

DATE OF MEETING APRIL 20, 2020

AUTHORED BY LAURA MERCER, DIRECTOR, FINANCE

SUBJECT **PROPERTY TAX DUE DATE**

OVERVIEW

Purpose of Report:

Consistent with the COVID-19 Financial Response, Relief and Recovery Framework, provide Council with information on the City of Nanaimo's 2020 property tax penalty scheme and options to align all classes with same treatment.

BACKGROUND

Every year, prior to May 15th, Council must adopt a Property Tax Rates bylaw per Section 197 of the *Community Charter*. The bylaw imposes rates on all taxable land and improvements according to their assessed value to provide the funds required to operate City functions as specified in the *Charter*.

Under the default municipal tax collection scheme, property taxes are due on July 2 each year. Any unpaid tax, including unclaimed home owner grant are subject to penalty after July 2.

A municipality may opt for an alternative tax collection scheme which allows for changing the due date and/or penalty. The *Community Charter* provides legislation to establish an alternative municipal tax collection scheme under Section 235. This section includes how penalties are to be applied in relation to payments made after a due date establish by the bylaw. The penalty rate is established in the *Municipal Tax Regulation* and is currently 10 percent.

DISCUSSION

The City of Nanaimo currently opts to use an alternative tax collection scheme. The general municipal taxation method due date of the first working day in July is used. However, the 10% penalty is broken into two (2) 5% due dates. The first 5% penalty is charged on any outstanding balance on the first day after the tax due date. The second 5% penalty is charged on outstanding balances approximately 6 weeks later in August. Many municipalities opt to divide the penalty into two (2) due dates but not all have the same second due date.

On 2020-APR-16, the Province of BC announced new COVID-19 supports for businesses and local governments. The relief measures introduced are:

Business Relief

- Further reducing the school property tax rate for commercial properties to achieve an average 25% reduction in the total property tax bill for most businesses, providing up to \$700 million in relief. This enhances the 50% reduction to the provincial school property tax rate that was originally announced for classes 4, 5, and 6 as part of B.C.'s COVID-19 Action Plan.
- Postponing the date that late payment penalties apply for commercial properties in classes 4,5,6,7 and 8 to Oct. 1, 2020, to give businesses and landlords more time to pay their reduced property tax, without penalty.

Local Government Relief

- Authorizing local governments to borrow, interest-free, from their existing capital reserves to help pay for operating expenses, such as employee salaries.
- Delaying provincial school tax remittances until the end of the year. This will provide significant relief to local governments facing cash flow issues.
- Providing local government's greater flexibility to carry debt for an additional year.
- These measures will provide local governments with the resources to meet their operational costs and required remittances to regional districts, regional hospital districts, TransLink and transit authorities, BC Assessment, the Municipal Finance Authority and other taxing authorities. This will ensure that other minor taxing authorities can count on receiving the full amount they bill to municipalities and the Province's surveyor of taxes before Aug. 1, 2020.

Tax Due Date

With the 2020-APR-16 announcement, Council could consider maintaining the property tax due date to 2020-JUL-02 for all classes.

As the late payment penalty due date for commercial properties (classes 4, 5, 6, 7 and 8) has been postponed, it would be an equitable alignment to have all classes have the same late payment penalty due date. Alignment of all classes would also provide additional temporary financial relief to property owner's in the City experiencing financial duress.

City Cash Flows

The City collects taxes for other governments (RDN, School District, Hospital, BC Assessment and Municipal Finance Authority (MFA) on its annual tax notices). Payovers to these entities have legislated due dates. With the new measures introduced on 2020-APR-16, the payover for the School District taxes is being delayed until the end of the year.

If Council chose to change the property tax late payment penalty due date for all classes to 2020-OCT-01, the City is expected to have sufficient cash flows to cover expenses and required payovers by accessing reserves first, before borrowing through the Revenue Anticipation Borrowing Bylaw that Council is in the process of final approval.

Other Government Cash Flows

The City would be required to payover to the remaining other government entities; RDN, Hospital, BC Assessment and Municipal Finance Authority. This will ensure that they have sufficient cash flows to continue their operations.

The Province of BC will deal with the cash flow issues that emerge with the delay in school district payover.

Financial Impact

Penalties

As the City is legislated to issue a 10% penalty on any outstanding current year property taxes, each year the financial plan includes an amount for tax penalty revenue. The following is summary of the last five (5) years tax penalty revenue as well as the 2020 budgeted amount:

	Actuals					Budget
	2015	2016	2017	2018	2019	2020
Tax Penalty Revenue	\$ 573,010	\$ 513,901	\$ 508,800	\$ 506,155	\$ 608,373	\$ 508,000

With a delayed late tax payment penalty due date, this revenue line may experience a shortfall.

Other Government Payovers

As noted above, payovers to other governments have mandated due dates. Most of the due dates are scheduled for the end of July each year. Usually the payover for School Taxes are made on a monthly payover starting in July. However, with the new relief efforts announced on 2020-APR-16, the payover for School Taxes is being delayed to the end of the year. No other payover due date is being changed at this point in time.

Summary of the payments to other governments that are paid over in July:

	Actuals				
	2015	2016	2017	2018	2019
Payover Due July 31st:					
RDN	16,256,554	17,334,012	18,450,297	20,455,282	22,039,402
Hospital	3,675,389	3,742,866	3,892,423	3,958,374	4,036,324
Other Agencies**	1,067,438	1,033,291	977,229	1,022,644	1,057,907
	<u>20,999,381</u>	<u>22,110,169</u>	<u>23,319,949</u>	<u>25,436,300</u>	<u>27,133,633</u>

** BC Assessment and Municipal Finance Authority

CONCLUSION

By aligning the postponed property tax late payment penalty due date for all classes to 2020-OCT-01, the message to all taxpayers will be consistent.

Maintaining the July 2nd property tax due date will support the City's cash flows needs as taxpayers with the capacity to pay on the due date will be encouraged to do so. |

SUMMARY POINTS

- Council must adopt a Property Tax Rates bylaw before May 15th of each year.
- Under the default municipal tax collection scheme, property taxes are due on July 2 each year and a 10% penalty is regulated to be charged on outstanding current year taxes.
- A municipality may opt for an alternative tax collection scheme which allows for changing the due date and/or penalty.
- The City of Nanaimo currently opts to use an alternative tax collection scheme where the 10% penalty is evenly broken into two (2) 5% due dates.
- Council could maintain the property tax due date of July 2nd to encourage payment and minimize the impact to cash flow.
- Council could align all the property tax late payment penalty due date to 2020-OCT-01 for all tax classes to provide consistent messaging and treatment of all taxpayers.

ATTACHMENTS

Attachment A – Province of BC News Release: New COVID-19 supports for business, local governments

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