Agenda – Executive Policy Committee – November 17, 2021

REPORTS

Item No. 8 Discount(s) to be allowed for the Prepayment of 2022 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 2022 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	0.062%	0.15%
February	0.050%	0.15%
Business Tax – payable at par up to May 31st		
January	0.049%	0.15%
February	0.038%	0.15%

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 2022 Realty, Personal Property and Business Taxes in accordance with Recommendation 1 of this Report.

3. That the 2022 advertising of the prepayment discounts be limited to the City of Winnipeg website.

4. 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 2022 Realty, Personal Property and Business Taxes

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
T. Yanchishyn	K. Shields	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

This Administration Report requests approval for the 2022 equivalent annual discount rate the City of Winnipeg is offering 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.

The City's estimated rate of return for the short-term investment is 0.16% and the six-month rate available to the taxpayer at RBC is 0.15% and based on these rates the Assessment and Taxation Department is recommending an annual equivalent discount rate of 0.15%, anything lower would result in the taxpayer receiving a better rate at their own financial institution.

Setting the discount rate at 0.15% will be near cost recovery, with the program expecting to result in a deficit of $343 which can be covered within budget.

RECOMMENDATIONS

1. That prepayment discounts be given on payments received by the Assessment and Taxation Department during the months of January and February 2022 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	0.062%	0.15%
February	0.050%	0.15%
Business Tax – payable at par up to May 31st		
January	0.049%	0.15%
February	0.038%	0.15%

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 2022 Realty, Personal Property and Business Taxes in accordance with Recommendation 1 of this Report.

3. That the 2022 advertising of the prepayment discounts be limited to the City of Winnipeg website.

4. 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 offer an annual equivalent discount rate of 0.15% on tax payments made in advance. This recommendation results in a small deficit of $343 and this amount can be covered within budget.

HISTORY/DISCUSSION

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 0.16% as the City’s short-term investment interest rate for 2022, which is lower than 2021. A discount rate of approximately 0.15% 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 historically exceeds the tax discount given and the costs associated with administering the program, however as the interest rates are much lower due to COVID the department is recommending to continue to offer the program but with scaled back advertising in order to reduce costs. Based on these factors the Assessment and Taxation Department is projecting that there will be a small deficit in 2022.

The 2021 accelerated cash flow generated by the prepayments of realty, personal property and business taxes was:

2021 Prepayments	$3,253,779
Less: 2021 Actual Discount	1,824
Cost to administer	500
	$3,251,455

Using the 2021 actual prepayment information, with the City's 2022 expected short-term investment interest rate of 0.16%, the following represents the interest income that could be expected in 2021 from depositing the tax prepayments:

2022 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2021)	# of months invested	2022 Projected Investment Income
January			
Realty and Personal Property Tax	$2,812,574	5	$1,875
Business Tax	29,405	4	16
February			
Realty and Personal Property Tax	411,800	4	219
Business Tax			
2022 Projected Gross Income	$3,253,779		$2,110
less: Discounts and administration costs			2,453
2022 Projected Net Income			**($ 343)**

As in 2021, this program will be offered as a customer service initiative with full information on the Assessment and Taxation website and there will not be an advertisement placed in the Winnipeg Free Press newspaper. By avoiding this additional cost, similar to 2021, the department is projecting a deficit of $343. This amount can be covered within budget. In addition, the 311 Customer Contact Centre will be prepared to handle phone calls on this program beginning in January 2022.

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 2022 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	0.062%	0.15%
February	0.050%	0.15%
Business Tax – payable at par up to May 31st		
January	0.049%	0.15%
February	0.038%	0.15%

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 19, 2021

Project Name: **First Year of Program** **2022**

Discount(s) to be allowed for the Prepayment of 2022 Realty, Personal Property and Business Taxes

	2022	2023	2024	2025	2026
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	$ 2,453	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	2,110	-	-	-	-
Net Cost/(Benefit)	$ 343	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	343	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Using the 2021 actual prepayment information, with the City's 2022 expected short-term investment interest rate of 0.16%, the interest income that could be expected in 2022 from depositing the tax prepayments is approximately $2,110. However, after applying the projected tax discounts and administrative costs, the projected deficit is $343. Despite the net loss, this program will still proceed as a customer service initiative. Based on past experience, it is expected that 2,500 - 3,500 property owners will take advantage of the 2022 Prepayment Discount program. This program is included in the annual budget submission for the Assessment and Taxation Department.

"Electronically approved by J. Peters"
Jocelyn Peters CPA, CGA
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.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

N/A

SUBMITTED BY

Department: Assessment and Taxation
Division: Taxation and Finance
Prepared by: Tanis Yanchishyn, Manager of Taxation and Finance Services
Date: October 19, 2021
File No: N/A

Attachments:

Schedule A – Draft By-law

Schedule A

THE CITY OF WINNIPEG

BY-LAW NO. /2021

A By-law of THE CITY OF WINNIPEG to provide for discounts where real or personal property taxes or business taxes are prepaid in 2022.

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 2022, 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 2022:

(i) for Real or Personal Property Taxes, a discount rate of 0.062%; and

(ii) for Business Taxes, a discount rate of 0.049%, and

(b) during the month of February 2022:

(i) for Real or Personal Property Taxes, a discount rate of 0.050%; and

(ii) for Business Taxes, a discount rate of 0.038%.

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 2022 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 2021 taxes.

DONE AND PASSED, this day of , 2021.

_____
Mayor

_____
City Clerk

Approved as to content:

_____
City Assessor

Legally reviewed and certified as to form:

_____
For Director of Legal Services and
City Solicitor