

## AL-MUSTAFA ACADEMY AND HUMANITARIAN SOCIETY

### Support with Outstanding Tax Balance

<b>Recommendation</b>			
That the January 17, 2024, Financial and Corporate Services report FCS02136, be received for information.			
<b>Requested Action</b>		Information only	
<b>ConnectEdmonton's Guiding Principle</b>		<b>ConnectEdmonton Strategic Goals</b>	
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.		<b>Urban Places</b>	
<b>City Plan Values</b>	THRIVE.		
<b>City Plan Big City Move(s)</b>	Inclusive and compassionate	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• C607A - Retroactive Municipal Tax Relief</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>		

### Previous Council/Committee Action

At the October 13, 2023, Executive Committee meeting, the following motion was passed:

That Administration provide a report to Committee outlining the options available for supporting the Al-Mustafa Academy and Humanitarian Society (account 10290545) with their current outstanding tax balance.

# AL-MUSTAFA ACADEMY AND HUMANITARIAN SOCIETY - SUPPORT WITH OUTSTANDING TAX BALANCE

## Executive Summary

- A property owned by Al-Mustafa Academy and Humanitarian Society was eligible for a tax exemption in 2021, but the organization did not apply for the exemption until 2022.
- The organization did not make property tax payments until September 2023, resulting in an accumulation of a significant outstanding balance.
- Retroactive tax relief is guided by Council Policy C607A - Retroactive Municipal Tax Relief. The organization does not qualify for relief under this policy. However, Council has the authority to cancel or refund municipal taxes outside the policy if it so chooses.

## REPORT

Al-Mustafa Academy and Humanitarian Society is a non-profit organization provincially accredited to provide primary and secondary education as a private school. The organization purchased Bellevue School (11515 71 Street) in September 2019, which was exempt from property taxes under its previous owner. As is routine when tax-exempt properties change ownership, Administration sent a letter to the organization in March 2020 asking them to submit an application to determine if the property still qualified for a tax exemption. Administration maintained the exemption for 2020, but since no application was submitted, the exemption was discontinued for 2021.

The annual assessment notice sent in January 2021 showed that the property was taxable. A tax notice was issued in May 2021 and a letter was sent to the organization in August 2021 indicating that the taxes were still unpaid and late penalties were accruing. Administration sent another letter in February 2022 indicating that the property had fallen into tax recovery proceedings, prompting the organization to contact Administration shortly thereafter. Al-Mustafa Academy and Humanitarian Society applied for its exemption in February 2022, resulting in the property being 94.42 per cent tax exempt from 2022 onward (5.58 per cent of the property is taxable as a private for-profit daycare centre).

Section 347 of the *Municipal Government Act* authorizes Council to cancel or refund taxes if they consider it equitable to do so. Council Policy C607A - Retroactive Municipal Tax Relief is intended to guide Council in making decisions regarding tax relief and to direct the City Assessor's delegated tax relief authorities. This policy does not support tax relief in this circumstance since the taxes in question are beyond the previous year. However, Council does have the authority to cancel or refund municipal taxes outside the policy.

The amount available for Council to consider in tax forgiveness relates to the municipal taxes levied in 2021 (less 5.58 per cent for the taxable daycare space) and any subsequent penalties generated from that levy. Education taxes levied would not be eligible and unpaid local improvement charges would have been levied regardless of the property's exempt status.

As a result of a tax agreement signed to avoid the property going to a tax sale, the organization made an initial payment of \$10,000 in September 2023 along with additional monthly payments of \$5,000 each. As of December 1, 2023, the balance owing on this account is \$143,604.76.

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Tax penalties are in place to ensure compliance with payment deadlines and waiving penalty amounts outside the confines of Policy C607A can create equity challenges. Similarly, there is a balance between Council's leniency and the onus of a property owner to respond to City requests for exemption information in a timely fashion.

If Council wishes to provide tax relief for the organization, one of the following options could be considered:

### Option 1 - Municipal Tax Principal

Had the Al-Mustafa Academy and Humanitarian Society been exempted in 2021, the municipal tax amount levied would have been reduced by \$73,863.40. Council could choose to forgive this tax amount in recognition that the property would have qualified for this reduction had they contacted the City in that same year. Under this approach, penalties accrued on that amount since 2021 would not be forgiven.

If Council wished to pursue this approach, the following motion could be made:

*That tax forgiveness for account 10290545 (Al-Mustafa Academy and Humanitarian Society) be approved in the amount of \$73,863.40.*

### Option 2 - Municipal Tax Principal plus Associated Penalties

An alternative approach would be to forgive the previously referenced principal, but to also forgive the penalties that have accrued on that amount since 2021. Because the organization did not pay the taxes levied in 2021, 2022 or 2023, penalties have accrued and continue to accrue. At the time of writing this report, the amount of additional forgiveness cannot be calculated with exact certainty as it is dependent on payments the organization is currently making. However, including penalty forgiveness on the 2021 municipal tax levy would increase the forgiveness amount by approximately \$40,000. This approach would still leave an outstanding balance related to unpaid education taxes, local improvement levies and the taxable daycare from 2021 to 2023 along with the associated penalties those charges accrued.

If Council wished to pursue this approach, the following motion could be made:

*That tax forgiveness for account 10290545 (Al-Mustafa Academy and Humanitarian Society) be approved in the amount of \$73,863.40 along with associated penalties accrued since 2021.*

## **Budget/Financial Implications**

Administration has an established budget for tax losses, which covers outstanding Assessment Review Board decisions and qualifying tax forgiveness requests. Any additional Council tax forgiveness motions can be processed in a similar manner, provided sufficient budget room is available.

## **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 is intended to

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guide Council in its use of this authority, but Council can grant tax forgiveness beyond the Policy if it wishes.

### **Community Insight**

As this concern is related to a specific property, broad engagement was not conducted for this report. Administration has been in contact with Al-Mustafa Academy and Humanitarian 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, should the tax forgiveness be approved, is minimal.