

KINGSWAY LEGION OUTSTANDING TAX BALANCE OPTIONS

RECOMMENDATION

That the June 1, 2022, Financial and Corporate Services report FCS01158, be received for information.

Report Purpose

Information only

The Kingsway Legion is requesting City Council consider tax relief for their property (Managing the Corporation).

Previous Council/Committee Action

At the February 22/24, 2022, City Council meeting the follow motion passed:

That Administration return to Executive Committee with a report outlining the options available to City Council for supporting the Kingsway Legion (account 10189875) with their current outstanding tax balance.

Executive Summary

- The Kingsway Legion is exempt from property taxes except for its licensed areas as required under the *Municipal Government Act*.
- The Legion stopped paying any property taxes in 2020, resulting in the accumulation of a significant outstanding balance.
- The Legion has requested leniency regarding its outstanding tax amount, citing that the pandemic created financial hardships.
- Retroactive tax relief is guided by Council-adopted City Policy C607. Under that policy, the Legion would have qualified for \$1,000 in tax forgiveness, but Council has the authority to go beyond the policy if it considers it appropriate to do so.

REPORT

The *Municipal Government Act* (MGA) and its regulations set out Alberta's property taxation framework, including the criteria for determining which properties are exempt from paying taxes.

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Royal Canadian Legions are exempt from property taxation, except for their liquor licensed area, if they choose to have one.

The Kingsway Legion is a licensed venue. Most of the Legion space is exempt from taxes, but the licensed area remains taxable. Up until March 2020, the Kingsway Legion paid its property taxes through a monthly payment plan. After that date, no further payments were made and the Legion was removed from the monthly payment plan. Non-payment between April 2020 and February 2022 resulted in an accumulated total of \$120,183.95, of which \$24,186.85 was penalty, \$71 were dishonoured payment charges and \$95,926.10 was principal. The Kingsway Legion has since requested leniency regarding its outstanding tax amount, indicating that the pandemic created financial hardship for the group.

In response to any request for tax forgiveness, Administration refers to Council's Retroactive Municipal Tax Relief Policy C607 to determine a fair and equitable approach. Under that policy, penalty forgiveness is only granted if non-payment was the result of death, life-threatening illness or hospitalization of the taxpayer or close family member prior to the payment deadline. The Legion would, therefore, not qualify for penalty forgiveness under these policy sections.

Alternatively, Policy C607 can consider a tax rebate for "errors of fact", when an objective assessment error is identified. In the case of the Legion, an exemption error was identified in 2021 that reduced the group's taxable status from 36 per cent to 17 per cent of its building area. This change was made in 2021, but cannot be retroactively applied to 2020 under normal assessment practices. The effective rebate amount could, however, be provided using Council tax relief powers. Policy C607 typically limits error rebates to a maximum of \$1,000, and an application for the rebate must be made in the following taxation year. In the case of the Legion, this did not occur.

Under Policy C607, the Legion does not qualify for any tax relief. If Council were to consider tax relief, Administration proposes one of the following approaches:

1. Keep the entire principal amount owing and forgive penalties associated with non-payment over the past two years, or
2. Expand the "errors of fact" provision in this case to provide more than the \$1,000 limit.

Forgiving penalties would result in a balance reduction of \$26,416. This approach would fall entirely outside of Policy C607 and other property owners who suffered during pandemic may also believe they should receive penalty forgiveness. For this reason, Administration does not recommend this approach.

Alternatively, if the "errors of fact" provision was expanded beyond its \$1,000 limit, the organization would receive a municipal tax credit of \$35,253. If the credit is enacted in a post-dated manner, the corresponding penalty accumulated would also be reduced, resulting in a total balance reduction of \$45,710. This approach falls more closely in line with Policy C607 as there was an identified "error of fact", however Council would be waiving the application deadline and the \$1,000 rebate cap.

In anticipation of the latter approach, the Kingsway Legion paid \$74,474 on February 25, 2022. If Council approves the second option outlined above, all remaining tax balances from previous

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years will be eliminated leaving only the 2022 tax amount for the organization to pay. If Council wishes to proceed with this option, the following motion can be made:

That Administration cancel previously levied municipal property taxes from the 2020 taxation year in the amount of \$35,253 on account 10189875 as well as associated penalties with the amount to be paid for through the tax loss reserve.

Budget/Financial Implications

Administration has an established budget for tax losses, which is typically drawn upon for outstanding Assessment Review Board decisions and other qualifying C607 requests. Any forgiveness would be paid out of this fund, which is presently sufficient to cover the cost.

Legal Implications

Section 347 of the MGA allows Council to cancel, reduce, refund or defer municipal taxes and arrears when it considers it equitable to do so. Policy C607 guides and assists Council when exercising these powers.

COMMUNITY INSIGHT

As this concern is related to a specific property, no engagement with Edmontonians was undertaken for this report. However, Administration has been in contact with the Kingsway Legion regarding their property tax concerns.

GBA+

Property taxes are paid directly by property owners, and revenues are used to fund City infrastructure and services for all citizens. It is difficult to link property tax data with demographics, particularly for a situation dealing with one property owner. Administration is not able to record demographic information about property owners seeking tax relief. While all taxpayers ultimately pay for any tax relief provided, the impact on the overall tax rate is minimal.