

TURKISH CANADIAN SOCIETY OUTSTANDING TAX BALANCE OPTIONS

RECOMMENDATION

That the August 10, 2022, Financial and Corporate Services report FCS01221, be received for information.

Requested Council Action		Information only	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work as we work to achieve our strategic goals.		Urban Places	
City Plan Values	LIVE		
City Plan Big City Move(s)	Inclusive and compassionate	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	Council Policy C607A - Retroactive Municipal Tax Relief		
Related Council Discussions	n/a		

Previous Council/Committee Action

At the April 4/5/6, 2022, City Council meeting, the following motion was passed:

That Administration return with a report outlining the options available to Council for supporting the Turkish Canadian Society (Account 9998985) with their current outstanding tax balance.

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Executive Summary

- The Turkish Canadian Society stopped paying property taxes in 2020, resulting in the accumulation of a significant outstanding balance.
- The organization has requested leniency regarding its outstanding tax amount, citing that the pandemic created financial hardships.
- While reviewing the file, Administration found that an assessment error occurred that resulted in tax liabilities that were approximately \$20,800 higher than they should have been. The error was corrected for the 2022 tax year.
- Retroactive tax relief is guided by Council-adopted City Policy C607A - Retroactive Municipal Tax Relief. Under this Policy, the Turkish Canadian Society qualifies for \$5,000 in tax forgiveness due to the error, but Council has the authority to go beyond the Policy's limits if it considers it appropriate to do so.

REPORT

The property in question is a former public school that was purchased by the Turkish Canadian Society in 2002. Up until the current taxation year, the assessment only reflected two buildings on site: one exempt from taxation as a non-profit cultural centre, and the other taxable as a private daycare centre. A newly constructed mosque also occupies the site, but is unrelated to the current tax arrears.

The *Municipal Government Act* (MGA) and its regulations set out Alberta's property taxation framework including options for tax forgiveness. Administration has limited authority to approve tax forgiveness and the full extent of the Turkish Canadian Society's request does not fall within that authority. However, Council has the authority to cancel or rebate any tax amount so long as it considers it equitable to do so.

Taxes on the property were paid up until 2019, but no payments were received in the 2020 and 2021 taxation years. The Turkish Canadian Society has indicated that their operations were impacted by the pandemic and they neglected to pay their taxes because they did not have time to follow up with the assessment team. This is not sufficient grounds for Administration to grant tax relief under City Policy C607A.

However, in reviewing this file, Administration found an assessment error that impacted the amount of taxes levied in 2020 and 2021. The error related to the calculation of the taxable square footage of buildings on the property, which incorrectly reduced the percentage of the property considered exempt from taxes. While this error was corrected for the 2022 tax year, it erroneously increased the property's taxes in 2020 and 2021. The amount associated with this error over these two years is \$20,822.62 plus accumulated penalties.

In response to any request for tax forgiveness, Administration refers to Council's Retroactive Municipal Tax Relief Policy C607A. The Turkish Canadian Society qualifies for a tax rebate under the "Errors of Fact" section of the Policy, but the Policy only allows Administration to provide a rebate for the previous tax year (2021) and caps the tax relief at \$5,000. Council Policy C607A

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exists to outline a clear and consistent approach to all tax relief requests, but Council has the authority to provide tax relief beyond the guiding provisions of Policy C607A.

If Council wishes to provide further tax relief beyond the guidelines of Policy C607A, it could cancel the full amount of taxes and penalties associated with the assessment error. This approach aligns with Policy C607A as it rebates taxes that were levied due to an identified “error of fact”, but it extends beyond the Policy as Council would be waiving the application deadline, the limitation of applicability to only the previous year and the \$5,000 rebate cap.

In anticipation of Council possibly providing additional relief, the Turkish Canadian Society made a property tax payment of \$22,250 on February 25, 2022. If Council wishes to approve the approach outlined above, the following motion can be made and all remaining tax balances from previous years will be eliminated:

“That Administration cancel previously levied municipal property taxes from the 2020 and 2021 taxation years on Account 9998985 in the amount of \$20,822.62, as well as associated penalties, and that this amount be recorded against tax losses.”

Budget/Financial Implications

Administration has an established budget for tax losses, which is typically drawn upon to pay for outstanding Assessment Review Board decisions and other qualifying C607A requests. Any additional Council forgiveness motions, such as this, would be similarly processed.

Legal Implications

Section 347 of the *Municipal Government Act* allows Council to cancel, reduce, refund or defer municipal taxes and arrears when it considers it equitable to do so. Policy C607A guides Council in its use of this authority.

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 Turkish Canadian Society 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 residents. 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 other taxpayers ultimately pay for any tax relief provided, the impact on the overall tax rate is minimal.