



# Memo

June 29, 2022

**To:** Mayor Gondek and Members of City Council

**From:** Carla Male, Chief Financial Officer

**Re: Response to Administrative Inquiry – Tax Instalment Payment Plan and Adjustments to Payments**

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The following is Administration's response to Councillor Demong's administrative inquiry put forward at the 2022 June 07 Combined Meeting of Council.

Administrative Inquiry – Question:

***Presently the City adjusts the monthly Tax Instalment Payment Plan (TIIP) program payments in June for the last 6 months of the year based on the "tax finalization day" number. Since this increase is only applied on the last 6 months of the year, many constituents believe their tax increase is twice what it is.***

***Rather than making our adjustments in June why do we not base January through December payments on the estimated tax rate from Council's annual budget deliberation - and if necessary, make marginal adjustments in June - a practice that would reduce variance in monthly payments throughout the year, and allow Calgarians greater foresight in their personal budgeting?***

Background:

The City of Calgary has over thirty years' experience supporting Calgary property owners with a Tax Instalment Payment Plan (TIPP). Data from the Municipal Benchmarking Network Canada consistently identifies that Calgary has the most successful Tax Instalment Payment Plan in Canada with approximately 60% of property tax accounts enrolled in this program. Administration is continually working to understand the needs of taxpayers and ensure this successful and popular program remains relevant and useful to taxpayers. This understanding is informed by thousands of direct customer interactions annually and, more recently, by a third-party survey of taxpayer perceptions and experiences. Satisfaction with the TIPP program is high, with 100 per cent of survey participants responding they were very satisfied or somewhat satisfied with the program (*EC2021-1597 Attachment 6*). Administration is committed to ensuring program satisfaction remains high. Nevertheless, we are always looking to improve and one possible area that property owners and Council have identified is the volatility of TIPP payments some participants experience.

TIPP is a convenient and voluntary option that allows property owners to pay their property tax monthly. To ensure that property owners pay no more or no less than their annual tax amount, payments are subject to adjustment twice a year – once in July (associated with the May annual billing) for the current calendar year and again at the end of the year in anticipation of the coming year.

Response:

Administration has developed a mechanism and process to adjust TIPP payments for the period January to June of a given year for the potential tax rate change that may occur in that year. This will mitigate variability in TIPP payments for the entire year by allocating any change in a property's total tax over twelve months

instead of the last six months of the year. This process change was introduced for 2018 January. The process includes a decision by the Director of Finance on the change in rate to use.

The TIPP program is informed by several considerations including the Tax Instalment Payment Plan Bylaw 9M2002, the terms and conditions to which a property owner agrees when they request to join the program, and Payments Canada Rule H1 governing pre-authorized debits. This Rule requires that participants in a pre-authorized debit plan, such as TIPP, be given at least 10 days' notice of a change to their payment amount. The City has strived to provide property owners with at least 30 days' notice to allow them to better plan for changes in their budget. This is why year-end TIPP recalculation letters have been mailed 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 was not possible to use the Council approved change identified through deliberations, make the underlying system and data changes to each individual account, and provide 30 days' notice of the TIPP amount change to property owners.

In order to affect a change for the first of January, Administration has been required to use an estimate. Traditionally that estimate has been the anticipated rate, or a figure in the rate range, approved as guidance for Administration, usually set in the Spring. The following table shows the guidance given to Administration over the 2019-2022 cycle:

Year	2018	2019	2020	2021
<b>Year for which rate is being approved</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
One Calgary Indicative Rates (April 2018)	2.65% - 3.45%	2.5% - 3%	2.5% - 3%	2.5% - 3%
One Calgary 2019-2022 Recommended Rates (Nov 2018)	3.45	3.03	3.03	3.03
One Calgary 2019-2022 Approved Rates (Nov 2018)	2.45	3.03	3.03	3.03
2020 Adjustments Indicative Rate Scenarios (July 2019)		0%/1.5%		
Mid Cycle Indicative Rates			0.00	
2022 Adjustments Indicative ("Striving") Rates (May 2020)				0.00
2022 Adjustments Recommended Rates (November 2021)				0.64% - 0.99%
<b>Final Council-approved Rates</b>	<b>2.45</b>	<b>1.50</b>	<b>-1.77</b>	<b>3.87</b>

Since in each of these years the guidance given by Council included zero or no change, the decision historically on the January change has been to use no rate change.

In order to promote greater transparency and understanding of the TIPP program, and specifically how TIPP instalments are recalculated twice annually, Administration is proposing that Council be engaged as part of this process.

**In order to align the TIPP forecast rate with the relevant tax rate reflecting the Council-approved budget, Administration is recommending reducing the customary notice period of a change in TIPP payment from 30 days to the Payments Canada mandated minimum of 10 days.** This will allow the use of the tax rate reflecting the Council-approved budget in the recalculation of TIPP payments for the period January to June of an approaching year, allow Administration to perform the necessary system and data processes, and also allow Administration to notify property owners consistent with the standards established by the body overseeing pre-authorized payment standards within Canada. This change will require a minor amendment to the TIPP Bylaw 9M2002.

A comprehensive overview of this process, and the role identified for Council, is provided to Council as part of C2022-0798 presented at the 2022 July 05 Combined Meeting of Council. Attachment 4 of that report

provides a detailed overview of the TIPP program and an analysis of options considered in reviewing this matter (copy attached). In this report, Administration identifies a process and timing which directs the use of the relevant tax rate reflecting the Council-approved budget for the coming year for TIPP forecasting purposes.

It is important to note that the use of a tax rate reflecting the Council-approved budget for TIPP recalculation does not create or eliminate property tax value. It could simply allocate the existing property tax levy in a less variable distribution. It is also important to highlight that the risk associated with this change, and the use of a Council-approved rate for this purpose is low. Through the TIPP process, payments will be adjusted a second time for July at the time of the annual billing in May. This true-up mechanism ensures that a property owner pays no more or no less for the year than their actual tax levy. Since the use of tax rate reflecting the Council-approved budget for TIPP recalculation is a change to this well-established and widely used program, it will be necessary to communicate this change to participants and new entrants into the program. It will also be necessary to ensure that property owners are aware that the notice period they receive concerning a change to their TIPP payment is also changing. Administration is actively working on a communication plan to share these important pieces of information.

Attachment – Tax Instalment Payment Plan (TIPP) Recalculation