

BYLAW 20273 - TAX PENALTY, INTEREST AND MONTHLY PAYMENT BYLAW

Amendment #4 to Bylaw 19394

RECOMMENDATION

That Bylaw 20273 be given the appropriate readings.

Purpose

To amend Bylaw 19394 to establish:

- the 2023 due dates for payment of taxes;
- the rates of penalty to be imposed for late payment;
- the rate of interest to be applied on overpayments, and
- the terms under which taxes may be paid in monthly installments.

Readings

Bylaw 20273 (Attachment 1) is ready for three readings.

A majority vote of City Council on all three readings is required for passage.

If Council wishes to give three readings during a single meeting, then prior to moving third reading, Council must unanimously agree “That Bylaw 20273 be considered for third reading.”

Position of Administration

Administration supports this Bylaw.

Report Summary

This annual bylaw establishes the due date for payment of property and business improvement area taxes, the penalty to be applied on unpaid taxes, the interest rate for overpayments of taxes, and the terms under which taxes may be paid in monthly installments.

REPORT

This Bylaw will amend Bylaw 19394 (Attachment 2) effective January 1, 2023.

Bylaw 20273 - Tax Penalty, Interest and Monthly Payment Bylaw - Amendment #4 to Bylaw 19394

The only change being proposed for 2023 is the rate of interest to be applied on overpayments of taxes. The current rate of 0.06 per cent per month (0.72 per cent per year) has remained the same for a number of years. Based on the recommendation of the City's investment management team, it is recommended that the 2023 rate be adjusted to 0.10 per cent per month (1.20 per cent per year) to better reflect changing interest rates and market conditions.

Annual property tax notices are mailed in May and annual Business Improvement Area (BIA) tax notices are mailed in February, reflecting the taxes payable for the period of January 1 to December 31. Penalties on unpaid current taxes will be imposed commencing July 1 for property taxes, and April 1 for BIA taxes. Penalty rates for property and BIA taxes total 15 per cent and 14 per cent, respectively, per annum for unpaid current taxes and 15 per cent per annum in both cases for arrears of taxes.

Administration conducts a jurisdictional survey to ensure that Edmonton's penalty rates are reasonable when compared to those in place in other municipalities (Attachment 3).

The current penalty rate structure has been in place since 2016 and no change is being recommended for 2023. The five per cent late payment penalty applied on July 1, September 1 and November 1 for unpaid current taxes encourages compliance with the tax deadline, improves collection rates and defines clear periods of revenue intake for budgeting and cashflow purposes. This approach of applying a larger penalty on a staggered basis is also consistent with the majority of taxing jurisdictions in the province.

The due date for 2023 BIA taxes is March 31, 2023. The due date for payment of property taxes is June 30, 2023, as in previous years.

Any overpayment of taxes will earn interest at the rate of 0.10 per cent per month based on the minimum monthly credit balance.

A monthly payment program by automatic bank withdrawal is offered to taxpayers and allows for payment of taxes in monthly installments without penalty. Enrolment in this program has increased on average three per cent per annum, representing approximately 33 per cent of the total tax accounts, based on 2021 year end statistics.

Budget/Financial Implications

Passage of this bylaw will result in projected tax penalty revenues of \$20.6 million for 2023.

ATTACHMENTS

1. Bylaw 20273
2. Bylaw 19394
3. Survey of Alberta Municipalities

OTHERS REVIEWING THIS REPORT

M. Plouffe, City Solicitor