

## REVIEW OF POLICY C607 - RETROACTIVE MUNICIPAL TAX RELIEF

### RECOMMENDATION

That Executive Committee recommend to City Council:

That revised City Policy C607A - Retroactive Municipal Tax Relief, as set out in Attachment 1 of the June 1, 2022, Financial and Corporate Services report FCS001139, be approved, with the effective date upon approval.

### Report Purpose

#### Council decision required

Executive Committee is being asked to recommend that Council approve an amended City Policy C607 - Retroactive Municipal Tax Relief, as attached, which provides direction on the use of Administration's delegated authority to grant municipal tax relief under section 347 of the *Municipal Government Act*.

### Executive Summary

- Council has broad authority to provide relief from municipal taxes and penalties. City Policy C607 - Retroactive Municipal Tax Relief guides that discretionary authority while providing the City Assessor with clear direction on the administration of retroactive tax relief.
- In general, this policy supports limited tax relief when property owners are impacted by a City error, outlines the circumstances under which penalties can be forgiven, and supports relief in certain circumstances when properties are damaged.
- The Policy also supports municipal tax relief for properties that would otherwise be exempt from taxation in a completed or occupied state, but are taxable while undergoing construction or renovations.
- Administration is proposing several amendments to improve clarity and equitability to the Retroactive Municipal Tax Relief Policy, C607.

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## REPORT

Municipal councils in Alberta have broad authorities to cancel, reduce or defer municipal taxes under section 347 of the Municipal Government Act, and can directly grant tax relief whenever it considers it equitable to do so. This authority does not extend to provincial education taxes or other provincial requisitions.

In 1998, Edmonton City Council approved the Tax Adjustment and Rebate Criteria applied to make these decisions. In 2009, Council approved City Policy C543 - Retroactive Municipal Tax Refunds, which expanded the types of supported relief.

The City of Edmonton Charter, a regulation under the Municipal Government Act that came into effect in 2017, allows Council to delegate its tax relief powers to Administration as long as the total amount cancelled, reduced or deferred does not exceed \$500,000 per taxation year. In 2019, Council delegated these tax forgiveness powers to the City Assessor through Bylaw 18652 - Municipal Tax Relief Delegation Charter Bylaw. This bylaw allows the City Assessor to cancel and reduce taxes and tax arrears only in accordance with a bylaw or policy established by Council. The current version of Policy C607 - Retroactive Municipal Tax Relief guides Council's discretionary tax relief authority, while also providing boundaries for the City Assessor to exercise delegated authorities under the bylaw.

Policy C607 undergoes reviews at regularly scheduled intervals. Based on this current review, Administration believes the current policy is working well overall. However, Administration is recommending some amendments for Council's consideration, noting that any tax relief provided is ultimately borne by all other taxpayers.

### Policy Overview

Policy C607 provides a framework for the use of Council's discretionary power to grant retroactive municipal tax cancellations and refunds, and to ensure that requests for tax cancellations, reductions and refunds are dealt with in a fair and consistent manner. The policy also guides the City Assessor in the exercise of their delegated tax relief powers. The existing version of the Policy is included as Attachment 1, with proposed amendments denoted in red font.

Section 1 of the Policy provides definitions.

Section 2 describes situations where full or partial relief of taxes or penalties is supported. In some situations, the Policy caps the amount of relief that can be approved and further conditions may apply. For example:

- A taxpayer notices a factual error in an assessment from the previous tax year – relief capped at \$1,000.
- A payment error occurs that is fully or partially the fault of the City, or a payment is made on time but to the wrong account – relief for penalties only.
- The death, illness or hospitalization of a property owner or immediate family member results in late payment – relief for penalties only.

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- An improvement has been destroyed or involuntarily rendered uninhabitable during the tax year – relief capped at \$1,000.

Section 3 describes circumstances where tax relief is generally not supported. For example:

- A taxpayer makes an error that results in late payment.
- A payment is received late due to a postal strike.
- A taxpayer claims to have not received a tax notice.
- A taxpayer disputes the amount of taxes owing.
- A taxpayer is operating a property illegally, such as when necessary approvals have not been granted.
- A taxpayer requests to defer their taxes for any reason.

Section 4 describes a special category of tax relief for properties that are under construction or renovation, but will be exempt once completed or occupied. Because property tax exemptions are generally based on the use of the property, the property is taxable during construction while the property cannot be used. The Policy provides up to three years of tax cancellation under these circumstances. Properties that typically qualify for this type of tax relief include those used as religious buildings or for burial purposes, nursing homes, post-secondary institutions, hospitals, and some non-profit organizations. The vast majority of tax relief approved through the City Assessor’s delegated authority falls under this Section, since this category covers the value of up to three full years of municipal taxes.

As summarized in the table below, the City Assessor has approved \$364,331.40 of municipal tax and penalty relief in accordance with Policy C607 over the past two years. In some cases this includes taxes or penalties from previous years.

Calendar Year	Relief Type	Accounts	Amount
2021	Municipal Tax	33	\$225,197.14
	Penalties	2	\$383.93
	<b>Total</b>	<b>34*</b>	<b>\$225,581.07</b>
2020	Municipal Tax	53	\$119,055.74
	Penalties	17	\$19,694.59
	<b>Total</b>	<b>62*</b>	<b>\$138,750.33</b>

\*Some accounts were granted relief from both municipal tax and penalties.

### Proposed Amendments

Administration is proposing several amendments to add clarity to the Policy, and in some cases, increase the caps limiting the amount of relief the City Assessor can approve. Attachment 2 provides a detailed comparison of the amended sections to the current Policy and provides a rationale for each proposed change. The proposed changes can be summarized as follows:

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- Add a statement indicating that documentation and evidence may be required to support any request for relief under any section of the Policy.
- Increase the amount of relief the City Assessor can approve from \$1,000 to \$5,000 when the City has made an assessment error in the previous year, or when a property is destroyed or rendered uninhabitable.
- Clarify that relief may be considered and supported only for the period in which the current owner has owned the property (i.e. relief is not supported for taxes incurred by the previous owner).
- Clarify that relief of penalties in consideration of death or illness will only be supported for residential properties that are not owned by corporations, and only if there are no tax arrears on the property.
- Clarify that relief of penalties is not supported if the penalties arise from an error or delay in payment delivery due to the taxpayer or any third party (e.g. Canada Post or a courier).
- Add schools as properties eligible for relief under Section 4.
- Also in Section 4, clarify that if construction on any type of property lasts for more than three years, the relief is based on the final three years of construction, rather than the initial three years.
- Move the Definitions to the end of the document and make other minor changes to align with the new City Policy template.

These amendments have been incorporated into the new, recommended version of the Policy presented in Attachment 3.

### **Budget/Financial Implications**

The proposed amendments are not expected to result in a significant change in the amount of relief approved by the City Assessor. Analysis of relief approved over the past two years indicates that had the caps been \$5,000 as proposed instead of \$1,000, the additional approved relief would have totalled about \$18,000.

All approved tax relief is applied directly to the property owner's tax account from a fund established for this purpose.

### **Legal Implications**

Council has broad authority to cancel, reduce or defer municipal taxes when it considers it equitable to do so. The City of Edmonton Charter further allows Council to delegate this authority, as long as the total amount of taxes cancelled, reduced, refunded or deferred in a taxation year is less than \$500,000. Bylaw 18652 delegates the authority to cancel, reduce, or refund taxes or tax arrears to the City Assessor in accordance with city policy, which is expressed through Policy C607.

## **COMMUNITY INSIGHT**

The City receives requests for tax forgiveness every year, and it is through these interactions that Administration has identified the need for the proposed policy amendments.

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Property taxes are paid directly by property owners and the revenues are used to fund municipal infrastructure and services for all residents. It is difficult to link property tax data with demographics, particularly for a policy such as C607, which directly impacts few people. Administration does not record demographic information on property owners seeking tax relief. While all taxpayers ultimately pay for any tax relief provided for the few that qualify for it under Policy C607, the impact on the overall tax rate is not significant.

In general, this Policy supports property owners who are impacted by a City error or by certain circumstances that prevent the use of their property. It is designed to address the relatively common situations where relief may be warranted, but it does not, and cannot, address all possible circumstances where Council may consider tax relief to be appropriate. While Policy C607 guides Council's discretionary tax relief powers, Council always retains the ability to override the Policy and/or approve tax relief in any other circumstance if it considers it equitable to do so. This means that if a property owner believes the policy is inequitable for any reason, they have a mechanism to request relief directly from Council.

## ATTACHMENTS

1. Policy C607 - Retroactive Municipal Tax Relief (Redline Version)
2. Policy C607 Recommended Amendments and Rationale
3. Policy C607A - Retroactive Municipal Tax Relief (New Version as Recommended by Administration)