**Agenda – Executive Policy Committee – November 28, 2018**

## REPORTS

**Item No. 13 Discount(s) to be allowed for the Prepayment of 2019 Realty, Personal Property and Business Taxes**

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That prepayment discounts be given on payments received by the Assessment and Taxation Department during the months of January and February 2019 at the following discount rates:

| Realty & Personal Property Tax - payable at par up to June 28th | Face Value Discount Rate | Equivalent Annual Discount Rate |
|---|---|---|
| January | 0.307% | 0.75% |
| February | 0.249% | 0.75% |
| **Business Tax – payable at par up to May 31st** | | |
| January | 0.247% | 0.75% |
| February | 0.188% | 0.75% |

2. That, pursuant to Subsection 334(3) of The City of Winnipeg Charter, Council enact the Taxes – Discounts for Prepayments By-law (draft by-law attached as Schedule ‘A’) to provide prepayment discounts of the City's 2019 Realty, Personal Property and Business Taxes in accordance with Recommendation 1 of this Report.

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 2019 Realty, Personal Property and Business Taxes

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

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| T. Austin | M. Chambers | M. Ruta | D. Wardrop, Acting CAO |

## EXECUTIVE SUMMARY

This report requests approval for the 2019 equivalent annual discount rate, which is offered by the City of Winnipeg to property and business owners who elect to pay their taxes in advance of the annual due dates in accordance with Section 334(3) of the City of Winnipeg Charter.

Based on the City's short–term investment interest rate, it has been determined that a discount rate of 0.75% for 2019 is considered to be fair to both the City and to the taxpayer.

Setting the discount rate at 0.75% will be near cost recovery, with the program expecting to result in a small net income of $4,350.

## RECOMMENDATIONS

1. That prepayment discounts be given on payments received by the Assessment and Taxation Department during the months of January and February 2019 at the following discount rates:

| Realty & Personal Property Tax - payable at par up to June 28th | Face Value Discount Rate | Equivalent Annual Discount Rate |
|---|---|---|
| January | 0.307% | 0.75% |
| February | 0.249% | 0.75% |
| **Business Tax – payable at par up to May 31st** | | |
| January | 0.247% | 0.75% |
| February | 0.188% | 0.75% |

2. That, pursuant to Subsection 334(3) of The City of Winnipeg Charter, Council enact the Taxes – Discounts for Prepayments By-law (draft by-law attached as Schedule 'A') to provide prepayment discounts of the City's 2019 Realty, Personal Property and Business Taxes in accordance with Recommendation 1 of this Report.

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

If approved, the City will offer an annual equivalent discount rate of 0.75% on tax payments made in advance. This recommendation results in a project net income of $4,350.

## HISTORY/DISCUSSION

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 1.70% as the City's short-term investment interest rate for 2019, which is higher than 2018 (1.10%). A discount rate of approximately 0.75% 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 2018 accelerated cash flow generated by the prepayments of realty, personal property and business taxes was:

| | |
|---|---|
| 2018 Prepayments | $1,818,915 |
| Less: 2017 Actual Discount | 3,174 |
| Cost to administer | 2,500 |
| | **$1,813,241** |

Using the 2018 actual prepayment information, with the City's 2019 expected short-term investment interest rate of 1.70%, the following represents the interest income that could be expected in 2019 from depositing the tax prepayments:

**2019 Projected Investment Income from Prepayments**

| | Estimated Prepayments (Based on 2018) | # of months invested | 2019 Projected Investment Income |
|---|---|---|---|
| *January* | | | |
| Realty and Personal Property Tax | $1,275,305 | 5 | $9,035 |
| Business Tax | 37,584 | 4 | 229 |
| *February* | | | |
| Realty and Personal Property Tax | 505,812 | 4 | 2,866 |
| Business Tax | | | |
| 2019 Projected Gross Income | $1,818,915 | | $12,130 |
| *less:* Discounts and administration costs | | | 7,780 |
| **2019 Projected Net Income** | | | **$4,350** |

Note that the 2019 projected net income is $4,350. As in 2018, 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 2019.

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 2019 at the following discount rates:

| Realty & Personal Property Tax - payable at par up to June 28th | Face Value Discount Rate | Equivalent Annual Discount Rate |
|---|---|---|
| January | 0.307% | 0.75% |
| February | 0.249% | 0.75% |
| **Business Tax – payable at par up to May 31st** | | |
| January | 0.247% | 0.75% |
| February | 0.188% | 0.75% |

## FINANCIAL IMPACT

# Financial Impact Statement

**Date:** October 29, 2018

**Project Name:**

Discount for 2019 Prepayment of Realty, Personal Property and Business Taxes

**First Year of Program** **2019**

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **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 | $ 7,780 | $ - | $ - | $ - | $ - |
| Less: Incremental Revenue/Recovery | 12,130 | - | - | - | - |
| Net Cost/(Benefit) | $ (4,350) | $ - | $ - | $ - | $ - |
| Less: Existing Budget Amounts | (4,350) | - | - | - | - |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** Using the 2018 actual prepayment information, with the City's 2019 expected short-term investment interest rate of 1.70%, the interest income that could be expected in 2019 from depositing the tax prepayments is approximately $12,130. However, after applying the projected tax discounts and administrative costs, the projected net income is $4,350. Despite the low net income, this program will still proceed as a customer service initiative. Based on past experience, it is expected that 2,000 - 2,500 property owners will take advantage of the 2019 Prepayment Discount program. This program is included in the annual budget submission for the Assessment and Taxation Department.

original signed by

Tanis Yanchishyn
Manager of Finance (Campus)
Corporate Finance Department

## CONSULTATION

This Report has been prepared in consultation with:

- Financial Services Branch of Corporate Finance Department
- Legal Services (as to legal issues and by-law preparation)

## OURWINNIPEG POLICY ALIGNMENT

The discount(s) to be allowed for the Prepayment of Realty, Personal Property and Business Taxes is generally aligned with strategies in OurWinnipeg Policy 01-3 Direction 1.

## SUBMITTED BY

Department: Assessment and Taxation
Division: Taxation and Finance
Prepared by: Tim Austin, Manager of Taxation and Finance Services
Date: October 29, 2018

Attachments:

Schedule A – Draft By-law

**Schedule A**

THE CITY OF WINNIPEG

BY-LAW NO. /2018

A By-law of THE CITY OF WINNIPEG to provide for discounts where real or personal property taxes or business taxes are prepaid in 2019.

**THE CITY OF WINNIPEG**, in Council assembled, enacts as follows:

1 The Tax Collector of The City of Winnipeg shall, during the months of January and February 2019, accept monies in prepayment of real or personal property taxes or business taxes from any taxpayer whose account is not in arrears and who has not applied for and been accepted to the Tax Instalment Payment Plan, at the following discount rates:

(a) during the month of January 2019:

(i) for Real or Personal Property Taxes, a discount rate of 0.307%; and
(ii) for Business Taxes, a discount rate of 0.247%, and

(b) during the month of February 2019:

(i) for Real or Personal Property Taxes, a discount rate of 0.249%; and
(ii) for Business Taxes, a discount rate of 0.188%, and

2 At the time of payment, the taxpayer shall designate the tax account to which the prepayment is to be applied and the Tax Collector shall apply the payment only towards taxes levied in 2019 on the designated account.

3 The Tax Collector may accept tax prepayments for any account to a maximum value equivalent to the amount of the 2019 taxes.

**DONE AND PASSED**, this day of , 2018.

_____
Mayor

_____
City Clerk

Approved as to content:

_____
City Assessor

Legally reviewed and certified as to form:

_____
For Director of Legal Services and
City Solicitor