

2016 BUSINESS TAX BYLAW

EXECUTIVE SUMMARY

Council approval is required to establish the 2016 Business Tax Bylaw. Business tax is a significant source of municipal revenue in Calgary.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends that Council give three readings to the proposed 2016 Business Tax Bylaw.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2015 NOVEMBER 17:

That Council give three readings to **Proposed Bylaw 1M2016**, the 2016 Business Tax Bylaw.

Excerpt from the Minutes of the Regular Meeting of the Priorities and Finance Committee, held 2015 November 17:

"CLERICAL CORRECTIONS

At the request of the Administration and with the concurrence of the Chair, clerical corrections were noted to Page 1 of 3 contained in Report PFC2015-0699, under the Background Section, second line of the paragraph, by deleting the year "2015" following the words "time for the planned" and by substituting the year "2016" and by deleting the year "2015" following the words "January 05 mailing of the" and by substituting the year "2016".

PREVIOUS COUNCIL DIRECTION / POLICY

The City of Calgary annually generates municipal revenue through business taxes, most recently through the 2015 Business Tax Bylaw (1M2015) amended in April 2015. Council adopted Administration's recommendation to consolidate business tax revenues with the non-residential property tax over seven years starting in 2013.

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 the Business Tax Bylaw prior to doing so.

The 2016 Business Tax Bylaw is being presented to Council in 2015 December to provide sufficient preparation time for the planned **2016** January 05 mailing of the **2016** Business Assessment Notices.

The Business Tax Bylaw will be presented annually to Council for approval until the elimination of the business tax in 2019. 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 40 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.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

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.

Council has the discretion to choose whether or not to levy business taxes within the municipal boundaries. Council's 2016 Resilience Budget included the business tax as a municipal revenue source and established the revenue requirements from business tax.

The proposed 2016 Business Tax Bylaw is very similar to the amended 2015 Business Tax Bylaw with minor changes to reflect 2016 dates, the correction of a numbering error and the improvement and clarification of the wording of one subsection.

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

Stakeholder Engagement, Research and Communication

The annual process for preparing the Business Tax Bylaw Report includes staff members from the Finance and Supply, Law and Assessment business units. In addition, the Deputy City Assessor will meet with stakeholders to discuss the Bylaw.

Strategic Alignment

The recommendation is in alignment with the direction in Council's Action Plan 2015-18 for Calgary and the 2016 Resilience Budget.

Social, Environmental, Economic (External)

Social

The proposed 2016 Business Tax Bylaw includes exemption provisions for businesses that meet eligibility provisions established in the bylaw.

Economic (External)

The Business Tax Bylaw authorizes The City to assess and tax businesses. Passing the 2016 Business Tax Bylaw, and levying 2016 business taxes, is consistent with The City of Calgary's municipal tax policies in 2015 and prior years.

Financial Capacity

Current and Future Operating Budget:

The net 2016 business tax revenue is currently projected to be \$131.7 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.

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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

If Council does not pass the 2016 Business Tax Bylaw, The City will not be able to assess businesses and subsequently levy the business tax. This would significantly reduce the revenue available for City of Calgary operations and, in turn, services to Calgarians.

REASON(S) FOR RECOMMENDATION(S):

The 2016 Business Tax Bylaw provides The City with the authority to mail 2016 business assessments in order to levy 2016 business taxes. Council's 2015-2018 Action Plan for Calgary and the 2016 Resilience Budget include and rely on the business tax as a municipal revenue source. Once a business assessment roll is established and Council finalizes the 2016 business tax revenue requirement, the 2016 Business Tax Rate Bylaw will be presented to Council in 2016 January.

ATTACHMENT(S)

Proposed Bylaw 1M2016