



## FINANCIAL SERVICES

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<b>TO:</b>	Council		
<b>DATE:</b>	June 14, 2022	<b>DIVISION:</b>	All
<b>FILE:</b>	0785	<b>APPLICATION:</b>	N/A
<b>SUBJECT:</b>	Late Tax Payment Penalty		

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### POLICY DIRECTION:

Section 344(1) of the *Municipal Government Act* states that “A council may by bylaw impose penalties in the year in which a tax is imposed if the tax remains unpaid after the date shown on the tax notice.”

### EXECUTIVE SUMMARY:

On April 5, 2022 a resolution of Council was made for Administration to explore revised structures for calculating tax penalties and return to Council by end of June 2022. Administration has prepared alternatives for Council’s consideration.

### ADMINISTRATION RECOMMENDATION:

Administration recommends approval in accordance with Option #1.

### BACKGROUND:

Bylaw C-4727-96 came into effect on December 17, 1996. This bylaw gave the municipality the ability to penalize late tax payments at a rate of 12% on July 1 for the current amount of outstanding taxes, and 12% on January 1 for the total of all amounts of outstanding taxes. The definition of a penalty is “a punishment imposed for breaking a law, rule, or contract”. The County is required to make substantial external requisition payments by certain dates throughout the year, and it is imperative that funds be collected in a timely manner to adhere to these deadlines.

Revenue budgets have been developed for the 2023 operating plan, with \$900,000 budgeted for the 2023 year. This amount was derived from a 12% penalty on July 1 and a further 12% on January 1. It is anticipated that the January 1 penalty of 12% will remain intact on all outstanding charges. Any changes to the penalty structure will have an effect on the 2023 budget.

### Tax Penalty Comparisons

Administration has reviewed the penalty structure of surrounding municipalities and provides the following tax penalty comparisons:

Municipality	Current Tax	Tax Arrears
City of Airdrie	July 1 – 5% penalty September 1 – 5% penalty November 1 – 5% penalty	January 1 – 9% penalty April 1 – 9% penalty
Village of Beiseker	October 1 – 10% penalty	January 1 – 10% penalty
MD of Bighorn No. 8	June 30 – 9% penalty	January 1 – 9% penalty

### Administration Resources

Barry Woods, Manager Financial Services



Municipality	Current Tax	Tax Arrears
City of Calgary	July 1 – 7% penalty October 1 – 7% penalty	January 1 – 1% penalty applied monthly to arrears
City of Chestermere	August 1 – 7% penalty 1.5% penalty applied monthly thereafter	1.5% penalty applied monthly to arrears
Town of Cochrane	July 1 – 7% penalty October 1 – 8% penalty	January 1 – 15% penalty
Town of Crossfield	August 1 – 10% penalty November 1 – 7% penalty	January 1 – 18% penalty
Foothills County	October 2 – 6% penalty	January 1 – 12% penalty
Town of Irricana	July 1 – 6% penalty August 1 – 6% penalty September 1 – 6% penalty	1% penalty applied monthly to arrears
Kneehill County	November 1 – 2% penalty 2% penalty applied monthly thereafter	n/a
Mountain View County	2% penalty applied monthly	n/a
<b>Rocky View County</b>	<b>July 1 – 12% penalty</b>	<b>January 1 – 12% penalty</b>
Wheatland County	June 30 – 5% penalty November 30 – 5% penalty	

### Analysis Scenario

To further expand on the comparison table above and provide context and analysis to varying municipal tax penalties in the area, Administration has devised a scenario of an outstanding amount of \$1,000 in taxes. The resulting penalty calculated, beginning from July and ending in December, is based on the above penalty percentages. Additionally, the following assumptions are made in this scenario:

1. The \$1,000 is outstanding to December 31
2. The penalty amounts are cumulative
3. The Rocky View County penalty on January 1 remains at 12%

Municipality	Jul	Aug	Sept	Oct	Nov	Dec	Total
Town of Irricana	\$60.00	\$63.30	\$67.42				<b>\$191.02</b>
Town of Crossfield		\$100.00			\$77.00		<b>\$177.00</b>
Town of Cochrane	\$70.00				\$88.00		<b>\$158.00</b>
City of Airdrie	\$50.00		\$52.50		\$55.13		<b>\$157.63</b>
City of Calgary	\$70.00			\$74.90			<b>\$144.90</b>
City of Chestermere		\$70.00	\$16.05	\$16.29	\$16.54	\$16.78	<b>\$135.66</b>
Mountain View County	\$20.00	\$20.40	\$20.81	\$20.82	\$20.82	\$20.82	<b>\$123.66</b>
<b>Rocky View County</b>	<b>\$120.00</b>						<b>\$120.00</b>
Wheatland County	\$50.00					\$52.50	<b>\$102.50</b>



Municipality	Jul	Aug	Sept	Oct	Nov	Dec	Total
Village of Beiseker				\$100.00			<b>\$100.00</b>
MD of Bighorn No. 8	\$90.00						<b>\$90.00</b>
Foothills County				\$60.00			<b>\$60.00</b>
Kneehill County					\$20.00	\$20.40	<b>\$40.40</b>

#### Alternative Penalty Tax Options

Administration has calculated two options for alternative tax penalties for Council's consideration. The first option reflects a penalty structure of 6% applied on July 1, and a further 6% applied on September 1. The calculated affect on the revenue budgeted for 2023 would result in a \$362,722 shortfall.

A second option reflects a penalty structure of 4% applied on July 1, 4% applied on September 1, and a further 4% applied on November 1. The calculated affect on the revenue budgeted for 2023 would result in a \$483,629 shortfall. These shortfalls are further expanded in the following table:

Item	Penalty Structure	Revenue Collected	Revenue Loss
Average Yearly Revenue between 2017 – 2020	July 1 – 12% penalty	\$725,443	-
Option #1 – 6% x 2	July 1 – 6% penalty September 1 – 6% penalty	\$362,722	(\$362,722)
Option #2 – 4% x 3	July 1 – 4% penalty September 1 – 4% penalty November 1 – 4% penalty	\$241,814	(\$483,629)

#### Historical Indicators

To provide further context to a proposed tax penalty structure change, the following statistics were reported for 2021/2022:

Item	July 1, 2021	January 1, 2022
No. of Non-Compliant Tax Rolls	2,120	1,360
Total Tax Payment Penalty Applied	\$1,066,480	\$542,907
Penalty Cancellation Requests Received	24	2
Cancellation Requests Approved by Council	0	0

#### **BUDGET IMPLICATIONS:**

The 2023 operating budget contemplates revenue of \$900,000. A reduction to the budgeted revenue due to a change in the tax penalty structure as noted in the table above would need to be redressed from other sources such as property taxes.

#### **COMMUNICATIONS PLAN:**

A change in the tax penalty structure will require an adjustment to the 2023 tax notice.



**OPTIONS:**

- Option #1: THAT the Late Tax Payment Penalty report be received for information.
- Option #2: THAT Administration be directed to bring back a Late Tax Payment Penalty bylaw that reflects a penalty structure of 6% applied on July 1, and a further 6% on September 1.
- Option #3: THAT Administration be directed to bring back a Late Tax Payment Penalty bylaw that reflects a penalty structure of 4% applied on July 1, 4% applied on September 1, and a further 4% applied on November 1.
- Option #4: THAT alternative direction be provided.

Respectfully submitted,

Concurrence,

"Kent Robinson"

"Dorian Wandzura"

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Executive Director  
Corporate Services

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Chief Administrative Officer

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**ATTACHMENTS:**

ATTACHMENT 'A': Tax Penalty Bylaw C-4727-96