Agenda – Executive Policy Committee – December 4, 2013

REPORTS

Item No. 5 Discount(s) to be allowed for the Prepayment of 2014 Real, Personal Property and Business Taxes

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 2014 Real and Personal Property taxes 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 2014 at the following discount rates:

Real & Personal Property Tax - payable at par up to June 30th 2014	Face Value Discount Rate	Equivalent Annual Discount Rate
January 2014	0.307%	0.75%
February 2014	0.250%	0.75%
Business Tax – payable at par up to May 30st 2014		
January 2014	0.246%	0.75%
February 2014	0.189%	0.75%

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

ADMINISTRATIVE REPORT

Title: **DISCOUNT(S) TO BE ALLOWED FOR THE PREPAYMENT OF 2014 REAL AND PERSONAL PROPERTY TAXES AND BUSINESS TAXES**

Critical Path: **Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
T. Austin	M. Chambers	Mike Ruta	D. Joshi A/CAO

RECOMMENDATIONS

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 2014 Real and Personal Property taxes 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 2014 at the following discount rates:

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February 2014	0.189%	0.75%

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

REASON FOR THE REPORT

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 is financially beneficial to both the City and taxpayers.

IMPLICATIONS OF THE RECOMMENDATIONS

The City receives advanced tax bill payments and, in doing so, property and business owners are provided a beneficial tax payment discount rate.

This recommendation results in a projected net income of $1,636.

HISTORY

The proposed discount rates are based on information received from Corporate Finance (Financial Services Branch) which considers 1.25% as the City's short-term investment interest rate for 2014 (the prior year estimate for 2013 was 1.75%). A discount rate of approximately .75% is considered to be fair to both the City and to the taxpayer.

The accelerated cash flow generated by the prepayment of Real and Personal Property Taxes and Business Taxes increases the City's short-term investment opportunities for the period January to June. The investment income earned from these early payments continues to exceed the tax discount given as well as the cost of administering the program.

Using the 2013 actual prepayment information, with the City's 2014 expected short-term investment interest rate of 1.25%, the following table represents the interest income that could be expected in 2014 from depositing the tax prepayments:

2014 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2013)	# of months invested	2014 Projected Investment Income
January			
Realty and Personal Property Tax	$2,006,206	5	$10,449
Business Tax	266,410	4	1,110
February			
Realty and Personal Property Tax	80,403	4	333
Business Tax	(191,522)	3	(598)
2014 Projected Gross Income	$2,161,137		$11,294
less: Discounts and administration costs			9,658
2014 Projected Net Income			**$1,636**

Note that the 2014 projected net income is $1,636. As in 2013, this program will be offered as a customer service initiative with full information on the Assessment and Taxation website. There will be one advertisement placed in the Winnipeg Free Press newspaper. Further, the 311 Customer Contact Centre will be prepared to handle phone calls on this program beginning in January 2014.

It is 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 2014 at the following discount rates:

Realty & Personal Property Tax - payable at par up to June 30th 2014	Face Value Discount Rate	Equivalent Annual Discount Rate
January 2014	0.307%	0.75%
February 2014	0.250%	0.75%
Business Tax – payable at par up to May 30st 2014		
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FINANCIAL IMPACT

Financial Impact Statement **Date:** November 4, 2013

Project Name: **First Year of Program** **2014**

Discount for 2014 Prepayment of Real and Personal Property Taxes and Business Taxes

	2014	2015	2016	2017	2018
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	$ 9,658	$ -	$ -	$ -	$ -
Less: Income from investment of prepayments	11,294	-	-	-	-
Net Cost/(Benefit)	$ (1,636)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (1,636)	$ -	$ -	$ -	$ -

Additional Comments:

Using the 2013 actual prepayment information, with the City's 2014 expected short-term investment interest rate of 1.25%, the interest income that could be expected in 2014 from depositing the tax prepayments is approximately $11,294. However, after applying the projected tax discounts and administrative costs, the projected net income is $1,636. Despite the low net income, this program will still proceed as a customer service initiative. Based on past experience, it is expected that 2,500 - 3,000 property owners will take advantage of the 2014 Prepayment Discount program.

[original signed by]
Radhika Abeysekera
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

Internal

Financial Services Branch of Corporate Finance Department

SUBMITTED BY

Department: Assessment and Taxation
Division: Taxation and Finance
Prepared by: T. Austin, Manager of Taxation and Finance
Date: November 14, 2013
File No. n/a