

**Chief Financial Officer's Report to
Priorities and Finance Committee
2018 June 05**

**ISC: UNRESTRICTED
PFC2018-0325
Page 1 of 4**

Compassionate Property Tax Penalty Relief

EXECUTIVE SUMMARY

On 2017 September 11, Council approved Notice of Motion NM2017-30 directing Administration to investigate tax forgiveness programs and legislation existing within Canada, and to assess the potential revenue and legal ramifications to The City of cancelling tax penalties due to extraordinary circumstances experienced by property owners.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommends that Council:

1. Receive for information the Summary of Tax Penalty Relief Programs from Other Jurisdictions (Attachment 1);
2. Approve the proposed Compassionate Property Tax Penalty Relief Program as outlined in Attachments 2, 3, and 4;
3. Direct Administration to offer Compassionate Property Tax Penalty Relief, as outlined in this report, upon approval of the City Charter Bylaw delegating Council authority for this function to Administration; and
4. Direct Administration to report back through Priorities and Finance Committee on the results of the proposed program, including cost and number of participants, no later than 2019 Q4.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2002 February 25, Council approved Bylaw Number 8M2002 A Bylaw of the City of Calgary to Fix the Penalty on Unpaid Taxes.

On 2017 September 11, Council approved Notice of Motion NM2017-30, directing Administration to:

- Investigate the current tax forgiveness programs and legislation within large Canadian municipalities and provincial and federal governments;
- Review the impact to the City's tax revenues and legal ramifications of cancelling taxes and penalties due to extraordinary circumstances.

And return to Council with recommendations, through Priorities and Finance Committee, no later than Q2 2018.

BACKGROUND

Under sections 344, 345, and 346 of the Municipal Government Act, a Council may impose penalties for unpaid taxes in the current year and in other years. On 2002 February 25, Council approved Bylaw 8M2002 to establish the penalties for unpaid taxes. The following penalty structure was approved:

- On the first day of July a penalty of seven percent of the unpaid amount of the current year's tax levy is applied;
- On the first day of October a penalty of seven percent of the unpaid amount of the current year's tax levy is applied;

Compassionate Property Tax Penalty Relief

- All taxes remaining unpaid after December 31 of the year in which they are imposed will have a further one percent penalty applied on the first day of every month starting in January.

Under section 346 of the Municipal Government Act, a penalty becomes part of the tax on which it was applied.

There is currently no established program for property taxpayers in Calgary to seek tax penalty relief for any circumstance, nor is there an established definition of extraordinary circumstances under which property taxpayers can seek tax penalty relief.

Under section 347 of the Municipal Government Act a Council, if it considers it equitable to do so, may generally or with respect to a particular taxable property or class of taxable properties:

- cancel or reduce tax arrears;
- cancel or refund all or part of a tax;
- defer the collection of a tax.

Occasionally, Councillors and Administration receive requests from property owners seeking relief for all or a portion of property tax penalties that have been imposed, citing compassionate grounds. Administration has no authority to enact these requests. However, relief may be provided under section 347 of the Municipal Government Act through a Notice of Motion. This method of providing property tax relief and property tax penalty relief is not immediately responsive to a property owner's situation, nor is it administratively efficient.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration has conducted research on tax penalty relief programs at the municipal, provincial and federal levels and further details of this research can be found in Attachment 1. Tax penalty relief programs do not exist widely in jurisdictions across Canada. However, there are some examples which informed the development of the proposal being recommended by Administration in this report, including:

- Ontario Municipal Act section 357 provides municipal administrators with the ability to cancel, reduce or refund taxes due to the inability to pay because of sickness;
- The City of Edmonton offers penalty relief due to a life-threatening illness or death of an immediate family member;
- The City of Airdrie recently updated its Tax Penalty Bylaw to waive tax penalties, under certain circumstances, due to the death of a property owner.
- The City of St. John's reviews relief requests on a case by case basis and, as appropriate, will amend payment arrangements and/or interest and penalty charges on an account.

In developing a compassionate tax penalty relief program for City of Calgary property owners, Administration identified a number of guiding principles. These principles, listed in Attachment 2, are intended to foster a penalty relief program that is responsive, and not onerous, to citizens, and is administratively efficient.

The program being recommended by Administration proposes limited tax penalty relief for property owners who themselves, or whose immediate family, suffer from a critical illness or, who experience a death in their immediate family, within sixty days prior to the annual tax payment deadline, typically June 30. Critical illness and immediate family are defined in

Compassionate Property Tax Penalty Relief

Attachments 2A and 2B. Administration has aligned the definition of immediate family with that used within City human resource policies and documents such as the Exempt Staff Policy (HR-LR-006 (G) and the Collective Agreement with Local 38, when discussing the conditions under which an employee may take bereavement leave. The definition of critical illnesses has been aligned with those commonly used by the Canadian life and disability insurance industry.

Individuals applying for relief will be required to complete a simple declaration (Attachment 3) requiring basic information and no supporting documentation. This declaration will be reviewed by the Coordinator of Tax Advisory Services who will render a timely decision on eligibility. The property owner will be informed of the decision and penalties will be adjusted, as appropriate. In the event that a property owner is denied relief under the program, that decision will be reviewed by the Coordinator of Tax Advisory Services with the Manager, Tax, Receivable and Payable to provide additional transparency in the process. Full details of the operation of the proposed program are provided in Attachment 4

In order to deliver a nimble and responsive tax penalty relief program that meets the needs of citizens, and is administratively efficient, Administration believes it is important that the ability to adjust tax penalties resides with Administration. This proposal requests that Council, under the Calgary City Charter, delegate the necessary authority to adjust property tax penalties to Administration. This will ensure that compassionate property tax penalty relief will be delivered in a timely, efficient and responsive manner to Calgarians when they need it. Law and Clerks are currently working to establish a uniform process to address City Charter Bylaws and it is anticipated that the Delegation Bylaw required to enable the Compassionate Tax Penalty Relief Program will be presented to Priorities and Finance Committee as early as 2018 June 28 and to the Public Hearing Council Meeting as early as 2018 July 23.

Stakeholder Engagement, Research and Communication

In preparing this report, Administration has engaged municipalities across Canada, and conducted online research on relevant provincial and federal programs. In addition, the proposed program has been developed in consultation with Law, Calgary Neighbourhoods and Finance.

If approved, information on the Compassionate Tax Penalty Relief program will be made available through standard channels such as calgary.ca and brochures.

Strategic Alignment

This report summarizes a proposal to provide compassionate property tax penalty relief to property owners who have experienced a significant life issue that impacts their ability to meet their obligations to pay their property taxes within prescribed timelines and aligns with direction in Council's priorities, including:

- Continue to transform the organization to be more citizen-focused in its approach and delivery of service;
- Be as efficient and effective as possible, reducing costs and focusing on value for money;
- Respond to the needs of an aging population.

**Chief Financial Officer's Report to
Priorities and Finance Committee
2018 June 05**

**ISC: UNRESTRICTED
PFC2018-0325
Page 4 of 4**

Compassionate Property Tax Penalty Relief

Social, Environmental, Economic (External)

This proposed program responds to a small but important need for compassionate consideration for tax penalty relief for those property owners who experience a significant life issue which impacts their ability to meet property tax payment timelines.

Financial Capacity

Current and Future Operating Budget:

The proposed program will be administered within the existing operating budget using existing staff resources. However, Administration has further identified that an amount of \$25,000 should provide sufficient room to adjust property tax penalties for requests anticipated to be received over the course of the preliminary fifteen month program. This amount can be absorbed within the existing property tax penalty program budget. Because the ability to provide tax penalty relief has not existed previously, Administration has not tracked data on potential uptake for this program. The proposed program will allow Administration to collect additional data and further refine the program if Council chooses to extend it beyond the initial fifteen month period proposed.

Current and Future Capital Budget:

There is no impact to the capital budget.

Risk Assessment

Anecdotal evidence suggests that the requested amount of \$25,000 will be adequate to cover anticipated requests for compassionate property tax penalty relief over the preliminary fifteen month duration identified. However, if program uptake is greater than anticipated this amount may not be sufficient and may need to be revisited to allow the continued operation of the proposed program.

REASON(S) FOR RECOMMENDATION(S):

The proposed program will allow The City to offer timely adjustments to property tax penalties for those property taxpayers who find themselves unable to pay their property taxes in accordance with prescribed timelines due to a significant life event, as described in the supporting documentation for this proposed program.

ATTACHMENT(S)

1. Attachment 1 – Summary of Tax Penalty Relief Programs from Other Jurisdictions
2. Attachment 2 – Property Tax Penalty Relief Guiding Principles and Definitions
3. Attachment 2A – Property Tax Penalty Relief Guiding Principles and Definitions – Critical Illnesses
4. Attachment 2B – Property Tax Penalty Relief Guiding Principles – Immediate Family
5. Attachment 3 – Property Tax Penalty Relief Declaration
6. Attachment 4 – Property Tax Penalty Relief Summary Proposal for a Property Tax Penalty Relief Program