

DATE OF MEETING MARCH 20, 2024

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SUBJECT 2024 PROPERTY TAX AND PENALTY DUE DATES

OVERVIEW

Purpose of Report

To provide Council with options for the City of Nanaimo's 2024 and future property tax penalty rates and effective dates.

Recommendation

That the Finance and Audit Committee recommend that Council:

1. Keep the property tax due date as the first business day in July each year.
2. Set the first property tax penalty rate at 2%; applied after the property tax due date each year.
3. Set the second property tax penalty rate at 8%; applied after the last business day of August each year.

BACKGROUND

Pursuant to Section 197 of the *Community Charter* Council must adopt a Property Tax Rates Bylaw annually by 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.

Additionally, 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 the tax due date of the year those taxes were levied. Under the default general tax collection scheme outlined in Section 233 of the *Community Charter*, property taxes are due on the first business day in July.

Section 235 of the *Community Charter* gives municipalities the authority to choose an alternative municipal tax collection scheme where Council may, by bylaw, establish one or more dates on which all or part of the property taxes are due. Historically, the City of Nanaimo has consistently chosen this option.

Many BC municipalities opt to levy two (2) separate penalties, with the first penalty being applied after the legislated due date (first business day in July). The second penalty date varies by municipality.

The 2024 taxation year due date will be 2024-JUL-02. Any current year unpaid tax, including amounts outstanding due to an unclaimed Home Owner Grant, are subject to a penalty after the tax due date.

DISCUSSION

Over the last three years, the City has extended the second tax penalty due date and set a lower first penalty rate, providing taxpayers with temporary financial relief. While the Provincial Government reinstated all legislated due dates in 2021 following the COVID-19 pandemic, the City continued to provide financial relief to taxpayers by decreasing the first penalty percentage.

The penalties charged and collected in the past five years are as follows:

Year	1 st Penalty Date	Percentage	Amount Collected	2 nd Penalty Date	Percentage	Amount Collected	Total Collected	Budget
2019	2-Jul-19	5%	433,691	8-Aug-19	5%	174,682	608,373	508,000
2020	1-Oct-20	5%	298,064	12-Nov-20	5%	164,764	462,828	508,000
2021	2-Jul-21	1%	120,188	10-Sep-21	9%	316,514	436,702	540,000
2022	4-Jul-22	2%	236,438	31-Aug-22	8%	317,139	553,578	525,000
2023	4-Jul-23	2%	263,812	31-Aug-23	8%	378,526	642,338	502,500

The penalties charged in 2022 and 2023 were very similar to previous years, even with the smaller percentage on the first due date.

Several factors are considered when recommending the tax due date and penalty dates:

- **Inflation:** We are still in a high inflation environment and residents and businesses are still facing increased financial pressures.
- **Interest Rates:** If there are unpaid taxes and penalties at the end of the calendar year, the balance is subject to daily interest charges. The rates charged on arrears and delinquent tax amounts are set by the Province of BC, pursuant to the *Community Charter*. The current annual interest rate is 10.20%. Taxpayers that are in arrears or delinquent status are impacted by the changes in these interest rates, as they are going to compound the tax balances owing a lot faster.
- **Tax Requisition Increases:** It is anticipated that other agencies will also be increasing their tax requisitions due to inflationary cost escalations as well. Other agencies that the City of Nanaimo collects taxes on behalf of include: School District 68, Vancouver Island Regional Library, the Regional District of Nanaimo, Nanaimo District Hospital, Municipal Finance Authority and BC Assessment.

- Consistency: Over the last two years, the City has consistently used the 2% and 8% rates. It is beneficial for residents to have consistency in how the penalty rates are applied from year to year.

Given the current economic climate, the recommendation is to keep the penalty dates and percentages at 2% applied after the tax due date, and 8% applied after the last business day in August moving forward. This would allow the City of Nanaimo to still provide property owners, that are not able to pay the entire balance on the tax due date, with some financial relief.

This flexibility demonstrates 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:
 1. Keep the property tax due date as the first business day in July each year
 2. Set the first property tax penalty rate at 2%; applied after the property tax due date each year
 3. Set the second property tax penalty rate at 8%; applied after the last business day of August each year

Advantages:

- Taxpayers will be provided with some financial relief by keeping the first penalty rate at 2%. This will also provide an incentive to those who have available funds to pay their taxes to avoid the 2% penalty. This is important in maintaining cash flows to fund City operations.

Disadvantages:

- There could be potential for a tax penalty revenue shortfall.

Financial Implications:

- 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.
- In 2022 and 2023 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 as the first business day of July each year

- Set the first property tax penalty rate at 5%; applied after the property tax due date each year
- Set the second property tax penalty rate at 5%; applied 5 weeks after the property tax due date each year

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:

- The City could experience a higher tax penalty revenue 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.
- Municipalities can choose to follow the default General Tax Collection Scheme, where property taxes are due on the first business day in July and a 10% penalty is required by legislation to be charged on outstanding current year taxes or the Alternative Municipal Tax Collection Scheme.
- Under the Alternative Municipal Tax Collection Scheme municipalities can choose how they want to split the 10% penalty, and what the penalty dates will be.
- Council may elect to maintain the property tax due date of 2024-JUL-02 (to encourage payment of taxes and minimize the impact to cash flow) and set the penalty rate and due date to 2% and 8% on 2024-JUL-02 and 2024-AUG-30 respectively.
- Keeping the 2% and 8% structure on a go-forward basis would provide more payment flexibility to taxpayers, while staying consistent in how the penalty rates are applied from year to year.

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