-Authorized Payment Plans

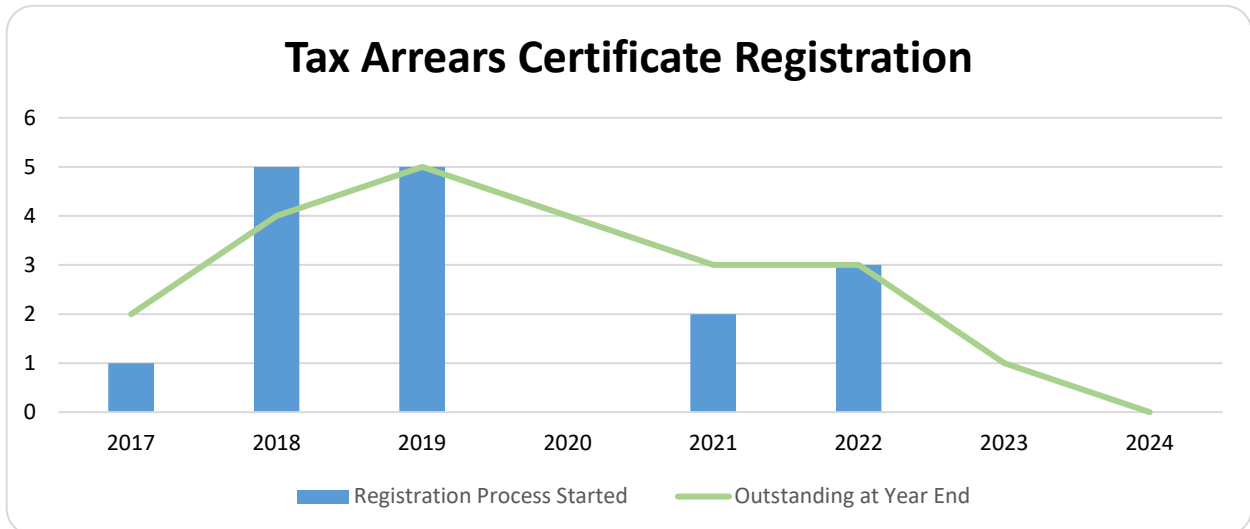
To date, there were 2,534 properties enrolled in the monthly pre-authorized payment plan debit (PAD) plans and 1,011 properties enrolled in the due date PAD plan. Total enrollment in the PAD programs represents approximately 35% of all properties in the Town of Tecumseh.

We continue to encourage ratepayers to enroll in our PAD plans as part of an efficiency initiative. It enables the Town to process a large number of tax payments without manual entry, provides a stable cash flow through the calendar year, and allows ratepayers the opportunity to spread their payments out on a monthly basis.

### Tax Arrears Certificate

Tax arrears certificates are registered after an account is three years in arrears and all collection avenues have been exhausted. The chart below shows the number of tax arrears certificates initiated in a calendar year. A ratepayer has one year after registration to redeem the property, at which point the Town will continue with the tax sale process as a means of recovering unpaid property taxes. Historically, the vast majority of property owners have been able to redeem their properties, thus avoiding a

tax sale. Since amalgamation, the Town has sold three properties through the tax sale process.



During 2024, there were no tax arrears certificate registrations processed (2023 – none). We also do not have any outstanding registrations for which collection has yet to occur.

## Consultations

None

## Financial Implications

All costs incurred by the Town concerning property registration and tax sale are recoverable except if a property is not sold at tax sale. In that situation, a notice of vesting in the name of the Town may be registered.

## Link to Strategic Priorities

Applicable	<a href="#">2023-2026 Strategic Priorities</a>
<input checked="" type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

## Communications

Not applicable

Website

Social Media

News Release

Local Newspaper

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Vanessa DaDalt, CPA, CA, CTP  
Deputy Treasurer & Manager Revenue Services

Reviewed by:

Tom Kitsos, CPA, CMA, BComm  
Director Financial Services & Chief Financial Officer

Recommended by:

Margaret Misek-Evans, MCIP, RPP  
Chief Administrative Officer

<b>Attachment Number</b>	<b>Attachment Name</b>
None	None