

Guidelines for Preparation of a Tax Recovery Plan

General:

- The Tax Recovery Plan is an annual document prepared by a municipality to identify an approach and plan for the recovery of taxes receivable as identified in the municipality's Tax Receivable Summary.
- The Tax Recovery Plan identifies recovery options to be utilized by the municipality and the appropriate time for applying each.
- The Tax Recovery Plan is a living document in that, as with any plan, revisions throughout the year may be necessary as issues arise during the plan period or to reflect possible change in the application of recovery methods.
- The annual Tax Recovery Plan is authorized by resolution of council prior to submission to MIGA.
- The Council-approved Tax Recovery Plan is submitted to the Department of Municipal and Intergovernmental Affairs annually; due date is June 30.

The Tax Recovery Plan includes the following sections:

A. Objective(s) of Tax Recovery Plan

- Objectives focus on maximizing recovery of taxes receivable.
- Objectives are reasonable and achievable. Factors to consider may include, but are not limited to :
 - Past tax payment trends,
 - Payment arrangements in place,
 - Current tax recovery/collection policies and procedures,
 - Resources available to engage in recovery activity,
 - Age of taxes receivable balance,
 - Resident's financial capacity for paying balances owed.
- Examples of objectives may include, but are not limited to:
 - An objective to recover a portion of the December 31 total taxes receivable balance; could be reported as a percentage or as a dollar amount,
 - An objective to recover a portion of the amount of the December 31 taxes receivable balance reported in a specific age category on the Tax Receivable Summary; for example, a portion of taxes receivables still owing from 2012.
 - An objective to recover a portion of the amount of the December 31 taxes receivable balance reported in a specific tax category; for example, a portion of property taxes or a portion of water/sewer taxes, etc.
 - A Combination of multiple objectives.

B. Actions to recover taxes receivable

- The Tax Recovery Plan identifies recovery actions to be used and the situations in which each will be used
 - possible recovery actions to implement include:
 - Issuing a Statement of Account to a taxpayer,
 - Issuing a payment reminder letter to a taxpayer,
 - Issuing a Notice of Arrears as per Section 137 of the *Municipalities Act, 1999*,
 - Placing phone calls to taxpayer,
 - Charging interest on outstanding amounts,
 - Issuing notification of possible discontinuance of service,
 - Discontinuance of service as per Section 132 of the *Municipalities Act, 1999*,
 - Property liens as per Section 134 of the *Municipalities Act, 1999*,
 - Submitting account to third party for recovery,
 - Legal action as per Section 133 of the *Municipalities Act, 1999*,
 - Rent garnishment on rental properties as per Section 148 of the *Municipalities Act, 1999*,
 - Sale of vacant land or non-occupied property as per Section 139 of the *Municipalities Act, 1999*,
 - Other reasonable actions within authority of the Municipality.
- Consider appropriate and progressive steps to recover outstanding taxes owed to the municipality.
- Consider adopting policies and procedures regarding recovery of taxes receivable
- The recovery approach should be applied consistently.
- The Tax Recovery Plan identifies benchmarks/criteria for applying specific recovery methods, giving consideration to amount and age of balance outstanding. Examples include:
 - Issuing reminder letter or statement of account to tax payer X days in arrears,
 - Place phone calls to tax payer when beyond X days in arrears,
 - Commence charging interest on accounts when X days in arrears,
 - Issue discontinuance of service notice when X days in arrears.
- Municipalities should include timelines/deadlines within their policies and procedures.
- The Tax Recovery Plan identifies procedures and criteria for applying Section 111 of the *Municipalities Act, 1999*, which provides for an exemption, remission or deferral of taxes and/or interest subject to approval by 2/3 of Council members.
- Acceptable payment methods include:
 - Paid in full,

- Pre-authorized payment arrangement,
- Post-dated cheques, and
- Other reasonable arrangements for a regular payment schedule

C. Monitoring taxes receivables

- The Tax Recovery Plan identifies approach/steps for monitoring taxes receivable
- Steps for monitoring receivables including:
 - Documenting issuance of invoices,
 - Maintaining receipt of payment,
 - Maintaining a record of accounts identifying those that have paid and those with balances outstanding,
 - Documenting all recovery actions taken especially phone calls,
 - Maintaining copies of correspondence issued to tax payer in relation to recovery of receivables,
 - Maintaining aged receivables report for each tax payer.
- Monitoring account receivable balances and activity will:
 - Identify accounts requiring more active recovery approach,
 - Assist with identifying the appropriate recovery approach,
 - Identify accounts that are in threat of becoming legally uncollectible (for example, accounts that are older than 6 years old may be no longer be legally collectible)
 - Assist with the management of cash flows from tax receivables,
 - Provide status information for reporting to Council.

D. Reporting tax receivable activity to Council

- Tax receivable and recovery activity should be reported to Council
- Reports should include:
 - Status of receivable balance,
 - Status of recovery activity, and
 - Receivable/recovery issues that require input from Council.
- The Tax Recovery Plan identifies how often reports will be provided to Council at council meetings (weekly, bi-weekly, monthly, etc.) and the form of the reporting (written reports or verbal reports).
- Reports may be provided to Finance Committees for those municipalities that have one established.
- Presentation/Tabling of Report should be documented in minutes of meeting of Council or Finance Committee.

E. Reporting to Municipal and Intergovernmental Affairs

- Report to Municipal and Intergovernmental Affairs should identify the relative success of the plan.
- Reports include:
 - Extent to which objective(s) have been achieved,
 - Changes in receivable balances in past year,
 - Recovery activity utilized in past year, and
 - Amount of receivables included in prior year Taxes Receivable Summary that has been recovered.
- Section E will not be included in the 2015 Tax Recovery Plan, as it is the first plan and, as such, there are no previous year objectives or recovery plan to assess. Section E should be included in all subsequent Tax Recovery Plans.
- Reports should be submitted annually by June 30th.

Tips to Minimize Tax Arrears Before They Occur

- Some municipalities may already utilize some or all of these measures.
- Issue an annual letter, invoice or bill informing all taxpayers (residents and commercial) of the amount of annual taxes prior to the payment due date and include reference to charging interest as applicable.
- This facilitates the municipality's responsibility of informing tax payers and may promote timely payments and/or contact from taxpayers requesting to establish a payment arrangement.
- Promote pre-authorized payment arrangements.
- Provide residents with option to make payments online.
- Monitor taxpayer accounts, identify unpaid accounts and send a reminder letter prior to account going into arrears.

Contact Information

- For Specific questions on completion of the Tax Recovery Plan or these Guidelines, please contact:
 - Scott Jones, Director Municipal Finance, 729-5381 or scottjones@gov.nl.ca
 - Rayanne Hibbs, Manager, Municipal Finance, 729-3247 or RayanneHibbs@gov.nl.ca
- Tax Recovery Plans should be submitted to:
 - Municipal Finance
 - Municipal and Intergovernmental Affairs
 - 4th Floor, West Block, Confederation Building
 - P.O. Box 8700
 - St. John's, NL, A1B 4J6