

Report to Council



Date: July 27, 2020
To: Council
From: City Manager
Subject: Permissive Tax Exemption Policy 327 – Non-Profits
Department: Financial Services

Recommendation:

THAT Council receives the report from the Revenue Supervisor dated July 27, 2020 which provides information for the Permissive Tax Exemption Policy 327 as it relates to non-profits.

Purpose:

To respond to Council’s July 14, 2020 request for a report explaining the permissive tax exemption policy as it relates to non-profits.

Background:

Permissive Tax Exemption Policy 327 history

Aug 2005	Council adopted Permissive Tax Exemption Policy 327
Mar 2006	Task Force formed by council direction begins review of the policy, including public meetings/input (<i>led by a consultant, chaired by a City Councilor and includes city staff, two businesses, two resident’s associations and two non-profit organizations</i>)
May 2006	Council adopted Task Force recommendations for policy amendments to provide clarity and ensure fair, consistent, and unified permissive exemption eligibility criteria.
Jun 2010	Council reaffirmed their position on the policy, specifically regarding a review of Criteria #8 for short-term housing (<i>provides short term housing with length of stay up to a maximum of 2 years</i>)
Sep 2012	Council reconfirmed the policy in its current state from a Council requested review

The Task Force’s objective was to develop amendments for Policy 327 to clarify the Permissive Tax Exemption eligibility criteria. They accomplished this by:

- Background research, including legislation and policies from other communities
- Training to understand the present state and historical issues with application of the policy
- Hearing concerns and requests from organizations through a public meeting and written submissions
- Deliberating how to create a level playing field for all non-profits through a full-day workshop

Discussion:

There are nine eligibility criteria detailed in the attached Appendix A (Policy 327) that apply to all applicants that are a result of the work the Task Force undertook. Each applicant falls under one of eight schedules as set out in the attached Appendix B (Schedules Background). Schedules A, B and C represent properties that have a statutory exemption from BC Assessment and so are not considered for this report. The other schedules (D, E, F, G and H) all relate to non-profits.

The following table summarizes the rationale from the Task Force for the eligibility criteria that is detailed in the attached in Appendix C (Task Force amendments):

Criteria	Rationale
#3: Non-Profit Organization	Must not be in competition with for-profit business
#4: Services/programs	If provided at a reasonable cost and benefits the community, City then doesn't need to provide
#5: Principal use of property	Tied to principal purpose of property owner to clarify non-profit leasing to community members
#6: Provides benefits and is accessible to residents of Kelowna	Some age restrictions may apply depending on activities offered
#7: Liquor and/or meal services as primary function not eligible	Restaurant type services are in competition with for-profit
#8: Short term housing	Prior policy was one year, increase to two years based on industry practices to maintain emergency-type housing Rationale for the change was that long-term housing is not provided by the City and there are municipal cost consequences of an area that's traditionally a provincial responsibility
#9: Residence on property	Exempt only for caretaker not paying rent under agreement

Conclusion:

There are many organizations in the community providing excellent services, however providing tax exemptions to all would shift the costs to other taxpayers. The Task Force made compromises for many sectors during their review recognizing any changes may create a ripple effect with other organizations. Adherence to the eligibility criteria outlined in the policy results in granting exemptions that are clear, consistent and certain.

Internal Circulation:

Divisional Director, Financial Services

Considerations applicable to this report:

Legal/Statutory Authority:

Council may, by bylaw in accordance with sections 220, 224 and 225 of the Community Charter exempt land or improvements, or both, from taxation to the extent, for the period and subject to the conditions provided in the bylaw.

Legal/Statutory Procedural Requirements:

Under section 227 of the Community Charter Council must give notice of a proposed bylaw in accordance with section 94 [public notice must be once a week for 2 consecutive weeks prior], identifying the property that would be subject to the bylaw, describe the proposed exemption, state the number of years that the exemption may be provided and provide an estimate of the amount of taxes that would be imposed on the property if it were not exempt, for the year in which the proposed bylaw is to take effect and the following 2 years.

Under Division 7 – Permissive Exemptions of the Community Charter a bylaw may only be adopted by an affirmative vote of the majority of Council, and does not apply to taxation in a calendar year unless it comes into force on or before October 31 in the preceding year.

Existing Policy:

Permissive Tax Exemption Policy 327

Financial/Budgetary Considerations:

Tax exemptions are not financed through a budgetary line item in the same way as municipal spending, nor do they affect the amount that has to be raised through property taxes. Nevertheless, tax exemptions do impose a cost on taxpayers who are not exempt. Tax exemptions reduce the total value of the tax base (i.e. the taxable value of property). Therefore, tax exemptions transfer the burden of taxation from properties that are exempt to properties that are taxable. An increase in the value of tax exemptions increases the taxes paid by properties that are not tax exempt.

Considerations not applicable to this report:

External Agency/Public Comments:

Communications Comments:

Submitted by:

Angie Schumacher, Revenue Supervisor

Approved for inclusion:



Genelle Davidson, Divisional Director, Financial Services

Attachments:

Appendix A Permissive Tax Exemption Policy 327

Appendix B Permissive Tax Exemption Schedules Background

Appendix C Permissive Tax Exemption Task Force amendments