

ASSESSMENT AND TAX CIRCUMSTANCE REPORT

EXECUTIVE SUMMARY

Council approval is needed to cancel the applicable 2012 and 2013 taxes for business and property accounts that meet administrative criteria for cancellation.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee recommend that Council under the authority of section 347 of the *Municipal Government Act* cancel 2012 and 2013 property and business taxes for the amounts listed in Attachment 1 and 2.

PREVIOUS COUNCIL DIRECTION / POLICY

Council has accepted Administration's recommendations in the past, most recently at the 2014 April 18 Combined Meeting of Council.

BACKGROUND

Under section 305 of the *Municipal Government Act (MGA)* and section 7(a) of the Business Tax Bylaw 1M2014, 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 in a timely manner, but in certain cases, there are circumstances that allow Administration to ask Council to consider exercising its discretionary taxation power under section 347 of the MGA, to cancel, reduce, or refund property and business taxes. Section 203 of the MGA specifies that Council may not delegate its powers with respect to taxes.

In 2014, the Assessment business unit (Assessment) sent approximately 475,000 property assessment notices and 26,000 business assessment notices, approximately 276 billion and 3.15 billion in assessment value respectively. Inaccuracies may result from a number of different 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 Assessment during the 60-day Customer Review Period that follows each notice mailing, the assessor may amend the assessment. The amendment triggers a corresponding adjustment to the current year's property or business taxes. If the inaccuracy occurred in a previous year, only Council may correct the error through their legislative authority.

Generally, the 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 or not corrected correctly
- a tax exemption that was not processed
- a business account closure that was not processed or not processed correctly
- a closure of an account for a business affected by the June 2013 flood

Businesses Affected by the 2013 June Flood

The Property Tax Relief Program established by Council on 2014 February 24 through report PFC2014-0154 forgives municipal and provincial taxes on property from 2013 June 20 to the date a property is reoccupied, plus an additional 30 days. To align with this program, the

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Assessment and Tax Circumstances report has been used to provide tax relief to businesses that ceased operating or occupying a flood-affected premises for more than 30 days. The accounts of business owners who reported their flood-related closures in 2014 or too late in 2013 to process an amendment notice for that year can only be adjusted by Council. Each business tax cancellation amount is based on the period of closure in days. No additional requests for 2013 business tax cancellations from flood-affected businesses are anticipated.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Assessment receives requests for tax cancellations directly from taxpayers or from other City business units such as Finance & Supply. 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 of Calgary staff.

The recommended adjustments to business tax accounts would cancel or reduce municipal business taxes. The recommended adjustment to the property tax accounts 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 in 2013 or 2012.

Tax Cancellations for Assessment Corrections

Administration provides information about assessment notice mailings, tools that taxpayers can use to review their assessment information, and ways of contacting Assessment in multiple channels, including traditional print media, radio, online and through the direct mailing of property and business assessment notices. Each year, Calgarians are encouraged to look for, review and, if needed, ask questions about their assessments before the end of the 60-day Customer Review Period that follows each mailing. However, special circumstances such as those listed below may still arise.

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,

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- 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.

Individual requests for previous years' tax cancellation that met one or more of these criteria are listed in Attachment 1.

Tax Cancellation for Businesses Affected by the 2013 June 20 Flood

For flood-affected businesses, Assessment collaborated with the Business Licence and Registration division of Development Business Approvals to ensure all applicable requests were included in this report. To be considered, a business had to be located within the flood-affected areas, unable to occupy the premises or operate from the flood-affected location, and have contacted The City to close the related business licence as of the date of the flood as a result. These are included in Attachment 2.

While the cost of property tax relief for property owners is offset by the Government of Alberta's Southern Alberta Flood Response Program, no similar program has been made available to business owners. The tax relief provided to flood-affected business owners has been administered through the Assessment and Tax Circumstances Report. Business assessment and tax accounts are opened and closed with the opening and closing of business licences and businesses themselves. Flood-related business changes have been processed in the same way.

Administration has recommended that Council cancel the business taxes that accrued in these accounts from 2013 June 20 to either (1) the date indicated through the business licence or similar process as the date the business resumed operations in the flood-affected location, or (2) the date The City was informed that the business had closed permanently. The amount of the cancellation request for each individual account includes any applicable Business Revitalization Zone levy, prorated to the same period.

Stakeholder Engagement, Research and Communication

The report is a collaborative effort between Assessment and Finance & Supply. Throughout the circumstance report process, the two 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 one or more of the tax cancellation criteria. Assessment 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 & Supply; when necessary, a refund issued.

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Strategic Alignment

This recommendation is in alignment with the Council's 2012-2014 Business Plans and Budget as the funds for the prior year tax cancellations are included in the budget each year. The recommendation is also aligned with other flood-related tax mitigation programs approved by Council in 2014.

Social, Environmental, Economic (External)

The taxpayers who were levied incorrect tax amounts in 2012 and 2013 would receive tax cancellations or refunds. The flood-related tax cancellations requested would provide financial support to business owners whose premises were severely damaged in the flood.

Financial Capacity

Current and Future Operating Budget:

The total taxes recommended for cancellation are \$37,377.12. 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 Attachment 1 and 2. The total budget for the prior years' property and business tax cancellations in 2014 is \$997,000.

No adjustments to future budget allocations are required to meet the tax cancellation requests set out in this report.

Type of Tax		2014 Tax Cancellations (\$)	Total Tax Cancellations (\$)
Property Tax		\$10,644.65	\$10,644.65
Business Tax	Flood Related	\$18,322.38	\$26,732.47
	Non-Flood Related	\$8,410.09	
Total		\$37,377.12	\$37,377.12

Current and Future Capital Budget:

There are no implications on the capital budget.

Risk Assessment

No implications were identified.

REASON(S) FOR RECOMMENDATION(S):

Legislated limits on Council's ability to delegate its authority to cancel a tax prevent Administration from making administrative corrections to tax accounts related to prior years' assessment 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)

1. List of Proposed Business and Property Tax Cancellations
2. List of Proposed Flood-Related Business Tax Cancellations