

DATE OF MEETING    APRIL 14, 2021

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**SUBJECT                PROPERTY TAX DUE DATES**

## **OVERVIEW**

### **Purpose of Report**

To provide Council with information on the City of Nanaimo's 2021 property tax penalty scheme.

### **Recommendation**

That the Finance and Audit Committee recommend that Council:

- Keep the property tax due date at 2021-JUL-02;
- Change the first property tax penalty due to 1% on 2021-JUL-02; and,
- Extend the second property tax penalty due date to 2021-SEP-10 and change to 9%.

## **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 a 10% 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 established 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.

In 2020, the property tax due date was 2020-JUL-02. However, the tax penalty dates were changed to 5% on 2020-OCT-01 and 5% on 2020-NOV-12. This temporary financial relief was in response to property owner's in the City who were experiencing financial duress due to the COVID-19 Pandemic.

The cash flows for the City were sufficient throughout 2020 and the collection rate for 2020 property taxes was consistent with prior years. The Provincial Government extended the tax payover date for School Taxes to December 31<sup>st</sup> to help municipalities manage their cash flows.

The Provincial Government has reverted back to all legislated due dates and this means that there will be no cash flow relief measure for municipalities in 2021.

### **Property Tax Due Date**

Maintaining the 2021-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**

As the COVID-19 Pandemic is still impacting the community, Council has an option to extend the tax penalty dates again this year.

Extending the second due date to 2021-SEP-10 and changing the penalty percentages to 1% at 2021-JUL-02 and 9% at 2021-SEP-10 would provide temporary financial relief to property owner's again in 2021.

If Council chose to change the property tax late payment penalty due date for all classes, as well as the percentage split, the City is expected to have sufficient cash flows to cover expenses and required government payovers due 2021-AUG-01.

Staff have reached out to determine what other municipalities are doing with regards to property tax due dates and there has been a varied response. Some are keeping their regular penalty dates and percentages, while others are extending the dates and shifting the percentage breakdown again this year. |

## **OPTIONS**

1. | That the Finance and Audit Committee recommend that Council:
  - Keep the property tax due date at 2021-JUL-02;
  - Change the first property tax penalty due to 1% on 2021-JUL-02; and,
  - Extend the second property tax penalty due date to 9% on 2021-SEP-10.

- The advantages of this option:
    - All property tax payers will be provided with some financial relief by delaying the second penalty date to 2021-SEP-10 and shifting the percentage split to 1% and 9%. This will provide incentive for those have the funds to pay to do so. This will help keep adequate cash flows for the City.
  - 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 the Finance and Audit Committee recommend that Council:
- Keep the property tax due date at 2021-JUL-02; and,
  - Keep the property tax penalty due at 5% on 2021-JUL-02 and 5% at 2021-AUG-13.
    - The advantages of this option:
      - Consistent with pre-Pandemic practices
    - The disadvantages of this option:
      - Property owners would not receive any additional financial relief while still in a Pandemic world.
    - Financial Implications:
      - No financial impact.
3. That the Finance and Audit Committee 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 change the property tax second late payment penalty due date to 2021-SEP-10 for all tax classes and change the percentage breakdown to 1% and 9% to provide temporary financial relief.

**Submitted by:**

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