

Chief Financial Officer's Department Report to
The Priorities and Finance Committee
2014 January 07



ISC: UNRESTRICTED
PFC2014-0062
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2014 BUSINESS TAX RATE BYLAW

EXECUTIVE SUMMARY

Council approval is required for the 2014 Business Tax Rate Bylaw.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommends that Council:

1. Give three readings to the proposed 2014 Business Tax Rate Bylaw setting the 2014 Business Tax Rate at 0.0656; and
2. Consider this report (2014 Business Tax Rate Bylaw) as an item of urgent business at the 2014 January 13 Combined Public Hearing and Council Meeting.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2014 JANUARY 07:

That Council give three readings to the proposed 2014 Business Tax Rate Bylaw **5M2014** setting the 2014 Business Tax Rate at 0.0656.

Excerpt of the Minutes of the Regular Meeting of Priorities and Finance Committee, dated 2014 January 07:

- "2. Consider this report (2014 Business Tax Rate Bylaw) as an item of urgent business at the 2014 January 13 Combined Public Hearing and Council Meeting."

PREVIOUS COUNCIL DIRECTION / POLICY

Council approved PFC2013-0731, 2014 Business Tax Bylaw, on 2013 December 16 and gave three readings to the 2014 Business Tax Bylaw. With respect to business tax, the 2014 budgets, which were adopted by Council on 2013 November 27, called for "0% tax rate increase" for the twenty first 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 2013 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 371 – pass a business tax bylaw
- Section 377 – pass a business tax rate bylaw; and

Approval(s): Sawyer, Eric concurs with this report. Author: Wan, Paul
City Clerks (C. Smillie)

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- Section 247 – adopt the annual operating and capital budgets before adopting the annual business tax rate bylaw.

Council has adopted the 2014 operating and capital budgets and passed the 2014 Business Tax Bylaw.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

2014 business assessment notices were mailed on 2014 January 03. The 2014 business tax amount on the tax bill will be 10% lower than the revenue neutral amount shown on the 2014 business assessment notice due to the 0% tax rate increase for 2014 and phase out of 10% business tax revenue into non-residential property tax. The 2014 business tax bills are to be mailed on 2014 February 03 with taxes being due on 2014 March 31. Current year penalty dates are 2014 April 01 and July 01.

Attachment 1 (Supporting Data - 2014 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 2014 Business Tax Rate.

Stakeholder Engagement, Research and Communication

All business owners in Calgary have received their 2014 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 2012-2014 Fiscal Plan for Calgary and the proposed 2012-2014 business plans and budgets.

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 2014 business tax revenue is estimated at \$190.5 million and this has been incorporated in the 2014 Business Plan and Operating Budget approved by Council on 2013 November 27.

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.

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2014 business tax bills are to be mailed on 2014 February 03. From the Council meeting on 2014 January 13 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.

REASON(S) FOR RECOMMENDATION(S):

The 2014 Business Tax Rate Bylaw is needed for The City to collect business taxes in 2014. Council's 2012-2014 Fiscal Plan for Calgary and the 2012-2014 business plans and budgets included and relied on the business tax as a municipal revenue source.

ATTACHMENT(S)

1. Supporting Data – 2014 Business Tax Rate Bylaw
2. **Proposed 2014 Business Tax Rate Bylaw 5M2014**