

## 2018 Business Tax Bylaw

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### EXECUTIVE SUMMARY

Council approval is required to establish the 2018 Business Tax Bylaw. Business tax is a source of municipal revenue in Calgary.

#### ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends:

1. That Council give three readings to the proposed 2018 Business Tax Bylaw.
2. That Report PFC2017-1082 be forwarded to the 2017 December 18 Regular Meeting of Council.

### PREVIOUS COUNCIL DIRECTION / POLICY

The City of Calgary annually generates municipal revenue through business taxes, most recently through the 2017 Business Tax Bylaw (1M2017).

Through PFC2012-35 *Business Tax Consolidation Framework and Associated Plans*, Council approved the consolidation of business tax into the non-residential property tax revenues over seven years starting in 2013. Updates on the Business Tax Consolidation process are reported to Council annually in May/June.

### BACKGROUND

The *Municipal Government Act* (MGA) gives municipalities the option to levy a business tax. If Council chooses to levy a business tax, it must pass a Business Tax Bylaw prior to doing so.

The 2018 Business Tax Bylaw is being presented to Council in December 2017 to provide sufficient preparation time for the planned 2018 January 04 mailing of 2018 Business Assessment Notices. This is the final Business Tax Bylaw which will be presented to Council for approval, due to the elimination of the business tax in the 2019 tax year through the Business Tax Consolidation process. Business Tax Consolidation has no impact on the Business Tax Bylaw. However, the impact of consolidation will be reflected in the Business Tax Rate Bylaw in the form of a declining business tax rate. This year, for example, the business tax rate will be 80 per cent lower than it would have otherwise been. The revenue lost from the business tax is made up through a higher non-residential property tax rate.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

Council has the discretion to choose whether or not to levy business taxes within the municipal boundaries. Council's 2018 Adjustments included the business tax as a municipal revenue source and established the revenue requirements from business tax. The Business Tax Bylaw provides the authority for business taxes to be collected from businesses operating within the city of Calgary. It specifies the business assessment method as the basis for business taxes to be imposed and may provide for exemptions from business tax.

## **2018 Business Tax Bylaw**

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The proposed 2018 Business Tax Bylaw mirrors the 2017 Business Tax Bylaw with two exceptions. First, updates have been completed to reflect the 2018 dates. This includes the valuation date used for preparing business assessments, the deadline for payment of business tax and when penalties for non-payment are incurred. Second, revisions are recommended to reflect changes to the MGA which will be effective on January 1, 2018. Throughout the 2018 Business Tax Bylaw all references to the term “Assessor” have been replaced by the term “Municipal Assessor”, which is defined in subsection 3(1)(e). Subsection 10(1) of the 2018 Business Tax Bylaw is also updated to reflect changes to the content of subsections 295(1) and (6) of the MGA.

If the 2018 Business Tax Bylaw is approved, the 2018 Business Tax Rate Bylaw will be presented to the Priorities and Finance Committee, and subsequently to Council, in January 2018. The 2018 Business Tax Rate Bylaw will include the 2018 business tax rate, to be prepared after the 2018 business assessment roll is established. 2018 Business Tax Notices are scheduled to be mailed in late January or early February 2018.

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

The preparation of this Business Tax Bylaw Report includes staff members from the Finance, Law and Assessment business units.

### **Strategic Alignment**

The recommendation is in alignment with the direction in *Action Plan 2015-2018*, the Mid-Cycle Adjustments and the 2018 Budget Adjustments.

### **Social, Environmental, Economic (External)**

The proposed 2018 Business Tax Bylaw includes exemption provisions for businesses that meet eligibility provisions established in the bylaw.

### **Environmental**

No environmental impacts have been identified.

### **Economic**

The Business Tax Bylaw authorizes The City to assess and tax businesses. Passing the 2018 Business Tax Bylaw, and levying 2018 business taxes, is consistent with The City of Calgary's municipal tax policies in 2017 and prior years.

### **Financial Capacity**

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

The net 2018 business tax revenue is currently projected to be \$44 million. Business tax revenues are a source of funding for current and future operating fiscal plans, with the business tax being fully consolidated into the non-residential property tax by 2019.

#### ***Current and Future Capital Budget:***

Business tax revenues along with the property tax revenues are part of the source of capital funding in current and future capital fiscal plans.

## 2018 Business Tax Bylaw

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### Risk Assessment

If Council does not pass the 2018 Business Tax Bylaw, The City will not be able to assess businesses and levy the business tax. This would reduce the revenue available for City of Calgary operations and, in turn, services to Calgarians. Further, while the language in the 2016 Business Tax Bylaw (which mirrors the proposed bylaw) is currently subject to a court challenge, Administration recommends that the same language be incorporated in the 2018 Business Tax Bylaw.

### REASON(S) FOR RECOMMENDATION(S):

The 2018 Business Tax Bylaw provides The City with the authority to mail 2018 business assessments in order to levy 2018 business taxes. *Action Plan 2015-2018*, the Mid-Cycle Adjustments and the 2018 Budget Adjustments include and rely on the business tax as a municipal revenue source. If the proposed 2018 Business Tax Bylaw is approved by Council, then once a business assessment roll is established and Council finalizes the 2018 business tax revenue requirement, the 2018 Business Tax Rate Bylaw will be presented to Council in 2018 January.

### ATTACHMENT(S)

1. Attachment 1 – Proposed Wording for the 2018 Business Tax Bylaw