

2017 BUSINESS TAX BYLAW

EXECUTIVE SUMMARY

Council approval is required to establish the 2017 Business Tax Bylaw. Business tax is a source of municipal revenue in Calgary.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends that Council give three readings to the proposed 2017 Business Tax Bylaw.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016 NOVEMBER 15:

That Council give three readings to **proposed Bylaw 1M2017**, the 2017 Business Tax Bylaw.

PREVIOUS COUNCIL DIRECTION / POLICY

The City of Calgary annually generates municipal revenue through business taxes, most recently through the 2016 Business Tax Bylaw (1M2016).

Through PFC2012-35 *Business Tax Consolidation Framework and Associated Plans*, Council approved the consolidation of business tax revenues into the non-residential property tax over seven years starting in 2013. Updates on the Business Tax Consolidation process are reported to Council annually in May/June.

BACKGROUND

The *Municipal Government Act* (MGA) gives municipalities the option to levy a business tax. If Council chooses to levy a business tax, it must pass a Business Tax Bylaw prior to doing so.

The 2017 Business Tax Bylaw is being presented to Council in November 2016 to provide sufficient preparation time for the planned 2017 January 03 mailing of 2017 Business Assessment Notices. Going forward, a Business Tax Bylaw will be presented annually to Council for approval until the elimination of the business tax in the 2019 tax year through the Business Tax Consolidation process. Business Tax Consolidation has no impact on the Business Tax Bylaw. However, the impact of consolidation will be reflected in the Business Tax Rate Bylaw in the form of a declining business tax rate. This year, for example, the business tax rate will be 60 per cent lower than it would have otherwise been. The revenue lost from the business tax is made up through a higher non-residential property tax rate.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Council has the discretion to choose whether or not to levy business taxes within the municipal boundaries. Council's Mid-Cycle Adjustments 2017-2018 included the business tax as a municipal revenue source and established the revenue requirements from business tax. The Business Tax Bylaw provides the authority for business taxes to be collected from businesses operating within the city of Calgary. It specifies the business assessment method as the basis for business taxes to be imposed and provides for exemptions from business tax.

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The proposed 2017 Business Tax Bylaw mirrors the 2016 Business Tax Bylaw with the only changes being to reflect 2017 dates. If the 2017 Business Tax Bylaw is approved, the 2017 Business Tax Rate Bylaw will be presented to the Priorities and Finance Committee, and subsequently to Council, in January 2017. The 2017 Business Tax Rate Bylaw will include the 2017 business tax rate, to be prepared after the 2017 business assessment roll is established. 2017 Business Tax Notices are scheduled to be mailed in late January or early February 2017.

Stakeholder Engagement, Research and Communication

The preparation of this Business Tax Bylaw Report includes staff members from the Finance, Law and Assessment business units.

Strategic Alignment

The recommendation is in alignment with the direction in Council's Action Plan 2015-18 for Calgary and the Mid-Cycle Adjustments 2017-2018.

Social, Environmental, Economic (External)

The proposed 2017 Business Tax Bylaw includes exemption provisions for businesses that meet eligibility provisions established in the bylaw.

Environmental

No environmental impacts have been identified.

Economic

The Business Tax Bylaw authorizes The City to assess and tax businesses. Passing the 2017 Business Tax Bylaw, and levying 2017 business taxes, is consistent with The City of Calgary's municipal tax policies in 2016 and prior years.

Financial Capacity

Current and Future Operating Budget:

The net 2017 business tax revenue is currently projected to be \$88 million. Business tax revenues are a source of funding for current and future operating fiscal plans, with the business tax being fully consolidated in to the non-residential property tax by 2019.

Current and Future Capital Budget:

Business tax revenues along with the property tax revenues are part of the source of capital funding in current and future capital fiscal plans.

Risk Assessment

If Council does not pass the 2017 Business Tax Bylaw, The City will not be able to assess businesses and levy the business tax. This would reduce the revenue available for City of Calgary operations and, in turn, services to Calgarians. Further, while the language in the 2016 Business Tax Bylaw (which mirrors the proposed bylaw) is currently subject to a court challenge, Administration recommends that the same language be incorporated in the 2017 Business Tax Bylaw.

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REASON FOR RECOMMENDATIONS:

The 2017 Business Tax Bylaw provides The City with the authority to mail 2017 business assessments in order to levy 2017 business taxes. Council's 2015-2018 Action Plan and the Mid-Cycle Adjustments 2017-2018 include and rely on the business tax as a municipal revenue source. If the proposed 2017 Business Tax Bylaw is approved by Council, then once a business assessment roll is established and Council finalizes the 2017 business tax revenue requirement, the 2017 Business Tax Rate Bylaw will be presented to Council in 2017 January.

ATTACHMENT(S)

Proposed Bylaw 1M2017