

DATE OF MEETING MARCH 15, 2023

AUTHORED BY JAMIE SLATER, MANAGER FINANCIAL SERVICES & SPECIAL PROJECTS

SUBJECT 2023 PROPERTY TAX DUE DATES

OVERVIEW

Purpose of Report

To provide Council with options for the City of Nanaimo's 2023 property tax penalty rates and effective dates.

Recommendation

That the Finance and Audit Committee recommend that Council:

- Keep the property tax due date at 2023-JUL-04
- Set the first property tax penalty rate at 2%, due on 2023-JUL-04
- Set the second property tax penalty rate at 8%, due on 2023-AUG-31

BACKGROUND

Pursuant to Section 197 of the *Community Charter* Council must adopt a Property Tax Rates Bylaw annually prior to May 15. This bylaw imposes rates on all taxable land and improvements according to their assessed value, to provide the funds required for the operations of the City of Nanaimo.

In addition, the City of Nanaimo is bound by the *Municipal Tax Regulation*, which establishes regulations around the penalty rate charged on current year taxes that remain unpaid after July 2nd of the year those taxes were levied. Under the default municipal tax collection scheme that is outlined in Section 233 of the *Community Charter* property taxes are due on the first business day in July. The 2023 taxation year due date will be 2023-JUL-04. Any current year unpaid tax, including unclaimed home owner grant amounts, are subject to a penalty after the due date.

Section 235 of the *Community Charter* establishes an alternative municipal tax collection scheme, which allows for changing the tax due date and/or penalty rate. Historically, the City of Nanaimo has consistently chosen an alternative municipal tax collection scheme:

Year	First Penalty Date	First Penalty %	Second Penalty Date	Second Penalty %	Total Annual Percentage
2022	July 4	2%	August 31	8%	10%
2021	July 2	1%	September 10	9%	10%
2020	October 1	5%	November 12	5%	10%

Many BC municipalities opt to levy two (2) separate penalties, with the first penalty being due after the legislated due date (July 2). Due to the Canada Day statutory holiday, the property tax due date generally falls on the first working day in July. The second penalty date varies by municipality.

DISCUSSION

As outlined above, the City extended the tax penalty dates in 2020, 2021 and 2022, providing taxpayers with temporary financial relief. This financial relief was in response to taxpayers experiencing financial distress due to the COVID-19 pandemic.

In 2021 the Provincial Government reinstated all legislated due dates so the City maintained the July 2 property tax due date in 2021 and 2022 - while still providing property owners some financial relief by decreasing the percentage of the first penalty.

For the 2023 property taxation year, there are a number of factors to be considered:

- **Inflation**
 - We are currently in a high inflation environment and residents and businesses right now are feeling increased financial pressures.
- **Tax Requisition Increases**
 - It is anticipated that other agencies will be also be increasing their tax requisitions due to inflationary cost escalations as well. Examples of other agencies that the City of Nanaimo collects taxes for includes: the Regional District of Nanaimo, Nanaimo Regional General Hospital, School District 68, Vancouver Island Regional Library, BC Assessment, and the Municipal Finance Authority.
- **Interest Rates**
 - Interest rates charged on overdue tax amounts are set by the Province of BC, pursuant to the *Community Charter*. These interest rates have increased significantly over the past year. The current interest rate charged on arrears or delinquent property tax amounts is 9.45%. Taxpayers that are in arrears or delinquent status will be impacted by the changes in these interest rates, as the interest rates are going to compound the tax balances owing a lot faster.

The table below reflects the budgeted tax penalty revenue versus the actual revenue collected over the past three years:

Year	Actual Tax Penalty Revenue	Budgeted Tax Penalty Revenue
2020	\$462,828	\$508,000
2021	\$436,702	\$540,000
2022	\$553,577	\$525,000

Given the current economic climate, the recommendation is to keep the property tax due date at 2023-JUL-04, with a 2% penalty after 2023-JUL-04 and an 8% penalty after 2023-AUG-31. This would allow the City of Nanaimo to still provide property owners with a bit more relief for people that aren't able to pay the entire balance at July 4th.

This flexibility demonstrates that the City is making a conscious effort to address the ongoing financial and economic issues that are impacting our community. |

OPTIONS

1. That the Finance and Audit Committee recommend that Council:

- Keep the property tax due date at 2023-JUL-04
- Set the first property tax penalty rate at 2%, due on 2023-JUL-04
- Set the second property tax penalty rate at 8%, due on 2023-AUG-31
- **Advantages:** Taxpayers will be provided with some financial relief by keeping the first penalty rate at 2% and continuing to delay the second 8% penalty date to 2023-AUG-31. This will also provide an incentive for those who have available funds to pay their taxes in order to avoid the 2% penalty. This will be important in maintaining cash flows to fund City operations.
- **Disadvantages:** There could potentially be a tax penalty revenue shortfall.
- **Financial Implications:**
 - i. The City could potentially experience a tax penalty revenue shortfall if a higher number of taxpayers pay their taxes before the second tax penalty due date.
 - ii. In 2022 the City utilized the same 2% and 8% structure, and met the budgeted penalty revenue. Delaying the second penalty due date did not have a negative financial impact.

2. That the Finance and Audit Committee recommend that Council:

- Keep the property tax due date at 2023-JUL-04
- Change the first property tax penalty rate to 5%, due on 2023-JUL-04; and
- Change the second property tax penalty rate to 5%, due on 2023-AUG-11
- **Advantages:** This would be consistent with pre-pandemic practices.
- **Disadvantages:** Taxpayers would not receive an extension on payment without facing a more significant penalty rate, nor would taxpayers receive additional financial relief.
- **Financial Implications:**
 - i. The City could experience a tax penalty revenue increase for 2023 as more taxpayers may incur higher penalties.

3. That the Finance and Audit Committee provide alternative direction. |

SUMMARY POINTS

- Council must adopt a Property Tax Rates Bylaw by May 15 of each year
- Under the default municipal tax collection scheme, property taxes are due on the first working day in July each year and a 10% penalty is required by legislation to be charged on outstanding current year taxes
- Municipalities can choose how they want to split up the 10% penalty, and what the penalty dates will be
- Council may elect to maintain the property tax due date of 2023-JUL-04 (to encourage payment of taxes and minimize the impact to cash flow) and change the penalty rate and due date to 2% and 8% on 2023-JUL-04 and 2023-AUG-31 respectively
- Changing the penalty rate and due dates would provide temporary financial relief and more payment flexibility to taxpayers

Submitted by:

Jamie Slater
Manager, Financial Services & Special Projects

Concurrence by:

Laura Mercer
Director, Finance