

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON OCTOBER 30, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES & 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 & City Treasurer, Chief Financial Officer, the following actions be taken with respect to property taxation for 2019:

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 6th, 2018;
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 40.52% of the previous year’s taxes (Appendix “B”) **BE INTRODUCED** at the Council meeting on November 6th, 2018.

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 *Municipal Act, 2001* 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 50% 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 practice 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 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 x 20% = 100%). Two instalments are billed as an interim levy in January each year (40%) and three instalments are billed in May as the final tax instalments for the year (60%). In 2019, the average increase in total property tax rates for the residential property class was 1.3%. Using this basis of calculation, the interim tax rate for 2019 would be 40.52% (40% x 1.013) of the 2018 tax rate.

It is therefore recommended that an interim levy of 40.52% of the previous year’s taxes be set for the 2019 interim billing in the Property Tax Collection By-law, and that the pre-authorized payments for 2019 be based on the previous year’s taxes increased by 1.3% representing the average tax increase that occurred in the residential class in 2018. 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 2019 are based on the taxes of the previous year increased by the average increase in total residential property tax rates in the previous year (i.e. 1.3%). It is also recommended that the property tax collection by-law be amended to set interim tax payments for 2019 on the same basis. This would result in an interim levy of 40.52% of previous year's taxes in 2019.

PREPARED BY:	CONCURRED BY:
JIM LOGAN, CPA, CA DIVISION MANAGER, TAXATION & REVENUE	IAN COLLINS, CPA, CMA DIRECTOR, FINANCIAL SERVICES
RECOMMENDED BY:	
ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER	

Appendix "A"

Bill No.

By-law No.

A by-law to amend By-law No. A.-5505-497 entitled, "A by-law to authorize the implementation of a pre-authorized tax payment plan for The Corporation of the City of London".

The Municipal Council of The Corporation of the City of London enacts as follows:

1. Schedule "A" of By-law No. A.-5505-497 is amended by repealing paragraph 10 therein and by enacting the following new paragraph 10 in its place:

"10. For 2019 the amount of the pre-authorized payment for the period January to May shall be calculated as the most recently available assessments consistent with the previous year's assessment valuations multiplied by the total tax rates applicable to the property in the previous year plus or minus any cap adjustment of the previous year and then multiplied by 1.013 and then increased by any local improvement or similar charge applicable to the property in 2019 and then divided by 10 and rounded to the nearest dollar."

2. This by-law comes into force on January 1, 2019

PASSED in Open Council on November 6, 2018

Matt Brown
Mayor

Catharine Saunders
City Clerk

First Reading – November 6, 2018
Second Reading – November 6, 2018
Third Reading – November 6, 2018

Appendix “B”

Bill No.

By-law No.

A by-law to amend By-law No. A-8, the
“Property Tax Collection By-law”

WHEREAS section 317 of the *Municipal Act, 2001* provides for the passing of by-laws for the levying of interim rates of taxation;

THEREFORE the Municipal Council of The Corporation of the City of London enacts as follows:

1. Part 1 of By-law A-8, the Property and Business Tax Collection By-law, is hereby amended by deleting section 1.8 and 1.9 and replacing those sections with the following:

“1.8 Interim Levy – calculation

For the year 2019 the interim levy for a property shall be calculated as 40.52% of the total amount of taxes for municipal and school purposes levied on the property for the previous year.”

“1.9 Interim Levy – calculation

Notwithstanding section 1.8 where assessment was added to the collector’s roll during the previous year, paragraph 3 of Section 317(3) of the *Municipal Act, 2001* shall apply in calculating the interim levy.”

2. This by-law comes into force on January 1, 2019

PASSED in Open Council on November 6, 2018

Matt Brown
Mayor

Catharine Saunders
City Clerk

First Reading – November 6, 2018
Second Reading – November 6, 2018
Third Reading – November 6, 2018