

Assessment and Tax Circumstances Report

EXECUTIVE SUMMARY

Council approval is needed to cancel taxes accrued in individual tax accounts. This report is presented to Council twice annually and this is the second report this year. The report includes the applicable 2015 and 2016 taxes accrued in property and business accounts that meet Administration's criteria for prior year tax cancellation. This report also includes the applicable 2017 municipal property taxes for non-profit organizations that applied and qualified for tax cancellations under the *Non-Profit Tax Mitigation Policy*.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council under the authority of section 347 of the *Municipal Government Act*:

1. Cancel 2015 and 2016 property and business taxes that meet Administration's circumstances criteria, for the amounts listed in the Attachment 1.
2. Cancel 2017 municipal property taxes for the qualifying non-profit organizations for the amounts listed in Attachment 2.
3. That Report PFC2017-1083 be forwarded to the 2017 December 18 Meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

This report is presented to Council twice annually and Council typically accepts Administration's recommendations; the most recent report was presented at the 2017 May 29 Regular Meeting of Council.

BACKGROUND

Section 203 of the *Municipal Government Act* (MGA) specifies that Council may not delegate its powers with respect to taxes, including its authority to cancel, reduce or refund prior year property and business taxes.

Tax Cancellations Related to Prior Years' Assessment Rolls

In certain circumstances, Administration may ask Council to consider exercising its discretionary taxation power under section 347 of the MGA in regard to cancelling taxes that correspond to property or business assessment rolls of prior tax years.

Administration is able to adjust current year property and business accounts through provisions in section 305 of the MGA and section 7(a) of Business Tax Bylaw 1M2017 that allow corrections or amendments to property and business assessment rolls during the current tax year. A current year amendment to an individual assessment on either assessment roll triggers a corresponding adjustment to the current year property or business taxes for that account.

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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 make the relevant changes to the business or property assessment accounts within the current taxation year. Administration does not have the ability to alter property or business assessment rolls of prior years.

Inaccuracies in assessment rolls 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, incorrect data or mailing address information.

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

- 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 or move that was not processed or not processed correctly

The inaccuracy must be reported within two years after the inaccuracy occurred for the tax 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* adopted by Council through C2014-0919 provides criteria for circumstances in which Administration may ask Council to cancel municipal taxes that correspond to a period when an eligible non-profit property was under construction.

Property tax exemptions are governed by the MGA and the *Community Organization Property Tax Exemption Regulation* (COPTER). Provisions in the legislation differ based on the use of the property and the nature of the organization that holds it. One of these differences is the tax treatment of non-profit-held property that is not in use because of construction/renovation.

Property held by specific entities such as public institutions (e.g. hospitals, public colleges and universities) is exempt from property tax when it is under construction. Property that is held by non-profit organizations to be used for an approved activity (e.g. places of worship, chambers of commerce, food banks, and under certain conditions, arts and cultural activities) is not property tax exempt until it is actually in use for these purposes.

Organizations must attain property tax exemption for the property under the provincial legislation to be considered for municipal property tax cancellation under the *Non-Profit Tax Mitigation Policy*. Until the property is completed and occupied, and being used for the exempt purpose, applicants pay municipal and provincial property taxes. Once the *Policy* criteria are met, up to four years of the municipal taxes paid over the construction period are subject to retroactive cancellation and refund/credit.

For administrative efficiency and timeliness, the *Policy* has been implemented using the Assessment and Tax Circumstances report as the mechanism.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

Tax Cancellations Related to Prior Years' Assessment Rolls

To assist property and business owners in reporting assessment errors or changes within the current tax year, Calgarians are encouraged each year 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.

Assessment sometimes receives requests for the cancellation of taxes from prior tax years; these may come directly from taxpayers or from other City business units. The investigation of each request includes researching internal communications and records, speaking directly to the affected taxpayer and working with other relevant City staff.

Administration uses the following criteria to determine if the circumstances and corresponding property or business tax amounts should be brought forward to Council in this biannual report:

- the inaccuracy was reported within two years of the occurrence; and
- Assessment 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 Assessment was not notified during the applicable taxation year.

The recommended adjustments to business tax accounts in this report would cancel or reduce municipal business taxes, and Business Improvement Areas (BIA) levies where applicable. The levies are distributed to BIAs in January each year and adjustments are made in the following year if there are increases or decreases.

The recommended adjustments to the property tax accounts due to assessment roll 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 prior years' tax cancellation that met Administration's criteria are listed in Attachment 1.

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Tax Cancellations Related to the *Non-Profit Tax Mitigation Policy*

To assist non-profit organizations in applying for tax-relief under the *Non-Profit Tax Mitigation Policy*, Administration provides information about the *Policy*, how to qualify and the application process on Calgary.ca, via email and by phone year-round.

Requests for the cancellation of municipal taxes related to exemptible property held during periods of construction come from non-profit organizations on an ongoing basis.

The *Policy* ensures that tax cancellations for properties and/or facilities that are under construction are conducted in an equitable and consistent manner through an open and transparent process.

The *Policy* uses the following criteria to determine if the circumstances and corresponding municipal property tax amounts should be brought forward to Council:

- a building permit for the site was issued after 2013 January 01, the date established in the *Policy*, and
- the organization has filed the necessary application form to request 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 organization and is being used for an exemptible purpose, and
- upon completion and occupancy, the organization has filed an application for property tax exemption under the MGA or COPTER to Assessment and the application has been approved.

The non-profit organization must meet all of the above criteria in order to qualify for a tax cancellation under the *Policy*.

The value of the cancellation amount is based on municipal tax levied during the eligible period the property was under construction and is retroactive to the organization attaining property tax exemption under provincial legislation. The eligible period begins the year that the required application is submitted to Assessment. If the application is submitted the same year the building permit is issued, the period begins as of the date the permit is issued. If the application is submitted at any point thereafter, the eligible period begins January 01 of the year in which the application is received by Assessment. The period ends either four years from the date that the eligible period begins or when the property becomes exempt from taxation, whichever is earlier.

At the time this report was prepared, one non-profit organization has met the criteria for municipal property tax cancellation under the *Policy*. Applicants that meet all requirements will be brought forward to Council for tax cancellation consideration on future reports.

The recommended adjustment due to the *Non-Profit Tax Mitigation Policy* would cancel or reduce the municipal property taxes in that organization's account. If Council chooses not to support the recommendation, the tax liabilities and amounts paid will remain as originally billed.

The individual tax amount cancelled for the qualifying *Non-Profit Tax Mitigation* applicant is listed in Attachment 2.

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Stakeholder Engagement, Research and Communication

This report is a collaborative effort between Assessment, Business Registry, and Finance. Throughout the circumstance report process, the business units are in communication, ensuring appropriate investigation and analyses are conducted for an accurate reflection of the tax cancellations proposed.

Taxpayers and non-profits are contacted by City staff subsequent to their initial inquiry if additional information is needed to establish whether individual circumstances meet the tax cancellation criteria.

For tax cancellation requests related to prior years' assessment rolls, Assessment advises property or business owners listed in Attachments 1 if their requests are included in the report. A second letter advises them of Council's decision.

For tax cancellations related to the *Non-Profit Tax Mitigation Policy*, non-profits are advised of eligibility during the application or circumstance report process and those listed in Attachment 2 will be advised of Council's decision.

The accounts of approved tax cancellations are then adjusted by Finance and a refund is issued when necessary.

Strategic Alignment

The recommendations are in alignment with *Action Plan 2015-2018* and with the *Non-Profit Property Tax Mitigation Policy*.

Social, Environmental, Economic (External)

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

Financial Capacity

Current and Future Operating Budget:

The total taxes recommended for cancellation are \$232,623.67. Finance has confirmed that there are sufficient funds 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 2017 is \$1,000,000. The total budget for municipal tax cancellations proposed in Attachment 2 under the *Non-Profit Tax Mitigation Policy* 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>2017 Tax Cancellations (This Report)</i>
Property Tax - Non-NPTM Related	\$224,815.76
Business Tax	\$4,467.13
Property Tax - NPTM Related	\$3,340.78
Total	\$232,623.67

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 (1) making corrections to tax accounts relating to prior years' assessment and tax rolls, and (2) providing tax exemptions to otherwise eligible non-profit organizations whose properties are under construction. The accounts brought forward to Council were identified using the criteria within this report. The tax liabilities and amounts owed will remain as originally billed without Council approval.

ATTACHMENTS

1. Attachment 1 – List of Proposed Tax Cancellations Related to Prior Years' Assessment Rolls
2. Attachment 2 – List of Tax Cancellations Related to the Non-Profit Tax Mitigation Policy