



The City of Calgary

## Tax Instalment Payment Plan Update Report

Chief Financial Officer's Department  
2021 December 07

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## 1. BACKGROUND

### 1.1. Legislative Authority

A tax instalment payment plan is a convenient option that allows a property owner to pay their property tax in monthly instalments. The City’s ability to offer this is enabled by section 340 of the *Municipal Government Act*, which specifies:

- 1) A council may by bylaw permit taxes to be paid by instalments, at the option of the taxpayer.
- 2) A person who wishes to pay taxes by instalments must make an agreement with the council authorizing that method of payment.
- 3) When an agreement under subsection (2) is made, the tax notice, or a separate notice enclosed with the tax notice, must state
  - a) The amount and due dates of the instalments to be paid in the remainder of the year, and
  - b) What happens if an instalment is not paid.

### 1.2. History and Participation

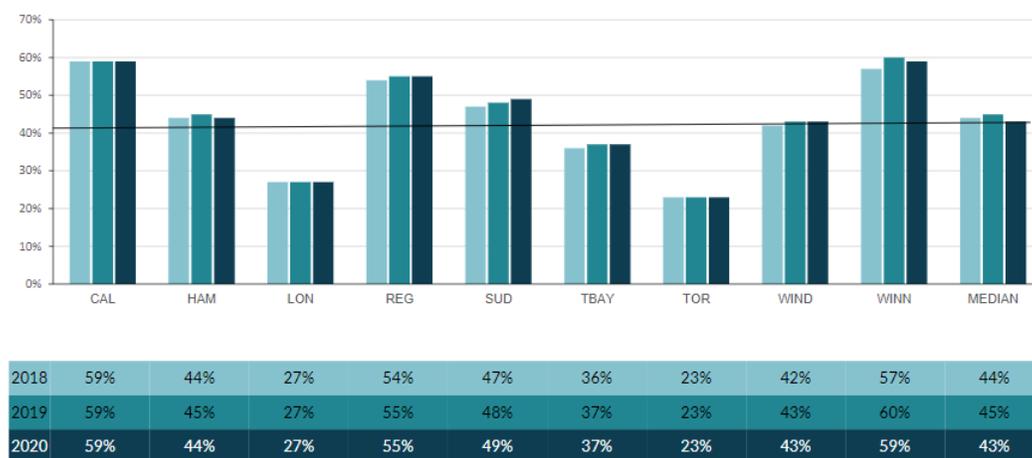
The City of Calgary has offered its version of a monthly tax payment plan, known as the Tax Instalment Payment Plan (TIPP), since January of 1989. The City’s TIPP program is operated via Bylaw 9M2002, which establishes a framework under which the program operates. Within that framework, Administration has the latitude to operate the program in a way that offers mutual benefit to the taxpayer and the Corporation.

The City of Calgary’s TIPP program is one of the most successful programs of its kind offered by a Canadian municipality, with participation having been close to 60% of all property tax accounts enrolled since at least 2010. A comparison to other municipalities who participate in the Municipal Benchmarking Network Canada is included in the chart below (“CAL” is The City of Calgary):

#### Taxation (Revenue Services)

**Figure 32.3 Percent of Accounts (All Classes) Enrolled in a Pre-Authorized Payment Plan**

The number of installments and/or due dates offered by a municipality may impact the enrollment in a pre-authorized payment plan.



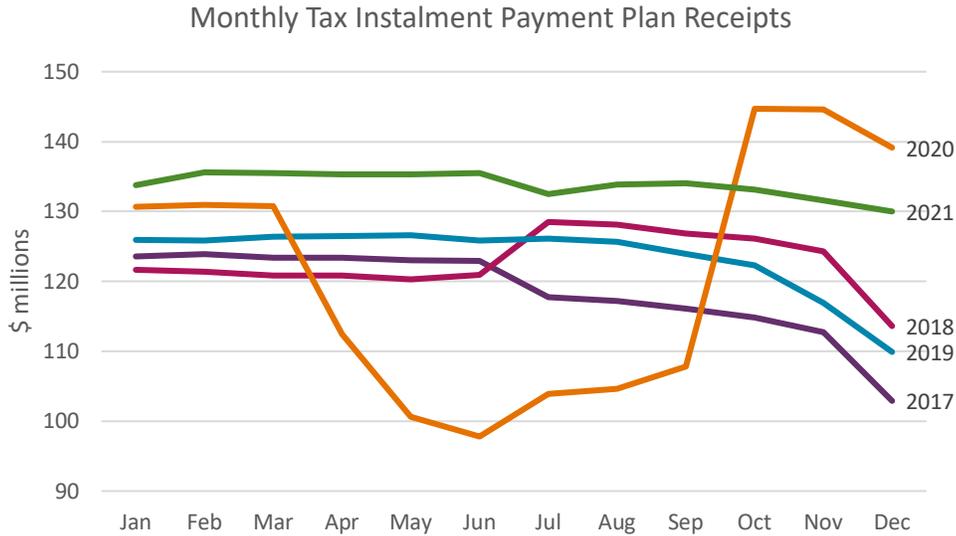
Source: TXRS405 (Customer Service)

Montréal: Does not report - do not offer a pre-authorized payment plan to its residents.

Source: Municipal Benchmarking Network Canada – 2020 Performance Report

### 1.3. Financial Implications

The TIPP program provides benefits such as convenience and predictability to the taxpayer and also offers benefits to The City. This program provides The City with a stable, predictable monthly cash flow that supports the delivery of programs and services valued and expected by Calgarians. In 2021, the program provides The City with an average monthly cash flow of approximately \$134 million, as the green line in the table below illustrates:



The program has also proven to be resilient and adaptable in meeting the needs of taxpayers and The City. At the start of the COVID-19 pandemic in spring 2020, the TIPP program was instrumental in helping the Government of Alberta and The City of Calgary provide support to non-residential property owners facing financial challenges caused by the uncertain economic and social environment created by the pandemic and measures to contain it.

In April 2020, the provincial government directed Alberta municipalities to allow non-residential property owners to defer 6 months' worth of 2020 provincial tax to the end of 2020. With some effort by Administration, this was accomplished in a way that was seamless to most non-residential property owners who participate in the TIPP program. This deferral did result in some shifts to the months in which tax payments were collected but, at the end of the year, taxes were paid. The orange line in the chart above illustrates the variability in monthly cash flow that was unique to 2020 and driven by the pandemic and the associated response to it.

There was some abandonment of TIPP in early 2020 as taxpayers held cash while assessing their individual financial circumstances. However, this was short-lived and not material to the overall functioning of the program. Only two individual months in 2020 saw a net decrease in participation in the program and that was by a total of approximately 2,500 participants in a program with a total of approximately 280,000 participants. The other ten months of the year saw net increases in participation which saw 2020 close with then record-high participation of approximately 286,000 tax accounts out of a total of approximately 500,000 accounts.

## 2. Financial Task Force

### 2.1. Background

Information on the TIPP program was shared by Administration with members of the Financial Task Force. Several members of the Task Force also had personal experience with the program to facilitate the payment of their property tax. Members of the Task Force viewed the program favourably and saw opportunities for The City to further leverage the strengths of the program for the benefit of taxpayers and the Corporation.

### 2.2. Recommendations

The Financial Task Force recommended that:

Recommendation #25: Increase the uptake on The City's Tax Installment Payment Plan (TIPP) program by developing and implementing processes for pursuing intrinsic motivation in addition to extrinsic motivation.

- Expand extrinsic motivational cues, such as financial rewards, to encourage uptake on the TIPP program. Examples are considerations for adjustments to the sign-up fee and potential financial incentives like one-time discounts.
- Expand the methods applied to increase TIPP program uptake to include nudging. Nudging focuses on intrinsic motivation using subtle hints, and evidence from behavioural economics suggests that it is more effective than extrinsic motivational cues.

Administration committed to bring a recommendation in response to the recommendations of the Financial Task Force to Council no later than Q4 2021.

## 3. Taxpayer Perceptions and Experience

### 3.1. Background

Through the years that the TIPP program has been in operation, Administration has had thousands of interactions with property owners to support their needs. This includes providing property owners with information about their accounts, assisting them with enrolling in the TIPP program or withdrawing from the program, making payments, providing support and direction on how to manage outstanding balances, and numerous other types of requests related to property tax. In the course of these interactions, property owners will periodically offer feedback on the services provided by the Taxation Service and, in particular, the operation of the TIPP program. These taxpayer observations, while valuable, tended to be anecdotal in nature, related to a specific interaction, and not necessarily representative of the broader experience of most participants in the TIPP program.

To inform a comprehensive and meaningful understanding of the taxpayer experience with the TIPP program, Administration commissioned an independent third-party telephone survey of Calgary property owners. The objectives of the phone survey were to:

- Identify barriers to use and opportunities to increase participation in TIPP.
- Understand ways to better increase accessibility and responsiveness to the request to join TIPP.

- Measure levels of awareness and recall of TIPP in order to find better ways to communicate and provide information about TIPP to Calgarians.
- Validate and better understand the motivations behind the high participation rate of TIPP.

### 3.2. Research Methodology

To gather the required information a telephone survey was conducted by a third-party research firm between March 29 and April 3, 2021 with 510 property owners responsible for paying property tax. Quotas were set by quadrant to ensure coverage from across the City. Interviews were conducted with 210 current participants in the TIPP program and 300 non-participants. The average interview length was 12 minutes. Further details on the methodology and detailed results can be found in Attachment 6.

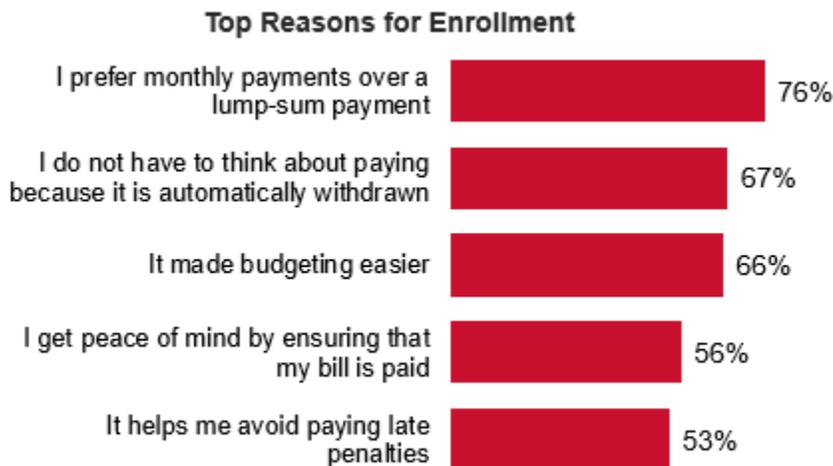
### 3.3. Research Findings

#### 3.3.1. Survey results from those currently enrolled in TIPP

The survey results indicate a high degree of satisfaction with the TIPP program from those currently enrolled, as the following graphic demonstrates (note - survey participants could choose one of four responses – very satisfied; somewhat satisfied; somewhat dissatisfied; very dissatisfied):



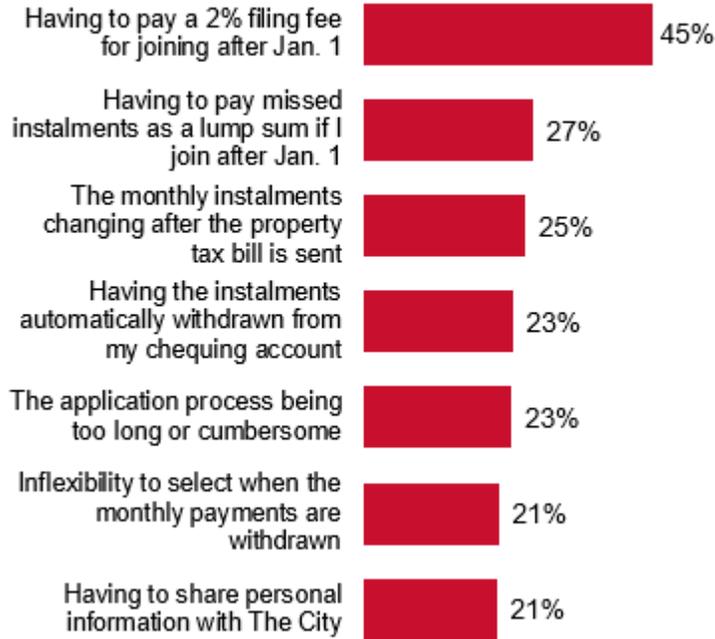
Several reasons were cited by TIPP participants as to why they enrolled in the program:



### 3.3.2. Survey results from those not currently enrolled in TIPP

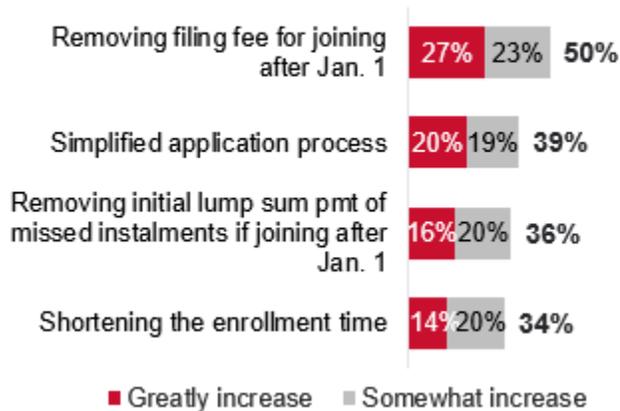
The survey results indicate a high degree of awareness of the TIPP program from those not currently enrolled, with approximately 80% of those surveyed being aware of the program. Reasons cited by this group for not participating in the program include:

#### Enrollment Barriers



This group of survey participants also identified several factors that would impact their willingness to join TIPP, including:

#### Impact on Willingness to Enroll



#### 4. Administration's Proposed Program Enhancements

Consistent with Administration's desire to continually ensure the value of the TIPP program to taxpayers and The Corporation, and supported by these survey results, Administration is proposing several actions to support the ongoing relevance and utility of the TIPP program. They are:

- 1. Remove the requirement to pay a 2% filing fee for those participants that join the program after January 1 of a given year.**
  - a. This will remove a potential financial barrier for some participants in the program.
  - b. The filing fee was temporarily removed in 2020 and 2021 to allow additional ease of access to the program while taxpayers evaluated their individual financial situations through the uncertainty of the COVID-19 pandemic situation.
  - c. The requirement to pay a 2% filing fee is included in Tax Instalment Payment Plan Bylaw 9M2002 and will require Council's approval of an amended Bylaw (Attachment 7).
  - d. The amount of revenue collected through the filing fee has been approximately \$250 thousand per year in recent years and does not materially impact The City's financial capacity.
  
- 2. Remove the requirement to pay missed instalments as a lump sum for those participants joining the program after January 1 of a given year.**
  - e. This will remove a potential financial barrier for some applicants in the program.
  - f. The requirement to pay missed instalments in a lump sum was temporarily removed in 2020 and 2021 to allow additional ease of access to the program while taxpayers evaluated their individual financial situations through the uncertainty of the COVID-19 pandemic situation.
  - g. The requirement to pay missed instalments as a lump sum is included in Tax Instalment Payment Plan Bylaw 9M2002 and will require Council's approval of an amended Bylaw (Attachment 7).
  
- 3. Create an online TIPP Application Portal to improve the taxpayer experience.**
  - h. By leveraging current technology, this initiative will simplify and streamline the TIPP application process for the taxpayer and for Administration and aligns with the City Manager's vision for a modern municipal government.
  - i. The flow of data between the online Portal and the property tax system will be enhanced, reducing the time and human intervention involved in the process.
  - j. Taxpayers will still be able to apply for the TIPP program by calling 311 or visiting the Tax Service Centre on the 3<sup>rd</sup> floor of the Municipal Building for a hardcopy TIPP agreement, if preferred.
  
- 4. Enhance communication regarding the benefits of TIPP.**
  - k. Target communication to new property owners by leveraging Administration's existing relationships with the Land Titles Office, law firms, realtors, financial institutions and mortgage brokers.
  - l. Increase communication campaigns between October and December to encourage enrollment for the coming year.

- m. Continually review external website content on [www.calgary.ca](http://www.calgary.ca), brochures and other enclosures included with Tax and Assessment mailouts, and social media content to ensure timeliness and relevance of information available on the TIPP program to taxpayers.

These actions align with the survey results and the recommendations of the Financial Task Force and are expected to support continued growth in the TIPP program.

#### **4.1. Financial Incentives**

The *Municipal Government Act* allows for the provision of incentives to encourage the payment of property tax by the dates set out in a municipality's property tax bylaw. Lethbridge is the only Alberta municipality of which Administration is aware that offers an incentive, in the form of a nominal tax credit, to taxpayers enrolling in that municipality's TIPP program. Administration is not recommending that The City of Calgary offer such a financial incentive to potential TIPP participants at this time, for the following reasons:

1. Participation in Calgary's TIPP program is already high.
2. Offering incentives to new participants risks alienation of existing participants and potential abandonment of the program.
3. While a financial incentive to taxpayers may increase TIPP participation, increased TIPP participation does not materially impact The City's financial position. Administration has modelled sensitivities that have demonstrated that the benefits of offering financial incentives do not outweigh the costs.

#### **5. Conclusion**

The City of Calgary has offered the convenience of a monthly Tax Instalment Payment Plan to taxpayers for over 30 years. The program has developed to be one of the most successful in the country as measured by taxpayer participation. This has been the result of effective communication efforts with taxpayers and enhancements to the program have ensured it remains relevant and useful. Continuing in this vein and supported by third-party research of citizen perceptions of the program, Administration is proposing several additional program enhancements to ensure that the TIPP program continues to meet the needs of Calgarians and the Corporation into the future. Administration will continue to remain responsive to citizen and Council feedback to ensure the continued success of this important program.