



## AGENDA ITEM

### Bylaw 1326/20 Property Tax Penalty and Payment Bylaw

May 14, 2020

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#### **BACKGROUND**

The current COVID-19 pandemic has created disruption in the global economy. Alberta and Lacombe County has not been immune to this disruption. In fact, the Alberta economy has been put under further stress due to low oil demand and a commodity price war among oil producing countries which just recently ended.

Over the past two months the Province has announced a series of initiatives intended to minimize costs for both residents and companies in the short term. Many of these initiatives have focused on deferring today's obligations for several months.

The County has followed suit by deferring payment obligations for utility charges incurred between April and June until July 1<sup>st</sup>.

For the most part the Provincial initiatives have been independent of the County's operations and any changes made by the County have been that of Council's initiative and not the Province.

One change made by the Province that has an impact on the County is the deferring of non-residential school taxes. Under this initiative, companies with non-residential assessments will have the option off deferring payment of the school payment of their property tax bill under October 1<sup>st</sup>, penalty free. As the authority responsibility for collecting school tax in Lacombe County, the burden falls on the County to manage this process and incur any costs.

Fortunately, the Province has also delayed the deadlines for the 2<sup>nd</sup> and 3<sup>rd</sup> quarter school requisition payments for the non-residential portion.

Based on this requirement from the Province, the County must amend its tax penalty bylaw.

#### **ANALYSIS**

The announcement by the Province that businesses and commercial and industrial property owners could defer paying requires the County at a minimum to alter its tax penalty structure bylaw. The deadline for payment of taxes at the County is August 31<sup>st</sup>. Under the Provincial initiative, the school portion for non-



residential properties is not due until September 30<sup>th</sup>. The penalty must be altered to reflect this change.

At the same time this Provincial initiative creates a two-tiered penalty structure for residential versus non-residential taxpayers which will cause some administrative challenges for the County. This situation also creates confusion as the County tries to explain to ratepayers that there are two different tax penalty deadlines for 2020.

Several surrounding municipalities have already announced extension of deadlines. Some of these municipalities had announced extensions at the same utility payments were altered. Others have changed their payment deadline and penalty bylaws in response to the non-residential school tax deferral.

Administration has examined these various models as well as implications for the County. As a result, Administration is proposing changes to the County's Tax Penalty and Payment Bylaw.

These changes include:

1. Extending current taxes payment deadline from August 31<sup>st</sup> to September 30<sup>th</sup>.
2. Extending timeline to enroll in TIPPs from August 31<sup>st</sup> to September 30<sup>th</sup>.
3. Delaying penalty levies on current years and arrears from September 1<sup>st</sup> to October 1<sup>st</sup>.
4. Clarifying that the recalculation of TIPPS payments is done after tax notices are mailed.

The first penalty is at a rate of 6% The second penalty that would be levied would still occur December 1<sup>st</sup> at a rate of 10% No change is proposed for the December 1<sup>st</sup> timeline.

These changes allow for a harmonized schedule for all taxes associated with all taxpayers and avoids having multiple payment deadlines in the fall.

## **ALTERNATIVES**

Council has several options:

1. Pass the bylaw as presented.
2. Have one deadline at December 31<sup>st</sup> for all properties. This is similar to many surrounding urban municipalities.
3. Extend the second deadline to December 31<sup>st</sup> from December 1<sup>st</sup>.
4. Do the minimum and pass a bylaw deferring penalties on the school portion of non-residential taxes to October 1<sup>st</sup>.



5. Council provides an alternative penalty deferral option.

## **BUDGET IMPLICATIONS**

Delaying the penalty deadline from August 31<sup>st</sup> to September 30<sup>th</sup> is not expected to have an impact on penalty revenue for 2020. The cost of delaying the deadline lies in the opportunity cost of not having the funds from the tax levy for 30 days. This opportunity cost would be reflected in lower interest revenue for the year.

Based on 2019 figures, the County collected \$37 million in tax revenue in the month leading up to the deadline (August 31<sup>st</sup>). Based on an investment rate of 1%, extending the deadline from August 31<sup>st</sup> to September 30<sup>th</sup> would result in a loss of \$30,800 in interest revenue. It is for this reason that Administration did not propose further deadline extensions.

## **LEGISLATIVE RESPONSIBILITIES**

1. Sections 340, 344 and 345 of the Municipal Government Act, RSA 2000, c. M-26 provide the authority for a municipality to levy penalties on current years and arrears. Section 340 allows for the authority for a tax installment plan.
2. Section 180(1) of the MGA states that Council may act only by resolution or bylaw.

## **PUBLIC PARTICIPATION**

Lacombe County sees the value in engaging and informing the public/stakeholders through a variety of mediums as outlined in the Policy AD(40): Public Participation Policy. The appropriate level of engagement for each public participation opportunity is selected on a project-to-project basis.

For this item, the following engagement will take place: Administration will inform the Public of Council's decision through the same methods the County uses to advertise the passing of the annual tax bylaw and mailing of tax notices.

These methods include information in the Council Highlights and County News. Information about timelines and methods of payments are also included on the County's website as well in the assessment/tax notice mailout.



## STRATEGIC PLAN

The following elements of the County's Strategic Plan are relevant to this issue:

Our Vision: "An attractive, balanced and progressive community".

Our Mission: "Building a safe and vibrant community through leadership, innovation and the development of healthy relationships".

Key Principles: 1) "Integrity: Honesty and Trustworthy", 2) "Accountability and Transparent for our decisions and for our actions" and 3) "Fair and Objective in our decisions and how we treat individuals"

Key Success Measures – Financial/Viability: "Success at working within budgets" and "Taxation and fee levels"

Key Success Measures – Sustainability: "Current services are maintainable and provide benefits for the future, while minimizing negative impacts on the community"

## RECOMMENDATION

*That Council give all three readings to Bylaw 1326/20 as presented.*

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**PREPARED BY:** Michael Minchin, Director of Corporate Services

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**REVIEWED BY:** Tim Timmons, County Manager

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