

## **ADMINISTRATIVE CONSIDERATIONS FOR PHASED TAX PROGRAM (PTP)**

### **Delivering Tax Relief Through PTP**

In previous years, eligible non-residential property owners received PTP credits through their property tax bills. When PTP was approved, the intention was that these credits would be passed along to tenants. Administration has no way of verifying if PTP credits were passed from the property owner to the tenants. Previous reports to Council have considered various forms of financial support programs focused directly on businesses and business owners rather than property tax. While there could be positive impacts associated with those programs, Administration's analysis identified a number of challenges with the implementation of such programs, including operational concerns, potential for inequity and feasibility under the *Municipal Government Act* (MGA).

Administration found that providing financial aid to local businesses that were negatively affected by the economic downturn through property tax relief would be the most feasible option for several reasons. One of the most significant reasons is that The City has a direct relationship with all non-residential property owners through the existing municipal property assessment and taxation framework. Business assessment and taxation were eliminated in 2019 through Business Tax Consolidation. Administration still prepares assessments for some businesses for the purpose of collecting Business Improvement Area (BIA) taxes. However, the business inventory used for that purpose is limited to businesses located in BIAs. Unlike the property inventory, Administration does not have a complete business inventory or the associated ownership information for every business in the city. The administrative costs associated with obtaining business ownership information, maintaining a business inventory and creating accounts as means to deliver financial aid directly to businesses would be significant. Furthermore, Administration does not have sufficient information to accurately determine the financial impact of the economic downturn on specific types of businesses or the legislative authority to collect that information.

### **Manual Administration of PTP**

PTP has been administered through a manual process which has been time consuming and at times complex. Finance and Assessment have worked closely to ensure the correct PTP credits are processed, especially for those accounts with an Assessment Review Board (ARB) complaint. Finance has received bi-weekly spreadsheets with lists of accounts where the ARB complaint has been resolved and the judicial review application deadline has passed. The manual administration of PTP has the potential to last many years into the future to accommodate the lengthy process for judicial reviews. This process impacted Tax and diverted resources from other high-priority initiatives such as the Tax Instalment Payment Plan (TIPP) forecasting project and TIPP integration.

### **Legislative Authority**

The MGA requires an annual assessment be prepared each and every year, with assessments used as the basis for the fair and equitable distribution of property taxes. An annual assessment cycle better reflects the current economic effects on the real estate market. It is also better understood by property owners as there is only six months between the valuation date and the market value assessment. In longer assessment cycles (three to four years) property owners find themselves being taxed based on an economic circumstance that may have occurred up to five years previously. However, in any assessment cycle, where there is either a substantial change to one or more segments of the market, the tax distribution effects from the new assessments can be material. Administration has observed some of these effects in the Calgary non-residential markets.