

Report

City of Merritt
REGULAR Council Meeting
July 21, 2020

File Number: 1980-50

To: Scott Hildebrand, Chief Administrative Officer
From: Wayne Anderson, Director of Finance & IT
Date: July 15, 2020
Subject: 2020 Tax Sale

RECOMMENDATION:

THAT Council instruct staff to make the arrangements for a tax sale as normal on September 28, 2020, without the October penalties applied

Background:

Each year, the City is required under the *Local Government Act* to hold a tax sale on the last Monday in September. This sale affects properties whose taxes are at least two years late, and the City places them for sale at the “upset price” of the delinquent, arrears and current taxes plus interest, penalties and fees.

Any properties sold under this sale cover the City’s unpaid taxes. The owner can avoid a sale by paying the delinquent taxes plus interest prior to the tax sale date. If the property is sold during the tax sale, the owner has one year to redeem the property by paying all the outstanding taxes, interest, penalties and fees along with interest to the buyer based on the amount of the tax sale purchase price.

The Provincial Government has made a number of Orders altering normal governance and operating procedures in response to the COVID-19 pandemic. Order M159 allows for the deferral of the 2020 tax sale to September 27, 2021, the date of the 2021 tax sale. This is not obligatory, and Council can decide whether or not to proceed with any deferral.

The penalty date on the 2020 taxes was changed from July 3, 2020 to October 1, 2020, to provide more leeway for residents experiencing adverse economic effects from the

pandemic. The change in penalty date beyond the tax sale date has implications for the calculated upset price of any properties subject to the tax sale.

Discussion

Merritt has not needed to hold a tax sale in recent years. At the time of writing, the current number of delinquent properties is similar to the number of delinquent properties on this date in 2019. As such, although the tax sale can be postponed, staff believe a tax sale may not be needed at all in 2020. Should properties remain delinquent, and a tax sale is required, the number of properties and likely bidders will be low.

Should Council wish to delay under Order M159, a Bylaw would need to be adopted before August 31st 2020; this Bylaw may be given three readings and adoption at a single meeting. Within two weeks of the bylaw adoption, council must send notice to each property owner with delinquent taxes. The notice must state that the tax sale has been delayed for one year, and, unless paid at any time prior to the 2021 tax sale, the outstanding delinquent taxes for 2020 will remain as delinquent through the remainder of 2020 and 2021 (up to the 2021 tax sale date) and will continue to accrue interest.

If Council wish to proceed with the 2020 tax sale, the “upset price” – the minimum price at which the properties are offered for sale – will need to be calculated. This is normally the amount of delinquent taxes plus interest, taxes in arrear plus interest, current year taxes plus penalty along with additional fees. For 2020, the tax due date was July 2, 2020, Council delayed the penalty date from July 3, 2020 to October 1, 2020. Therefore, staff propose not to include the 2020 penalty on current taxes in the upset price, as it will not be applied until a few days after the tax sale takes place.

Options

- 1. That Council instruct staff to make the arrangements for a tax sale as normal on September 28, 2020, without the October penalties applied**
- 2. That Council continue with the sale but instruct staff to add the 2020 penalties to the upset price prior to October 1, 2020 penalty date**
- 3. That Council instruct staff to bring a Bylaw to a meeting in August, delaying the 2020 tax sale to September 27, 2021.**

Respectfully submitted,

**Wayne Anderson, CPA, CMA
Director of Finance & IT**