2020-04-28 – COVID-19 Property Tax Financing Program Policy Q&A

Q: For clarity, delaying provincial mandatory costs is now off the table with the COVID-19 Property Tax Financing Program?

A: Yes, this option is not being considered by the Province.

Q: What implication will this program have on the tax sale process within the period of the program?

A: Taxpayers in the program are 'in good standing', as they have arranged to make payments through a tax installment pre-payment plan. Default of payment of an installment when due will result in removal from this program with the balance of outstanding taxes becoming immediately due and payable. Collection procedures would then begin as per local policy.

Q: If Council Approves this new policy would that imply that those residents would then be exempt from being taken to Tax Sale; currently we do not offer payment arrangements.

A: The assumption would be that in adopting the model policy Council would be accepting payment arrangements. Taxpayers in this program are considered to be in good standing and would therefore be exempt from being taken to or sheltered from a tax sale. Collection procedures would begin as per local policy should the applicant default on payment.

Q: Does it have to be owner occupied for the residential properties?

A: As the policy is written, the applicant must be the owner of the residential property, the property must be the owner's primary residence, and the owner must have experienced financial hardship through a significant reduction in income due to the State of Emergency declared by the Government of Nova Scotia in response to COVID-19, demonstrated through receipt of Provincial or Federal program assistance, or a Record of Employment.

Q: Once this policy is in place, we must assume only taxes owing for 2020-21 are eligible, as we do not have the financial backing to continue in subsequent years, correct?

A: Yes, that is correct.

Q: Footnote 9 says 5.2.2 assumes program funding is secured through MFC. Is this a requirement to offer the tax financing program to property owners?

A: Municipalities are not required to offer this financing program to their property owners. Should municipalities choose to finance their own program in their own method, this is also allowed.

Q: Is the June 30 deadline (Section 4.4.3) a suggestion or tied to an MFC / DMAH timeline?

A: The June 30 deadline is only a suggestion. This date can be adjusted by individual councils.

Q: Are the first six months interest free?

A: The decision to charge interest during the first six months is a local decision which must be made by individual councils. However, the municipality would have to absorb the MFC borrowing rate if the choice is made to provide six months of interest free payments to applicants in the program.

Q: How do we address the increased resources municipal units will need to manage the program?

A: The policy contemplates an administration fee of 25 basis points. AMANS is developing a central portal to receive applications to further reduce the costs associated with program administration for those units that closely adhere to the model policy. Individual units will decide whether costs incurred as a result of program administration are offset by the program's benefits.

Q: Type of business relates to commercial entity, but they may not be owner. The owner may have tenants with only one business qualifying. How do we provide relief to only part of the commercial assessment?

A: Commercial landlords that have experienced a loss in revenue as a result of the COVID-19 crisis are eligible for the program under s. 4.2.1. It is recommended that municipalities only accept applications for specific properties, and not the entirety of the owner's commercial real estate holdings within the municipal unit.

Alternatively, municipalities may choose to exclude commercial landlords from the program. There are specific programs in place, such as the Canada Emergency Commercial Rent Assistance (CECRA) program and COVID-19 Rent Deferral Support Program (CRDSP), that have been created to provide targeted support to commercial landlords.

Q: If the program is not for vacant land, how will units handle tax bills that have both residential and resource assessment on accounts, would be whole bill be eligible or only the part that has residential assessment?

A: The policy as drafted only covers occupied land. Individual councils may choose to alter the eligibility criteria to include vacant land.

Q: What is the timeline you would want municipalities to approve the policy?

A: It is recommended that Council approve as soon as possible.

Q: Implementing the policy will likely ensure we need to access MFC op line. Will the 3-year repayment on a large borrowing impact the debt ratio indicator? Do units have room in debt ratio?

A: This will be looked at when municipal affairs reviews cashflow, but this portion of the loan will not be taken into consideration with the debt-ratio indicator. For impact on your FCI scores please contact your municipal advisor.

Q: What solicitor has reviewed?

A: The policy was reviewed by the Association of Municipal Administrators' solicitor Burchell-MacDougall Law. Councils are encouraged to conduct their own due diligence.

Q: Would the commercial side of this be in contradiction of MGA 57(2) A municipality shall not grant a tax concession or other form of direct financial assistance to a business or industry. If the program is not open to all commercial.

A: No, commercial accounts in this program will not receive direct financial assistance as a result of this program. The program provides an opportunity for property owners to spread taxes due over a longer time horizon. A commercial property owner in the program will ultimately end up paying more in taxes, fees and interest than an owner who opts to make payment by the scheduled due date.

Q: So, the AMA would take the applications, but the Municipalities are responsible for the vetting and everything afterwards? This sounds to be quite a significant increase in administration and just wondering if there is concern with staffing required to run and track the program - It appears there will be 2 different interest rates, and 2 different collection processes.

A: Yes, AMA would assist in reducing the administrative burden required to develop an intake form, but municipalities are responsible for vetting. There will be an increase in administration as a result of 2 different interest rates and 2 different collection processes. It is up to the municipality to weigh the administrative burden of implementing this program and the need for cashflow against another to determine if they'd like to implement this policy.

Q: As I read the policy this program only applies to property tax and excludes levies (streetlights, fire, etc.), fees (sewer, solid waste, etc.) and local improvement charges, which may all appear on the same bill. Am I understanding that correctly?

A: The program has been designed for property tax but other items that are covered by uniform charge may also be included. Utilities were purposely excluded because residents are expected to pay their utility bills.

Q: The AMANS application model would be positive in terms of its simplicity, however I am not sure the public would fully understand who they are submitting their personal information to (third party organization vs their expectation of local gov't), how and where it is handled/stored, and who has access to it.

A: The idea would be for citizens to be redirected to a third-party platform via a link on the municipal website. If we weren't able to have a form via a third-party, there may be some confusion from residents using an online form that is embedded on the AMA website. We will look into a redirect link from each individual units' website instead of a form embedded on the AMA website. NOTE: the redirect link would provide criteria based on the sample policy. Should the sample policy be veered from the intake form may not encompass the individual changes completed by each unit.

Q: Throughout the repayment term, is the outstanding balance attracting interest because OUR outstanding balance is. If it IS attracting interest, then it is in arrears? Please clarify.

A: If under this program, it is determined that if you are making payments you are not in arrears.

Q: Was the intent to capture just interim bills? The Sept 30 date may pick up both interim and final for some units, meaning full year tax gets installments.

A: No. The intention was to support municipalities during this time and months after for COVID-19.

Q: What about rural municipalities where internet is a challenge and the online option does not work for them?

A: Municipalities may want to look at using a delivered via mail option or have the ability for someone to call a number and the municipality will input the appropriate information into the form. Individual municipalities will be responsible for determining the groups which need to be reached offline and the best ways to reach them, if not via an online in-take form

Q: If the application process is all online, particularly through a central application portal, how will applicants submit their supporting documentation (ie. CERB benefits, ROE, commercial property proof of loss of revenue, etc.)? Not all applicants will have the ability to scan/email documents.

A: Documents can be uploaded via many different avenues. IE: taking a photo or dragging and dropping files from their computer. PNG and JPEG files will both be supported. The online application will also be mobile user friendly

Q: Will the amounts approved for borrowing by the municipal unit be backed up by a list of approved accounts that have applied for deferred taxes and the related receivables to be collected over the 24 months? Or will it be based on estimates that units think they will need?

A: Municipalities are asked to reach out to their municipal advisor to know what information is to be included with the ask. It is likely that it will be based on estimates.

Q: The draft policy provides that the registered property owners that have experienced significant reduction in income can apply. Has there been any thought to extending the income reduction to the family as opposed to the registered owner to cover situations where the main income earner in the household is not the registered owner? For example, if professionals/small business owners opt to have the home in their partners / spouse's name to protect the asset. The draft policy would not apply to this group because the registered owner has not experienced a significant reduction in income, but the family will have suffered the loss.

A: Administratively, AANs and titles are nicely tied to the names of registered owners. Individual municipalities may choose to amend the policy, but accepting an ROE registered to the same address may substantially increase administrative burden.

Q: What are the thoughts on documentation commercial taxpayers must provide to prove financial hardship?

A: Commercial taxpayers can show a loss of revenue, or ROEs filed for their employees as an example.

Q: If there are 4 people on the DEED, and 2 live in the home, but not all were affected by income loss would this situation be included.

A: Yes, as long as the applicant is the owner of the residential property, the property is the owner’s primary residence, and the owner has experienced financial hardship through a significant reduction in income due to the State of Emergency declared by the Government of Nova Scotia in response to COVID-19, demonstrated through receipt of Provincial or Federal program assistance, or a Record of Employment.

Q: Any concerns we are inadvertently allowing residents to incur debt for taxes and that things like CERB won't go to basics (like taxes) and inability to pay will grow, not shrink over time??

A: Taxpayers are best positioned to determine what is financially prudent for their households. As governments, we can only ensure that taxpayers are provided with the information necessary to make an informed decision.

Q: If a resident is in the program, I assume they are still paying the interest rate charged by the Municipality which is 10 percent per year

A: The rate of interest will be the Municipal Finance Corporation Borrowing Rate, plus 25 basis points to cover administration fees. Section 113(2) of the *Municipal Government Act* talks about a rate of interest for non-payment of taxes when due. This is the rate already in place for municipalities.

The Policy is setting up an installment plan for eligible taxpayers. As long as they pay the installments on schedule, the taxes are not "overdue" under 112(4) or 113(2) and therefore do not have to attract the higher interest rate. There is nothing explicit in s. 112 and 113 that says there cannot be a lower rate of interest payable on taxes being paid in installments.

If the applicant defaults on payment, then they are removed from the program. Removal from the program will result in the addition of municipality's normal rate of interest for overdue taxes to the Special Tax Installment Rate, resulting in a compound rate.

Q: Does this policy have to be in place prior to council setting the tax rate?

A: No. The tax rate could have been set prior to this policy being implemented.

Q: Can municipalities choose to administer the program without involvement from AMANs?

A: Yes, municipalities may choose to administer the program themselves. The idea is that AMANS is meant to assist in providing an online in-take form that can help reduce the administrative burden in getting one set up for municipalities.

Q: When is the due date to apply for MFC?

A: Municipalities may apply to draw from the fund within the current fiscal year ending March 31, 2020.

Q: When is the due date for clients to apply for the program?

A: The due date for applications for the program is to be set by individual municipalities.

Q: Can you also comment on how providing 30 months to pay this year's tax bill will impact the next two year's taxes that would be issued in 2021 and 2022.

A: Next year's taxes will be issued and will not impact the 2021, 2022 tax bill. If people are in this program and are paying, they are not considered to be in arrears.

Q: What about consistency? Some units do an interim billing during April to Sept and some do one tax bill.

A: It will be up to the municipal units to determine when they need their cashflow.

Q: Just trying to understand what this would look like on the AR side. We have our bills sent out under a common tax code that is linked to a common interest code. It appears that for example if 500 people participated in the program, would the Province "pay for those bills" and then the AR for them would be zero and therefore a loan set up with a new code and new interest rate just for those people. I ask because when we run our monthly interest, there is not a way to have two interest for the same tax code as the bills are already sent with the one code.

If our tax bill is due July 31, then does that mean that the 6 months is after that, in which case it must be assume that #1 is applied and that those "500 people " are now set up with different codes as they will receive 6 months limited payments and then 24 moths equal payments. While all other taxpayers would be charged the normal MDS interest rate come July 31

A: This seems to make sense, although not familiar with the system this appears to be a way around needing two tax rates, and two tracking processes.

Q: Has any consideration been given to how this will be recorded administratively?

A: This would be recorded as a tax receivable, as it is not a load, as the taxpayer is not receiving anything other than time to pay their taxes.

Q: Tax payments are applied to the oldest charges to an account. If we schedule payments over 2 years, how is a payment next year to be applied to the account?

A: Payments for taxes next year are to be applied to the 2021 account. This financing program is separate from regular tax payments not during COVID. It will require a separate tracking.

Q: What was the cost to the Province for arranging this debt for municipalities?

A: MFC added 10 basis points to the cost of borrowing, instead of the normally 25 basis points.

Q: S. 112(1) says instalment policy needs to be in place before the tax rate is set. So, councils need to get this in place no later than the date they plan to set the rates?

A: No, councils can have this policy in place after they have set their rates. Section 112(1) allows for municipalities to send out interim bills before the current year's tax rate is set, but it doesn't prevent councils from providing for the payment of taxes by installments at other times. These other dates need to be clearly set out as described in s.112(2), and the way the amount of each installment is calculated also needs to be clear.