

UPDATE TO THE TAX INSTALMENT PAYMENT PLAN (TIPP) BYLAW 9M2002

EXECUTIVE SUMMARY

With approximately 60% of Calgary taxpayers choosing the Tax Instalment Payment Plan (TIPP) as the method to pay their property taxes, Municipal Benchmarking Network Canada (MBNC) statistics indicate that The City of Calgary's instalment plan is the most successful of its kind in Canada. To ensure that this program continues to meet the needs of taxpayers, Administration is proposing changes to the TIPP Bylaw to allow additional flexibility in calculating monthly TIPP payments.

ADMINISTRATION RECOMMENDATION(S)

That Priorities and Finance Committee recommend that Council:

1. Give three readings to the proposed amended 2017 Tax Instalment Payment Plan Bylaw.
2. That this report and attachment be forwarded to the 2017 July 24 Regular Meeting of Council as a matter of Urgent Business.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2017 JULY 18:

That Council:

1. Give three readings to **Proposed Bylaw 33M2017** to amend the Tax Instalment Payment Plan Bylaw 9M2002.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2002 February 25, Council gave three readings to consolidated Tax Instalment Payment Plan (TIPP) Bylaw 9M2002.

BACKGROUND

The TIPP program provides taxpayers the option to pay their annual tax levy over twelve calendar months, January through December, rather than in a single annual payment. This program has proven to be popular, with approximately 60% of taxpayers choosing this payment option.

TIPP payments for the period January to June of given year are based on the monthly proportionate amount of the previous tax year's levy. After the property tax rate is established through The City's Property Tax Bylaw, taxpayers receive an adjustment to their TIPP payments in July based on that year's property tax amount. Payments made from January to June are shown as a credit on the taxpayer's property tax bill and are reflected in the remaining account balance to be paid from July to December. To establish the new TIPP instalments from July to December the remaining balance is divided by six. This means any increase in the annual tax is prorated over the last six months of the tax year, changing a taxpayer's instalment amount. A taxpayer's TIPP account will then have a zero balance by the end of the tax year. Because the difference between the previous year's and the current year's instalments is prorated over six

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months, the taxpayer can experience an increase in their TIPP payments if their property tax is greater than the previous year.

This issue was raised by Councillor Demong at the 2016 June 13 Combined Meeting of Council and also by Mayor Nenshi during question period at the 2016 June 20 Regular Meeting of Council, with the understanding that Administration would review the calculation methodology to mitigate potential volatility in the monthly TIPP calculation.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration is proposing that an adjustment be applied to the recalculation of TIPP payments for the period January through June of a given year. This adjustment would be based on the forecast indicative municipal tax rate increase. The intended outcome of applying this adjustment to monthly TIPP payments for January to June is to reduce the magnitude of the instalment change when the current year's tax is levied and the instalments are recalculated for the period July to December.

It is important to remember that monthly TIPP payments are also influenced by a number of factors, including:

- Provincial (education) increase
- Council approved rebates
- Transfers to non-residential property tax from Business Tax Consolidation
- Assessment changes

Due to the challenges associated with forecasting these factors, Administration is not proposing to adjust the TIPP payment recalculation for these factors. As a result, there will still be the potential for changes to the monthly TIPP payment once the current year's levy is calculated every year. This proposal is intended as a step to mitigating, but not eliminating, potential volatility in the monthly TIPP payment resulting from year-over-year changes in the annual tax levy.

This proposed change will not alter the total amount of tax collected from a property owner in a year. They will still pay only the amount of their annual levy. The intent is to redistribute the monthly allocation of payments to mitigate swings. Furthermore, TIPP participation is entirely voluntary and if a participant no longer wants to participate in the plan for whatever reason, including not wanting the municipal increase forecast to be part of their monthly instalment, they can cancel their participation at any time and resume a single annual payment.

Stakeholder Engagement, Research and Communication

Citizen inquiries received by Administration and through Councillors' Offices indicate that there is some confusion related to how TIPP payments are recalculated.

In developing a solution, Finance has worked closely with partners in Assessment, Information Technology and Communications.

Strategic Alignment

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Refining the calculation of the TIPP payment to mitigate volatility is consistent with Council's Priority to ensure a Well-Run City and transform the organization to be more citizen-focused in its approach and delivery of service.

Social, Environmental, Economic (External)

There are no anticipated social, environmental or economic impacts associated with this proposal.

Financial Capacity

Current and Future Operating Budget:

On-going operation of the TIPP program will be accommodated within previously approved operating budgets.

Current and Future Capital Budget:

There are anticipated system development, testing and training costs of approximately \$100,000 associated with implementing this change.

Risk Assessment

The intent of the proposed change to the calculation of the monthly TIPP payment is to help reduce the potential volatility that property owners may see in their monthly TIPP payments when they are adjusted for the current year's tax levy. This change to the calculation of the monthly TIPP payment needs to be communicated clearly to ensure that citizens fully understand the reasons for the change and the intent of the change. Ensuring transparency of this change is an important element to ensure its success with citizens and maintain their confidence in the TIPP program. Communication to TIPP participants is planned for later in 2017 to promote awareness of the change to the calculation.

REASON(S) FOR RECOMMENDATION(S):

These changes to the TIPP Bylaw will provide Administration with the flexibility necessary to keep the TIPP program responsive to the needs of citizens.

ATTACHMENT(S)

- 1. Proposed Bylaw 33M2017 to Amend the TIPP Bylaw 9M2002**
2. Summary of Proposed Changes to the TIPP Bylaw 9M2002