

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON OCTOBER 29, 2013
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	PRE-AUTHORIZED TAX PAYMENT PLAN BY-LAW AND COLLECTION OF PROPERTY TAXES BY-LAW

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to property taxation for 2014:

1. A by-law to amend By-law A-5505-497 “A by-law to authorize the implementation of a pre-authorized payment plan” so that the calculation of pre-authorized payments is based on the previous year’s taxes increased by the average increase in total property tax rates in the residential class in the previous year (Appendix “A”), **BE INTRODUCED** at the Council meeting on November 5, 2013;
2. A by-law to amend By-law A-8 “a by-law to provide for the collection of property taxes” so that the calculation of the interim tax levy will be set at a percentage of 40% of the previous year’s taxes and then increased by the average increase in total municipal property tax rates in the residential class in the previous year (Appendix “B”) **BE INTRODUCED** at the Council meeting on November 5, 2013.

BACKGROUND

Section 317 of the *Municipal Act, 2001* permits a municipality to levy taxes prior to the completion of its annual budget and the determination of education tax rates by the Province. Sections 342 and 307 of the Act provide additional flexibility with respect to due dates and payment arrangements. In accordance with section 317, the amount that can be levied on each property prior to the adoption of the budget is limited to fifty percent of the total property taxes applicable to the property in the previous year. Interim tax levies provide the municipality with funds to operate and make remittances to school boards prior to the finalization of municipal and education tax rates for the year. Interim tax levies do not affect the determination of total final taxes for the year as any taxes not billed at interim time are included on the final tax bill.

Beginning in 2011, the City adopted the policy of adjusting the interim billing tax rate each year by the approximate amount of the average tax increase in the residential property class in the previous year. This annual adjustment permits the City to bill five (5) instalments each year and ensures that the amounts of each instalment are approximately equal. Each instalment is roughly 20% of the total taxes for the year ($5 \times 20\% = 100\%$). Two instalments are billed as an interim levy in January each year (40%), payable in February and March, and three instalments are billed in May as the final tax instalments for the year (60%), payable in June, August and October. In 2013, the average increase in total municipal property tax rates for the residential property class was 1.2%. Using this basis of calculation, the interim tax rate for 2014 would be 40.48% ($40\% \times 1.012$).

It is therefore recommended that an interim levy of 40.48% of the previous year’s taxes be set for the 2014 interim billing in the Property Tax Collection By-law and that the pre-authorized payments for 2014 be based on the previous year’s taxes increased by 1.2% representing the average tax

increase that occurred in the residential class in 2013. The proposed by-law amendments would have results consistent with past practice and would ensure that the City has sufficient funds to carry on operations and make remittances to local school boards. The proposed by-law amendments should also divide the annual tax billing into five approximately equal instalments for the convenience of the individual property owners.

SUMMARY

It is recommended that the Pre-authorized Payment By-law be amended so that payments for 2014 are based on the taxes of the previous year increased by the average increase in total residential municipal property tax rates in the previous year (i.e.1.2%). It is also recommended that the Property Tax Collection By-law be amended to set interim tax payments for 2014 on the same basis. This would result in an interim levy of 40.48% of previous year's taxes in 2014.

PREPARED BY:	CONCURRED BY:
JIM LOGAN DIVISION MANAGER-TAXATION & REVENUE	MIKE TURNER DEPUTY CITY TREASURER
RECOMMENDED BY:	
MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	