Agenda – Executive Policy Committee – November 19, 2014

REPORTS

Item No. 8 Discounts to be allowed for the Prepayment of 2015 Realty, 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 2015 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 2015 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	0.287%	0.70%
February	0.233%	0.70%
Business Tax – payable at par up to May 29th		
January	0.230%	0.70%
February	0.176%	0.70%

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 2015 REALTY, PERSONAL PROPERTY AND BUSINESS TAXES**

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

AUTHORIZATION

Author	Department Head	CFO	CAO
T. Austin	M. Chambers	Mike Ruta	M. Jack 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 2015 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 2015 at the following discount rates:

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February	0.233%	0.70%
Business Tax – payable at par up to May 29th		
January	0.230%	0.70%
February	0.176%	0.70%

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 will financially benefit the City and, at the same time, provide an investment opportunity for taxpayers.

IMPLICATIONS OF THE RECOMMENDATIONS

General Implications

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

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

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

Financial Implications

(X) Within approved current and/or capital budget

Comment(s): This recommendation results in a projected net income of $0 (nil net income or cost neutral).

HISTORY

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 1.25% as the City's short-term investment interest rate for 2015 (the prior year estimate for 2014 was 1.25%). A discount rate of approximately .70% is considered to be fair to both the City and to the taxpayer.

The accelerated cash flow generated by the prepayment of realty, personal property 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.

The 2014 accelerated cash flow generated by the prepayments of realty, personal property and business taxes was:

2014 Prepayments	$2,169,591
Less: 2014 Actual Discount	6,726
Cost to administer	3,000
	$2,159,865

Using the 2014 actual prepayment information, with the City's 2015 expected short-term investment interest rate of 1.25%, the following represents the interest income that could be expected in 2015 from depositing the tax prepayments:

2015 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2014)	# of months invested	2015 Projected Investment Income
January			
Realty and Personal Property Tax	$1,995,769	5	$10,395
Business Tax	6,334	4	319
February			
Realty and Personal Property Tax	167,488	4	698
Business Tax			
2015 Projected Gross Income	$2,169,591		$11,412
less: Discounts and administration costs			11,412
2015 Projected Net Income			**$0**

Note that the 2015 projected net income is nil. As in 2014, 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 2015.

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 2015 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	0.287%	0.70%
February	0.233%	0.70%
Business Tax – payable at par up to May 30st		
January	0.230%	0.70%
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FINANCIAL IMPACT

Financial Impact Statement

Date: September 30, 2014

Project Name:

First Year of Program **2015**

Discount for 2015 Prepayment of Realty, Personal Property and Business Taxes

	2015	2016	2017	2018	2019
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other -	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 11,412	$ -	$ -	$ -	$ -
Less: Income from investment of prepayments	11,412	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

Using the 2014 actual prepayment information, with the City's 2015 expected short-term investment interest rate of 1.25%, the interest income that could be expected in 2015 from depositing the tax prepayments is approximately $11,412. However, after applying the projected tax discounts and administrative costs, the projected net income is nil. Despite the nil 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 2015 Prepayment Discount program.

Original signed by

Ramona Hodges
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: September 30, 2014
File No. n/a