Agenda - Executive Policy Committee - September 8, 2004

REPORTS

Item No. 3 **Preparation of Separate Tax Bills for Municipal and Provincial portions of Realty Tax**
File FL-2

ADMINISTRATIVE RECOMMENDATION:

That the report be received as information.

Agenda - Executive Policy Committee - September 8, 2004

DECISION MAKING HISTORY:

COUNCIL:

On July 21, 2004, Council granted the Executive Policy Committee a further thirty (30) day extension of time in order for the Administration to report back on the matter.

On June 23, 2004, Council granted the Executive Policy Committee a further thirty (30) day extension of time in order for the Administration to report back on the matter.

On June 25, 2003, Council granted the Executive Policy Committee a three hundred and sixty-five (365) day extension of time in order to refer the matter to the Administration with instructions that the proposal be amended and further developed for inclusion in negotiations with the Province of Manitoba on the second phase of The City of Winnipeg Charter to allow the City of Winnipeg the necessary authority to prepare two tax bills.

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On March 5, 2003, the Executive Policy Committee referred the matter to the Chief Administrative Officer for report back.

COUNCIL:

On February 26, 2003, Council ruled automatic referral of the following motion to the Executive Policy Committee:

> WHEREAS the current City of Winnipeg tax bill includes Municipal taxation, school division taxation and the special Provincial education levy;
>
> AND WHEREAS the combined education taxes and Provincial education levy are greater than the Municipal portion of the tax bill in some school divisions;
>
> AND WHEREAS the City of Winnipeg collects all of the above noted forms of taxation but retains only the Municipal portion;
>
> AND WHEREAS The City of Winnipeg Charter requires that the tax bill be in a form approved by the Provincial Minister;
>
> THEREFORE BE IT RESOLVED that the Civic Administration prepare two tax bills, namely the Municipal portion and the Provincial portions, in order to clarify for taxpayers how their taxes are distributed and obtain appropriate approval from the Provincial Minister.

ADMINISTRATIVE REPORT

RE: PREPARATION OF SEPARATE TAX BILLS FOR MUNICIPAL AND PROVINCIAL PORTIONS OF REALTY TAX

FOR SUBMISSION TO: EXECUTIVE POLICY COMMITTEE

ORIGINAL REPORT SIGNED BY: CHIEF FINANCIAL OFFICER

REPORT DATE: July 7, 2004

RECOMMENDATION(S):

That this report be received as information.

REPORT SUMMARY:

Key Issue(s):

The City of Winnipeg annually prepares and mails approximately 200,000 real property tax bills. These bills levy taxes under the authority of the City of Winnipeg, the Province of Manitoba and the school division where the property is located. These levies are the municipal property tax, the Provincial Education Support Levy and the School Division Special Levy respectively.

The City is responsible for the billing, collection and remittance of the education levies regardless of the amount of tax collected. This requirement is mandated in *The Public Schools Act* and is applicable to all municipalities in the province.

The form of the City of Winnipeg tax bill must be approved annually by the minister responsible for *The Municipal Assessment Act*.

Council passed a motion *"that the Civic Administration prepare two tax bills, namely the Municipal portion and the Provincial portions, in order to clarify for taxpayers how their taxes are distributed…."* Council requested this proposal be included in negotiations with the Province of Manitoba on the second phase of The City of Winnipeg Charter. This report outlines some of the key issues related to this proposal.

Implications of the Recommendation(s):

General Implications

	None
	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): Changes to the property tax bill will have to be well communicated to the general public as confusion could occur with multiple bills.

Policy Implications

X	**No**
	Yes

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 report is for information only. However, if separate municipal and provincial realty tax bills were prepared by the City of Winnipeg and the City remained responsible for the collection of the provincial tax component, additional costs would be incurred.

REASON FOR THE REPORT:

At its meeting on February 26, 2003, Council ruled automatic referral of the following motion to the Executive Policy Committee:

WHEREAS the current City of Winnipeg tax bill includes Municipal taxation, school division taxation and the special Provincial education levy;

AND WHEREAS the combined education taxes and Provincial education levy are greater than the Municipal portion of the tax bill in some school divisions;

AND WHEREAS the City of Winnipeg collects all of the above-noted forms of taxation but retains only the Municipal portion;

AND WHEREAS The City of Winnipeg Charter requires that the tax bill be in a form approved by the Provincial Minister;

THEREFORE BE IT RESOLVED that the Civic Administration prepare two tax bills, namely the Municipal portion and the Provincial portions, in order to clarify for taxpayers how their taxes are distributed and obtain appropriate approval from the Provincial Minister.

On June 25, 2003, Council passed a motion stating *"a three hundred and sixty-five (365) day extension of time be granted in order to refer the matter to the Administration with instructions that the proposal be amended and further developed for inclusion in negotiations with the Province of Manitoba on the second phase of The City of Winnipeg Charter to allow the City of Winnipeg the necessary authority to prepare two tax bills."*

On June 23, 2004 Council granted an extension of time of thirty (30) days in order for the Administration to report back on this matter.

DISCUSSION:

The issue of separate real property tax bills for municipal and school levies has been raised several times in the past, both prior to and since unification in 1972. The only known case of this occurring was in the former City of West Kildonan, which had separate tax bills for two or three years ending with the year 1970 because of the confusion caused to taxpayers who would remit payment on only one bill with the belief they had paid their taxes in full.

This report highlights a number of the more salient issues concerning this matter. It should be noted that consistent with the motion adopted by Council, under the proposal, the City of Winnipeg would still maintain the responsibility for the billing, collection and remittance of both municipal and education levies. The primary change would be a clearer delineation of the taxing authority through the use of two bills.

Partial Payments

If tax notices were separate for municipal and education taxes, taxpayers may pay only one of the taxes or request that a partial payment be applied to either their municipal or education tax bill. The current tax billing system does not separate a customer account into multiple receivables. The tax billing system would require significant changes to accommodate this option.

If a partial payment were received without direction as to which tax was being paid, a pro-rating process would be required to distribute the payment between the municipal and education taxes.

Supplemental Taxes

In addition to the annual tax notices mailed once a year, it is assumed that supplemental tax notices issued at anytime throughout the year would also be subject to separate notices for municipal and education taxes. The same issue applies to supplementary tax bills with respect to partial payments.

Estimated Costs

The creation of a separate education and municipal tax bill will increase the cost of bill production (multiple pages) and mailing costs (increased weight). It should be noted that if a tax bill summary sheet accompanied the two tax bills, it would effectively be equivalent to the current tax bill.

Although this report has not attempted to cost the impact of bill separation, a review of this issue in 1995 estimated the conversion to separate bills had a one-time cost of $530,000 and an annual operating cost impact of $525,000.

Communications / Customer Service Impacts

If the city remains responsible for the billing, collection and remittance of the education levies, the taxpayer would still be making payment to the City of Winnipeg. This would be counter to the objective of creating and mailing separate municipal and education tax bills as, like the current process, payment would be made to the city.

The total separation option could also affect the numerous payment options and customer service initiatives the city has developed over the last number of years. For example, electronic bill payment, E-post bill presentation and tax data available through the Legal Data Resources service would be affected.

Taxpayers would be required to add the municipal and education billed amounts to remit a single payment to the city. This has the potential for taxpayers making simple mathematical errors and submitting either an over or under payment. This process would be of questionable benefit as full payment is still being made to the City of Winnipeg.

Provincial Approval

Changing the current tax bill presentation by preparing a separate tax bill for education purposes would still require annual approval from the Provincial Minister responsible for *The Municipal Assessment Act* with respect to the form of both tax notices. For the City to have complete autonomy over the form of the tax bill, a legislative amendment to the City of Winnipeg Charter would be required.

CONCLUSION:

Council's February 26, 2003 motion stressed the importance of communication to the taxpayer on the respective responsibility of the Province and school divisions for education and education taxes and that the City's responsibility is simply the billing, collection and remittance of these education taxes.

The form of the tax notice was revised in 1999 to more clearly identify the Provincial and school division education taxes from the municipal tax. This was accomplished by separating the levies on the tax bill form and using colour to differentiate municipal and education taxes. Inquiry telephone numbers are provided for each of the three levies to direct the taxpayer to the authority responsible for each tax. In general, taxpayers are able to distinguish between the various components of the City of Winnipeg tax bill. However, Council has identified their continuing concerns about clear communication to tax payers.

As Council instructed, the Administration will pursue the proposal as part of negotiations with the Province of Manitoba on the second phase of *The City of Winnipeg Charter.* The second phase of the *Charter* negotiations have not yet commenced.

Financial Impact Statement Date: July 6, 2004

COMMENTS: This report is for information only. However, if separate municipal and provincial realty tax bills were prepared by the City of Winnipeg and the city remained responsible for the collection of the provincial tax component, additional costs would be incurred.

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

THIS REPORT SUBMITTED BY:

Corporate Finance Department
Taxation and Revenue Division
Prepared by: Mel Chambers, Customer Services Coordinator

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