

DATE OF MEETING    APRIL 27, 2020

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**SUBJECT                2020 PROPERTY TAX DUE DATES**

## **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 collection scheme and options to align all classes with same treatment.

### **Recommendation**

That Council:

- Keep the property tax due at 2020-JUL-02; and,
- Extend the tax penalty due for all property classes to 2020-OCT-01 at 5% and 2020-NOV-12 at 5%, applicable on any outstanding current year tax balances on those dates.

## **BACKGROUND**

Every year, prior to May 15<sup>th</sup>, 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**

On 2020-MAR-17, the Province of BC declared a Provincial Health Emergency due to the COVID-19 Pandemic.

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

#### **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 2020-OCT-01, 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 2020-AUG-01.

At the 2020-APR-20 Special Council meeting, Staff presented Council with information on options relating to the property tax due and subsequent property tax penalty due dates.

#### **Property Tax Due Date**

The Provincial government is encouraging municipalities to keep the 2020-JUL-02 property tax due date to help maintain sufficient cash flows. This is in line with current legislation and no change is being recommended.

Maintaining the 2020-JUL-02 property tax due date will support the City's cash flow needs as taxpayers with the capacity to pay on the due date will be encouraged to do so.

#### **Property Tax Penalty Due Date**

With the 2020-APR-16 announcement, the late payment penalty due date for commercial properties (classes 4, 5, 6, 7 and 8) has been postponed to 2020-OCT-01. It would be an equitable alignment if the late payment penalty due date was postponed to 2020-OCT-01 for all property classes.

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 government payovers due 2020-AUG-01. This is due in part to delaying the School Tax payover to the end of the year.

Alignment of all classes would also provide additional temporary financial relief to property owner's in the City experiencing financial duress.

## **OPTIONS**

1. That Council:
  - Keep the property tax due at 2020-JUL-02; and,
  - Extend the tax penalty due for all property classes to 2020-OCT-01 at 5% and 2020-NOV-12 at 5%, applicable on any outstanding current year tax balances owing on those dates.
    - The advantages of this option:
      - Short term borrowing through the Revenue Anticipation Borrowing Bylaw will likely not be needed as cash flows should be adequate with the payment of School Tax payover delayed to the end of the year.
      - All property tax payers will be provided with some financial relief by delaying the penalty dates to 2020-OCT-01 and 2020-NOV-12.
      - Provides consistent messaging and treatment to all taxpayers.
    - The disadvantages of this option:
      - The City could see a tax penalty revenue shortfall by delaying the tax penalty due date.
    - Financial Implications:
      - The City could see a tax penalty revenue shortfall if a higher than expected number of property owners pay before the delayed tax penalty due date.
2. That Council:
  - Keep the property tax due at 2020-JUL-02; and,
  - Extend the tax penalty due for all property classes to 10% at 2020-OCT-01, applicable on any outstanding current year tax balances owing on those dates.
    - The advantages of this option:
      - Short term borrowing through the Revenue Anticipation Borrowing Bylaw will likely not be needed as cash flows should be adequate with the payment of School Tax payover delayed to the end of the year.
      - All property tax payers will be provided with some financial relief by delaying the penalty dates to 2020-OCT-01 and 2020-NOV-12.
      - Provides consistent messaging and treatment to all taxpayers.
    - The disadvantages of this option:
      - The City could see a tax penalty revenue shortfall by delaying the tax penalty due date.
      - Tax accounts with current year outstanding balances will be subjected to the full 10% penalty rather than splitting it as is the City's current practice.
    - Financial Implications:
      - The City could see a tax penalty revenue shortfall if a higher than expected number of property owners pay before the delayed tax penalty due date.
3. That Council provide alternative direction. |

### **SUMMARY POINTS**

- Council must adopt a Property Tax Rates bylaw before May 15<sup>th</sup> 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 2<sup>nd</sup> 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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