

Tax Installment Payment Plan (TIPP) Bylaw Amendments

RECOMMENDATION:

That Council give three readings to proposed Bylaw 50M2022 (Attachment 2) to amend the Tax Instalment Payment Plan (TIPP) Bylaw 9M2002.

HIGHLIGHTS

- As part of preliminary direction on 2023-2026 Service Plans and Budgets in July 2022, Council directed Administration to use the approved budget that will be deliberated the week of 2022 November 21 to forecast the tax increases in January TIPP recalculations and enable 10 days notice of changes to TIPP participants.
- This change will enable greater stability in TIPP payments by spreading them more evenly over the course of a year.
- **Why does it matter?** A change in notice period is required because it is not operationally possible for The City to forecast tax increases and provide 30 days notice of a January 1 change following budget decisions at the end of November.
- Currently, Bylaw 9M2022 requires The City to provide TIPP participants a minimum 30 days notice of an increase to their monthly instalment amount automatically withdrawn from their bank account. 10 days notice will align with the federally regulated minimum for notice of pre-authorized debit payments
- **What does this mean to Calgarians?** Forecasting tax increases and reducing the notice period from 30 to 10 days means that:
 - TIPP payments will change for participants very quickly (approximately 40 days) after the timing of budget approval;
 - Calgarians who previously received notice of a January 1 increase in early December will now receive their notice in late December (holiday season); and
 - The TIPP recalculation process will continue to ensure that property owners pay no more and no less than their annual tax amount.
- **How will Calgarians be impacted?** While individual circumstances will vary, based on preliminary budget information, TIPP tax forecasting will result in approximately 116,000 TIPP participants (approximately 40 per cent of the total number of participants) receiving recalculation letters in December 2022 compared to about 187,000 (or 64 per cent) in the previous year.
 - An estimated 68,000 customers will experience increases to their January-June TIPP payments in 2023, with about 60 per cent of these customers experiencing increases of 10 per cent or less. While the dollar value of increases will be relative to a property's tax levy, 60 per cent of increases will be a \$10 to \$20 per month increase.
 - Approximately 48,000 customers are expected to see decreases.
 - Approximately 174,000 properties on TIPP will not be recalculated and will not get a letter.
 - Some customers will experience an increase to their payments by over 10 per cent but this will be for other reasons (e.g. supplementary property assessments, missed payments, bylaw charges, late payment penalties, changes in ownership, etc.).

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- In previous years without tax forecasting approximately 168,000 TIPP participants experienced increases to their January to June installments; however, those who didn't experience increases in January typically saw more significant changes in July.
- Residential property owners experiencing financial hardship and an increase in property tax from the previous year may be eligible for The City's Property Tax Assistance Program through Fair Entry
- Strategic Alignment to Council's Citizen Priorities: A well-run city.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

As part of preliminary direction on 2023-2026 Service Plans and Budgets (C2022-0798) on 2022 July 5, Council directed Administration to use the relevant tax rate reflecting the approved budget to forecast the January to June Tax Instalment Payment Plan (TIPP) Recalculations and bring back a proposed change to Bylaw 9M2002 no later than 2022 December 20 to enable 10 days notification of change to TIPP participants.

TIPP is a payment plan which distributes an annual tax levy into smaller payments to be paid over a calendar year, while ensuring the participant will not incur any late payment penalties. TIPP instalments are collected from January to December of the current year, with the tax account balance to be paid in full by the December instalment. The City adjusts TIPP payments twice a year to ensure that property owners pay no more and no less than their annual tax amount.

Currently, Bylaw 9M2022 requires The City to provide TIPP participants with at least 30 days notice prior to any increase in the instalment amount. This means The City must mail year-end TIPP recalculation letters at the end of November in anticipation of a January 1 change. Because budget deliberations typically occur the last full week in November each year, it is not possible to use approved budget information, make the underlying system and data changes to each individual TIPP account, and provide 30 days' notice of the TIPP amount change to property owners.

The City's current 30-day notice requirement exceeds the 10 days notice required by Payments Canada Rule H1 governing Pre-Authorized Debits (PADS). Reducing the notice required to communicate a change in TIPP payment amounts from 30 days to the Payments Canada mandated minimum of 10 days will allow The City to use approved budget information to recalculate TIPP payments for the period of January to June of an approaching year. Using the relevant tax rate reflecting the Council-approved budget for the calculation of January – June instalments will support transparency, enhance customer understanding, and mitigate variability in instalment amounts. Of note, the forecasted changes to take effect in January will only account for budget changes and other circumstances affecting TIPP accounts, not assessment changes. This is significant because assessment notices are mailed in early January.

Analysis

This change will primarily affect residential properties, which comprise approximately 98 per cent of TIPP participants. Based on Council's direction in preliminary budget discussions, about 60 per cent TIPP participants (approximately 174,000 customers) will not be recalculated and will not get a letter. This is because changes less than \$10 (residential) or \$50 (non-residential), are not recalculated for January 1 – these changes would be reflected in the July 1

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recalculation. Administration anticipates that there will be a lower number of recalculations to January-June TIPP payments compared to last year (approximately 116,000 in December 2022 compared to 187,000 in 2021). An estimated 68,000 accounts would receive letters notifying them of increases (about 12 per cent of total properties in Calgary and 24 per cent of residential TIPP participants) and 48,000 would see decreases. Last year, about 168,000 accounts received letters notifying them of increases and about 20,000 saw decreases. Property owners not on TIPP will be unaffected by this change entirely.

The dollar value of increases will be relative to a property's tax levy and could reflect other charges or variables, such as supplementary property assessments, ownership changes, missed payments, late payment penalties, bylaw charges, and local improvement levies. Of residential TIPP participants who would see an increase, most would see an increase of less than 10 per cent. About 60 per cent would see an increase of \$10-20/month. Some customers may see more significant increases for other reasons described above.

Based on preliminary budget information and if tax forecasting is adopted with this change, the median single residential household (assessed at \$485,000 in 2022) is unlikely to receive a TIPP recalculation letter in December 2022 because the change would be less than \$10. Although this would be reflected in the June 2023 recalculation, increases are still expected to be of a lower magnitude, depending on assessment changes and other variables.

Realignment Housekeeping

This amendment also provides an opportunity to update Bylaw 9M2002 to reflect recent organizational changes. Arising from the organizational realignment and merger of Assessment and Tax, the "Tax Collector" identified in the bylaw is now the Director, Assessment & Tax (Municipal Assessor). Adjustments to payments will still be determined in close collaboration with Finance.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

In a recent survey of approximately 500 Calgary property owners conducted before Administration's recommendations and Council's direction on 2022 July 5, 97 per cent responded that they are "very" or "somewhat" satisfied with the current notice and way that monthly payments are adjusted throughout the year.

IMPLICATIONS

Social

Although TIPP recalculations could result in changes to many property owners' monthly expenses with just 10 days' notice, this will not change any property owners' tax responsibility. Of those that may experience an increase in their TIPP payments on January 1, most will see an increase of 10 per cent or less or \$10-\$20/month. This change is expected to result in less dramatic changes to TIPP payments in July, creating greater stability and predictability through

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the year so that customers can plan and budget more effectively. Actual impacts to TIPP payments will depend on the outcome of budget deliberations at the end of November.

Residential property owners experiencing financial hardship and an increase in property tax from the previous year may be eligible for The City's Property Tax Assistance Program through Fair Entry.

Environmental

Not applicable

Economic

This change is intended to allocate the property tax levy in a less variable distribution for both The City and property owners enrolled in TIPP. This will also support a connection and awareness between the relevant tax rate reflecting the approved budget and the TIPP recalculation process.

Service and Financial Implications

Existing operating funding - base

Additional resources may be required to change the timing for recalculating and mailing notices about TIPP instalment increases. This change in notice will require additional costs to communicate about the change and may result increased inquiries to 311.

RISK

Potential impacts to perceived changes in tax responsibility: Although TIPP recalculations could affect property owners' monthly expenses with just 10 days' notice, this will not change any property owners' tax responsibility. Through the TIPP process, payments will be recalculated again in May to take effect July 1 at the time of annual billing to ensure that a property owner pays no more or no less for the year than their actual tax bill. Additionally, 10 days notice will remain consistent with federally regulated standards for all pre-authorized debit (PAD) payments. Notably, tax accounts and TIPP instalments are influenced by many factors including tax rate changes, changes in assessed values, timing for when a participant joins TIPP, missed payments, late payment penalties, overpayments, sundry charges applied to the account (e.g., bylaw charges, local improvements), and changes in ownership. Further, information about Council budget decisions and anticipated tax implications will still be public approximately 30 days in advance of changes to TIPP payments and approximately 40 per cent of property owners (not enrolled in TIPP) will continue to only see changes in their tax responsibility just once per year when the annual tax bills are distributed in May.

Impact of recalculation: If budget decisions result in an increase to revenue required from property tax, this change could also mean an increase in the number of customers who will experience an increase in their monthly TIPP payment beginning in January. Although this change will not change any property owners' tax responsibility, it will change when TIPP participants see changes to their payments. Based on Council's direction in preliminary budget discussions, Administration estimates that approximately 116,000 customers will see a change in January 2023 compared to about 187,000 in the previous year.

Timing of recalculation and mailing: With this change, notice of TIPP recalculations, previously mailed at the end of November, will be mailed in mid-December and likely received in

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late December. Administration anticipates potential Canada Post mailing delays due to the holiday season, risk that property owners who are away during the holidays might not see notice of the change, and potential increase in non-sufficient funds (NSF) transactions and associated service fees for customers. The increased volume of customers receiving notice of increases is likely to result in increased inquiries to 311 and Assessment & Tax. Given that this will occur close to when property assessment notices are mailed in early January and trends in when staff take vacation, there may be fewer resources available to respond to inquiries over the holidays. Additionally, some customers may think the new property assessments were used to calculate the changed TIPP payment and this may result in increased inquiries again in January.

Potential impacts to participant satisfaction: 97 per cent of respondents to a recent independent third-party survey of approximately 500 Calgary property owners indicated that they are currently “very” or “somewhat” satisfied with notice of payment changes and how the monthly payment is adjusted through the year. For the reasons noted above, less notice could negatively impact TIPP satisfaction and some participants may cancel their participation in TIPP; however, Administration does not anticipate the change will cause a material impact on TIPP enrolment or overall satisfaction with the TIPP program. Less variability in payments across the year could also improve participant satisfaction.

To mitigate these risks, Administration will employ communication strategies to generate awareness about the change. In contrast to current practice, where customers are explicitly told that the January 1 change is unrelated to budget decisions, forecasting tax increases in TIPP recalculations will necessarily connect the recalculation to November budget decisions. As a result, 311, Assessment & Tax and Councillors’ offices may reasonably expect increased inquiries.

ATTACHMENTS

1. Background and Previous Council Direction
2. Proposed Bylaw 50M2022 - Proposed Amendments to Bylaw 9M2002

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Corporate Planning & Financial Services	Approve
Eddie Lee	Assessment & Tax	Approve
Les Tochor	Finance	Inform