

FINANCIAL MANAGEMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

SUBJECT: 2021 PROPERTY TAXES

RECOMMENDATIONS:

1. THAT Council establish the due date for property taxes as the second business day of July.
2. THAT Council establish a five percent (5%) penalty to overdue accounts after the July due date, and a second five percent (5%) penalty to overdue accounts after the second business day of September, as outlined in Section 4.1 of the report.
3. THAT Council authorize staff to establish a penalty abatement process for outstanding home owner grants paid on or before the second business day in September, as outlined in Section 5.4 of the report.
4. THAT Council authorize the City Solicitor to bring forward the Burnaby Alternative Municipal Tax Collection Scheme Bylaw 2021, substantially in the form set out in Attachment 1 of the report.

REPORT

The Financial Management Committee, at its meeting held on 2021 April 21, received and adopted the attached report seeking Council authorization for an Alternative Municipal Tax Collection Scheme Bylaw to set the City's property tax due dates and applicable penalties for 2021 and onwards. The Bylaw appears elsewhere on the Council agenda.

Respectfully submitted,

Mayor M. Hurley
Chair

Councillor S. Dhaliwal
Vice Chair

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

DATE: 2021 April 14

FROM: DIRECTOR FINANCE

FILE: 7810-01

SUBJECT: 2021 PROPERTY TAXES

PURPOSE: To seek Council authority for an Alternative Municipal Tax Collection Scheme Bylaw to set the City's property tax due dates and penalty provisions for 2021 and onwards.

RECOMMENDATIONS:

1. **THAT** the Financial Management Committee recommend Council establish the due date for property taxes as the second business day of July.
2. **THAT** the Financial Management Committee recommend Council establish a five percent (5%) penalty to overdue accounts after the July due date, and a second five percent (5%) penalty to overdue accounts after the second business day of September, as outlined in Section 4.1 of this report.
3. **THAT** the Financial Management Committee recommend Council authorize staff to establish a penalty abatement process for outstanding home owner grants paid on or before the second business day in September, as outlined in Section 5.4 of this report.
4. **THAT** the Financial Management Committee recommend Council authorize the City Solicitor to bring forward the Burnaby Alternative Municipal Tax Collection Scheme Bylaw 2021, substantially in the form set out in Attachment 1 of this report.

REPORT

1.0 INTRODUCTION

The purpose of this report is to recommend that Council establish an Alternative Municipal Tax Collection Scheme Bylaw whereby the property tax due date is the second business day of July for the 2021 taxation year and onwards. As well, this report outlines a penalty structure for 2021 and onwards, as applied prior to 2020: (1) a five percent (5%) penalty to overdue accounts after the July due date; and (2) a second five percent (5%) penalty to overdue accounts after the second business day in September. In addition, it is proposed that the Alternative Municipal Tax Collection Scheme Bylaw will contain a provision for the abatement of penalties related to the late submission of Provincial home owner grants.

2.0 POLICY SECTION

Goal

- A Dynamic Community
 - Economic opportunity – Foster an environment that attracts new and supports existing jobs, businesses and industries
- A Thriving Organization
 - Financial viability – Maintain a financially sustainable City for the provision, renewal and enhancement of City services, facilities and assets

3.0 BACKGROUND

Community Charter Section 234(1) *General Tax Collection Scheme* states that “property taxes for a year are due on July 2 of the year.” *Community Charter* Section 235(1) *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 under this Part are due”. The City has historically specified the tax due date as the second business day in July, as opposed to July 2, and applied one five percent (5%) penalty to overdue accounts after the July due date and a second five percent (5%) penalty to amounts outstanding after the second business day in September.

For 2020 only, the Province postponed the date that late penalties applied to commercial properties in class 4, 5, 6, 7 and 8. In order to treat all taxpayers equally with regards to penalties and avoid confusion in property tax due dates administered in previous years, the City formally established July 3 as the due date for property taxes in 2020 but did not apply any penalty for outstanding taxes after July 3 for all classes. For consistency, a final penalty of ten percent (10%) for payments outstanding after 2020 September 30 was enforced for all classes to ensure collection of all outstanding property taxes.

4.0 PROPOSED PROPERTY TAX DUE DATE AND PENALTY DATES FOR 2021 AND ONWARDS

4.1 Alternative Municipal Tax Collection Scheme

For 2021 and onwards, in order to restore the penalty dates and percentages used prior to 2020, the City would need to establish, by bylaw, an Alternative Municipal Tax Collection Scheme. This bylaw would remain in place for each year going forward, until such a time as Council requires a change in the due date or other aspects of the bylaw. Without adopting an Alternative Municipal Tax Collection Scheme Bylaw, the City is subject to the General Tax Collection Scheme which sets the property tax due date as July 2. Municipalities using the General Tax Collection Scheme are required to apply a penalty equal to ten percent (10%) of the remaining tax balance after the July 2 due date.

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An Alternative Municipal Tax Collection Scheme Bylaw would allow the City to specify the tax due date as the second business day in July, as opposed to July 2, and apply a five percent (5%) penalty to overdue accounts after the July due date and a second five percent (5%) penalty to overdue accounts after the second business day in September.

It is recommended that Council authorize the City Solicitor to bring forward an Alternative Municipal Tax Collection Scheme Bylaw, substantially in the form set out in Attachment 1, to implement the above property tax due date and penalty dates for the 2021 taxation year and onwards.

When establishing an Alternative Municipal Tax Collection Scheme, the *Community Charter* requires that property owners be given an annual opportunity to elect to pay pursuant to the General Tax Collection Scheme (i.e. July 2nd due date with 10% penalty applied after this due date) or the Alternative Municipal Tax Collection Scheme. If a property owner does not make an election, the default is the more favourable scheme (which would be the City's proposed Alternative Municipal Tax Collection Scheme). It is proposed that the City's Bylaw provide for a deadline of June 1 each year for making an election for that taxation year. Although it is unlikely that property owners would choose the General Tax Collection Scheme, staff will provide appropriate notice of the option and the June 1 deadline for making the election. In 2020, this information was included on the City's webpage relating to payment of property taxes.

5.0 HOME OWNER GRANT

5.1 New Process

Since creation of the home owner grant program, municipalities outside of rural districts have collected and processed home owner grant applications as an agent for the Province, for which they receive an annual administration payment as part of the School Tax remittance process. For several years the Province has desired to centralize the grant collection process for audit and administrative reasons.

As a result, effective 2021, processing for all retro and current year home owner grant applications is being centralized through a new provincial website. To support this change, in 2020 December, the Province introduced new legislation to amend the *Home Owner Grant Act*. The Province has also been working with vendors of property taxation software to accommodate this transition. Key changes for the City of Burnaby include: adjusting our system to remove the ability for customers to process their grant application on the City's website, or in person, and new reporting tools for the transfer of data back and forth between the City of Burnaby and the Province.

5.2 Provincial Role

As noted in correspondence from the Province to municipalities on 2020 December 24, (Attachment 2) the Province will be entirely responsible for the home owner grant program for the 2021 tax year. All home owners are to apply directly to the Province through an online platform, over the phone or at a Service BC Location. Municipalities will not be able to assist home owners with their applications as they have in the past. In turn, the Province has removed all previous guidance from their website, and have replaced it with a direct link to their new online system. All communication and change management is therefore intended to reside in the hands of the Province.

The Provincial home owner grant system opened up earlier this year, with home owners able to claim a retro home owner grant for 2020, if applicable. Home owners are able to apply through the Province for the 2021 year once municipalities have raised their annual tax levies in mid-May and have uploaded this levy data to the Province. Following this, each municipality will update customer records for grants claimed using a daily data exchange with the Province.

5.3 Municipal Role

In 2020, the City handled over 49,000 grant applications, with over 74% processed online. Like other municipalities, the City is expected to provide a number of data sets through a new integration between the City's property tax system and the Province's E-Tax system.

Municipalities are to remove the home owner grant information from annual property tax statements and should update any guidance on their websites or in hard copy. Municipalities are expected to forward any queries about home owner grants to the Province, including any hard copy grant applications received. Municipalities are also expected to communicate to home owners the new process, based on messaging provided by the Province. In supporting the home owner grant process through the provision of data and handling of initial grant customer inquiries, it is understood that the City of Burnaby will continue to receive the annual administration fee from the Province.

5.4 Provision of a Penalty Abatement Process

Under the Ministry of Finance Home Owner Administration Manual for Municipalities, and supporting guidance (now replaced in 2021), the home owner grant portion of the property tax payment is subject to property tax penalties if unclaimed or the claim is denied by the property tax due date.

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Many municipalities currently charge the property tax penalty on the home owner grant portion of property taxes if it is not claimed and is still outstanding by the property tax due date. However, these municipalities also waive the first penalty charged on the home owner grant portion of the property tax payment if the home owner claims the home owner grant prior to the second property tax penalty date. If a home owner neglects to claim their home owner grant prior to the second property tax penalty date then the full penalty (first and second) applies to the home owner grant portion of the property taxes, just as it would to any outstanding property tax payments.

It is proposed that Burnaby follow a similar process. Often home owners will pay their property taxes on time but forget to claim their home owner grant. They then find out about their outstanding home owner grant upon receiving a penalty notice in July equal to five percent (5%) of the outstanding grant amount. No waiver of the penalty was provided if the home owner claimed their home owner grant by the second penalty date.

Due to prior system limitations, transition to such a scheme was not possible, however with the City's new property tax system, such a barrier is no longer a concern. Given the anticipated large volume of queries and potential grant submission delays in 2021, staff are requesting Council to consider waiving the first penalty on the unclaimed home owner grant if it is claimed by the second penalty date. In moving to this penalty abatement process, the City of Burnaby would be aligned with many other Lower Mainland municipalities, including: Surrey, Delta, Port Coquitlam, District of North Vancouver, Township of Langley, among others.

The City of Burnaby penalty abatement process would work as follows:

- a) Where a property owner is eligible for a grant but does not claim it before the July due date, they will still receive a penalty notice in July for the full amount outstanding, which will include the portion for the home owner grant. However, if the property owner then claims their grant through the Province on or before the second business day in September, the City will reverse the portion of penalty that was applied to the home owner grant.
- b) In cases where a property owner's home owner grant claim is subsequently, in whole or in part, disallowed by the Province, and the City of Burnaby has provided a waiver of penalties under the penalty abatement process, the City will re-apply to property taxes the penalty that was waived, equal to the value of the disallowed home owner grant claimed.

It is recommended that the above penalty abatement process be included in the proposed Alternative Municipal Tax Collection Scheme Bylaw (see Attachment 1).

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6.0 CONCLUSION

A Burnaby Alternative Municipal Tax Collection Scheme Bylaw is necessary to establish the property tax due date and penalty dates to those in place prior to 2020. It is proposed that the new Bylaw apply to the 2021 taxation year and onwards. Further, it is proposed that a penalty abatement process for late submission of home owner grants be included in the Bylaw, as well as a June 1 deadline for property owners electing to pay pursuant to the General Tax Collection Scheme.

It is requested that the Financial Management Committee recommend that Council authorize the City Solicitor to bring forward an Alternative Municipal Tax Collection Scheme Bylaw, substantially in the form set out in Attachment 1 of this report.



Noreen Kassam, CPA, CGA
DIRECTOR FINANCE

NK:RR / md:dg

*Attachments: 1 – Proposed Burnaby Alternative Municipal Tax Collection Scheme Bylaw 2021
2 – Ministry of Finance Letter dated December 24, 2020*

Copied to: Acting City Manager
Director Corporate Services
City Solicitor

CITY OF BURNABY

BYLAW NO. XXXX

The Council of the City of Burnaby ENACTS as follows:

1. This Bylaw may be cited as **BURNABY ALTERNATIVE MUNICIPAL TAX COLLECTION SCHEME BYLAW 2021.**
2. In this Bylaw:

“City”	means the City of Burnaby
“collector”	has the meaning set out in the <i>Community Charter</i>
“Council”	means the council of the City
“ due date”	means the date set out in section 4 of this Bylaw
“general tax collection scheme”	means the tax collection scheme under section 234 of the <i>Community Charter</i>
“home owner grant”	means a grant under the <i>Home Owner Grant Act</i>
“owner”	has the meaning set out in the <i>Assessment Act</i>
“property taxes”	in relation to land or improvements within the City , includes: <ol style="list-style-type: none"> (a) a property value tax; (b) a parcel tax; (c) a local service tax; and (d) amounts that may be collected in the same manner as property taxes in accordance with Division 14 Recovery of Special Fees of Part 7 of the <i>Community Charter</i>
3. Pursuant to section 235 of the *Community Charter*, **Council** hereby establishes, an alternative municipal tax collection scheme as an alternative to the **general tax collection scheme**.
4. **Property taxes** are due on the second business day of July for each taxation year.
5. If the **property taxes** for a taxation year are not paid in full:
 - (a) on or before the second business day of July of the taxation year, the **collector** shall add a penalty equal to five percent (5%) of the portion of **property taxes** that remains unpaid on the following day; and

- (b) on or before the second business day of September of the taxation year, the **collector** shall add a further penalty equal to five percent (5%) of the portion of **property taxes** that remains unpaid on the following day.
6. Where a penalty is applied pursuant to section 5(a) of this Bylaw and the **owner** makes an eligible claim for the **home owner grant** for the property on or before the second business day in September of the taxation year, the **collector** shall apply a credit to the **owner's** account for **property taxes** in an amount equal to five percent (5%) of the eligible **home owner grant**. No credit shall be provided for any **home owner grant** claim made after the second business day in September of the taxation year.
 7. Where a credit is applied to a **property tax** account in accordance with section 6 of this Bylaw and the **owner's** claim for a **home owner grant** is subsequently disallowed, in whole or in part, by the Province, the **collector** shall add to the **property taxes** for the taxation year an amount equal to the disallowed **home owner grant** plus:
 - (a) five percent (5%) of the **home owner grant** amount that is disallowed on or before the second business day in September of the taxation year; and
 - (b) a further five percent (5%) of the **home owner grant** amount that is not paid on or before the second business day of September of the taxation year.
 8. An **owner** may make an election, or change an election, to pay **property taxes** under the **general tax collection scheme** or under the alternative municipal tax collection scheme set out in this Bylaw by giving written notice of such election to the **City** on or before June 1 of the applicable taxation year. If an **owner** does not make an election, the alternative municipal tax collection scheme under this Bylaw shall apply.

Read a first time this	day of April, 2021
Read a second time this	day of May, 2021
Read a third time this	day of May, 2021
Reconsidered and adopted this	day of May, 2021

MAYOR

CLERK



December 24, 2020

via email

Municipalities of BC

Dear Recipient,

On Tuesday, December 8, 2020, the B.C. government introduced legislation to amend the Home Owner Grant Act.

These amendments are the first step to centralizing the home owner grant program for the 2021 tax year. The proposed amendments do not change the eligibility criteria for the program. Regulations are required to enable the Province to begin accepting applications.

What this means:

- The Province will be entirely responsible for the home owner grant program for the 2021 tax year.
- All home owners will apply directly to the Province online or over the phone.
- The provincial application will be available early in the new year, subject to the deposit of the regulations. Work on the regulations is currently underway.
- Starting Jan. 1, 2021, you must **no longer** accept retroactive or new applications for the grant and instead direct homeowners to www.gov.bc.ca/homeownergrant

Centralizing this program within the B.C. government will:

- Ensure homeowners receive the grant amount they are eligible for, such as the additional grant for seniors or persons with a disability.
- Automate the approval process for grants resulting in quicker application processing – this will help prevent ineligible homeowners from being penalized for late property tax payment.
- Remove an administrative burden from municipalities.
- Increase tax compliance, ensuring people are paying the right amount of tax.

We are committed to working with you to ensure a smooth a transition for home owners.

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Should you have any questions, please contact Kally Khaira at kally.khaira@gov.bc.ca or by phone at 778 698.9536.

Please share this letter with your staff.

Sincerely,

A handwritten signature in black ink that reads "K Khaira". The signature is written in a cursive style with a large initial "K".

Kally Khaira
Director, Annual Property Tax
Property Taxation Branch
Revenue Division, Ministry of Finance