



REPORT

Report Date: March 30, 2021
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Meeting Date: April 27, 2021
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TO: Vancouver City Council
FROM: Director of Finance
SUBJECT: 2021 Main Property Tax Payment Due Date

RECOMMENDATION

- A. THAT Council approve, in principle, an amendment to the Tax Penalty By-law No. 9284, outlined in Appendix "A", to revert the tax due date from September 30 to the second business day in July.
- B. THAT the Director of Legal Services bring forward for enactment a by-law generally in accordance with Appendix "A".

REPORT SUMMARY

The purpose of this report is to recommend that Council revert the tax penalty due date to the second business day of July, and to report back to Council on the following motions approved by Council on March 30, 2021:

THAT Council direct staff to report back at the earliest opportunity on the potential to and impact of deferring the 2021 property tax payment due date to the Fall 2021;

FURTHER THAT the report back include information on the potential for specifically for deferring business class taxes vs. residential.

On April 28, 2020, Council enacted a by-law to change the penalty due date in the Tax Penalty By-law from the second business day of July to September 30 in response to the Provincial direction. **To revert the penalty due date back to the standard due date on the second business day in July (i.e: July 5, 2021), an amendment to the by-law is required.** Given the administration efforts required to prepare the tax notices accurately and to provide sufficient time

notice to property owners, there is *time sensitivity* for Council to approve the recommended amendment to the Tax Penalty By-law.

In April 2020, due to the initial COVID-19 disruptions to many individuals and businesses, the Province required all municipalities to delay the penalty date for non-residential properties to October 1, 2020. The Province also reduced school taxes for non-residential properties and delayed the school tax remittance from municipalities to the Province from July 2020 to January 2021. These provincial changes enabled the City to align with all municipalities in delaying the penalty date and reduced the financial risks to the City. It should be noted that Section 416 of the *Vancouver Charter* does not permit the City to differentiate the tax payment due date from the penalty date. As such, Council approved the City to delay both the payment and penalty date. Council also extended this change to both residential and non-residential properties.

In response to Council's request to review the potential to and impact of deferring the 2021 property tax payment due date to the Fall, it should be noted that:

- *The Vancouver Charter does not allow separate tax payment due dates for different property classes unless ordered by the Province, as such the City cannot specifically defer business class taxes vs. residential.*
- It is estimated that approximately 80% of businesses do not own the property where they operate; therefore, tax payment delay may not benefit businesses directly if the property owner does not pass on the delayed cash flow support to their tenants.
- A delay in tax payment date by the City will not be aligned or coordinated with the Province and other Metro municipalities.
 - The Province and other taxing authorities have announced that taxes collected on their behalf by the City are to be remitted on their standard due dates (i.e: no payment deferral). Approximately half of the taxes administered and billed by the City are passed through to other taxing authorities, thus delay of the tax due date by the City will have unilateral implications on the City's finances.
 - Most municipalities have indicated that they will be moving their tax due dates back to the original dates to preserve their finances.
- A delay in the tax due date without offsetting delays by the Province, as was the case in 2020, will put significant pressure on City finances, including a revenue impact of up to \$1.2 million.

Based on the considerations above, staff recommends that Council approve a by-law to amend the property tax due date to revert to the original due date of the second business day in July.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The Tax Penalty By-law No. 9284, enacted by Council on May 6, 2006, included the tax penalty due date of the second business day in July.

On April 28, 2020, Council enacted an amending by-law that changed the tax penalty due date to September 30 in response to the Provincial mandate to delay the penalty date for non-residential properties.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

Similar to other BC municipalities, the City's operating budget is largely funded from property taxes and utility fees. These revenue sources cover day-to-day operational expenses such as police, fire and rescue, library, community programs and debt payment obligations. The 2021 budget anticipates a funding gap with expenses greater than revenue and requires a large draw on the stabilization reserves.

The provincial school tax rates for non-residential classes returned to pre-covid levels, this higher tax rate may lead to more properties not paying their taxes in full and on time. The reduction of the school tax for businesses had the most direct financial support to businesses with an actual tax reduction rather than a three months delay of tax payments. Furthermore, the Province and other taxing authorities have confirmed the pass-through taxes will be payable by the City on their standard due dates. Consequentially, there will be a financial impact on the City to pay the Province and other taxing authorities if the main property payment tax due date is delayed.

REPORT

Background/Context

Key dates of COVID-19 pandemic impacting property tax due date:

April 2020	Province mandated municipalities to delay the penalty due date for non-residential properties. [Province also reduced school tax rates for non-residential properties and delayed remittance of school tax payments from municipalities to January 2021] Council approved extension of 2020 main tax deadline to September 30, 2020 for all property classes. A by-law amendment is required to revert the payment due date back to second business day in July.
April 1, 2021	Province issued Orders in Council 210 and 211 outlining school tax rates. Business class properties were not provided a continued reduction in the school tax for 2021. Province announced remittance of school tax from municipalities will also revert back to standard due dates (ie: no deferral similar to 2020).
April 8, 2021	The Province announced that grants of \$1,000 to \$10,000 are available to hospitality and fitness businesses impacted by the March 30, 2021 orders on gatherings and events and liquor and food serving premises.

Property Tax Assessment Split between the City and Other Taxing Authorities

Local governments collect taxes on behalf of Other Taxing Authorities (Provincial school tax, TransLink, Metro Vancouver, BC Assessment, Municipal Finance Authority BC, etc.).

Approximately half of the total taxes billed and administered by the City are pass-through taxes collected on behalf of the Province and other taxing authorities to fund regional services, schools

and transit, supplying drinking water and treatment of wastewater. The table below outlines the tax levy apportioned to the City and other taxing authorities:

Property Tax Assessment Split (in '000s)	2021		2020		change
City of Vancouver - General Purpose Tax	\$ 897,775	50%	\$ 849,786	56%	5.6%
Other Taxing Authorities:					
Provincial School Tax	\$ 691,565	39%	\$ 476,003	31%	45.3%
TransLink	\$ 150,623	8%	\$ 147,826	10%	1.9%
BC Assessment & Municipal Finance Authority	\$ 22,276	1%	\$ 22,426	1%	-0.7%
Greater Vancouver Regional District	\$ 27,429	2%	\$ 24,913	2%	10.1%
Total Property Tax Assessment	\$ 1,789,668	100%	\$ 1,520,954	100%	17.7%

The Provincial School Tax in 2020 was significantly lower than in 2021 as the Province provided financial relief to businesses through a reduction in the school taxes. On April 1, 2021 the Province announced the school tax rates for 2021 and did not extend the reductions for commercial property classes 4, 5 & 6. Instead, the Province offered grants of \$1,000 to \$10,000 made available to hospitality and fitness businesses impacted by the March 30, 2021 provincial health orders.

The 2021 payment deadlines to other taxing authorities are outlined in the table below:

Other taxing authority	2021	2020	2019
Provincial School Tax	<i>75% due 5th business day after the second business day in July; remainder 15 days after the due date</i>	January 15, 2021	<i>75% due 5th business day after municipal due date; remainder 15 days after the due date</i>
TransLink	August 1, 2021	August 1, 2020	August 1, 2019
BC Assessment Authority	May 17, 2021	May 16, 2020	May 16, 2019
Greater Vancouver Regional District	August 1, 2021	August 1, 2020	August 1, 2019
Municipal Finance Authority	August 1, 2021	August 1, 2020	August 1, 2019

The Province confirmed that the school tax remittance to the Province is payable according to the standard due dates and no deferral extension is provided. Payments to the Province and other taxing authorities are required, regardless of when and how much tax is collected by the City. To align with all of the other taxing authority payment deadlines, the City should revert to the standard July tax due date to minimize the financial impacts on the City.

Strategic Analysis

Due to the economic uncertainty brought on by COVID, the City took a careful approach to building the 2021 budget; revenues were budgeted below normal, the property tax increase was capped at 5%, and reserves are expected to be used to manage the funding gap. The financing impact of the budget was built on cash flows that assumed that the main tax due date would be on the second business day in July.

Considerations regarding separate payment due dates for business versus residential classes are as follows:

1. The Vancouver Charter does not allow for different penalty dates for different property classes. It is not likely the Province will legislate a Vancouver Charter amendment in time for the 2021 tax year.
2. A delayed tax payment for landlords does not guarantee this arrangement is passed onto the tenants of small businesses or those negatively impacted by the pandemic.
3. The collection rate ¹ in 2020 for non-residential properties was better than for residential properties.
4. Unlike 2020, the Province did not mandate or endorse a delayed due date for non-residential property classes, or extend the school tax reduction for businesses in 2021.

Considerations for delaying due dates for *all* property classes:

1. There was no payment date extension for 2021 advance tax collection rate and the collection rate was similar to prior years.
2. The Province did not mandate or endorse a deferral of payment due date by municipalities.
3. The City is required to remit taxes to other taxing authorities, including school taxes, regardless of tax collection.
4. Most Metro municipalities are reverting to a July due date and a different deadline may be confusing to property owners.
5. Delaying the due date will have an impact to the City's finances including a revenue impact of up to \$1.2M.
6. Delaying the due date will create significant administration risks and inefficiencies, involving related tasks and resourcing of support staff.

Financial

Impact of tax payment due date delayed to September 30

Under the current legislation, school tax instalments need to be paid in July. To delay the main tax payment due date to September 30, 2021 would result in a budget funding gap of approximately \$600K to \$1.2M due to forgone interest revenue (assuming an interest rate of 0.25% to 0.50% per annum).

Impact of maintaining the tax payment due date of the original second day in July

Under this scenario, there is no impact on budgeted interest revenue.

Although the prior year and the 2021 advance tax collection rate demonstrates consistency with historical collection rates, there may be risk to the City's cash flow if the main property tax and utility delinquencies increase as a result of the financial hardship to property owners due to the pandemic. Any unanticipated cash requirements outside of the 2021 Operating and Capital budgets, including the delay of tax payment due date or other unanticipated events, may increase the cash and liquidity risk for the City. It is not possible to quantify what the collection risk may be due to the ongoing impact of the pandemic but every 1% increase in delinquencies results in a \$10 million decrease in property tax and utility payments received.

¹ 2020 Collection percentage between non-residential and residential:

	Collection % by September 30, 2020
Non-residential	95%
Residential	89%
Total	91%

Legal

The Council is authorized to determine, by by-law, a tax due date under section 416(2) of the *Vancouver Charter*. The *Vancouver Charter* does not presently allow the tax due date to be different for different property classes.

Other provincial legislation, including the School Act and its regulations, establishes the timing of payments to the other taxing authorities.

CONCLUSION

On April 28, 2020, Council enacted a by-law to change the penalty due date in the Tax Penalty By-law from the second business day of July to September 30 in response to the provincial direction. The Province did not extend the delay of the penalty date in 2021, and most Metro municipalities will revert to their standard due dates in July. For the City, an amendment to the by-law is required to revert the penalty due date back to the standard due date on the second business day in July (i.e: July 5, 2021). Given the administration efforts required to prepare the tax notices accurately and to provide sufficient time notice to property owners, there is time sensitivity for Council to approve the recommended amendment to the Tax Penalty By-law.

In response to Council's motions to report back to Council of the impacts of extending the September tax due date, staff provided a summary of considerations. These considerations include the school tax instalments are due in July regardless of the City's tax due date. Staff also looked at the option of whether it is possible to have a different due for residential properties and commercial properties. The *Vancouver Charter* does not allow for a different due date based on property class. Furthermore, a delayed tax payment for landlords does not guarantee this arrangement is passed onto the tenants of small businesses or those negatively impacted by the pandemic.

The delay of tax payment due date in 2020 was in coordination and alignment with the Province and other municipalities. The Province did not extend the 2020 changes to 2021 and other Metro municipalities are reverting to the standard tax payment and penalty dates. Delaying the tax due date will have unilateral financial implications to the City's finances including a revenue impact of up to \$1.2 million.

Staff recommend that Council revert to a tax deadline of the second business day in July by amending the Tax Penalty By-law.

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BY-LAW NO.

A By-law to amend the Tax Penalty By-law No. 9284

The Council of the City of Vancouver, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of the Tax Penalty By-law No. 9284.
2. Council strikes the words “September 30” from section 2.1(b) of the by-law and replaces them with the “the second business day in July”.
3. A decision by a court that any part of this By-law is illegal, void, or unenforceable severs that part from this By-law, and is not to affect the balance of this By-law.
4. This By-law is to come into force and take upon enactment.

ENACTED by Council this __ day of ____, 2021

Mayor

City Clerk