

**PENALTY AND INTEREST BY-LAW**

**Recommendation**

The Director of Finance in consultation with the Senior Manager of Property Tax & Assessment recommends:

That a by-law to establish the penalty and interest rate for taxes overdue, at the same rates as last year, 1.25% per month, be approved for 2005.

**Purpose**

The purpose of this report is to get Council's approval for the rates of penalty and interest to be charged on property tax arrears for 2005.

**Background - Analysis and Options**

The Municipal Act requires Council to pass a by-law to establish a percentage charge for interest and penalty, not to exceed 1¼% per month. This is the City's current rate. This rate is applied to all property owners in arrears and is not compounded.

Penalty and interest rates are set at the maximum level permitted by the Municipal Act so that municipalities are not considered an alternative to conventional lending institutions. A ratepayer's first choice in borrowing funds should be a financial lending institution such as a bank. Lowering the rate may encourage property owners to put their property at risk by financing their tax arrears through the municipality thereby eroding the equity in their property. Additionally this action would place the property at risk for a tax sale once the balance outstanding reached three (3) years.

**Relationship to Vaughan Vision 2007**

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

**Conclusion**

This item is being brought forward at this time in order to establish the percentage to be charged, as this is needed for January 1, 2005.

**Attachments**

None

**Report prepared by:**

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Respectfully submitted,

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