Agenda - Executive Policy Committee - November 12, 2008

REPORTS

Item No. 8 Discount(s) to be allowed for the Prepayment of 2009 Realty, Personal Property and Business Taxes
File FL-2.1

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That pursuant to Subsection 334(3) of The City of Winnipeg Charter, Council adopt a by-law providing for prepayment discounts of the City's 2009 Realty, Personal Property and Business Taxes.

2. That the prepayment discounts be allowed on payments received by the Assessment and Taxation Department during the months of January and February 2009 at the following discount rates:

Realty & Personal Property Tax - Payable at par up to June 30th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	0.713%	1.75%
February	0.581%	1.75%
Business Tax – Payable at par up to May 29th		
January	0.572%	1.75%
February	0.440%	1.75%

3. That the Proper Officers of the City be authorized to do all things necessary to effect the intent of the foregoing.

RE: DISCOUNT(S) TO BE ALLOWED FOR THE PREPAYMENT OF 2009 REALTY, PERSONAL PROPERTY AND BUSINESS TAXES

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Chief Financial Officer

REPORT DATE: November 5, 2008

RECOMMENDATION:

1. That pursuant to Subsection 334(3) of The City of Winnipeg Charter, Council adopt a by-law providing for prepayment discounts of the City's 2009 Realty, Personal Property and Business Taxes.

2. That the prepayment discounts be allowed on payments received by the Assessment and Taxation Department during the months of January and February 2009 at the following discount rates:

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Business Tax – Payable at par up to May 29th		
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February	0.440%	1.75%

3. That the Proper Officers of the City be authorized to do all things necessary to effect the intent of the foregoing.

Report Summary

Key Issues:

- Council annually approves a discount rate for the taxpayers who pay their realty, personal property or business taxes in advance of the due date.
- The proposed discount rate is beneficial to both the taxpayer and the City of Winnipeg.
- The recommended rates (equivalent annual discount rates) are 0.50% lower than those approved for 2008.

Implications of the Recommendation(s):

General Implications

( ) None

(X) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s): The City receives advanced tax bill payment and, in doing so, property and business owners are provided a beneficial tax payment discount rate.

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

(X) No

( ) Yes

Comment(s):

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s): This recommendation results in a projected net income of $24,052.

Report

REASON FOR THE REPORT:

Council may adopt a by-law prescribing the discount rates on the prepayment of realty, personal property and business taxes.

HISTORY:

Subsection 334(3) of *The City of Winnipeg Charter* permits the City to provide for the allowance of discounts when taxes are prepaid, as stated below:

> *334(3) Council may pass by-laws in respect of real and personal property taxes and business taxes*
>
> *(c) providing that, when taxes are paid other than by installments, discounts at rates prescribed in the by-law may be allowed on amounts that are prepaid on account of those taxes by dates specified in the by-law.*

Council annually adopts a by-law establishing a discount rate that will financially benefit the City and, at the same time, provide an investment opportunity for Winnipeg taxpayers.

DISCUSSION:

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 2.75% as the City's short-term investment interest rate for 2009. The 2008 estimate was 4.85%. Therefore, a discount rate of approximately 1.75% is considered to be fair to both the City and to the taxpayer in 2009.

The 2008 experience was as follows:

Total Interest earned on prepayment amounts	$ 122,393
Discount value	$ 72,538
Cost to administer	$ 10,000
Net Return	$ 39,855
Net Return on an annualized basis	1.19 %

Using the 2008 actual prepayment information, with the City's 2009 expected short-term investment interest rate of 2.75%, the following represents the interest income that could be expected in 2009 from depositing the tax prepayments:

2009 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2008)	# of months invested	2009 Projected Investment Income
January			
Realty and Personal Property Tax	$6,737,404	5	$77,199
Business Tax	269,287	4	2,468
February			
Realty and Personal Property Tax	1,043,254	4	9,563
Business Tax	186,002	3	1,279
2009 Projected Gross Income	$8,235,947		90,509
Less: Discount			56,457
Cost to administer			10,000
2009 Projected Net Income			**$24,052**

2009 Projected Annualized Return of .72 %

Comparison 2008 / 2009

	2008	2009 (Projected)
Net Return	$ 39,855	$ 24,052
Annualized Net Return	1.19 %	.72 %

It is therefore recommended that Council adopt a by-law to provide for prepayment discounts received by the Assessment and Taxation Department during the months of January and February 2009 at the following discount rates:

Realty & Personal Property Tax - Payable at par up to June 30th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	0.713%	1.75%
February	0.581%	1.75%
Business Tax – Payable at par up to May 29th		
January	0.572%	1.75%
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FINANCIAL IMPACT STATEMENT:

Project Name: Discount for 2009 Prepayment of Realty, Personal Property and Business Taxes
Date: October 31, 2008 First Year of Program **2009**

	2009	2010	2011	2012	2013
Capital					
Capital Expenditures Required					
Less: Existing Budgeted Costs					
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal					
Debt - External					
Grants (Enter Description Here)					
Reserves, Equity, Surplus					
Other - Enter Description Here					
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 66,457				
Less: Incremental Revenue/Recovery	90,509				
Net Cost/(Benefit)	$ (24,052)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(24,052)				
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Using the 2008 actual prepayment information, with the City's 2009 expected short-term investment interest rate of 2.75%, the interest income that could be expected in 2008 from depositing the tax prepayments is approximately $90,509. However, after applying the projected tax discount of $56,457 and an administrative cost of $10,000, the projected net income is $24,052.

"original signed by Brad Cull"
Manager of Taxation and Finance

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

External Consultation With:

THIS REPORT SUBMITTED BY:

Department: Assessment and Taxation Department
Division: Taxation and Finance Division
Prepared by: Brad Cull, Manager of Taxation and Finance
File No.