



The state of tax arrears 2024

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what are property taxes used for?

- Property taxes are the primary revenue source for municipalities, directly funding critical services.
- Form the financial backbone of local government budgets, enabling municipalities to plan for sustainable growth and development.



Infrastructure Maintenance: Roads, bridges, public buildings, and parks all depend on property tax funding for maintenance and upgrades.



Waste Management: Garbage collection, recycling programs, and waste disposal are managed and funded at the municipal level.



Public Safety: Police, fire services, and emergency response teams are largely funded by property taxes to ensure community safety.



Community Development: Investments in recreation centers, libraries, affordable housing, and economic development foster a thriving community.

the cost of inaction

Uncollected taxes may seem like a short-term issue, but academic studies have shown their long-term financial impact can lead to:

- Decreased service quality
- Increased financial pressure on compliant taxpayers
- Higher borrowing costs
- Delays in long-term planning
- Delays in infrastructure projects
- Impact on public trust and confidence



methodology

- We asked ourselves, how is the tax arrears market doing?
 - But...public data is generally sparse.
- Pulled audited financial statements (annual reports) of the top 200 municipalities by population between 2018-2023.
 - That's 1,000 sets of financial statements!
- Some municipalities had yet to release their financials for 2023, so we used statistical measures to forecast their figures.

Top 200 STATS

Largest municipality:

Population = 2,794,356

Area = 631.1 km squared

Population per km squared: 4,427.80



Smallest municipality:

Population = 7,036

Area = 244.6 km squared

Population per km squared: 29



96%

Total Population in
Ontario

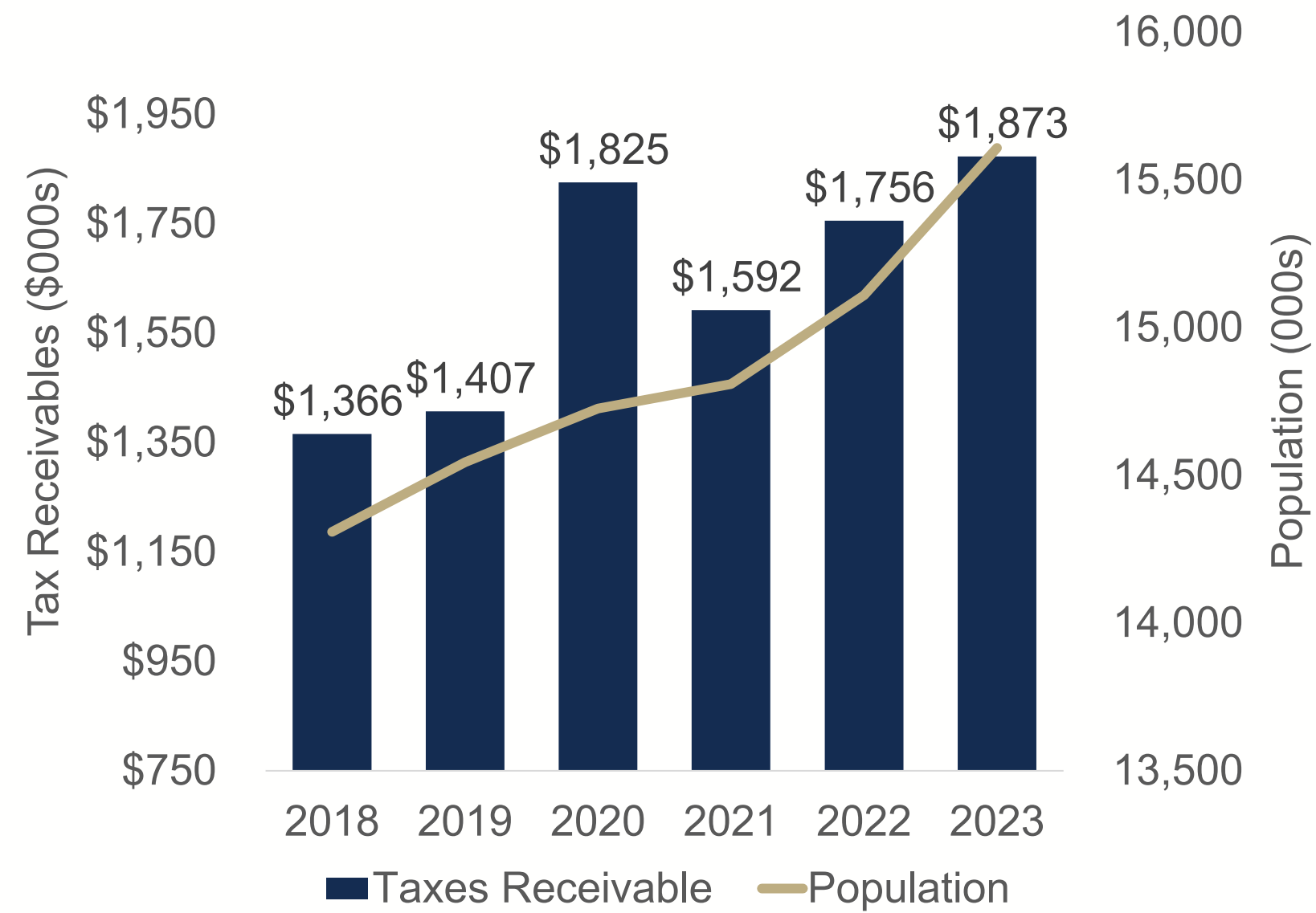
65%

Total Land Area in
Ontario

48%

Municipalities in
Ontario

tax arrears in Ontario



STATS

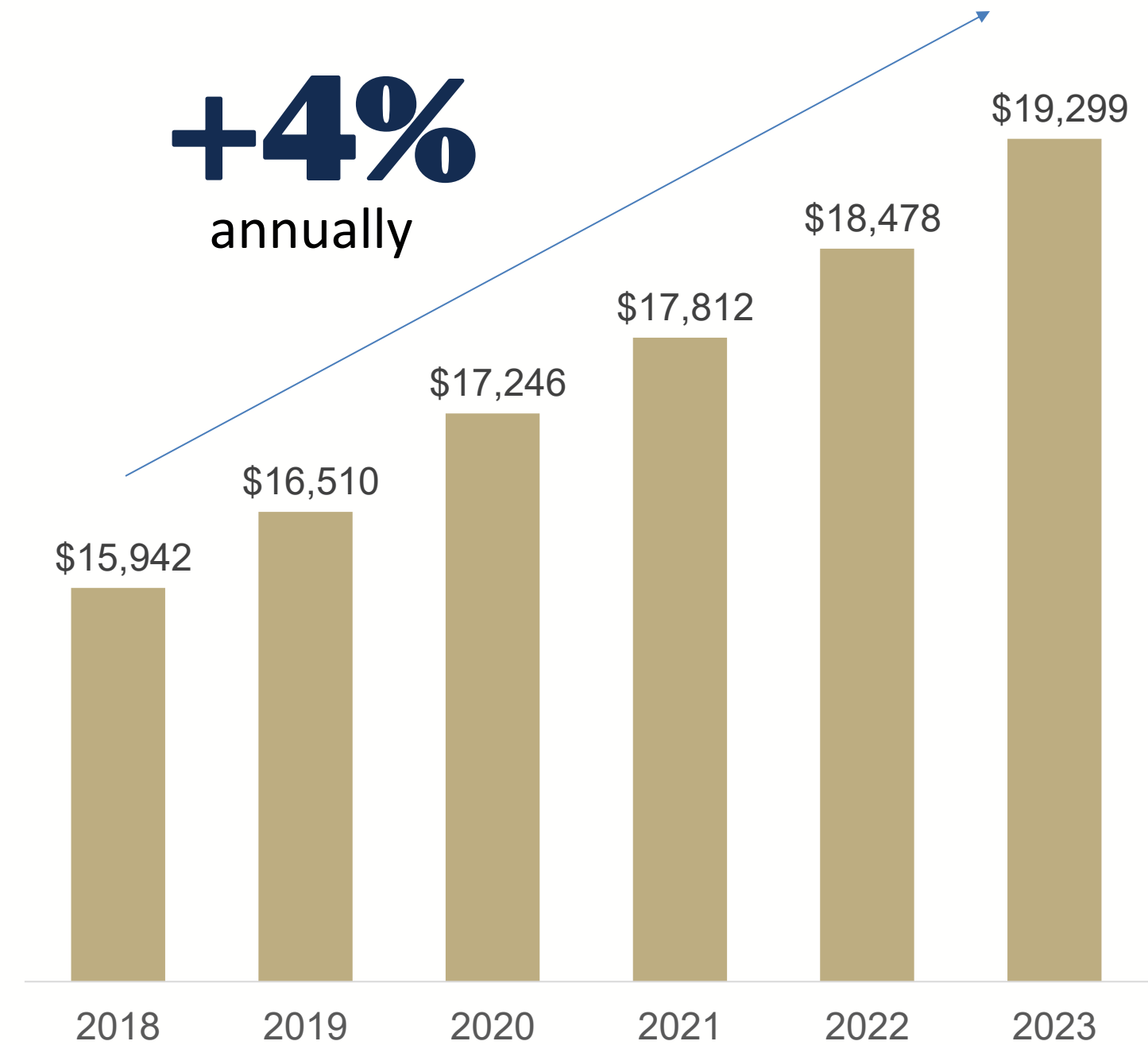
- Taxes receivable increased from \$1.37B in 2018 to \$1.87B in 2023. **+7%** annually
- Population in Ontario grew 14.3M to 15.6M. **+2%** annually

Tax arrears balances are growing by 7% per year, while population is only growing by 2% -- why?

tax revenue has been increasing

- Tax revenue has increased by 4% YoY from \$15.9B to \$19.3B.
- With higher tax revenue, we should expect a higher taxes receivable balance.
 - However, the growth in revenue of 4% is still shy of the 7% annual growth in receivables.

Growth in tax arrears is outpacing the growth in tax revenue.



what gives?

5 reasons property tax receivables are outpacing population growth and tax revenue...

- 1** **Increase in Property Tax Arrears:** Higher inflation and difficult macroeconomic trends have led to property owners falling behind on tax payments.
- 2** **Delayed or Inadequate Tax Collection:** Many municipalities have yet to return to 100% of the arrears collection activity from pre-Covid days.
- 3** **Growth in High-Value Properties:** With high-value properties, even a small increase in arrears can lead to significant growth in receivables.

Ontario has seen an influx of such properties due to development and increasing property values.

what gives?

5 reasons property tax receivables are outpacing population growth and tax revenue...

- 4** **Economic and Demographic Pressures:** Economic factors like job market volatility, rising costs of living, and stagnant wages can put financial strain on residents, making it more difficult to keep up with property tax payments.
- 5** **Higher Municipal Tax Rates:** Some municipalities have increased tax rates to meet budgetary needs, which can lead to higher bills for residents.

This increase may outpace the rate at which residents' incomes grow, leading to greater arrears (9.5% increase in Toronto vs. wage growth of 4.0%).



math break

**Net Taxes Receivable as a
% of Taxes Levied**

$$= \frac{\text{Taxes Receivable}}{\text{Property Tax Revenue}}$$

What is it?

- Taxes Receivable is the amount of outstanding taxes owed to the municipality (also known as tax arrears).
- The ratio represents the portion of property taxes that are uncollected at year end.
- This is a lower-tier/single-tier measure only (upper tier-taxes are collected by lower-tiers).

more STATS 101 MATH!?!?

This is a statistical distribution.

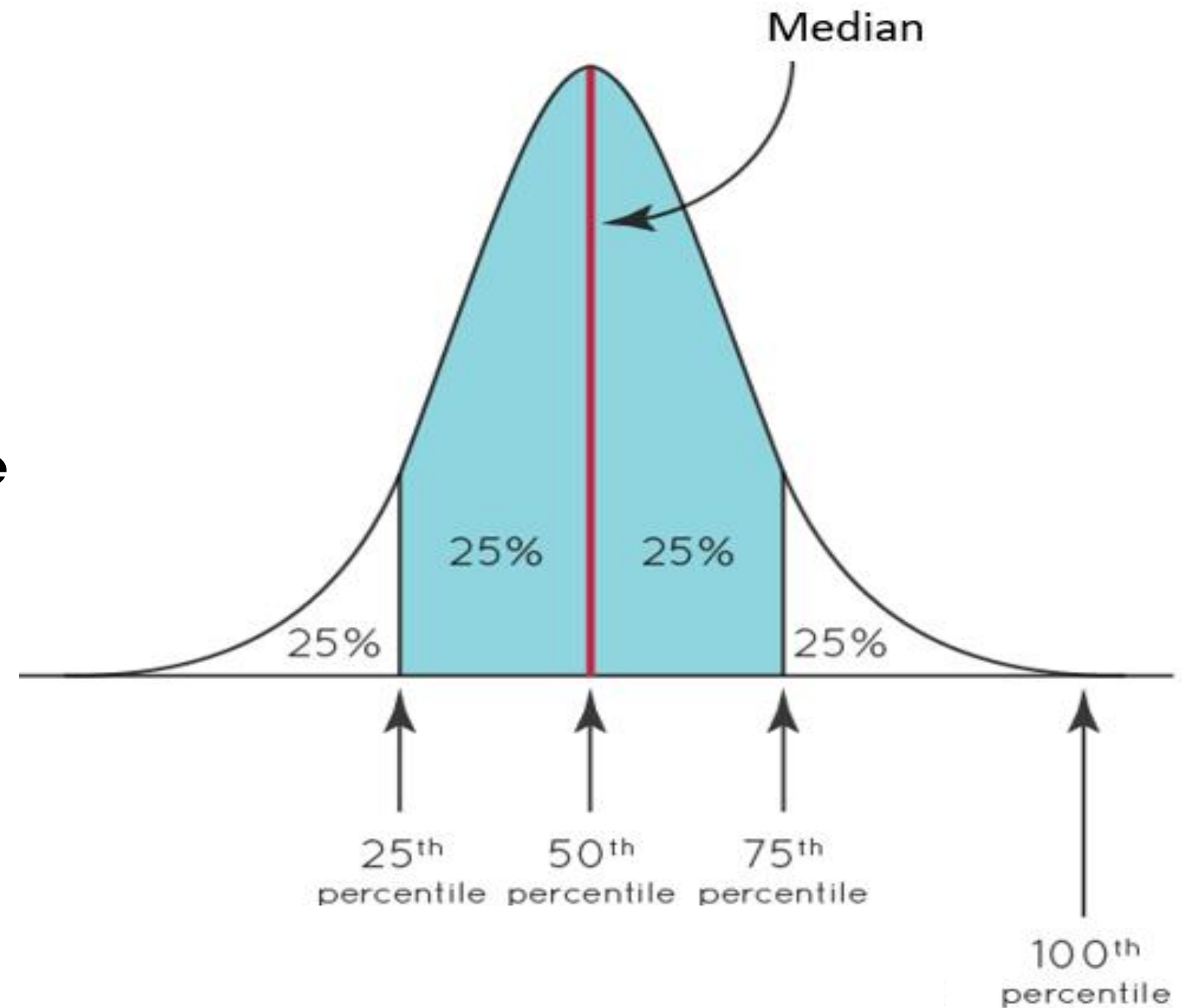
The middle is the median or average
= 50th percentile.

Quartile 1 = 0–25% (LOW)

Quartile 2 = 26–50% (BELOW AVG)

Quartile 3 = 51–75% (ABOVE AVG)

Quartile 4 = 76–100% (GREAT)



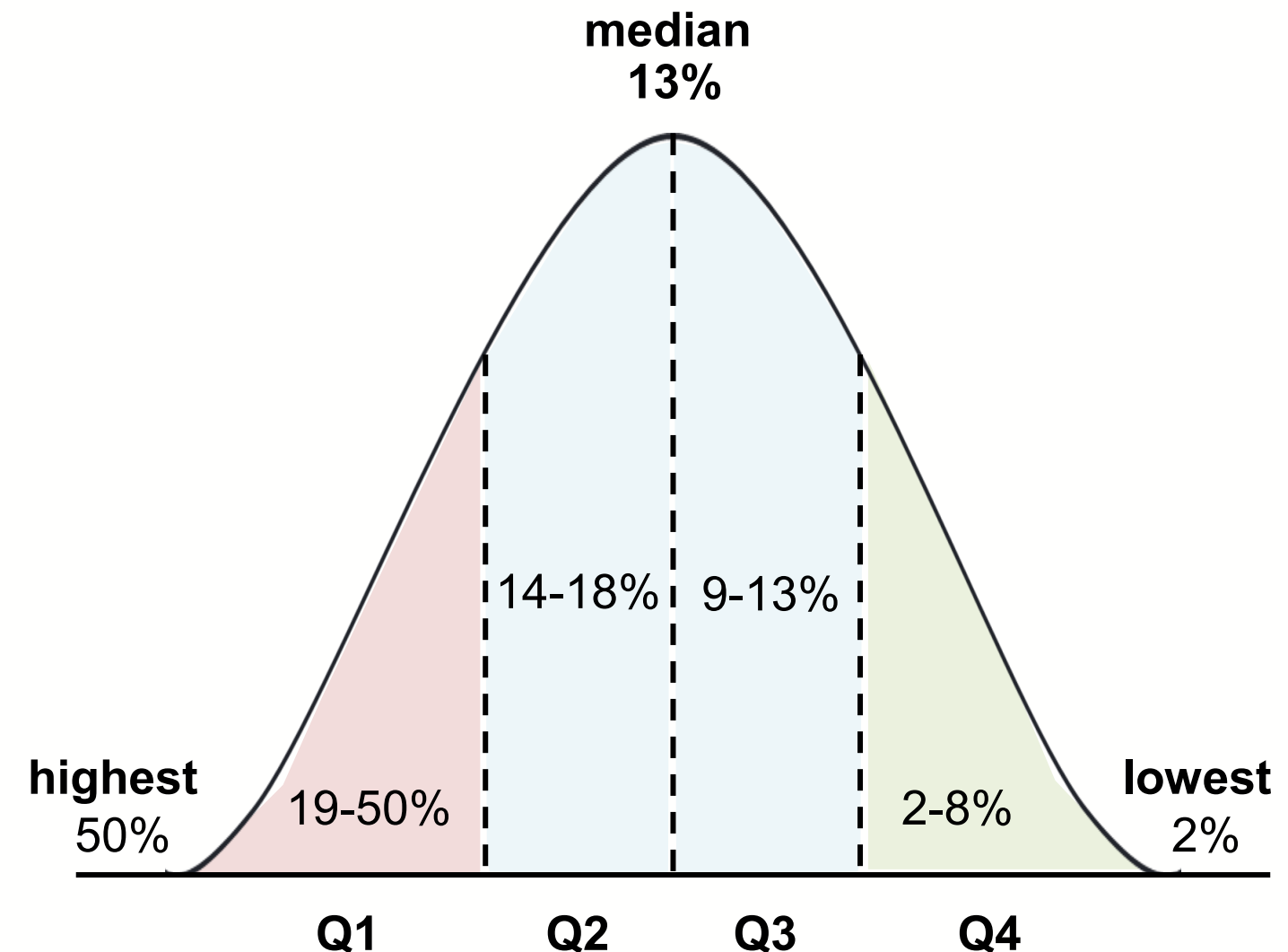
benchmarking the market

What would happen if we looked at the Net Taxes Receivable as a % of Taxes Levied across the top 200 Ontario municipalities?

The median percentage was 13%, with a high of 50% and a low of 2%.

Half of the municipalities had between 9-18% of receivables as a % of taxes levied.

Top 200 Ontario Net Taxes
Receivable as a % of Taxes Levied (2023)



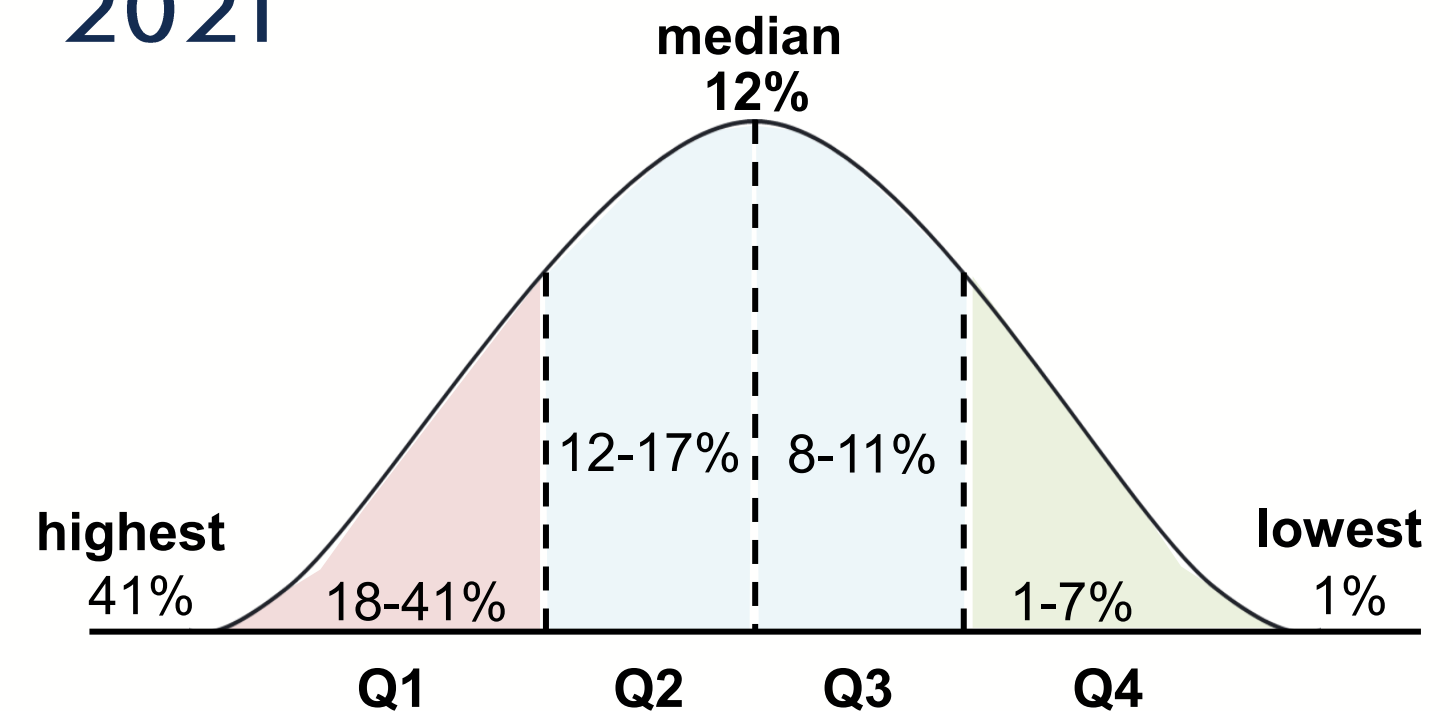
trends year-over-year

How has the distribution of Net Taxes Receivable as a % of Taxes Levied trended over the last 5 years?

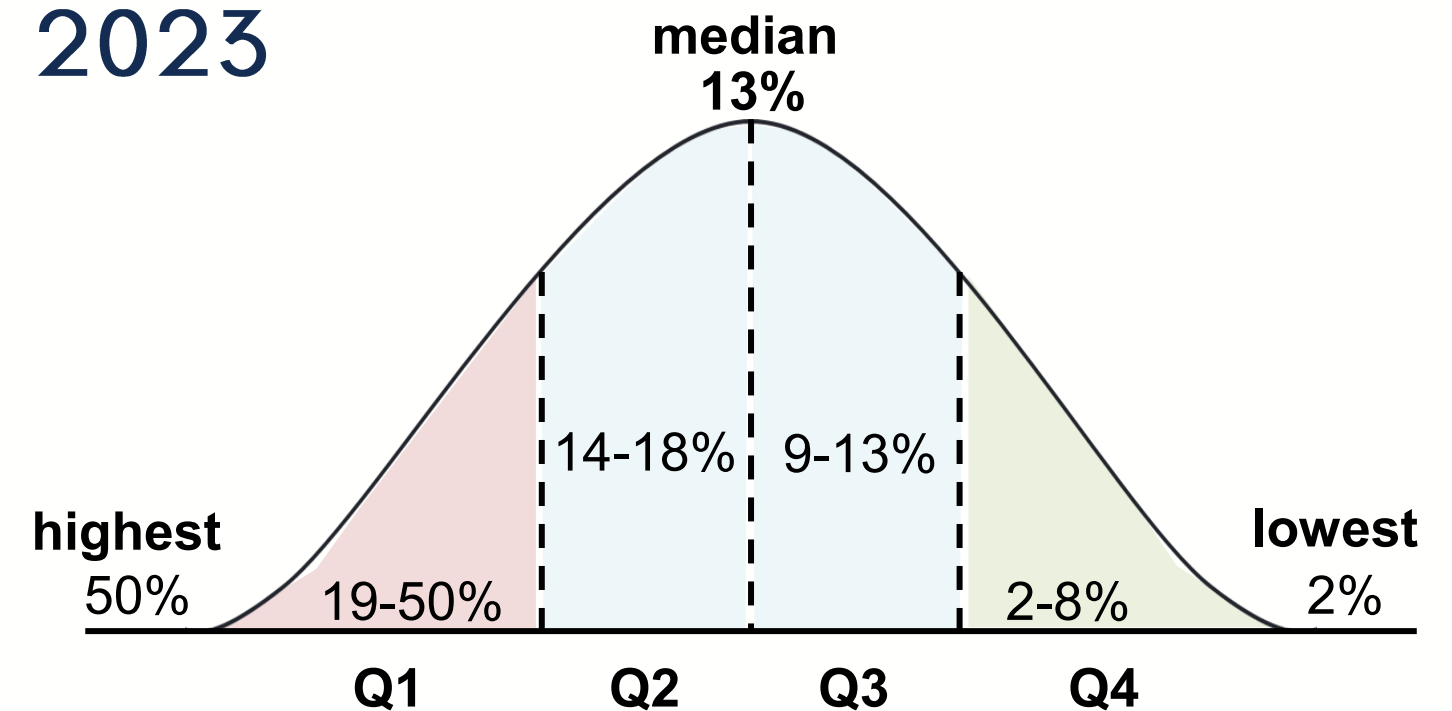
Tax Receivables have gotten marginally worse, illustrated by lower performance and wider ranges across quartiles.

- Median from 12-13%
- Max from 41% to 50%

2021



2023





proactivity matters

Addressing taxes in arrears is not simply about recovering lost revenue – it's about preserving the financial health, social equity, and future viability of the community.

1

Revenue Recovery and Prevention: Revenue can be reinvested into essential services, improving infrastructure, and future-proofing the municipality.

2

Strengthening Municipal Resilience: Studies show that municipalities that effectively manage tax arrears are better positioned to weather financial storms,.

3

Building Public Trust: By enforcing tax laws consistently, municipalities can demonstrate that they are committed to serving all residents equitably.

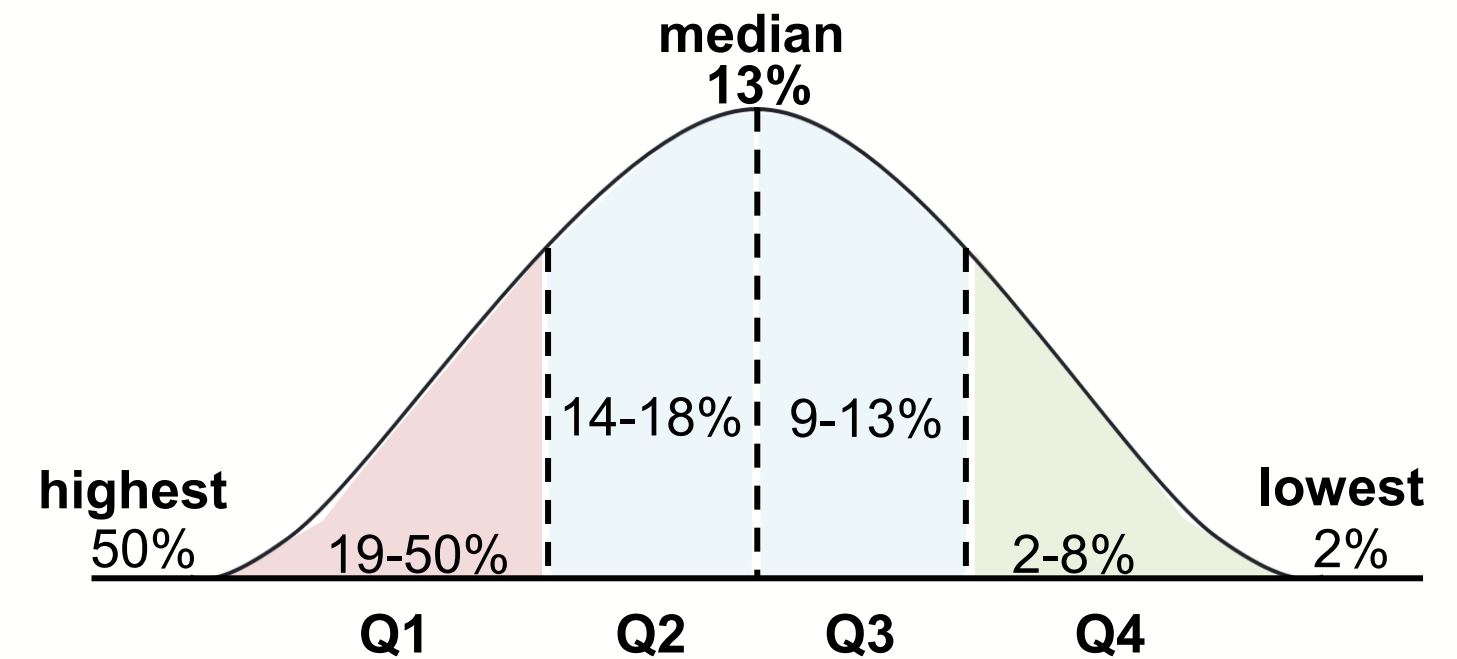
Realtax Advantage

What if we compared Realtax's municipalities (our clients) to the average in Ontario?

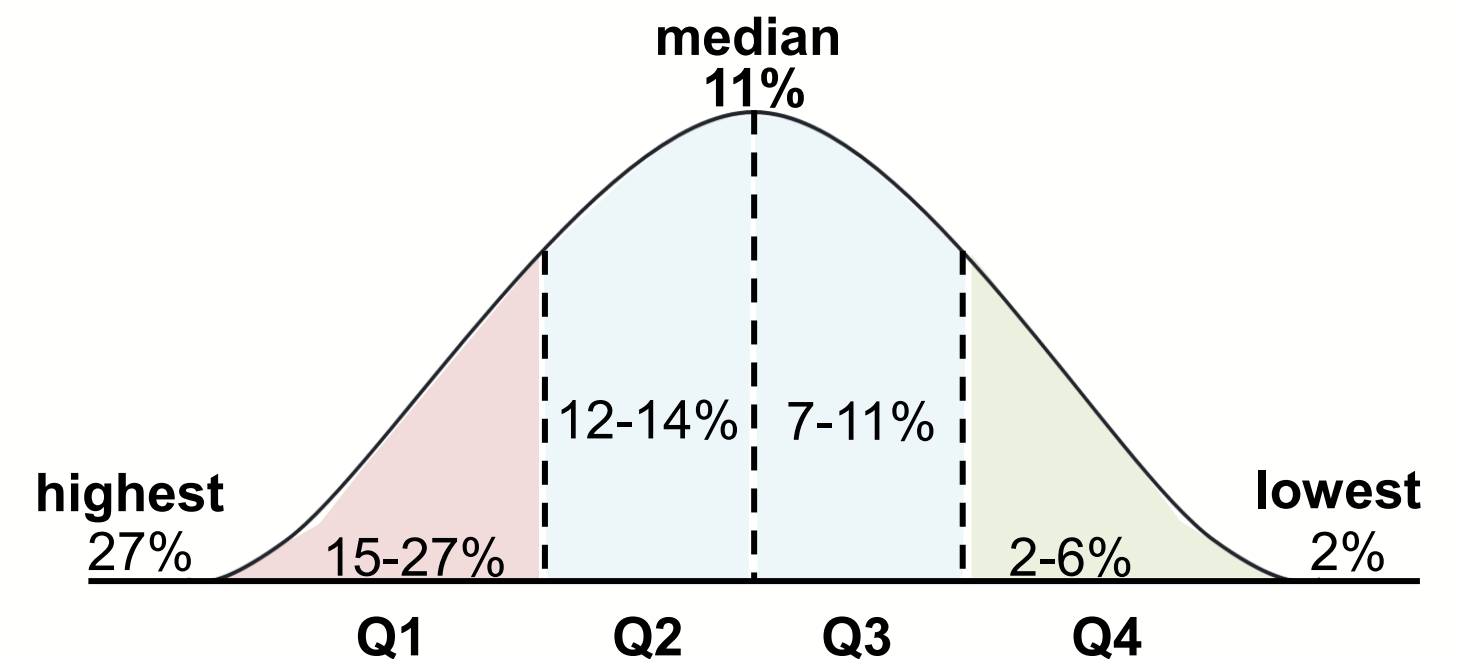
Realtax customers tend to have a healthier percentage of taxes receivable compared to the Ontario average.

- Median is 11% vs. 13%
- Max is 27% vs. 50%

2023 - ONTARIO



2023 - REALTAX



Realtax Advantage

Features:

No Cost (Full Passthrough to Property Roll)



Free and Exceptional Customer Support



Trusted Property Tax Experts



Fast & Reliable Service




For 28 years, Realtax has been the leader in property tax registration and property tax sales services.

- The many steps involved in tax registration and tax sales processes are extremely time-consuming.
- Realtax pioneered a turnkey tax recovery service, powered by its proprietary software engine, that saved municipalities an unprecedented amount of time.
- Now over 225 municipalities in Ontario trust Realtax for their tax registration and tax sales needs.

Realtax Advantage

How do we stack up to other methods of managing tax arrears?

Advantages		Local Law Firm	In-House Municipal Staff
Deep expertise in tax arrears process, having conducted over 40,000 tax registrations and 4,000 tax sales	✓	✗	✗
Exceptional and free customer support (i.e. do not charge by an hourly rate for advice)	✓	✗	✗
Limitless ROI - full fee passthrough to property tax roll	✓	✗	✗
No additional costs for redoing a tax registration if an error or omission is made by the tax preparer	✓	✗	✓
Fast and reliable service, maximizing the speed at which files are delivered	✓	✗	✗

getting started is easy

STEP 1

MPAC REPORT

Last returned assessment roll showing the property, or a Current Maintenance View Report from Municipal Connect

STEP 2

MUNICIPAL RECORD

Screenshot or tax account statement showing the property's roll number, names and addresses of the owners, and the amount of taxes owing on December 31st of the previous calendar year

STEP 3

EMAIL REALTAX

Send #1 and #2 to Realtax by email to info@realtax.ca.



Thank You!