



SUBJECT: Interim Property Tax Relief in Response to COVID-19

TO: Mayor and Members of Council

FROM: Finance Department

Report Number: F-25-20

Wards Affected: all

File Numbers: 415-02-01

Date to Committee:

Date to Council: April 6, 2020

Recommendation:

Amend by-law 63-2019 2020 Interim Tax Levy By-law to allow for provisional relief of penalty and interest for property taxes in the months of April and May 2020, and

Allow for provisional relief of the administration charge for returned payments as described in by-law 52-2019 (Rates and Fees By-law), and

Review the provisional relief on a monthly basis until the state of emergency to COVID is lifted.

PURPOSE:

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth
- Support sustainable infrastructure and a resilient environment
- Building more citizen engagement, community health and culture

Background and Discussion:

On March 17, 2020 a state of emergency was declared in the province of Ontario in response to the COVID-19 outbreak. The Province of Ontario ordered the closure of all non-essential businesses effective as of the end of day on March 24. Businesses and individuals are being affected financially due to closures of many workplaces.

Property taxes are billed twice a year. Interim bills are mailed in January with due dates in February and April and Final bills are typically mailed in May with due dates in June and September.

Approximately 65,000 Interim tax bills were mailed out in January with due dates of February 21, 2020 and April 21, 2020. When taxes are not paid by the due date, penalty of 1.25% of the amount in default is added on the first day of default. Interest charges are applied at the rate of 1.25% on the last day of each month on the outstanding balance. When a penalty has been charged in a given month, interest of 1.25% is prorated from the date of default. Penalty and interest are added under the authority of the 2020 Interim Tax Levy By-Law 63-2019.

An administration fee of \$40 for returned payments (such as non-sufficient funds, stop payment, account closed) is charged when payments are returned by the bank in accordance with by-law 52-2019 (a by-law to impose rates and fees). The Chief Financial Officer has discretion to waive these fees under section 5 of the by-law.

Taxpayers have numerous ways of remitting payment for property taxes that respect social distancing;

- Pre-authorized Payment Plans (10 Month, Due Date, Taxpayer Defined)
- Directly through financial institutions – by internet, telephone banking or ATM
- Regular mail or physical drop box (at the Locust Street entrance of City Hall)
- 3rd party credit card processing companies

The 2020 Interim billing covers levies for the City, Region and school boards. As of March 23, approximately \$90.1 million of the \$105.4 million levy remains outstanding for the April 21, 2020 installment.

The Region's payment schedule is established by Regional by-law and normally coincides with the last business day of the four installment months (February, April, June, September). The Region has agreed to be flexible on their remittance date based on the length of property tax relief provided. On March 25, Regional Council approved the deferral of the interim property tax remittance from April 30 to June 30 as set out in Region By-law 21-20.

The School Board payment dates are prescribed by the Province in the Education Act (March, June, September, December). Interest is applicable if the City is late in making these payments. Ontario's Action Plan: Responding to COVID-19 was released on March 25. It included a 90-day deferral for the quarterly municipal remittance of education property taxes. The June 30 remittance is deferred to Sept 30 and the Sept 30 remittance to Dec 30.

Provisions for property tax relief of the upcoming April 21 installment have been considered as outlined in this report.

Strategy/process

The City has received numerous concerns from both the business community and homeowners in response to the COVID-19 pandemic and the resulting economic impact. The City currently has one property tax installment date remaining for interim billing on April 21. The temporary property tax relief will allow businesses and homeowners to make their April 21 instalment by June 30 without incurring late payment charges. Financial supports from the federal and provincial governments are also being introduced to support individuals and businesses.

The temporary changes being recommended would mean that for the months of April and May 2020:

- No penalty will be charged for the April 21 installment for all property owners
- No month-end interest will be charged for all property owners in April and May
- No returned payment admin fee will be charged by the City for any returned tax payments (i.e. insufficient funds, stop payment)
- Pre-Authorized tax payments will continue to be withdrawn. Individuals on a pre-authorized payment plan that are unable to make payment can temporarily suspend their withdrawals from their account by emailing pap@burlington.ca. The City requires notification at least three business days prior to the withdrawal date.

Taxpayers who sent a postdated cheque to the City for their April 21 tax installment and can no longer make payment have been asked to put a stop payment on the cheque at their bank.

Property taxes are the most important revenue source for the city to ensure we continue to provide essential services for residents of the City of Burlington during these challenging circumstances. Taxpayers are encouraged to make payments where possible during these unique times.

All taxes must be billed within the calendar year. Final tax billing is typically mailed in May with due dates in June and September. Any adjustments to the final billing schedule will be addressed in the Final Tax Levy report and by-law.

Options Considered

Amending the April 21 due date is not a recommended option by staff. Interim tax bills were sent out in January with due dates of Feb 21 and April 21. Altering the due date in our tax system and communicating this change would be complex and challenging. It is important to note that waiving late payment charges is essentially the same from a property owner's perspective.

Financial Matters:

Total Financial Impact

Taxes levied (city, region and education) for the April 21 installment total \$105.4 million of which a portion will most likely be delayed given the relief being offered by the city. Of the \$105 million levied, approximately \$41 million are city taxes, \$34 million are region taxes and \$30 million are education taxes.

Delayed property tax payments will create an adverse impact on the city's cash flow. This will be somewhat mitigated by the delayed remittance dates to the Region and Boards of Education. This will require staff to adjust the current investment portfolio to ensure sufficient cash is on hand to meet financial obligations. Ultimately, decreasing cash flow will impact the ability to generate investment returns for the City.

Based on historical data the city will forego approximately \$450,000 in penalty and interest and \$1,500 for the returned payment administration fee in the months of April and May. The 2020 budgeted revenue for penalties & interest on taxes is \$2,125,000. As at March 23rd this revenue is \$356,411.

Other Resource Impacts

The impacts of COVID-19 on the economy, residents and businesses will result in several other financial considerations for the City and its programs. The situation has been evolving on a daily basis, and staff continue to work through quantifying the financial impacts and mitigation measures available. The negative financial impacts include loss of recreation rental and program revenue, transit fares, parking revenue and fines, costs associated with transitioning to a largely remote/mobile workforce, and full-time staff related costs. The recently announced Expenditure Restraint Program will assist in mitigating some of the revenue losses. The unfavourable variance that is associated with the property tax relief program will have to be accommodated along with the remainder of these financial impacts and may include drawing from reserve funds at year end.

Climate Implications

Not applicable.

Engagement Matters:

Consultation with the Mayor, City Manager, BEDC, Chamber of Commerce and area municipalities shaped this recommendation.

Staff have provided media releases to the public; one on March 19 and a follow up on March 25. Information is also available on the city's website, through social media, advertisement in the Post as well included in the Questions and Answers sections on the City's COVID-19 page.

Conclusion:

Through consultation, it is recommended that the City provide relief from penalty and interest charges for the months of April and May on any non-payment of property taxes. The administration fees for returned payments in April and May will also be waived. As the implications associated with COVID-19 continue to evolve, a measured response that can be further assessed in the months ahead is prudent at this time.

Respectfully submitted,

Joan Ford
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Appendices:

- A. By-law amendment to by-law 63-2019

Notifications:

Region of Halton and local area municipalities

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Council. Final approval is by the City Manager.