

## ASSESSMENT AND TAX CIRCUMSTANCES REPORT

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### EXECUTIVE SUMMARY

Council approval is needed to cancel or refund the 2013, 2014 and 2015 taxes for property and business accounts that meet Administration's criteria. This report is presented to Council twice annually to effect the timely cancellation or refund of taxes on accounts that meet the criteria and that have been brought to the attention of Administration since the last report.

Through the Assessment and Tax Circumstances Report, Administration also may recommend the cancellation of previous years (up to 2013 taxation year) 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. For this report, there are no non-profit organizations that qualify for tax cancellations under this policy.

### ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council under the authority of section 347 of the *Municipal Government Act* cancel 2013, 2014 and 2015 property and business taxes that meet Administration's criteria for corrections, for the amounts listed in the Attachment.

### 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 2015 November 9 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

Under section 305 of the *Municipal Government Act* (MGA) and section 7(a) of the Business Tax Bylaw 1M2016, 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 or changes to their property or business in a timely manner. This allows Administration to correct errors or make relevant changes to business or property assessment accounts during the same taxation year the error or change occurred. In certain cases where Administration was not advised in a timely manner but specific criteria are met, the circumstances may allow Administration to ask Council to consider exercising its discretionary power under section 347 of the MGA to cancel, reduce or refund property and business taxes for previous years. Section 203 of the MGA specifies that Council may not delegate its powers with respect to taxes.

Generally, valid 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

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For the cancellation request to be considered for inclusion in this report the inaccuracy must be reported to Administration within two years after the error or change occurred.

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 reported to the Assessment business unit during the 60-day Customer Review Period that follows each notice mailing, the assessor may amend the assessment. The amendment then triggers a corresponding adjustment to the current year's property or business taxes. However, if the inaccuracy occurred in a previous year, the assessor may not amend that assessment and only Council may cancel, reduce, or refund the taxes that incurred due to the inaccuracy through their legislative authority.

### 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 that would normally be exempt from property taxes under the MGA and *Community Organisation Property Tax Exemption Regulation* (COPTER). The property tax exemptions provided by those two pieces of legislation require that the property and/or the facility is actually in use for an exempt purpose. The Council 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 Council's policy has been implemented. Applications under this 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**

The Assessment business unit receives requests for tax cancellations directly from taxpayers or from other City of Calgary business units. 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.

### Tax Cancellations for Assessment Corrections

Each year, Calgarians are encouraged to review and, if needed, ask questions about their property and/or business assessments before the end of the 60-day Customer Review Period that follows each mailing. Inaccuracies in the property or business assessments reported during this period are corrected for the current taxation year. However, special circumstances in the previous tax year(s), such as those listed below, may still arise.

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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.

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 due to assessment corrections 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.

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

### Tax Cancellations under the *Non-Profit Tax Mitigation Policy*

Administration uses the following criteria to determine if the non-profit organization's application for municipal tax cancellation under the *Non-Profit Tax Mitigation Policy* should be brought forward to Council:

- a building permit for the site has been issued since 2013 January 01, and
- the organization has submitted the relevant property tax exemption application form, met the legislated criteria in the MGA or Regulation, and the application been approved by Administration, and
- the organization has submitted the necessary application for tax cancellation under the *Non-Profit Tax Mitigation Policy*, and
- the property and/or facility construction has been completed, and

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- the property and/or facility is occupied by the non-profit organization and used for an exempt purpose.

At the time this report was prepared, all pending applications are for properties that are still in the construction phase. When construction is complete and all other criteria have been met, the applications will be brought forward to Council for consideration in future Assessment and Tax Circumstances reports.

### **Stakeholder Engagement, Research and Communication**

This report is a collaborative effort between Assessment, Corporate Properties, Inspections & Permit Services (specifically the Business Licence and Registry division) and Finance. Throughout the Assessment and Tax Circumstances investigation process, the 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 the tax cancellation criteria. Administration 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.

### **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 the Attachment will receive tax cancellations or refunds.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

The total taxes recommended for cancellation are \$ 160,919.61. 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 the Attachment. The total budget for the prior years' property and business tax cancellations in 2016 is \$1,000,000. The total budget for municipal tax cancellations under the *Non-Profit Tax Mitigation Policy* in 2016 is an additional \$1,000,000.

At this time, no adjustments to future budget allocations are required to meet the tax cancellation requests set out in this report.

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| <i>Type of Tax</i>                     | <i>2016 Tax Cancellations</i> |
|--|-------------------------------|
| <b>Business Tax</b>                    | \$ 51,355.80                  |
| <b>Property Tax - Non-NPTM Related</b> | \$109,563.81                  |
| <b>Property Tax - NPTM Related</b>     | \$0                           |
| <b>Total</b>                           | <b>\$160,919.61</b>           |

### **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)**

List of Proposed Property and Business Tax Cancellations