



Chief Financial Officer's Department Report to
The Priorities and Finance Committee
2016 January 19

ISC: UNRESTRICTED
PFC2016-0027
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2016 BUSINESS TAX RATE BYLAW

EXECUTIVE SUMMARY

Council approval is required for the 2016 Business Tax Rate Bylaw.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends that Council:

1. Give three readings to the proposed 2016 Business Tax Rate Bylaw setting the 2016 Business Tax Rate at 0.0427; and
2. Consider this report (2016 Business Tax Rate Bylaw) as an item of urgent business at the 2016 January 25 Council Meeting.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016 JANUARY 19:

That Council give three Readings to Proposed Bylaw 9M2016, the 2016 Business Tax Rate Bylaw setting the 2016 Business Tax Rate at 0.0427.

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee, held 2016 January 19:

- "2. Consider this report (2016 Business Tax Rate Bylaw) as an item of urgent business at the 2016 January 25 Council Meeting."

PREVIOUS COUNCIL DIRECTION / POLICY

Council approved PFC2015-0699, 2016 Business Tax Bylaw, on 2015 December 07 and gave three readings to the 2016 Business Tax Bylaw. With respect to business tax, Council approved C2015-0696 2016 Resilience Budget which included the 2016 business tax as a municipal revenue source with a "0 percent tax rate increase" for the twenty third year in a row.

Council approved the consolidation of business tax revenue into the non-residential property tax, based on the following schedule for the incremental transfer of budgeted business tax revenues, adjusted for physical growth and contingency amounts in future years, to the non-residential property tax:

- (a) zero per cent in 2013,
- (b) 10 per cent in each of the years 2014 - 2015, and
- (c) 20 per cent in each of the years 2016 - 2019,

with the business tax, for business tax revenue purposes, eliminated in 2019.

BACKGROUND

The *Municipal Government Act* (MGA) requires the following for any municipalities to levy business tax:

- Section 247 – adopt the annual operating and capital budgets before adopting the annual business tax rate bylaw.
- Section 371 – pass a business tax bylaw; and
- Section 377 – pass a business tax rate bylaw.

2016 BUSINESS TAX RATE BYLAW

Council has adopted the 2016 Resilience Budget (includes the 2016 business tax budget) and passed the 2016 Business Tax Bylaw.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

2016 business assessment notices were mailed on 2016 January 05. The 2016 business tax bill will reflect the phase out of 40 percent (10 per cent in each of the years 2014 - 2015, 20 per cent in 2016) of the business tax revenue into non-residential property tax due to consolidation. The 2016 business tax bills are to be mailed on or before 2016 February 05 with taxes being due on 2016 March 31. Current year penalty dates are 2016 April 01 and July 01.

Attachment 1 (Supporting Data - 2016 Business Tax Rate Bylaw) contains a summary of the business tax rates and revenue since 1999. This attachment also describes a number of factors in calculating the 2016 Business Tax Rate.

Stakeholder Engagement, Research and Communication

All business owners in Calgary have received their 2016 Business Assessment Notices. The City has continued to keep taxpayers informed throughout the business tax consolidation process through letters and inserts included with property and business assessment notices. In addition, Assessment offers a year-round Customer Inquiry Service to answer assessment and business tax consolidation related questions.

Strategic Alignment

The recommendation is in alignment with the direction in Council's Action Plan 2015-2018 for Calgary.

Social, Environmental, Economic (External)

The Business Tax Rate Bylaw will set the rate at which business premises will be taxed.

Financial Capacity

Current and Future Operating Budget:

The net 2016 business tax revenue is estimated at \$131.7 million and this has been incorporated in the 2016 Resilience Budget adopted by Council on 2015 September 28.

Current and Future Capital Budget:

Business tax revenues along with the property tax revenues are part of the source of capital funding in Corporate Program (Capital Financing Costs).

Risk Assessment

Appropriate allowances and provisions have been established for reductions in assessment.

2016 business tax bills are to be mailed on or before 2016 February 05. From the Council meeting on 2016 January 25 to the scheduled mailing date, limited time is available to complete required activities. A delay in third reading of the bylaw could delay the mailing of business tax bills.

2016 BUSINESS TAX RATE BYLAW

REASON(S) FOR RECOMMENDATION(S):

The 2016 Business Tax Rate Bylaw is needed for The City to collect business taxes in 2016. 2016 Resilience Budget for Calgary included and relied on the business tax as a municipal revenue source.

ATTACHMENT(S)

1. Supporting Data – 2016 Business Tax Rate Bylaw
2. Proposed Bylaw 9M2016