

**FINANCIAL MANAGEMENT COMMITTEE**

*HIS WORSHIP, THE MAYOR  
AND COUNCILLORS*

**SUBJECT: PROPERTY TAX DUE DATE AND PENALTY APPLICATION OPTIONS**

**RECOMMENDATIONS:**

1. THAT Council approve Option 4.2, delaying penalty charges only, as outlined in the report.
2. THAT Council authorize staff to bring forward the necessary bylaw amendments for the approved option to the Open Council Meeting on 2020 May 11.
3. THAT staff be directed to reduce the property tax rate increase from 3.5% to 1.75% for the Annual Financial Plan to be presented to Council on 2020 May 11.

**REPORT**

The Financial Management Committee, at its meeting held on 2020 April 22, received and adopted the attached report seeking Council approval on a property tax due date and applicable penalties for 2020. Arising from discussion, the Committee **AMENDED** the recommendation No. 2 to change the date from April 27 to May 11, and added recommendation No. 3 to reduce the property tax rate increase from 3.5% to 1.75%.

Respectfully submitted,

Mayor M. Hurley  
Chair

Councillor S. Dhaliwal  
Vice Chair

Copied to: City Manager Director Finance Director Corporate Services City Solicitor
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**TO:** CHAIR AND MEMBERS  
FINANCIAL MANAGEMENT COMMITTEE

**DATE:** 2020 April 17

**FROM:** DIRECTOR FINANCE

**FILE:** 7815-01

**SUBJECT: PROPERTY TAX DUE DATE AND PENALTY APPLICATION OPTIONS**

**PURPOSE:** To seek approval on a property tax due date and applicable penalties for 2020.

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**RECOMMENDATIONS:**

1. **THAT** the Financial Management Committee recommend Council approve Option 4.2, delaying penalty charges only, as outlined in this report.
2. **THAT** the Financial Management Committee recommend Council authorize staff to bring forward the necessary bylaw amendments for the approved option to the Open Council Meeting on 2020 April 27.

**REPORT****1.0 INTRODUCTION**

During this period of uncertainty caused by the COVID-19 pandemic, all levels of government are reviewing ways in which support can be provided to citizens. Local governments in British Columbia have been continuously addressing concerns with the Provincial government on the property tax deadline.

Staff have been working with the Metro Vancouver Intergovernmental Working Group and Union of BC Municipalities since early March to identify the following priority actions from the Province that would provide the most impactful support for municipalities, as well as residents, businesses and non-profit agencies that are experiencing financial hardship:

- Expand the existing Property Tax Deferment Program on a time-limited basis to support residents, businesses and non-profit agencies who need help, thereby lowering the tax delinquency rate for municipalities;
- Delay the tax remittance date for other taxing authorities, such that municipalities are not forced to use their working capital and/or borrow in order to pay the Province and regional governments/agencies before tax collection should they decide to delay the municipal tax remittance date from July to later in the year;

- Provide financial backstop to regional governments/agencies to address potentially significant property tax delinquency, as municipalities do not have the financial capacity to keep them whole should delinquency rate goes up; and
- Provide direct operating grants to cover significant revenue losses, such that the City can continue to provide public safety and other essential services while being prepared for the recovery of the economy.

The Province responded on 2020 April 16 with a news release (Attachment 1). Additional information from the Province on this news release will be provided to local governments on 2020 April 21. Many local governments are looking at either delaying the property tax due date and applicable penalties or delaying penalty charges in order to provide support for property owners during this pandemic. Because the timeline for recovery is unknown, local governments are in agreement that some sort of support on property tax deferral is required. Unfortunately, not all local governments are on the same page with regards to delaying the property tax due date or delaying penalty charges.

Staff have been researching the following available options for the City of Burnaby in order to support citizens who are struggling financially during this time: 1) Maintain the status quo property tax due date and associated penalty schedule; 2) Delay penalty charges only on property taxes; or 3) Delay the property tax due date and applicable penalties. The Province has recommended that local governments not change the property tax due date as the Province will not be adjusting some of the Other Taxing Authority property tax payment deadlines (i.e. Metro Vancouver Regional District, Greater Vancouver Sewage and Drainage District, BC Assessment, Municipal Finance Authority, and TransLink). This report will outline options for consideration by Council.

## **2.0 POLICY SECTION**

### **Goal**

- A Connected Community
  - Partnership –  
Work collaboratively with businesses, educational institutions, associations, other communities and governments
- An Inclusive Community
  - Create a sense of community –  
Provide opportunities that encourage and welcome all community members and create a sense of belonging
- A Dynamic Community
  - Economic Opportunity -  
Foster an environment that attracts new and supports existing jobs, businesses and industries

- A Thriving Organization
  - Organizational culture –  
Ensure that our core values are reflected in our policies, programs and service delivery
  - Financial viability –  
Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

### **3.0 GENERAL CONSIDERATIONS**

#### **3.1 Tax Collection Schemes**

##### ***General Tax Collection Scheme***

*Community Charter* Section 234(1) *General Tax Collection Scheme* states that property taxes for a year are due on July 2 of the year. However, this differs slightly from the City of Burnaby's property tax due date of the second business day in July. While the General Tax Collection Scheme due date is prescribed by the *Community Charter*, the City's tax due date is derived from the Burnaby Property Tax Payment Date Bylaw 1999, prescribed from the *Municipal Act* Section 394.

The City has not updated the bylaw to coincide with the *Community Charter* so the transitional laws continue to apply whereby the City is able to retain the original bylaw under the *Municipal Act*. This means, that should the City amend the property tax due date or applicable penalties at any time as suggested in Options 4.2 and 4.3 below, the Burnaby Property Tax Payment Date Bylaw 1999 must be repealed and a new Alternative Municipal Tax Collection Scheme Bylaw brought forward.

##### ***Alternative Municipal Tax Collection Scheme***

*Community Charter* Section 235 *Alternative Municipal Tax Collection Scheme* states that a council may, by bylaw, establish one or more dates on which all or part of the property taxes are due. Under this bylaw, the City would need to specify the tax due date(s) and the manner by which penalties will be applied. Should Council wish to change the property tax due date or the applicable penalties, an Alternative Municipal Tax Collection Scheme will need to be approved by Council.

### ***Coordinating Tax Collection Schemes with Legislative Requirements***

Section 235(2) of the *Community Charter* requires that owners be given a period to decide which scheme to use: the General Tax Collection Scheme (property taxes due by July 2) or the Alternative Municipal Tax Collection Scheme (alternative property tax due date or penalty application chosen by the City). Any owner indicating that they wish to pay under the General Tax Collection Scheme would request to receive a Tax Notice with a due date of July 2, and would pay their property taxes accordingly by this date. Any owner who does not make a selection would default to the Alternative Municipal Tax Collection Scheme.

If the decision is made to adopt the Alternative Municipal Tax Collection Scheme, notification of the new scheme would need to be posted on the City's website and in the local press to provide property owners with the option to remit property taxes under the General Tax Collection Scheme (by July 2 with penalty if late) or the Alternative Municipal Tax Collection Scheme (see Options 4.2 and 4.3 below). This notification would be issued in May 2020.

Any property owners electing to pay property tax under the General Tax Collection Scheme would be required to provide written notice to the City by June 1 and would face a single ten percent (10%) penalty for amounts outstanding after July 2, in accordance with the *Municipal Tax Regulation*, Section 3. Staff anticipate receiving very few, if any, property owners to voluntarily choose the General Tax Collection Scheme.

### **3.2 Other Taxing Authorities**

Altering property tax due dates has implications on some remittances of taxes collected for Other Taxing Authorities (OTAs). The city collects taxes for five OTAs: Metro Vancouver, TransLink, BC Assessment, the Municipal Finance Authority, and Schools (Province). The remittance amount for the OTAs is approximately \$240 million. There are various due dates for taxes collected on behalf of these other authorities; some follow the property tax due date established by the City of Burnaby and others have their own due dates. Applicable penalties for late tax payments for OTAs fall to the city that administers collection and remittance. Bylaws established for each OTA stipulate how and when a city is to remit property taxes collected to each of the five OTAs.

The remittance date for Metro Vancouver is due 2020 August 1. The Metro Vancouver Regional District (MVRD) tax requisition amounts to approximately \$6 million for the City of Burnaby and is due 2020 August 1. The Greater Vancouver Sewage and Drainage District (GVS&DD) levy amounts to approximately \$27 million for the City of Burnaby and is due 2020 August 15. The latest news release from the Province has indicated that Metro Vancouver is unable to change the due date for the levy payment.

TransLink (\$42 million), BC Assessment (\$6 million), and the Municipal Finance Authority (\$30 thousand) levy due dates are also on or before August 1, depending on applicable legislation. These dates cannot be changed without amendment of the underlying bylaws stipulated by the Province. Based on 2019 taxes, the estimated value of remittance payments due on or before August 1 for these three bodies is approximately \$48 million.

In consideration of the remittance date for School Taxes, The Province has communicated in their recent news release that there will be a reduction in School Tax collected charged to commercial properties. Local governments will have until 2020 December 31 to remit School Tax to the Province.

### **3.3 Tax Sale**

The *Local Government Act* Section 645 *Annual Tax Sale* legislates a limitation on the extent to which the City can extend the due date for property taxes. Under this legislation, the City is required to conduct the annual tax sale at 10:00AM on the last Monday in September, which for 2020 is September 28. Any extension of property tax due dates would not be able to exceed this date unless the Province agrees to move the annual tax sale to later in the year. The Province has not yet responded on this matter.

For properties to be auctioned at the annual tax sale, they must have three years of overdue taxes, identified as Current, Arrears and Delinquent Taxes. Given the public notice requirement to advertise the properties for tax sale for a two week period prior to the annual tax sale, property taxes must be collected for respective properties by early September.

### **3.4 Penalties**

At present, under the current Burnaby Property Tax Payment Date Bylaw 1999, one, five percent (5%) penalty is applied to overdue accounts after the July due date and a second five percent (5%) penalty is applied to amounts outstanding after September 2. Penalties, while often contentious, do play a key role in promoting timely and complete payment of taxes. However, given the current circumstances, it may be prudent to provide some alternatives to the existing process. Options 4.2 and 4.3 below, take into account altering penalty dates.

## **4.0 OPTIONS**

The following three options are being put forth to Council for consideration:

- Status Quo
- Delaying Penalty Charges Only
- Delaying the Property Tax Due Date and Applicable Penalties

The second and third options would require communication and change management to ensure that property owners understand the changes and thus confusion is minimized.

The Alternative Municipal Tax Collection Scheme Bylaw would apply for both the second and third options and would be applicable for 2020 only. The Alternative Municipal Tax Collection Scheme Bylaw would replace the current Burnaby Property Tax Payment Date Bylaw 1999 permanently. For 2021, staff will prepare a report with options for Council on the property tax due date and applicable penalties. Another bylaw will need to be brought forward in 2021 or the General Tax Collection Scheme will apply as a default.

#### **4.1 Status Quo**

The City could continue with the Burnaby Property Tax Payment Date Bylaw 1999 whereby property taxes are due on the second business day in July, which for 2020 is July 3. The first 5% penalty is applied after July 3, and the second 5% penalty is applied after September 2 for residential properties (classes 1, 2, 3).

With the recent Provincial news release, a penalty would not be applicable for commercial properties (classes 4,5,6,7 and 8) until 2020 October 1. The City's systems cannot accommodate charging penalties for different classes at different times and hence penalties for all classes would apply on 2020 October 1. As a result, the Status Quo option is not viable.

#### **4.2 Delaying Penalty Charges Only**

For several years, property owners in Burnaby have known the due date for property taxes as the second business day in July, which in most year's (including 2020) falls on July 3. An option, for 2020 only, is for the City to formally establish July 3 as the due date for property taxes but not apply any penalty (0%) after July 3 for outstanding taxes for all classes. However, staff is recommending a final penalty of 10% for all classes, for consistency, for payments outstanding after 2020 September 30 in order to ensure collection of all outstanding property taxes. The benefits of this proposal are as follows:

- Burnaby property owners are aware of July 3 as the property tax due date, and as such there would likely be less confusion than if the City altered the date entirely;
- The Province is recommending strongly against local governments changing the property tax due date, therefore this recommendation keeps the original property tax deadline and would be in line with what other Metro Vancouver local governments are doing;
- Even if some taxpayers make property tax payments (i.e. mortgages, pre-authorized withdrawals, Provincial deferment program) by the due date, the City would earn some interest on the funds collected; and,
- Administrative changes would be limited for the City to allow for regular collection cycles to occur.

Considerations that must be deliberated for this option are as follows:

- By not charging a penalty on the property tax due date, it is likely that property owners will not pay their outstanding property taxes until later in the year, just before the penalty is charged; and,
- The City will still be required by legislation to remit significant sums to OTA's in July, even though in reality all property tax funds will not be collected by then. The City would need to utilize reserve funds and reserves to carry these costs until property taxes would be collected, thus forgoing interest that would have been earned on these funds.

#### **4.3 Delaying the Property Tax Due Date and Applicable Penalties**

For 2020 only, the property tax due date for the City can be moved to September 30. With this change, staff is recommending the city impose just one 10% penalty for the amounts outstanding after September 30. The benefits of this proposal are as follows:

- Moving the due date for property taxes will hopefully give property owners some reprieve during the current crises and recovery phase and ease any misconception of consequences that normally comes with due dates, thus avoiding confusion.

Considerations that must be deliberated for this option are as follows:

- The City would still be required to remit a large amount of money to OTAs, other than School Tax, in late July without the necessary property tax revenue to cover such payments;
- If property taxes were not paid until 2020 September 30, the City would lose out on investment income of over \$800,000 from investments that could have been made if the property taxes were collected in early July; and,
- Staff would have limited time to contact property owners with three years of outstanding taxes and request payment by early September prior to tax sale. The City could therefore experience a higher than normal number of properties going to tax sale in 2020. However, due to the current crises, this scenario might be unavoidable under both Options 4.2 and 4.3.

To: Financial Management Committee  
From: Director Finance  
Re: Property Tax Due Date and Penalty Application Options  
2020 April 22 ..... Page 8

## 5.0 RECOMMENDATION

Unless otherwise directed by Council, it is the recommendation of staff that Option 4.2, Delaying Penalty Charges Only, is selected as a means of helping all property owners through this difficult time. This option provides the maximum support to property owners while encouraging timely payment by the current due date. In order to bring such changes forward, Council would need to authorize the City Solicitor to repeal the Burnaby Property Tax Payment Date Bylaw 1999 and establish a new Alternative Municipal Tax Collection Scheme Bylaw. A concerted communication effort coupled with updated Tax Notices and brochures supporting this change will be required for successful delivery of this service.

Should Council approve this option, staff will bring forward a separate report with the requisite bylaw amendments to the Open Council Meeting on 2020 April 27.



Noreen Kassam, CPA, CGA  
DIRECTOR FINANCE

NK:RR / md

Attachment 1-New COVID-19 Supports for Businesses, Local Governments; Ministry of Finance

Copied to: City Manager  
Director Corporate Services  
City Solicitor



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## NEWS RELEASE

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For Immediate Release  
2020FIN0020-000703  
April 16, 2020

Ministry of Finance  
Ministry of Municipal Affairs and Housing

### **New COVID-19 supports for businesses, local governments**

VICTORIA – The Province is providing enhanced relief for businesses by reducing most commercial property tax bills by an average of 25%, along with new measures to support local governments facing temporary revenue shortfalls as a result of COVID-19.

“We know that B.C. communities and businesses are suffering from the economic impacts of COVID-19,” said Carole James, Minister of Finance. “That is why our B.C. COVID-19 Action Plan is focused on the health and safety of British Columbians, direct support for people and businesses and economic recovery for our province. We are providing further support by making additional temporary property tax changes to provide provincewide relief for business and local governments to help weather the pandemic, continue to deliver the services people count on and be part of our province’s economic recovery.”

The Province is taking significant new steps to support B.C. businesses, non-profits and other organizations through the COVID-19 pandemic by:

- further reducing the school property tax rate for commercial properties to achieve an average 25% reduction in the total property tax bill for most businesses, providing up to \$700 million in relief. This enhances the 50% reduction to the provincial school property tax rate that was originally announced for classes 4, 5, and 6 as part of B.C.’s COVID-19 Action Plan.
- Postponing the date that late payment penalties apply for commercial properties in classes 4,5,6,7 and 8 to Oct. 1, 2020, to give businesses and landlords more time to pay their reduced property tax, without penalty.

Responding to key concerns from local governments, the Province is addressing cash flow and revenue shortfalls with new measures that provide additional support:

- authorizing local governments to borrow, interest-free, from their existing capital reserves to help pay for operating expenses, such as employee salaries.
- delaying provincial school tax remittances until the end of the year. This will provide significant relief to local governments facing cash flow issues.
- providing local governments greater flexibility to carry debt for an additional year.
- These measures will provide local governments with the resources to meet their operational costs and required remittances to regional districts, regional hospital districts, TransLink and transit authorities, BC Assessment, the Municipal Finance Authority and other taxing authorities. This will ensure that other minor taxing authorities can count on receiving the full amount they bill to municipalities and the Province’s surveyor of taxes before Aug. 1, 2020.

“The COVID-19 pandemic is having significant financial impacts on all levels of government. It’s going to take hard work from both municipalities and the provincial government, but working together we will get through this,” said Selina Robinson, Minister of Municipal Affairs and Housing. “Many local governments have already shown leadership by taking steps to help people and businesses and maintain services, while addressing their finances. With these new measures, we are giving local governments new tools as a first step to ease their financial burdens and that of businesses in their communities now, and as we look to recovery in the months to come.”

Maja Tait, Union of B.C. Municipalities president, said: “Local governments across B.C. are working hard to support the implementation of COVID-19 orders, while ensuring residents have access to the services they need in these challenging times. The measures announced today provide additional relief to small business and will free up funds for local government. UBCM will monitor the impact of these measures on the state of local governments finances, and work with the Province to ensure that local governments have the resources to sustain their communities.”

Changes to British Columbia’s property tax framework complement federal measures and build on the \$5 billion B.C. COVID-19 Action Plan that provides income supports, tax relief and direct funding for people, businesses and services.

#### **Learn More:**

For more information on B.C.’s COVID-19 Action Plan, visit:

<http://news.gov.bc.ca/factsheets/bc-takes-steps-to-support-people-businesses-during-covid-19-pandemic>

For information about federal supports for businesses, visit:

<https://www.canada.ca/en/departement-finance/economic-response-plan.html>

For the latest medical updates, including case counts, prevention, risks and testing, visit:

<http://www.bccdc.ca/>

Or follow @CDCofBC on Twitter

For provincial health officer orders, notices and guidance, visit: [www.gov.bc.ca/phoguidance](http://www.gov.bc.ca/phoguidance)

For non-health related information, including financial, child care and education supports, travel, transportation and essential service information, visit: [www.gov.bc.ca/covid19](http://www.gov.bc.ca/covid19)

Or call 1 888 COVID19 (1 888 268-4319) between 7:30 a.m. and 8 p.m., seven days a week.

A backgrounder follows.

**Contacts:**

For non-health related information, visit:  
[www.gov.bc.ca/covid19](http://www.gov.bc.ca/covid19)  
Or call 1 888 COVID19 (1 888 268-4319)  
between 7:30 a.m. and 8 p.m., seven days a  
week.

For media only:  
Ministry of Finance  
Media Relations  
250 213-7724

Ministry of Municipal Affairs and Housing  
Media Relations  
778 584-2433

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