Agenda – Executive Policy Committee – November 14, 2023

REPORTS

Item No. 17 Discount(s) to be allowed for the Prepayment of 2024 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 2024 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	1.620%	4.0%
February	1.313%	4.0%
Business Tax – payable at par up to May 31st	Face Value Discount Rate	Equivalent Annual Discount Rate
January	1.302%	4.0%
February	0.993%	4.0%

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 2024 Realty, Personal Property and Business Taxes in accordance with Recommendation 1 of this Report.

3. That the 2024 advertising of the prepayment discounts be limited to the City of Winnipeg website and social media accounts.

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 2024 Realty, Personal Property and Business Taxes

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

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

EXECUTIVE SUMMARY

This administration report requests approval for the 2024 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 5.25 percent and the six-month rate available to the taxpayer at Royal Bank of Canada is 3.55 percent. Based on these rates, the Assessment and Taxation Department is recommending an annual equivalent discount rate of 4.0 percent to incent taxpayers to pre-pay their taxes for a better rate than they can receive at their bank, while also enabling the City to earn investment income.

RECOMMENDATIONS

1. That prepayment discounts be given on payments received by the Assessment and Taxation Department during the months of January and February 2024 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	1.620%	4.0%
February	1.313%	4.0%
Business Tax – payable at par up to May 31st		
January	1.302%	4.0%
February	0.993%	4.0%

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 2024 Realty, Personal Property and Business Taxes in accordance with Recommendation 1 of this Report.

3. That the 2024 advertising of the prepayment discounts be limited to the City of Winnipeg website and social media accounts.

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 will offer an annual equivalent discount rate of 4.0 percent on tax payments made in advance. This recommendation results in additional net revenue to the City of approximately $15,559 assuming the same volume of prepayments as were received in 2023.

HISTORY/DISCUSSION

The proposed discount rates are based on information received from the Financial Services Branch of Corporate Finance, which considers 5.25 percent as the City’s short-term investment interest rate for 2024, which is higher than 2023. A discount rate of approximately 4.0 percent 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 2023 accelerated cash flow generated by the prepayments of realty, personal property and business taxes was:

2023 Prepayments	$2,822,216
Less: 2023 Actual Discount	28,133
Cost to administer	500
	$2,793,583

Using the 2023 actual prepayment information, with the City's 2024 expected short-term investment interest rate of 5.25 percent, the following represents the interest income that could be expected in 2024 from depositing the tax prepayments:

2024 Projected Investment Income from Prepayments

	Estimated Prepayments (Based on 2023)	# of months invested	2024 Projected Investment Income
January			
Realty and Personal Property Tax	$2,521,401	5	$55,156
Business Tax	94,541	4	1,654
February			
Realty and Personal Property Tax	300,814	4	5,264
Business Tax			
2024 Projected Gross Income	$2,916,757		$62,074
less: Discounts and administration costs			46,515
2024 Projected Net Income			**$15,559**

This program will be offered as a customer service initiative with full information on the Assessment and Taxation webpage, and posted on the City's social media accounts. In addition, the 311 Customer Contact Centre will be prepared to handle phone calls on this program beginning in January 2024.

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 2024 at the following discount rates (next page):

Realty & Personal Property Tax - payable at par up to June 30th	Face Value Discount Rate	Equivalent Annual Discount Rate
January	1.620%	4.0%
February	1.313%	4.0%
Business Tax – payable at par up to May 31st		
January	1.302%	4.0%
February	0.993%	4.0%

FINANCIAL IMPACT

Financial Impact Statement

Date: September 29, 2023

Project Name:

First Year of Program **2024**

Discount(s) to be allowed for the Prepayment of 2024 Realty, Personal Property and Business Taxes

	2024	2025	2026	2027	2028
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	$ 46,515	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	62,074	-	-	-	-
Net Cost/(Benefit)	$ (15,559)	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	(15,559)	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Using the 2023 actual prepayment information, with the City's 2024 expected short-term investment interest rate of 5.25%, the interest income that could be expected in 2024 from depositing the tax prepayments is approximately $62,074. Discounts and administrative costs are estimated at $46,515, for a net income from the program of $15,559. Based on past experience, it is expected that 3,500 - 4,500 property owners will take advantage of the 2024 Prepayment Discount program. This program is included in the annual 2024 budget submission for the Assessment and Taxation Department.

Sheridel Faderon for R. Bernard

Randy Bernard, CPA, CMA
Manager of Finance & Administration (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 the OurWinnipeg 2045 goal: Leadership and Good Governance policy 1.8 Accountable Revenue Generation.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (CAP), and it was determined that the CAP is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS), and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Assessment and Taxation
Division: Taxation and Finance
Prepared by: Tanis Yanchishyn, Manager of Taxation and Finance Services
Date: October 20, 2023
File No: N/A

Attachments:

1. Schedule A – Draft By-law

Schedule A

THE CITY OF WINNIPEG

BY-LAW NO. /2023

A By-law of THE CITY OF WINNIPEG to provide for discounts where real or personal property taxes or business taxes are prepaid in 2024.

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 2024, 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 2024:

(i) for Real or Personal Property Taxes, a discount rate of 1.620%; and

(ii) for Business Taxes, a discount rate of 1.302%, and

(b) during the month of February 2024:

(i) for Real or Personal Property Taxes, a discount rate of 1.313%; and

(ii) for Business Taxes, a discount rate of 0.993%.

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 2024 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 2023 taxes.

DONE AND PASSED, this day of , 2023.

_____
Mayor

_____
City Clerk

DRAFT

Approved as to content:

_____
City Assessor

Legally reviewed and certified as to form:

_____
For Director of Legal Services and
City Solicitor

DRAFT