

## BYLAW 20578

### Tax Penalty, Interest and Monthly Payment Bylaw - Amendment #5 to Bylaw 19394

#### Recommendation

That Bylaw 20578 be given the appropriate readings.

#### Purpose

To amend Bylaw 19394 to establish:

- the 2024 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 20578 (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 20578 be considered for third reading.”

#### 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, 2024. A side by side comparison of the change in the bylaw is included as Attachment 3.

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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 3 for property taxes, and April 3 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.

Each year, Administration conducts a jurisdictional survey to ensure that Edmonton's penalty rates are reasonable when compared to those in place in other Albertan and Canadian municipalities (Attachment 4).

The current penalty rate structure has been in place since 2016. In 2023, Council approved a change to the rate of interest applied to overpayments of taxes to better reflect changing interest rates and market conditions. This change resulted in an increase in the interest rate from 0.72 per cent per year in 2022 to 1.2 per cent per year in 2023.

For 2024, the definition of "Tax" in Part I - Section 2(m) was updated to include the Clean Energy Improvement Program (CEIP). In addition, the dates on which penalties are applied were updated for the new calendar year.

The due date for 2024 BIA taxes is March 31, 2024, but because that weekend represents a statutory holiday, penalties are not charged and applied until April 3. Similarly, the due date for payment of property taxes is June 30, 2024, and penalties are not charged and applied until July 3.

The five per cent late payment penalty applied annually on July 3, September 4 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 Alberta.

Any overpayment of taxes will earn interest at the rate of 0.10 per cent per month (1.2 per cent per year) 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 2.7 per cent per annum over the last five years, representing approximately 32 per cent of the total tax accounts, based on 2022 year-end statistics.

### **Budget/Financial Implications**

Passage of this bylaw is projected to result in tax penalty revenues of \$20.6 million for 2024.

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### **Attachments**

1. Bylaw 20578
2. Bylaw 19394
3. Side by Side Comparison of Proposed Bylaw Amendments
4. 2023 Survey Results of Alberta Municipalities

### **Others Reviewing the Report**

- M. Plouffe, Chief People Officer and City Solicitor