

Report to Council



Date: February 3, 2020
To: Council
From: City Manager
Subject: Property Tax Penalty Bylaw
Department: Financial Services

Recommendation:

THAT Council receives, for information, the Report from the Revenue Supervisor dated February 3, 2020 recommending that Council adopt a new Property Tax Penalty Bylaw;

AND THAT Bylaw No. 11971, being the Property Tax Penalty Bylaw, be forwarded to Council for reading consideration;

AND FURTHER THAT Bylaw No. 8639, being the current Tax Penalty Bylaw, be repealed.

Purpose:

To update the structure for the legislated, non-discretionary penalty applied to property taxes outstanding after the due date from two annual due dates to one annual due date.

Background:

The Community Charter, section 235, authorizes municipalities to establish bylaws setting due dates for property taxes and assessing penalties in relation to payments made after the tax due date. The legislated, non-discretionary penalty rate is established in the Municipal Tax Regulations under B.C. Reg. 426/2003, section 3, and is currently 10 per cent. The current City of Kelowna bylaw, Tax Penalty Bylaw No. 8639, was adopted in 2001 and authorized a split of the penalty across two due dates, with a five per cent penalty applied for late payments at each due date (in July and then in August).

Payment options and communication methods have improved considerably since the current bylaw was adopted in 2001. Historically, cash, cheque, bank draft or payment at the bank were the typical forms of payment. Current banking methods have expanded over the last 19 years and contemporary financial processes have streamlined the payment of property taxes. More payment options are now offered by financial institutions, for example online/mobile/phone banking and pre-payment plans, resulting in much more accessibility and flexible payment options for taxpayers. Taxpayers have more options to be informed about the annual tax due date via multiple channels: direct letter with tax

notice, e-newsletters, news releases/media articles, social media posts, on kelowna.ca/propertytax, posters in City Hall, and print and online advertising. Kelowna tax communication starts in May annually. Additionally, the Provincial Home Owner Grant (which reduces the property taxes owing) is available online of which approximately 60 per cent of taxpayers utilize along with online payments.

Of the larger Okanagan and other interior BC municipalities listed below, Kelowna is currently the only municipality with a split-penalty, two due-date structure.

Vernon	Lake Country	Peachland	Kamloops	Salmon Arm	Osoyoos	Quesnel
Penticton	Summerland	Armstrong	Merritt	Revelstoke	Williams Lake	Oliver
West Kelowna	Coldstream	Spallumcheen	Nelson	Creston	Cranbrook	

Discussion:

The split-penalty, two due-date structure is administratively costly. Taxpayers of Kelowna have a proven record of paying on time, with 90 per cent of taxpayers paying by the first (July) due date and another 4 per cent paying by the second (August) due date. Overall, approximately 95 per cent of property tax revenues are collected by the July due date.

Adjusting the penalty structure to a single due-date offers efficiency and cost savings in both staff time and printing/postage costs. The savings incurred can be applied to other City services and resources to continue to best serve taxpayers and the community.

Additionally, the potential increased compliance of on time payments supports aligning City resources equitably and efficiently with the high-value activities to best serve City of Kelowna residents.

Conclusion:

It is recommended that the split penalty for late tax payments be updated to reflect a single due-date penalty. This would be more equitable for taxpayers who pay on time and to realize cost savings and efficiency of staff time. The split-penalty, two-date structure is not aligned with the principle of equitable treatment as taxpayers that pay late are receiving more time and resources than taxpayers who pay on time. With the improvements in payment and communication options, there is no longer reason to provide this additional time to pay. It also aligns the City of Kelowna with many B.C. municipalities' best practices.

Repealing the Tax Penalty Bylaw No. 8639 and adopting the Property Tax Penalty Bylaw No. 11971 to facilitate the recommended penalty structure of one penalty and one payment due date provides equitable use of resources to all taxpayers.

Internal Circulation:

Divisional Director, Financial Services
Controller, Financial Services
Communications Consultant
City Clerk

Considerations applicable to this report:

Legal/Statutory Authority:

The Community Charter Section 235 authorizes municipalities to establish bylaws setting due dates for property taxes and assessing penalties in relation to payments made after the tax due date.

Financial/Budgetary Considerations:

The changes resulting from the new bylaw will result in increased penalty charges which are expected to normalize in relation to increases in compliance to make on time payments.

Communications Comments:

The new penalty structure will be communicated directly to taxpayers as part of the annual taxation communications, including the City website, news releases, notices in City Hall, social media and stated on the tax notice.

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements

Existing Policy

External Agency/Public Comments

Submitted by: Angie Schumacher, CPA, CGA, Revenue Supervisor

Approved for inclusion:



G. Davidson, CPA, CMA, Divisional Director, Financial Services