

Financial Relief for Taxpayers

RECOMMENDATION(S):

That Council:

1. Approve amending Bylaw 35M2021 (Attachment 2), which includes the following amendments to Bylaw 8M2002:

“2.1 Despite section 2:

(a) on the first day of July, 2021, a penalty of 3.5% of the unpaid amount of the 2021 tax levy shall be imposed;

(b) there shall be no penalty imposed on the unpaid amount of the 2021 tax levy on the first day of October, 2021.”

“3.1 Despite section 3, there shall be no penalty imposed on the unpaid amount of the tax levy from any previous year on January 1, 2022, February 1, 2022 and March 1, 2022.”

HIGHLIGHTS

- The global pandemic has had significant and lasting effects on the local and broader economies which has impacted the livelihoods of many Calgarians. This has, in turn, impacted their ability to meet their financial obligations, including the payment of property taxes. Offering property tax penalty relief in this manner will support those who are facing financial challenges while still providing an incentive for those who are able to pay to do so.
- What does this mean to Calgarians? These proposed actions will ensure that relief options are available to those property owners who are facing financial challenges, while ensuring that all property owners are treated equitably, and that the risk to The City of Calgary’s ability to deliver services valued and expected by Calgarians is mitigated.
- Why does it matter? It is important in these unprecedented times that supports are available to those property owners facing financial challenges resulting from the pandemic situation, while remaining cognizant of impacts on The City’s liquidity.
- This is consistent with support previously provided to property owners in 2020.
- Strategic Alignment to Council’s Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The COVID-19 pandemic has had significant social, economic and financial impacts on Calgarians. Throughout the pandemic, The City has offered a variety of municipal relief measures, including:

- the suspension of the 2020 July 1 late payment of 7%;
- the reduction by half of the 2020 October 1 late payment penalty;

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- the suspension for 2020 and 2021 of the requirement to pay a 2% administration fee on missed instalments for those taxpayers who join the Tax Instalment Payment Plan after January 1 of the current year, and;
- the suspension for 2020 and 2021 of the requirement to pay the total missed instalments, before joining the program, for taxpayers who join the Tax Instalment Payment Plan after January 1 of the current year.

The City's Property Tax Penalty Bylaw 8M2002 provides for the application of a 7% penalty on the unpaid amount of the current year's property taxes on July 1, a further 7% penalty on the unpaid amount of the current year's property taxes on October 1, and a further 1% penalty per month commencing on the first day of January following the year in which taxes are imposed. In response to ongoing challenges in the local environment, Administration is proposing a reduction to the penalty to be applied 2021 July 1 to 3.5%, a reduction to the penalty to be applied 2021 October 1 to 0%, and a reduction to the penalty to be applied to prior year taxes on January, February and March 1, 2022 to 0% from 1%. Administration believes this will provide some relief to those property owners facing financial challenges while maintaining an incentive to pay for those property owners who are able to do so.

While The City of Calgary has approximately 530,000 property tax accounts, every taxpayer's situation is unique. Administration strives to work collaboratively with taxpayers to understand their circumstances to arrive at collaborative solutions that are mutually beneficial to the taxpayer and The City. Administration encourages any taxpayer facing challenges to contact The City to begin a solutions-focused conversation. The recommendations proposed in this report will provide taxpayers with additional support, and will provide Administration with further flexibility to pursue meaningful solutions.

City financial considerations

Administration evaluates the cash flow implications due to potentially delayed tax collections. Scenario analysis has indicated that if delayed tax collections follow a pattern similar to 2020 it would not create material issues for the Corporation. Due to the ongoing nature of the pandemic and its impacts to Calgarians there are risks that the payment pattern in 2021 could be significantly worse than in 2020. There would also be an unfavourable impact of approximately \$1 - \$1.5 million due to lost investment opportunity of receiving cash later and, based on the impacts seen in 2020, an unfavourable variance of approximately \$3 – \$4 million could be expected due to lower penalty revenues. Administration is considering COFLEX or other funding sources to address this revenue variance.

Administration continues to actively monitor property tax payments. As of 2021 mid-March, approximately 96% of property taxes billed in a lump sum in 2020 (i.e., not paid through the Tax Instalment Payment Plan) have been collected. In addition, monthly cash flow from the Tax Instalment Payment Plan for 2021 is approximately \$135 million from approximately 288 thousand accounts.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required

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- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Throughout the 2020 property tax billing season, members of the Taxation Service have communicated with a large number of property owners on a wide variety of tax related issues. The recommendations proposed in this report align with the tone and content of concerns and requests received from a subset of property owners. No additional public engagement was necessary to confirm this direction. However, should these recommendations be approved, a strategy exists to communicate these changes as part of the 2021 annual property tax billing by leveraging existing planned communication campaigns.

IMPLICATIONS

Social

Remaining responsive to the needs of citizens through these unprecedented times is a critical social consideration.

Environmental

There are no environmental implications anticipated to be associated with implementing these recommendations.

Economic

Enabling indirect financial support to Calgarians who are facing challenges in the current economic environment will further facilitate their continued participation in the local economy.

Service and Financial Implications

The Taxation Service can accommodate the implementation of these recommendations using existing resources and with existing budgets.

Administration has evaluated cash flow implications associated with potentially delayed tax collection and is able to manage these as part of the current work plans and forecasted timelines. However, the risk of further deferrals has potential financial implications which may result in additional costs to the taxpayer through higher debt costs, lost investment income, and lower property tax late payment revenue.

RISK

There is potential risk to the Corporation of extended tax payment deferrals. This translates into potential risk to all taxpayers through higher debt costs and reduced investment income if the Corporation experiences prolonged cash flow impairment due to non-payment. In addition, the increased risk of non-payment could result in an increased number of properties going into the legislated tax recovery process in future years.

ATTACHMENT(S)

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - Bylaw 35M2021

**Chief Financial Officer's Report to
Combined Meeting of Council
2021 April 12**

**ISC: UNRESTRICTED
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Department Circulation

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David Duckworth, City Manager	City Manager's Office	Inform
Jill Floen, City Solicitor	City Manager's Office	Inform
Les Tochor, City Treasurer	Chief Financial Officer's Department	Inform

