ADMINISTRATIVE REPORT

Title: Amendment to the Tax Penalty By-law 5796/91 and Tax Sale Penalty By-law 8157/2002

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
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EXECUTIVE SUMMARY

The Public Service recommends an amendment to Tax Penalty By-law 5796/91 and Tax Sale Penalty By-law 8157/2002 to align with recent changes to federal law.

Under the current Tax Penalty By-law, the compounded tax penalty rate for outstanding taxes is 41.05 percent. Penalties are calculated at 2.5 percent per month. August (for business taxes) and September (for property taxes) are exceptions, as the rate increases to 7.5 percent. Monthly compounding raises the nominal rate of 35 percent to an effective rate of 41.05 percent.

Effective January 1, 2025, the above interest rate cannot exceed 35 percent. The Public Service recommends setting the monthly penalty rate to 2.5 percent for all months. This results in an annualized tax penalty rate of 34.49 percent, below the 35 percent maximum.

In addition, it is recommended that the Tax Sale Penalty By-law is amended to eliminate the 10 percent penalty which applies to properties that are sold in tax sale on the date of sale. To offset this impact, the Public Service recommends increasing the monthly non-compounded tax sale penalty to 2.75 percent (from 2.5 percent).

The estimated financial impact related to the change to the penalty rate is $2.3 million annually.

RECOMMENDATIONS

1. That Council enact a by-law to amend the Tax Penalty By-law No. 5796/92, and the Tax Sale Penalty By-law No. 8157/2002 in accordance with this report, a draft of which is attached to this report as Appendix B. These amendments:

    A. Reduce the 7.50 percent penalty rate to 2.5 percent in August for business taxes and September for property taxes.

B. Eliminate the tax sale penalty of 10 percent applicable on the date of tax sale offset by increasing the monthly tax sale penalty from 2.5 percent to 2.75 percent.

2. That, subject to approval of Recommendation 1, the Public Service adjust tax accounts for property and business owners to reflect the reduced penalty rate effective January 1, 2025.

3. That the reduced penalty revenue of $2.3 million annually be referred to the 2026 Budget Review Process.

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

Council approval is required to amend by-laws.

IMPLICATIONS OF THE RECOMMENDATIONS

The effective date of the federal statue amendment was January 1, 2025, meaning retroactive penalty adjustments are required for property and business owners in order for the City to comply with the legislated change.

It is estimated that $2.3 million in tax penalties in 2025 will need to be adjusted and credited back to tax accounts. In addition, future penalty revenue will be impacted by this change in penalty rates requiring an annual budget adjustment of $2.3 million.

HISTORY/DISCUSSION

In August 2025, it was identified that the City of Winnipeg's Tax Penalty By-law 5796/91 and Tax Sale Penalty By-law 8157/2002 was not in compliance with federal law. Prior to January 1, 2025, the City was allowed to set an annual percentage rate calculated using generally-accepted actuarial practices that exceeded 60 percent on credit advanced. Effective January 1, 2025, this rate was reduced to 35 percent.

The City of Winnipeg's Tax Penalty By-law specifies the penalty rates for tax accounts with outstanding taxes. The current compounded tax penalty rate is 41.05 percent. Penalties are calculated at 2.5 percent per month, except for August (for business taxes) and September (for property taxes), where the rate increases to 7.5 percent. Monthly compounding raises the nominal rate of 35 percent to an effective rate of 41.05 percent (Appendix A).

The Tax Sale Penalty By-law specifies a penalty of 10 percent of the amount for which a property was sold at tax sale be applied. This 10 percent is typically applied in December when tax sale occurs. Penalties under the Tax Penalty By-law have already been applied during the year at the point of tax sale. In addition, a monthly tax sale penalty of 2.5 percent applies thereafter but is not compounded.

Given the reduction in the allowed interest rate effective January 1, 2025, the City's external actuary and Legal Services have confirmed the Tax Penalty By-law and Tax Sale Penalty By-law do not comply with the revised legislation.

Various options to revise the penalty rates were explored to ensure compliance with the 35 percent rate outlined in the legislation. The Public Service recommends amending the Tax Penalty By-law to reduce the 7.5 percent penalty rate to 2.5 percent in August for business taxes and September for property taxes (Appendix B – By-law amendment). This adjustment would standardize the monthly penalty rate to 2.5 percent, resulting in an annualized tax penalty rate of 34.49 percent, below the criminal rate of 35 percent.

In addition, it is recommended to amend the Tax Sale Penalty By-law to eliminate the 10 percent tax sale penalty applied on the date of tax sale and to increase the monthly tax sale penalty, which is not compounded from 2.5 percent per month, to 2.75 percent per month. Annually the increased monthly rate totals 33 percent, which is within the maximum allowed.

As tax penalty revenue contributes to the general revenue fund, reducing the penalty rate will financially impact the City, with estimated revenue reductions of $2.3 million annually.

Since the Assessment and Taxation Department has already imposed higher penalty rates for business and property taxes in 2025, penalty adjustments are necessary. These adjustments will affect 13,351 property owners with outstanding property taxes and 1,577 business owners with outstanding business taxes.

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 3, 2025

Project Name: **First Year of Program** **2025**

Amendments to the Tax Penalty By-law

	2025	2026	2027	2028	2029
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		$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)
Net Cost/(Benefit)	$ 2,300,000	$ 2,300,000	$ 2,300,000	$ 2,300,000	$ 2,300,000
Less: Existing Budget Amounts	2,300,000	-	-	-	-
Net Budget Adjustment Required	$ -	$ 2,300,000	$ 2,300,000	$ 2,300,000	$ 2,300,000

Additional Comments: Reduced revenue of $2,300,000 is the amount of reduced penalty revenue expected on an annual basis as a result of reducing the penalty rate from 7.5% to 2.5% in August for Business Taxes and in September for Property Taxes.

In 2025 penalty revenue will exceed budget after the $2,300,000 adjustment resulting in no budgetary impact in 2025.

For budget years 2026-2029, a $2.3 million annual impact to the amount of penalty revenue is expected, requiring a budget adjustment in each year as indicated.

Tanis Yanchishyn

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CONSULTATION

This Report has been prepared in consultation with:

- Legal Services

OURWINNIPEG POLICY ALIGNMENT

N/A

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
Prepared by: Tim Austin
Date: October 23, 2025

Attachments:

Appendix A – Annualized Penalty Rates for Business and Property Taxes

Appendix B – Amendments to Tax Penalty By-law No. 5796/91 and Tax Sale Penalty By-law No. 8157/2002