

Chief Financial Officer's Report to  
Priorities and Finance Committee  
2019 December 03

ISC: UNRESTRICTED  
PFC2019-1105

## **Compassionate Property Tax Penalty Relief Report Back**

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### **EXECUTIVE SUMMARY**

On 2018 June 25, Council approved PFC2018-0325 directing Administration to offer Compassionate Property Tax Penalty Relief in accordance with the principles and definitions identified to support the operation of the program, and to report back through Priorities and Finance Committee on the results of the proposed program, including cost and number of participants, no later than 2019 Q4.

#### **ADMINISTRATION RECOMMENDATION:**

**That the Priorities and Finance Committee recommend that Council:**

Direct Administration to continue offering Compassionate Property Tax Penalty Relief in accordance with the principles and guidelines outlined to support the preliminary program (Attachments 2, 2A and 2B).

#### **RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2019 DECEMBER 03:**

That Council adopt the Administration Recommendations contained in Report PFC2019-1105.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2002 February 25, Council approved Bylaw Number 8M2002, A Bylaw of the City of Calgary to Fix the Penalty on Unpaid Taxes.

On 2017 September 11, Council approved Notice of Motion NM2017-30, directing Administration to:

- Investigate the current tax forgiveness programs and legislation within large Canadian municipalities and provincial and federal governments;
- Review the impact to the City's tax revenues and legal ramifications of cancelling taxes and penalties due to extraordinary circumstances.

And return to Council with recommendations, through Priorities and Finance Committee, no later than Q2 2018.

On 2018 June 25, Council directed Administration to offer Compassionate Property Tax Relief, as outlined in PFC2018-0325, and upon approval of the City Charter Bylaw delegating this function to Administration. Council further directed Administration to report back through Priorities and Finance Committee on the results of the program, including cost and number of participants, no later than 2019 Q4.

On 2018 July 23, Council approved Bylaw 1H2018, A Charter Bylaw of The City of Calgary to Delegate the Authority to Cancel, Reduce or Refund Taxes, which enabled Administration to offer timely adjustments to property tax penalties for those property owners unable to pay their property taxes in accordance with prescribed timelines due to a significant life event, as set out in the terms of the Compassionate Property Tax Penalty Relief Program. Through this Bylaw,

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Council delegated to Administration the authority to reduce, refund or cancel taxes up to a cumulative amount of \$25,000 in a taxation year.

### **BACKGROUND**

Under sections 344, 345 and 346 of the *Municipal Government Act*, a Council may impose penalties for unpaid taxes in the current year and other years. On 2002 February 25, Council approved Bylaw 8M2002 to establish the penalties for unpaid taxes.

Under section 346 of the *Municipal Government Act*, a penalty becomes part of the tax on which it was applied.

Under section 347 of the *Municipal Government Act* a Council, if it considers it equitable to do so, may generally or with respect to a particular taxable property or class of taxable properties:

- cancel or reduce tax arrears;
- cancel or refund all or part of a tax;
- defer the collection of tax.

Under section 203(2)(d) of the *Municipal Government Act* as modified by *The City of Calgary Charter, 2018 Regulation*, the Council may by bylaw delegate its power with respect to taxes under section 347 if the total amount to be cancelled, reduced, refunded or deferred under section 347 by The City in a taxation year does not exceed \$500,000. Prior to the Calgary City Charter, Council's ability to delegate its power with respect to taxes under section 347 was prohibited.

Occasionally, Councillors and Administration receive requests from property owners seeking relief for all or a portion of property tax penalties that have been imposed citing compassionate grounds.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The Compassionate Property Tax Penalty Relief Program has operated through two annual property tax billing cycles.

In total, 42 residential property owners have received property tax penalty relief as a result of a critical life issue as defined under the program. The total of all penalties adjusted from 2018 July to 2019 October was approximately \$8,000. Additional information can be found in Attachment 1. While the volumes and dollar amounts are relatively small, Administration has received feedback from several impacted property owners that the personal impact was positive and significant.

Administration attempted to design a simple program which would be easy to administer with existing resources. Most potential participants in the program have been identified through their discussions with staff in Tax Advisory Services within the Finance Business Unit on matters related to their property tax accounts, or through referrals from Councillors' Offices. Individuals applying for relief are required to complete a simple declaration requiring basic information and no supporting documentation. This declaration is reviewed by the Coordinator of Tax Advisory Services who renders a decision on eligibility. The property owner is then informed of the decision and the penalty is adjusted. The average time to complete this cycle since the program's inception has been approximately 19 business days. All completed declarations are

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provided to the Chief Financial Officer for review and approval in accordance with the terms of Bylaw Number 1H2018.

There have been situations where Administration has received an application for penalty relief from a property owner who did not meet eligibility requirements. In the situation where the suggestion of the Coordinator of Tax Advisory Services is to deny property tax penalty relief, that decision is reviewed by the Manager, Tax, Receivable and Payable to ensure that the spirit and intent of the program is being met. This has occurred nine times during the initial operation of the program and all decisions to decline relief have been upheld by the Manager due to non-adherence with the guiding principles of the program. These property owners were informed that their situation did not meet the criteria of the program.

The Tax Advisory Services section engages in tens of thousands of interactions with citizens, our customers, every year. These interactions include telephone conversations, emails and counter visits, and these interactions have significant influence on how Tax Advisory services are offered. The Compassionate Property Tax Relief Program has created positive outcomes not only for property owners but also for City staff who are now able to respond with a positive and supportive solution to our customers in a time of need.

### **Stakeholder Engagement, Research and Communication**

Administration engages in discussions with citizens regarding property tax matters. These discussions support that there is satisfaction and appreciation from those citizens who have been made aware of, and benefited from, the program. These discussions will continue to inform the ongoing operation of the program. Administration will also continue to evaluate appropriate channels to inform citizens of the availability of the program.

### **Strategic Alignment**

The availability of a Compassionate Property Tax Penalty Relief Program aligns with direction in Council's priorities, including:

- Continue to transform the organization to be more citizen-focused in its approach and delivery of service;
- Be as efficient and effective as possible, reducing costs and focusing on value for money;
- Respond to the needs of an aging population.

### **Social, Environmental, Economic (External)**

The program responds to a small but important need for compassionate consideration for tax penalty relief for those property owners who experience a significant life issue which impacts their ability to meet property tax payment timelines.

### **Financial Capacity**

#### ***Current and Future Operating Budget:***

The program is administered through the existing operating budget using existing staff resources. Administration has identified that an amount of \$25,000 annually should provide

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sufficient budget to adjust property tax penalties for requests anticipated to be received. This amount can be absorbed within the existing property tax penalty program budget. This amount will allow for the continued provision of compassionate penalty relief should uptake in the program go beyond current levels in the future. At this time, we do not expect future demands to exceed the \$25,000 annual requirement if this program continues.

#### ***Current and Future Capital Budget:***

There are no impacts to the current or future capital budget as a result of the recommendation in this report.

#### **Risk Assessment**

The first two years of data from the initial operation of the program suggest that the amount of \$25,000 is adequate to cover anticipated annual requests for compassionate property tax penalty relief. Should requests for property tax penalty relief exceed \$25,000 in a year, Administration will report to Council with additional recommendations to support the continued delivery of the program.

#### **REASON(S) FOR RECOMMENDATION(S):**

This program allows The City to offer timely adjustments to property tax penalties for those property owners who find themselves unable to pay their property taxes in accordance with prescribed timelines due to a significant life event, as described in the supporting documentation of the program.

#### **ATTACHMENT(S)**

1. Attachment 1 – Compassionate Property Tax Penalty Relief Program – Summary of Results – 2018 and 2019
2. Attachment 2 – Property Tax Penalty Relief Guiding Principles and Definitions
3. Attachment 2A – Property Tax Penalty Relief Guiding Principles – Critical Illnesses
4. Attachment 2B – Property Tax Penalty Relief Guiding Principles – Immediate Family