

DATE OF MEETING    OCTOBER 21, 2024

AUTHORED BY        JAMIE SLATER, MANAGER, FINANCIAL SERVICES & SPECIAL PROJECTS

**SUBJECT             PROPERTY TAX PREPAYMENT PLAN BYLAW**

## **OVERVIEW**

### **Purpose of Report**

To introduce the “Property Tax Prepayment Plan Bylaw 2024, No. 7390” (a bylaw to authorize a property tax prepayment plan) for first, second, and third readings. |

### **Recommendation**

1. That “Property Tax Prepayment Plan Bylaw 2024, No. 7390” (a bylaw to authorize a property tax prepayment plan) pass first reading;
2. That “Property Tax Prepayment Plan Bylaw 2024, No. 7390” pass second reading; and
3. That “Property Tax Prepayment Plan Bylaw 2024, No. 7390” pass third reading.

## **BACKGROUND**

On 1995-MAY-08 Council established a property tax prepayment plan bylaw, cited as “TAX PREPAYMENT PLAN BYLAW 1995 NO. 4904.” This bylaw allows property owners to set up pre-authorized withdrawals to make instalment payments towards their upcoming property tax bill.

The pre-authorized withdrawal amounts are equal monthly payments that are based on 1/12<sup>th</sup> of the prior year’s property taxes plus an estimated annual increase, and payments are due on the 15<sup>th</sup> of every month.

The beginning of the payment cycle for every property taxation year is July 15<sup>th</sup>, and the cycle ends on June 15<sup>th</sup>. The taxpayer may enroll in the plan any time before April 30<sup>th</sup> of the current taxation year, however, the estimated net taxes must be split equally between the remaining installment months.

The taxpayer must make a final separate payment for any balance outstanding by the tax due date and claim the Home Owner Grant, if applicable, to avoid any penalties.

This is an optional prepayment plan, and taxpayers not wishing to participate in this plan can make regular payments for property taxes at the Service and Resource Centre, or through their financial institution throughout the year.

Enrollment in the property tax prepayment plan has steadily increased since inception. Historical enrollment in the plan for the last five years is outlined below:

Prepayments for Tax Year	#of Folios Enrolled in Plan	Total installments collected
2020	6,193	\$21,399,244
2021	6,173	\$21,605,059
2022	6,230	\$25,046,555
2023	6,226	\$28,426,677
2024	6,351	\$31,693,937

Today there are 6,427 participants in the plan, which equates to approximately 16% of the properties in Nanaimo (out of 39,651 total folios).

Besides providing convenience to taxpayers, one of the main reasons why this program has been successful is because the City pays monthly interest on the prepayments. Interest rates paid on tax installments or overpayments is prescribed by Section 239 of the Community Charter.

Each quarter, the City of Nanaimo receives an interest rate circular from the Local Government and Infrastructure department of the Ministry of Municipal Affairs that outlines the rate of interest that must be paid. The current effective rate of interest on tax overpayments at October 1, 2024 is 4.45%.

The existing bylaw adopted in 1995 is quite old and requires a number of housekeeping updates, including removing the reference to the *Municipal Act* which was replaced by the *Local Government Act* in 1998. Legislative updates are also required to the interest paid section of the bylaw.

Due to the number of updates and changes that are required, Staff are recommending that a new property tax prepayment bylaw is created and adopted, and that the existing bylaw be repealed upon adoption of a new bylaw.

## **DISCUSSION**

The existing property tax prepayment bylaw requires a number of updates for housekeeping items and legislative changes. Staff have researched what other municipalities offer as part of their property tax prepayment plan and have also consulted the *Community Charter* and other comparable bylaws prior to drafting the recommended changes.

A summary of the most significant changes from the previous bylaw to the new bylaw are summarized below:

### **Interest Payable**

As outlined above, Section 239 of the *Community Charter* establishes interest rates for tax overpayments. The prescribed rate is set quarterly and communicated through the Province of BC. This interest paid is not considered to be taxable income for the recipients, which is outlined in Canada Revenue Agency's archived bulletin IT-396R.

## **Fees**

The fee for dishonored (NSF) payments and for administrative fees for processing a refund have been removed from the Bylaw because they already exist in the Fees and Charges bylaw. This increases efficiency because the Fees and Charges bylaw can be regularly updated for any changes to fees, without having to amend the property tax prepayment plan bylaw.

## **Legislative References**

A housekeeping change has been made to remove the reference to the *Municipal Act* and replace it with reference to the *Community Charter*.

## **Payment of Taxes in Arrears and Delinquent by Installment**

Allowing for pre-authorized installment payments for properties with arrears and/or delinquent taxes will provide an opportunity for taxpayers who are struggling to keep on top of their taxes to have an equal monthly amount withdrawn directly from their bank account. As the intention of this bylaw is to collect prepayments towards the upcoming year's taxes, taxpayers enrolling in the plan under this section will be required to have a monthly installment amount that is based on the amount of outstanding taxes and the upcoming year's taxes. |

## **OPTIONS**

1. | 1. That "Property Tax Prepayment Plan Bylaw 2024, No. 7390" (a bylaw to authorize a property tax prepayment plan) pass first reading;
2. That "Property Tax Prepayment Plan Bylaw 2024, No. 7390" pass second reading; and
3. That "Property Tax Prepayment Plan Bylaw 2024, No. 7390" pass third reading.

### **Advantages:**

- The newly drafted bylaw will include up-to-date references to legislation and provide administrative clarity.

### **Disadvantages:**

- There are no disadvantages noted. The existing bylaw requires updates and the adoption of a new bylaw would complete the required legislative updates.

### **Financial Implications:**

- There are no financial implications to note. The City will continue to pay interest at the rates prescribed by the Province of BC and the *Community Charter*.

2. That Council provide alternative direction.

**SUMMARY POINTS**

- The existing property tax prepayment plan bylaw was established in 1995 and requires housekeeping and legislative updates
- Due to the number of updates required, staff are proposing the adoption of a new bylaw and a repeal of the old bylaw
- Property Tax Prepayment Plan Bylaw 2024, No. 7390 is attached for review by Council

**ATTACHMENTS:**

ATTACHMENT A – Property Tax Prepayment Plan Bylaw 2024, No. 7390 |

**Submitted by:**

Jamie Slater  
Manager, Financial Services & Special Projects

**Concurrence by:**

Wendy Fulla  
Director, Finance

Laura Mercer  
General Manager, Corporate Services |