

COUNCIL POLICIES AND PROCEDURES

SECTION - E

COLLECTION POLICIES

SUBJECT: Interest on Overpaid Taxes Number E-8

APPROVAL DATE: November 14, 2001

PREAMBLE: It shall be the policy of Council to provide a refund of overpaid taxes and that interest be paid on any refund of taxes that become overpaid as a result of an assessment appeal and any appeal from that decision.

- TERMS:**
- 1) The Municipal Government Act, Section 114 (2), effective April 1 1999, contains a new provision which requires Municipalities to pay interest on refunds that become overpaid as a result of assessment appeals and any appeal from that decision. It has been the policy of the Municipality not to pay interest on those refunds prior to the adoption of the New Municipal Government Act.
 - 2) Whereas the Municipal Government Act states that interest shall be paid on any refund of taxes that become overpaid as a result of an assessment appeal and any appeal from that decision.
 - 3) The interest rate to be paid on the refund paid as a result of an assessment appeal shall be at one half (1/2) the interest rate on existing interest Bearing Canadian Dollar Current account negotiate between the Royal Bank of Canada and the Municipality of the District of Guysborough currently as follows:

A) \$1 - \$1,999,999	Royal Bank Prime - 2.5%
B) \$2,000,000 - \$7,999,000	Royal Bank Prime - 2.5%
C) \$8,000,000. and over	Royal Bank Prime - 1.9%
 - 4) The interest is to be calculated monthly but not compounded.
 - 5) Interest is only payable on refunds caused by appeals. Early payments, overpayments, and other credit balances on a taxpayers account will not be entitled to any interest payable.

BACKGROUND FOR POLICY:

The Municipal Government Act Section 114 contains a new provision which requires a Municipality to pay interest on refunds of taxes that become overpaid as a result of an assessment appeal. It has been the practice of the Municipality not to pay interest on these refunds as the Municipality is required to rely on the assessed values of properties for billing and budgeting purposes as supplied by the Provincial Assessment Department. The taxpayer has the option to pay an amount based on the estimate of the reduced assessment. They of course would be billed for the entire amount and interest on the outstanding amount would be applied if the balance remain unpaid.

The Municipal Government Act has created the requirement to pay interest on tax refunds resulting from successful assessment appeals. This is a new cost to the Municipality and could encourage assessment appeals as well as prolong the appeal process.

The Act allows for Council to establish a policy for the interest rate to be applied to these refunds. In the absence of a policy, the Act deems the rate to be applied is the rate of interest on overdue taxes and in the case of the Municipality of the District of Guysborough the rate is 18% per annum.

The rate of 3% being suggested by staff is lower than the rate on return on our investments which would be the rate that we would receive on amounts that would be placed in a trust account for overpayment of taxes. In the case where refunds are processed prior to the end of the month, the rate applied will be the calculated rate from the previous month.