

TO:	CHAIR AND MEMBERS FINANCE AND ADMINISTRATIVE SERVICES COMMITTEE MEETING ON NOVEMBER 5, 2012
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 2013:

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 municipal property tax rates in the residential class in the previous year (Appendix "A") **BE INTRODUCED** at the Council meeting on November 20th, 2012;
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 20th, 2012.

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 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, Council approved 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 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%), and 3 instalments are billed in May as the final tax instalments for the year (60%). In 2012, the average increase in total municipal property tax rates for the residential property class was 0.0%. Using this basis of calculation, the interim tax rate for 2013 would be 40.00% ($40\% \times 1.000$).

It is therefore recommended that an interim levy of 40.00% of the previous year's taxes be set for the 2013 interim billing in the Property Tax Collection By-law and that the pre-authorized payments for 2013 be based on the previous year's taxes increased by 0.0% representing the average municipal tax increase that occurred in the residential class in 2012. 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 5 approximately equal instalments for the convenience of the individual property owners.

A technical amendment has also been included in Appendix "A" to give taxpayers the flexibility to enter the Pre-authorized Payment Plan starting in the month of March and the months July to October each year in addition to current start up dates of January and June. This additional flexibility may increase participation in the program.

SUMMARY

It is recommended that the pre-authorized payment by-law be amended so that payments for 2013 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. 0.0%). It is also recommended that the Property Tax Collection By-law be amended to set interim tax payments for 2013 on the same basis. This would result in an interim levy of 40.00% of previous year's taxes in 2013. An amendment has also been included in Appendix "A" to allow more flexibility for property owners to join the Pre-Authorized Payment Plan at more different points in time during the year.

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	

Attachments