

## **COMMITTEE OF THE WHOLE- NOVEMBER 19, 2001**

### **PENALTY AND INTEREST BY-LAW**

#### **Recommendation**

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

That a by-law to establish the penalty charge for current year taxes overdue and the interest charge for tax arrears outstanding, at the same rates as last year, 1.25% per month, be approved for 2002.

#### **Purpose**

The purpose of this report is get Council's approval for the rates of penalty and interest to be charged on property tax arrears for 2002.

#### **Background - Analysis and Options**

The Penalty and Interest By-law, under the Authority of the Municipal Act, is brought forward to Council for review and recommendation. The Municipal Act allows for a rate of up to 1.25% per month, which is the City's current rate. This rate is applied to all taxes that are in arrears. Penalty is applied to taxes that are overdue during the current year and interest applies to tax arrears beyond the current year. Penalty and interest is applied consistently to all property owners in arrears and is not compounded.

Penalty and interest rates are set at the maximum level 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 under the Tax Sales Act once the balance outstanding reached three (3) years.

#### **Conclusion**

The City's current rate of 15% per annum has not changed over the past several years. Our understanding is that the Town of Richmond Hill and the Town of Markham do not plan to lower their rates for 2002. Penalty and interest generates significant revenue to the City and therefore any reduction in the rate would have an impact on the Operating Budget.

#### **Attachments**

None

#### **Report prepared by:**

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Respectfully submitted,

Barry E. Jackson, CGA  
Director of Finance