

ASSESSMENT AND TAX CIRCUMSTANCES REPORT

EXECUTIVE SUMMARY

Council approval is needed to cancel the applicable 2012, 2013 and 2014 taxes for property and business accounts that meet administrative criteria for cancellation. This report is presented to Council twice annually to effect the timely cancellation or refund of taxes on accounts which meet the criteria and that have been brought to the attention of Administration since the last report.

In this report, Administration is also recommending the cancellation of 2013 and 2014 municipal property taxes for non-profit organizations that applied and qualify under the *Non-Profit Tax Mitigation Policy* which was passed by Council in December 2014.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council under the authority of section 347 of the *Municipal Government Act* cancel 2012, 2013 and 2014 property and business taxes for the amounts listed in Attachments 1 and 2.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2015 MAY 19:

That the Administration Recommendation contained in Report PFC2015-0221 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

This report is presented to Council twice annually and Council typically accepts Administration's recommendations, with the most recent instance being through the Consent Agenda at the 2014 November 03 Combined Meeting of Council.

The *Non-Profit Tax Mitigation Policy* (C2014-0919) represents a new Council direction to Administration, which was passed at the 2014 December 15 Regular Meeting of Council.

BACKGROUND

In 2015, the Assessment business unit sent approximately 490,000 property assessment notices and 27,000 business assessment notices, approximately \$308 billion and \$3.33 billion in assessment value respectively. Under section 305 of the *Municipal Government Act (MGA)* and section 7(a) of the Business Tax Bylaw 1M2015, Administration may only correct property and business assessment rolls during the current tax year. Property and business owners have a responsibility to inform the municipality of assessment errors in a timely manner, but in certain cases, there are circumstances that allow Administration to ask Council to consider exercising its discretionary taxation power under section 347 of the MGA to cancel, reduce or refund property and business taxes. Section 203 of the MGA specifies that Council may not delegate its powers with respect to taxes.

Inaccuracies may result from a number of factors, including but not limited to: operational considerations associated with year-end assessment roll production, timing of communication between business units, or incorrect data or mailing address information. If an inaccuracy is

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reported to Assessment during the 60-day Customer Review Period that follows each notice mailing, the assessor may amend the assessment. The amendment triggers a corresponding adjustment to the current year's property or business taxes. If the inaccuracy occurred in a previous year, only Council may correct the error through their legislative authority.

Generally, cancellation requests are for tax amounts that were levied as a result of:

- an incorrect issuance of a property or business assessment
- a property or business assessment that was not corrected appropriately
- a tax exemption that was not processed or not processed correctly
- a business account closure that was not processed or not processed correctly

The inaccuracy must be reported within two years after the inaccuracy occurred for the cancellation request to be considered for inclusion in this report.

Exempt Organizations and the Non-Profit Tax Mitigation Policy

The *Non-Profit Tax Mitigation Policy* established by Council on 2014 December 15 through report C2014-0919 is intended to provide tax relief to non-profit organizations which would normally be exempt from property taxes under the MGA and COPTER. These categories of property tax exemption require that the property and/or the facility are actually in use for an exempt purpose. This policy sets out guidelines under which Council will consider the cancellation of the municipal taxes for properties and/or facilities that are under construction and which are held by non-profit organizations that would normally qualify for property tax exemption.

To ensure efficiency, the Assessment and Tax Circumstances report is the mechanism through which the policy has been implemented. Each property tax cancellation amount is based on the period of construction in days, from the day a building permit was issued to the day that an exemption was granted. Applications under the policy continue to be received and Council can expect to see requests for cancellations on future Assessment and Tax Circumstances Reports.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Assessment receives requests for tax cancellations directly from taxpayers or from other City of Calgary business units such as Finance & Supply. Each request is investigated to discover if the circumstances align with Administration's criteria for inclusion in this report. The investigation includes researching internal communications and records, speaking directly to the affected taxpayer and working with other relevant City staff.

The recommended adjustments to business tax accounts would cancel or reduce municipal business taxes, including Business Revitalization Zone (BRZ) levies where applicable. The BRZ levies are paid in January each year and any increases or decreases are adjusted in the following year. The recommended adjustment to the property tax accounts would cancel or reduce both the municipal and provincial property taxes. Upon cancellation, the provincial portion of the property tax is a cost to The City because the provincial government does not refund its portion. The funds for both business tax and property tax cancellations are available through The City's prior years' tax cancellation budget, should Council decide to support the recommendation for tax cancellations included in this report. If Council chooses not to support the recommendation, the tax liabilities and amounts owed will remain as originally billed.

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Tax Cancellations for Assessment Corrections

Administration provides information about assessment notice mailings, tools that taxpayers can use to review their assessment information, and ways of contacting Assessment in multiple channels, including traditional print media, radio, online and through the direct mailing of property and business assessment notices. Each year, Calgarians are encouraged to review and, if needed, ask questions about their assessments before the end of the 60-day Customer Review Period that follows each mailing. However, special circumstances such as those listed below may still arise.

Administration uses the following criteria to determine if a taxpayer's request should be brought forward to Council:

- the inaccuracy was reported within two years of the occurrence; and
- the Assessment business unit was advised of the inaccuracy within the Customer Review Period in the year the inaccuracy occurred, but the correction was either not processed or incorrectly processed; or
- the taxpayer was not aware and/or was not notified of the change in assessment and was unable to bring the inaccuracy to the assessor's attention within the Customer Review Period; or
- the property or business assessment account was set up in error, and the assessment notice was sent to the wrong party; or
- another City department(s) was notified by the taxpayer of a change to the business and the Assessment business unit was not notified during the applicable taxation year.

Individual requests for previous years' tax cancellation that met one or more of these criteria are listed in Attachment 1.

Tax Cancellations under the Non-Profit Tax Mitigation Policy

In November 2014 non-profit organizations were sent a letter by Assessment to explain the *Non-Profit Tax Mitigation Policy* that was before Council. The letter also contained a call for applications for cancellation under the policy and applications were attached to the letter. For this report, 30 organizations responded but only three are currently eligible under the *Non-Profit Tax Mitigation Policy*. Of the remaining 27 applications made, five relate to properties that are currently under or about to begin construction, and may be eligible under this policy for consideration on a future report. The majority of the applications received were made by organizations that were already exempt from taxation and/or were not currently undergoing construction, and were ineligible for consideration under the policy for these reasons.

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Status	Reason	No. of applications
Approved	Construction complete	3
Pending	Construction incomplete	5
Denied	Added to Tax Cancellation for Assessment Corrections (Attachment 1)	1
	Eligible to apply for exemption from taxes	1
	Exempt during construction period	8
	Construction completed prior to 2013 January 1	12
Total		30

In order to align with the policy, the property tax adjustments were pro-rated from the start of construction as defined by the earliest of the associated building permit(s) to the end of construction as defined by the day that an exemption from property tax is effective. Administration is recommending that Council approve the property tax cancellations for the days that these properties were under construction.

Administration uses the following criteria to determine if the non-profit organization’s request should be brought forward to Council:

- a building permit for the site has been issued since 2013 January 01; and
- the organization has filed the necessary application forms to qualify for the tax cancellation under the *Non-Profit Tax Mitigation Policy* to Assessment; and
- the property and/or facility construction has been completed; and
- the property and/or facility is occupied by the non-profit organization and used for an exempt purpose; and
- the organization has filed an application for property tax exemption under the MGA or COPTER to Assessment and the application has been approved.

Individual requests for previous years’ tax cancellation that met these criteria are listed in Attachment 2.

Stakeholder Engagement, Research and Communication

The report is a collaborative effort between Assessment, Inspections & Permit Services (specifically the Business Licence and Registry division) and Finance. Throughout the circumstance report process, the three business units are in communication ensuring appropriate investigation and analyses are conducted for an accurate reflection of the tax cancellations proposed.

Subsequent to their initial inquiry, taxpayers are contacted by City staff if additional information is needed to establish whether individual circumstances meet one or more of the tax cancellation criteria. Assessment advises property or business owners whose tax accounts are included in the report by letter. A second letter advises them of Council’s decision regarding the request for cancellation. The tax accounts are then adjusted by Finance and a refund is issued when necessary.

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Strategic Alignment

The recommendation is in alignment with Council's *Action Plan 2015-2018* as the funds for the prior year tax cancellations are included in the budget each year. The recommendations are also aligned with the *Non-Profit Property Tax Mitigation Policy* approved by Council in December 2014.

Social, Environmental, Economic (External)

The taxpayers who own the properties and businesses listed in Attachments 1 and 2 will receive tax cancellations or refunds.

Financial Capacity

Current and Future Operating Budget:

The total taxes recommended for cancellation are \$313,155.32. Finance has confirmed that there are sufficient funds under the prior years' tax cancellation budget to accommodate the tax cancellations for the accounts proposed in Attachment 1 and 2. The total budget for the prior years property and business tax cancellations in 2015 is \$1,000,000. The total budget for cancellations under the *Non-Profit Tax Mitigation Policy* in 2015 is \$1,000,000.

No adjustments to future budget allocations are required to meet the tax cancellation requests set out in this report.

Type of Tax	2015 Tax Cancellations (\$)
Business Tax	\$43,492.28
Property Tax - Non-NPTM Related	\$241,266.29
Property Tax - NPTM Related	\$28,396.75
Total	\$313,155.32

Current and Future Capital Budget:

There are no implications to the capital budget.

Risk Assessment

No implications were identified.

REASON(S) FOR RECOMMENDATION(S):

Administration is prevented by legislative constraints from making corrections to tax accounts relating to prior years' assessment/tax rolls. The accounts brought forward to Council were identified using criteria in this report. The tax liabilities and amounts owed will remain as originally billed without Council approval.

ATTACHMENT(S)

1. List of Proposed Property and Business Tax Cancellations
2. List of Proposed Non-Profit Tax Mitigation Tax Cancellations