

**Chief Financial Officer's Report to
Priorities and Finance Committee
2018 June 28**

**ISC: UNRESTRICTED
PFC2018-0761
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Delegation Bylaw to support the Compassionate Tax Penalty Relief Program

EXECUTIVE SUMMARY

On 2018 June 05, Administration presented to the Priorities and Finance Committee a proposal for a program to offer Compassionate Property Tax Penalty Relief to property owners who have experienced a significant life issue which impacts their ability to meet property tax payment timelines. A fundamental concept of ensuring that the program functions as intended is a Bylaw to delegate the Council authority necessary to allow Administration to adjust property tax penalties in accordance with the terms of the program.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council:

1. Give three readings to the proposed bylaw to delegate the authority to reduce, refund or cancel taxes;
2. Forward report PFC2018-0761 to the 2018 July 23 Public Hearing Council Meeting; and
3. Direct that Administration publish a notice of the 2018 July 23 Public Hearing of the proposed bylaw under Report PFC2018-0761 in two issues of a newspaper, with each issue being in consecutive weeks and no later than 2018 July 13.

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.

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

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.

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Under section 203(2)(d) of the *Municipal Government Act* (the “MGA”) as modified by *The City of Calgary Charter, 2018 Regulation* (the “Charter”), the Council may by bylaw delegate its power with respect to taxes under section 347 if the total amount to be cancelled, reduced, refunded or deferred under section 347 by the City in a taxation year does not exceed \$500,000. Prior to the Calgary City Charter, Council’s ability to delegate its power with respect to taxes under section 347 was prohibited.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

On 2018 June 05, Administration presented a proposal to the Priorities and Finance Committee for a program to offer compassionate property tax penalty relief to citizens experiencing a critical life issue.

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. Administration is requesting that Council, pursuant to section 203(2)(d) of the MGA as modified by the Charter, delegate the necessary authority under section 347 of the MGA 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.

Administration has identified that a delegated authority to adjust penalties up to a cumulative amount of \$25,000 should be sufficient to adjust penalties over the initial 15 month term of the program between 2018 July 01 and 2019 September 30 (two full tax seasons). A report back to Council will be provided in 2019 Q4 on the results of the program, including cost and number of participants.

Stakeholder Engagement, Research and Communication

In developing the Compassionate Property Tax Penalty Relief Program, 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.

Notice of the Public Hearing for the proposed delegation bylaw will be advertised in the newspaper, as required by the Charter and section 606 of the MGA.

Strategic Alignment

This report requests the delegated authority necessary 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 as presented in Report PFC2018-0325. This program 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.

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Social, Environmental, Economic (External)

Financial Capacity

Current and Future Operating Budget:

As presented in Report PFC2018-0325, the proposed program will be administered within the existing operating budget using existing staff resources. Further, the 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.

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 in delegated authority 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):

This Delegation Bylaw will enable Administration to offer timely adjustments to property tax penalties for those property taxpayers who were unable to pay their property taxes in accordance with prescribed timelines due to a significant life event, as set out within the terms of the Compassionate Property Tax Penalty Relief program.

ATTACHMENT(S)

Attachment 1 – Charter Bylaw of The City of Calgary To Delegate the Authority to Cancel, Reduce or Refund Taxes