

Report

City of Merritt
REGULAR Council Meeting
April 21, 2020

File Number: 1700

To: Scott Hildebrand, Chief Administrative Officer
From: Wayne Anderson, Financial Services Manager
Date: April 16, 2020
Subject: 2020 Property Tax Due Date and Penalties

RECOMMENDATION:

THAT Council utilize Section 235 of the Community Charter to set an alternative municipal tax collection scheme for 2020, with a due date of July 2, 2020, and a late penalty of 5% to be applied on October 1, 2020.

Background:

The *Community Charter* states that the annual Tax Rates Bylaw needs to be adopted after the Financial Plan and before May 14, 2020. The City generally follows the regular tax collection scheme for collecting property taxes, which is set out in the following two documents:

1. *Community Charter* Section 234, General Tax Collection Scheme, which states property taxes are due July 2 of the year, and
2. Municipal Tax Regulation 426/2003 that states that the penalty for unpaid taxes must equal 10% on the unpaid portion after the due date.

In response to the COVID – 19 situation, the City is considering following Section 235 of the Community Charter, which allows an alternative Municipal Tax Collection Scheme. This section states that a Council may, by bylaw (Tax Rates Bylaw) establish one or more dates on which all or part of the property taxes are due, and the penalties and interest to be made after a tax due date(s) so established.

This will allow the City to provide some relief to the taxpayers of Merritt.

Options / discussion

The options for the alternative tax collection scheme can be varied in many ways. Several options were discussed at the Finance and Audit Committee meeting on April 15, 2020. It was determined that the primary goals of an alternative tax collection scheme would be to reduce the penalty amount and provide taxpayers with more time to make their property tax payments, while ensuring that the City can address potential cash flow concerns.

The Finance and Audit Committee made the following recommendation to Council at the April 15, 2020 Meeting:

THAT the committee recommend to Council an alternate tax scheme with the following parameters:

July 2nd deadline, penalty dates & amounts of July 2nd (2%), Sept 18th (1%), December 31st (2%)

Staff intended to bring this resolution to Council without amendment, however, on April 16th, the Province of BC announced changes to late payment penalties for commercial properties in classes 4, 5, 6, 7 and 8. The late penalties on these properties have been extended to October 1, 2020 under Section 234 of the *Community Charter*.

To avoid conflicting with this Provincial announcement, along with the limitations of our property tax software to charge penalties by property class, the following options are presented to Council for consideration:

1. THAT Council utilize Section 235 of the Community Charter to set an alternative penalty structure for 2020; 0% to be applied after the July 2, 2020 due date and 5% to be applied October 1, 2020.
2. THAT penalty structure for 2020; 0% to be applied after the July 2, 2020 due date, 3% to be applied on October 1, 2020 and 2% to be applied on December 31, 2020.
3. THAT Council utilize Section 235 of the Community Charter to set an alternative due date or penalty structure for 2020 with a combination of penalty dates no later than December 31, 2020 and percentages not to exceed 10%.

Staff is recommending option 1, which meets the criteria of reducing the penalty, maintains the July 2 due date, and enables the City to meet the Province's guidelines of delaying the penalty for the industrial and commercial classes.

Financial / Risk Implications:

COVID – 19 has resulted in an unprecedented financial situation for municipalities. Where revenues have normally been stable and predictable, municipalities all over the country are now required to plan for cash flow shortages and determine how to provide support for their taxpayers and community members, while maintaining the essential services of the municipality.

Although the City is in a good position with surpluses and reserves, those can only be used in the short term. The City still requires the annual tax levy to continue municipal operations.

A secondary consideration is that the City collects property taxes for other authorities. The province has agreed to delay the provincial school tax remittances until the end of the year; however, we will still be required to pay the other taxing authorities by August 1, 2020. This will result in the City paying out funds that they may not have collected.

It is for this reason that Staff is recommending that the official tax deadline date of July 2, 2020 be maintained, to encourage all those taxpayers who can pay their property taxes by that date to do so. This will include those taxpayers who are still employed, taxpayers that defer their property taxes, homeowner grant applications, and those that have prepaid their taxes or mortgage companies that pay property taxes directly.

For taxpayers that are unable to pay their property taxes, there are some options for them, including:

1. Making partial payments or monthly payments
2. If over 55 and they qualify – Property tax deferment program
3. Not paying their taxes, as the City will not attempt collections until their taxes go into 'delinquent' status two years after the year in which the tax is imposed.
 - a. The outstanding amount will generate a penalty in the current year and interest in subsequent years.

As the length of the COVID – 19 situation is unknown, any decisions made need to take the long-term impact into consideration.

Staff requires direction from Council on this issue so that the preprinted tax notices can be ordered. The tax notices will be mailed out by the end of May, whatever option Council decides.

Others Consulted:

Staff has been participating in webinars and discussions with many other municipalities. Many of these discussions have included representatives from the Province, Municipal Finance Authority and other agencies.

Each municipality has a different situation, some will require short term borrowing to maintain operations, and others can make use of internal borrowing between funds to continue operations.

Respectfully submitted,

Wayne Anderson
Financial Services Manager