

Request for Retroactive Municipal Tax Refunds Under Policy C-543

Recommendation:

That Executive Committee recommend to City Council:

That the refunds totaling \$54,999.58 as outlined in the April 5, 2018, Financial and Corporate Services report CR_5568, and any associated penalties, be approved.

Executive Summary

The following report provides information on properties that qualify for tax refunds under Council policy C-543. All groups included on this list now qualify for property tax exemption and are requesting tax refunds or cancellations for previous years when their property was considered taxable.

Report

In 2017, four requests were received from non-profit organizations or religious organizations for tax refunds for the period of time their facilities were under construction and not in use.

Section 362(1)(n) of the *Municipal Government Act*, R.S.A. 2000, c. M-26 (MGA), and the Community Organization Property Tax Exemption Regulation, A.R. 281/98 (COPTER), require that property be “used” for an exempt purpose or they do not qualify for tax-exempt status.

On completion of construction and the property occupied and used for its intended purpose, Administration reviews the request for exemption to determine whether the property, in whole or in part, qualifies for tax-exempt status. If all legislative requirements are met (including occupation and use for the exempt purpose), tax-exempt status is granted from the month of application.

Policy

The purpose of the Retroactive Municipal Tax Refunds Policy Number C-543 is to guide City Council’s discretionary power to grant retroactive tax refunds for the construction period of properties that become exempt upon completion and to ensure that requests from non-profit organizations asking for municipal tax refunds are dealt

with in a consistent manner.

The refund period commences the month building foundations are laid or the permitted renovations are started, for the period of construction in the current year and to a maximum not exceeding 2 years.

Budget/Financial Implications

The first request included six accounts for The Central Baptist Church of Edmonton Alberta within one warehouse building. Accounts 10773025, 10773026, 10773027, 10773028, 10773029 and 10773035 each received exemption as of August 2017. Construction on the property commenced April 2017 and completed in August of 2017, the construction period for all accounts was four months.

The refund totals \$15,356.61, broken down into account 10773025 at \$2,699.79, account 10773026 at \$2,528.42, account 10773027 at \$2,542.46, account 10773028 at \$2,542.46, account 10773029 \$2,542.46 and account 10773035 at \$2,501.02. Accounts 10773025, 10773026, 10773027, 10773028 and 10773029 are 100% exempt from all levies. Account 10773035 is 86.60% exempt from all levies and 13.40% taxable, recognizing the space occupied by a daycare.

The second request was from the Edmonton Vedic Congregation, account 10090218. The group took ownership of the building in 2013 and occupied the upper portion of the building while renovating lower floor. The building was made 61.631% exempt in 2013 in recognition of the occupied area. In March 2017, the building became 100% exempt once renovations were completed. In addition, a 2015 supplementary notice was sent increasing the assessment by \$142,000 for the months of August to December 2015. Under C-543, the refund totals \$10,635.94. This includes a 24 month period at a taxable municipal assessment of 38.369%. The group has, however, requested a refund going back to occupancy. If Council wishes to consider providing this additional refund, it would result in another \$7,100.67.

The third request was from Gateway Association for Community Living, account 3517679. Renovations took place during the month of October 2017 and were complete January 2018. This organization became 7.44% exempt from all levies as of January 2018. The refund totals \$1,430.45.

The final request was from the House of Glory International Pentecostal Ministry, account 1075795. Renovations commenced April 2017 and were completed October 2017, with the construction period totaling six months. This religious organization was 100% exempt from all levies as of October 2017. The refund totals \$27,576.58.

Legal Implications

Under section 347 of the *Municipal Government Act*, City Council has the ability to cancel or refund part of a tax if it considers it equitable to do so. City Council may only do so with respect to a specific taxable property or business or a class of taxable properties or businesses.

Public Engagement

These requests fall under an existing Council policy. As such, no further public engagement was undertaken.

Corporate Outcomes and Performance Management

Below is an account of the cost of Council policy C-543 as well as other Council tax decisions.

Corporate Outcome(s): The City of Edmonton has a resilient financial position			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Ensure transparent and reasonable tax policy.	5-year total of Council- approved tax cancellations and refunds	Under City Policy C543: \$535,586.19 (2013-2017) Ad-hoc requests from non-profit organizations: \$301,314.21 (2013-2017)	N/A
	5-year average value of Council- approved tax cancellations and refunds	Private property owners: \$0.00 (2013-2017) Under City Policy C543: \$107,117.24 (2013-2017) Ad-hoc requests from non-profit organizations: \$60,262.84 (2013-2017) Private property owners: \$0.00 (2013-2017)	
Ensure transparent and reasonable tax policy.	5-year total of Council- approved tax deferrals	Ad-hoc requests from non-profit organizations: \$638,293.58 (2013-2017) Private property owners: \$0.00 (2013-2017)	N/A

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	5-year average value of Council- approved tax deferrals	Ad-hoc requests from non-profit organizations: \$127,658.72 (2013-2017) Private property owners: \$0.00 (2013-2017)	
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Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations
Commercial	Tax refunds will shift the tax burden onto remaining taxpayers	5	1	5	Council could choose not to approve the request	A refund will be absorbed by the remaining tax base, but will put pressure on tax increases.
Legal / Regulatory	The City runs the risk of additional groups requesting similar consideration	3	1	3	This risk is mitigated by the existence of Council policy.	Council ultimately has the authority to approve or deny subsequent requests.

Attachments

1. 2017 Policy C543 Refund Request List
2. Policy C543