

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Subject: Pre-Authorized Tax Payment Plan By-Law and Collection of Interim Property Taxes By-Law
Date: October 31, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the following actions be taken with respect to property taxation for 2023:

- a) 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 8th, 2022.
- b) 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 40.98% of the previous year’s taxes (Appendix B) **BE INTRODUCED** at the Council meeting on November 8th, 2022.

Executive Summary

The Pre-Authorized Payment Plan and Interim Property Tax By-laws are updated annually to incorporate increases to the residential property tax rate in the previous year. This report details the recommended interim property tax rate and percentage increase to estimated pre-authorized payments for 2023.

Analysis

1.0 Background Information

1.1 Legislation Related to Interim Property Tax Billing

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.

2.0 Discussion and Considerations

2.1 Interim Property Tax Calculation for 2023

Beginning in 2011 the City adopted the practice in accordance with section 317 of the *Municipal Act, 2001* 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 (5x 20% = 100%). Two instalments are billed as an interim levy in January each year (40%) and three (3) instalments are billed in May as the final tax instalments for the year (60%). In 2022 the average increase in total property tax rates for the residential property class was 2.45%. Using this basis of calculation, the interim tax rate for 2023 would be 40.98% (40% x 1.0245) of the 2022 taxes levied.

It is therefore recommended that an interim levy of 40.98% of the previous year’s taxes be set for the 2023 interim billing in the property tax collection by-law. The proposed by-law amendments would have results consistent with past practice and would also divide the annual tax billing into five (5) approximately equal instalments for the convenience of the individual property owners.

2.2 Pre-Authorized Payment Plan Amendment

The City of London offers a Pre-authorized Payment Plan to property owners. Payments are deducted from the authorized bank account on the last business day of the month over 10 months. The first five payments (January – May) are estimated and needed to be amended annually based on the increase in total property tax rates for the residential class in the previous year. It is therefore recommended that the pre-authorized payments for 2023 be based on the previous year’s taxes increased by 2.45% representing the average tax increase that occurred in the residential class in 2022.

3.0 Financial Impact/Considerations

3.1 Cash Flow Considerations

The proposed by-law amendments would ensure that the City has sufficient funds to carry on operations and make remittances to local school boards.

Conclusion

It is recommended that the pre-authorized payment by-law be amended so that payments for 2023 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. 2.45%). It is also recommended that the property tax collection by-law be amended to set interim tax payments for 2023 on the same basis. This would result in an interim levy of 40.98% of previous year’s taxes in 2023 which does not exceed the fifty (50) percent maximum that is allowable under the section 317 (3)(1) of the *Municipal Act, 2001*.

Prepared by:	Joseph McMillan, Division Manager, Taxation & Revenue
Submitted by:	Ian Collins, Director, Financial Services
Recommended by:	Anna Lisa Barbon, Deputy City Manger, Financial Supports

“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” by changing the multiplier to determine the pre-authorized property tax payment from 1.030 to 1.0245 effective January 1, 2023.

WHEREAS subsection 5(3) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the Municipal Act, 2001 provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

AND WHEREAS subsection 10(1) of the Municipal Act, 2001 provides that a municipality may provide any service or thing that the municipality considers necessary or desirable for the public;

AND WHEREAS subsection 342(1) of the Municipal Act, 2001, provides the municipality with the power to pass by-laws regarding the payment of taxes;

NOW THEREFORE 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 paragraphs 10 in its place:

10. For 2023 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 and then multiplied by 1.0245 and then increased by any local improvement or similar charge applicable to the property in 2023 and then divided by 10 and rounded to the nearest dollar.

2. This by-law comes into force on January 1, 2023

PASSED in Open Council on November 8, 2022

Ed Holder
Mayor

Michael Schulthess
City Clerk

First Reading –
Second Reading –
Third Reading –

“Appendix B”

Bill No.

By-law No.

A by-law to amend By-law No. A-8, as amended entitled “Property Tax Collection by-law” by changing the calculation percent for the Interim Levy from 41.2% to 40.98% effective January 1, 2023.

WHEREAS subsection 5(3) of the Municipal Act, 2001, S.O. 2001, c. 25, as amended, provides that a municipal power shall be exercised by by-law;

AND WHEREAS section 9 of the Municipal Act, 2001 provides that a municipality has the capacity, rights, powers and privileges of a natural person for the purpose of exercising its authority under this or any other Act;

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

AND WHEREAS sections 342 and 307 of the Municipal Act, 2001, provide the municipality with additional flexibility with respect to due dates and payment arrangements;

NOW 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 sections 1.8 in its entirety and by replacing it with the following new section 1.8:

“1.8 Interim Levy – calculation

For the year 2023 the interim levy for a property shall be calculated as 40.98% of the total amount of taxes for municipal and school purposes levied on the property for the previous year.”

2. This by-law comes into force on January 1, 2023

PASSED in Open Council on November 8, 2022

Ed Holder
Mayor

Michael Schulthess
City Clerk

First Reading –
Second Reading –
Third Reading –