

Report to Council



Date: April 11, 2012
File: 0280-40
To: City Manager
From: George King, Revenue Manager
Subject: Interest Rate Amendment To The Tax Prepayment Plan By-law

Recommendation:

THAT Council approves a minimum interest rate of 0.4% for a taxpayer enrolled in the City's Tax Prepayment Plan as detailed in the report from the Revenue Manager dated April 11, 2012;

AND THAT Bylaw No. 10685, being the Tax Prepayment Plan Bylaw be forwarded for reading consideration.

Purpose:

The by-law amendment is to establish a minimum interest rate to be provided to a taxpayer participating in the Tax Prepayment Plan.

Background:

On the 23rd day of June, 1992 Council established a property tax prepayment plan (Attachment A) allowing property owners the opportunity to spread the impact of their annual tax payment over the entire year through equal monthly installments based on 1/12th of their prior year net taxes.

Annual payments consist of 11 monthly installments with no deduction in June of each year. The taxpayer must make the last payment and claim the homeowner grant, if applicable, by the tax due date. Taxpayers not wishing to participate in this plan may still make lump sum payments at City Hall or through their financial institution throughout the year.

Enrollment in the property tax prepayment plan has steadily increased since inception. In the 2011 tax year alone the City saw a 9.6% increase in participation.

Today there are eight thousand five hundred and twenty seven (8,527) participants in the plan, which equates to approximately 16.8% of the properties (50,653) in Kelowna.

Year	# Participants	\$/ Mo
2011	8,527	2,192,966
2010	8,225	2,114,351
2009	7,702	1,715,823
2008	7,066	1,520,306
2007	6,334	1,300,574
2006	5,911	1,215,439

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Besides being convenient for the taxpayer, one of the main reasons why this program has been successful is due to the fact that the City pays interest on the prepayments. Specifically, simple daily interest is given on all prepayments based on the Royal Bank prime rate less 3%. This interest is presently considered a tax discount by Revenue Canada and is therefore not taxable income.

When this bylaw was first passed in 1992 the prime rate was 7.25%, which resulted in interest payments of 4.25% whereas interest on a regular savings account at that time was 2.25%. Unfortunately, this is not the case today. Over the past year the Royal Bank prime rate has been approximately 3% which has resulted in participants receiving 0% (Royal Bank Prime 3% less 3% = 0%) interest on their monthly prepayments.

In order to continue to encourage taxpayers to choose the City's program, staff are recommending that Council amend the current bylaw to include a minimum interest rate of 0.4% to be provided to a taxpayer participating in the monthly installment plan.

Under this new program the City will pay a minimum of 0.4% until the current calculation of Royal Bank prime rate less 3% exceeds 0.4%, at which point the interest payment will be at the higher rate.

Legal/Statutory Authority:

Section 235 of the Community Charter provides that the Council may, by bylaw, authorize the Collector to receive money for taxes before the due date and may provide the terms of accepting and holding the money including interest in an alternative Municipal tax scheme and its rates.

Financial/Budgetary Considerations:

This amendment has been considered as part of the expenditures for this program when preparing the 2012 recommended operating budget.

Considerations not applicable to this report:

Internal Circulation:

Legal/Statutory Procedural Requirements:

Existing Policy:

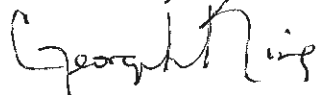
Personnel Implications:

External Agency/Public Comments:

Communications Comments:

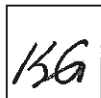
Alternate Recommendation:

Submitted by:



G. King, CMA, Revenue Manager

Approved for inclusion:



(Keith Grayston, CGA, Director, Financial Services)

Sign up

Apply to the Pre-Authorized Withdrawal System (PAWS) any time.

- ▶ Enroll online through Property Tax eServices kelowna.ca/propertytax
- ▶ Complete application form on the reverse and attach a VOID cheque.

Enrolled already? No need to reapply.

How PAWS works

All outstanding property taxes must be paid in full prior to joining the plan.

Monthly payments will be withdrawn from your bank account on the tenth day of each month starting in July and ending in May. There is no withdrawal taken from your bank account in the month of June.

Your monthly payment amount is an estimate based on 1/12 of your last year's net tax payable. The amount of your regular monthly payment for the year will be included on your annual tax notice. The prepayments for the year will begin on July 10.

Changes to your PAWS account

Contact the Revenue Branch by the first of the month if you want to cancel participation in PAWS or if you are:

- ▶ Selling your property
- ▶ Changing bank information
- ▶ Stopping payment on an installment

There are no refunds under the plan.

Interest earned

Interest is earned on the payments applied to your property taxes each month until May 31. This interest is credited to your property tax account. Simple interest will be paid on your prepayments at the Royal Bank prime rate less three per cent (minimum 0.4 per cent). Interest is considered a tax discount by Canada Revenue Agency and is tax free.

Final Payment

You are responsible to make the final payment and, if eligible, claim the Home Owner Grant by the tax due date to avoid penalties. An annual tax notice, mailed to you in mid-May each year, will show your current year's taxes less the total prepayments and interest earned.

Authorize your last PAWS payment online.

Pre-Authorized Withdrawal System^{PAWS}

The City of Kelowna offers a plan for you to prepay next year's property taxes in installments by automatic monthly withdrawal from your bank account.

Register online

You can enroll online through Property Tax eServices. Your tax roll number and access code, located at the top right corner of the front page of your current tax notice, is required to logon.

kelowna.ca/propertytax



Revenue Branch
1435 Water Street
Kelowna, BC V1Y 1J4
TEL 250 469-8757
FAX 250 862-3391
revenue@kelowna.ca
kelowna.ca/propertytax

Prepay your property taxes



New applicants only
No need to reapply



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Pre-Authorized Withdrawal System PAWS Application Form

All outstanding property taxes must be PAID IN FULL prior to joining the plan.

Please print clearly. Do not complete if you are currently enrolled.

First Name:		Last Name:	
Property Address:		Start Date: ____/____/____ YEAR MONTH DAY	
Roll Number:		Email:	
Home Phone:	Work Phone:	Cell Phone:	

ELIGIBILITY FOR HOME OWNER GRANT

Check One A. Not Eligible B. Under 65 C. 65+ and other

PREPAY NEXT YEAR'S TAXES

Each payment shall be treated as if the City of Kelowna had received a cheque for payment. The amount is subject to change each year and will be withdrawn monthly from July 10 to May 10. Your tax notice will indicate the amount of your new payment for the next tax year. This monthly payment will be calculated as follows:

	Last Year's Gross Taxes:	\$ _____	
LESS:	Home Owner Grant Claimed:	\$ _____	Claim Grant by Tax Due Date
EQUALS:	Net Taxes:	\$ _____ / _____ = \$ _____	# of Months Monthly Withdrawal

Please read and initial below, and enclose one of your cheques marked "VOID."

Initial I/we acknowledge that all outstanding taxes have been/will be paid by the due date and that my enrolment in pre-authorized withdrawal system will apply to next year's taxes.

Initial I/we authorize the City of Kelowna to debit my/our account on or after the 10th of each month from July to May inclusive each year until I/we advise otherwise. Your treatment of each payment shall be the same as if I/we had personally directed you to pay as indicated and to charge the amount specified to the account of the above signed. This authorization may be cancelled upon notifying the Revenue Branch.

Initial I/we understand that there is no withdrawal taken from my/our bank account in the month of June. I/we have to make the final payment and, if eligible, claim the Home Owner Grant by the tax due date to avoid penalties.

Initial I/we understand that the current charge for dishonoured payments will apply. Subsequent dishonoured payments may result in my/our removal from PAWS.

Initial I/we understand that it is my/our responsibility to provide written or electronic notification to the Revenue Branch when there are changes to my/our PAWS account or when cancelling enrolment in PAWS. There are no refunds under this plan; overpayments will be applied to next year's taxes.

Initial I/we understand that in the event we sell my/our property, I/we or my/our lawyer MUST terminate PAWS by providing written or electronic authorization to the Revenue Branch, on or before the first of the month, in order to stop the withdrawal on the 10th. The sale of the property does not automatically stop the PAWS payments. All prepayments remain on the tax roll and are adjusted through the lawyers' statement of adjustments.

I HAVE READ AND UNDERSTAND THE TERMS OF THE PRE-AUTHORIZED WITHDRAWAL SYSTEM

SIGNATURE OF SIGNING AUTHORITY Date: ____/____/____
YEAR MONTH DAY

SIGNATURE OF SIGNING AUTHORITY Date: ____/____/____
YEAR MONTH DAY

OFFICE USE:	Taken By	
	Entered By	
	Taxes	
	MC	

APPLY

Forward your application to: Revenue Branch, City Hall, 1435 Water Street, Kelowna, BC V1Y 1J4 or fax to 250 862-3391.