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## City of Kelowna

# MEMORANDUM

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DATE: November 9, 2001  
File No: 1970-05

TO: City Manager

FROM: Deputy Director of Finance

RE: **Change in Property Tax Penalty Dates**

Prepared by: Revenue Manager

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### **RECOMMENDATION:**

**THAT** Council receive this report summarizing impacts of the Council resolution on February 5, 2001 to revise the single 10% tax penalty date prior to 2001 to two 5% penalty dates on the second working day in July and the second day following the August statutory holiday.

### **BACKGROUND:**

In February of 2001, Council, in keeping with section 367 of the Local Government Act of the Province of British Columbia, adopted Bylaw 8639 which provides for the total ten percent penalty on unpaid current taxes to be levied in two parts; five percent levied on the current taxes unpaid at the end of the first working day after Canada Day, and five percent levied on current taxes unpaid at the end of the first working day after the August Civic holiday.

The 2001 property tax year was the first year for charging the penalty in two parts. Prior to the 2001 property tax year, the ten percent penalty was levied in full, on current taxes left unpaid at the end of the first working day after Canada Day. The total ten percent penalty is established under section 366 of the Local Government Act of the Province of British Columbia.

### **REVIEW OF 2001 PROPERTY TAX SEASON**

The approximate one-month time frame between the initial and final penalty dates of July 3<sup>rd</sup> and August 7<sup>th</sup> was extremely tight in terms of managing the processing of property tax payments, and Provincial Home Owner Grant (PHOG) applications:

- A very high number of payments and grant applications continue to be received at City Hall during the final five days before the initial penalty date. The need to provide notification to those taxpayers who have taxes outstanding after the initial penalty date creates some processing issues that need to be resolved prior to the 2002 tax due date.

- Refund processing is delayed by approximately one month as a result of the establishment of the second penalty date.

## **TAX COLLECTIONS AND PENALTY REVENUE**

Recent Penalty Revenue History:

1999	\$451,220	Equal to .46% of total taxes billed
2000	\$465,556	Equal to .45% of total taxes billed
2001	\$451,977	Equal to .42% of total taxes billed

In 2001, just **under** 95% of total current taxes billed were collected before the first penalty date of July 3<sup>rd</sup>. In prior years, with the full ten percent penalty levied at this penalty date, the City would generally collect just **over** 95% of total current taxes billed. Before the second penalty date of August 7<sup>th</sup>, approximately 96% of the total current taxes billed were collected.

There were approximately 950 rolls where the City received payments and/or PHOG applications between the two due dates. These rolls would have been subject to only the initial five percent penalty, and either no penalty, or a reduced penalty (depending on whether or not the entire current tax bill was paid) at the second due date.

## **TAXPAYER REACTION**

Taxpayer reaction to the shift to two 5% penalty dates, from the one 10% penalty date was generally neutral. Tax staff who have worked in the department in both the current tax season and prior tax seasons did not have any strong sense that there was any less negative reaction to the 'five and five' penalties over the ten percent penalty.

A count of reply letters sent from the Collector, regarding the tax penalty over the past four years, indicates that 62 letters were sent in 1998, 49 letters in 1999 and 56 letters in 2000. Up to the end of October of this year, 34 letters have been sent regarding the penalty in 2001.

## **FUTURE TAX SEASONS**

Reducing processing time will be important to maintaining the two 5% penalty dates. Potential options to investigate include:

- Increased emphasis and instructions to assist taxpayers in properly completing their PHOG applications, including changes to the preprinted tax forms that will enable taxpayers and bank tellers to better understand how to complete the application.
- Increased temporary staffing for future tax seasons to assist in data entry and to provide greater coverage for full time staff vacations.
- The feasibility of a discretionary administration fee charged when refunds are required on a tax roll; many refunds are the result of mortgage institutions paying the gross taxes on behalf of their clients and then requesting refunds

for the grant amount without regard to the administrative costs incurred by the City.

### **CONCLUSION**

In order to continue to manage our tax season with two penalty dates, incremental changes will be necessary over the next few years as we attempt to refine and improve the processing of payments and grant applications received for the City's approximate 40,000 rolls.

These incremental changes, which will include additional printing costs and additional staffing charges, are estimated to be less than \$5,000 per year.

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Paul Macklem

cc: Director of Finance & Corporate Services  
Revenue Manager  
Financial Planning & Systems Manager