**Agenda - Executive Policy Committee - November 17, 2004**

**Report - Standing Committee on Fiscal Issues - November 9, 2004**

**Item No. 2 Tax Installment Payment Plan - Amendments to allow for Year-Round Enrollment**
**File FL-2**

STANDING COMMITTEE RECOMMENDATION:

On November 9, 2004, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submits the following to Council:

1. That the Tax Installment Payment Plan By-law No. 6048/92 be amended effective January 1, 2005, to allow for:

   A. Continuous year-round enrollment.

   B. A rate of 2% to be applied on a one-time basis against missed monthly installment payments that are received and approved after the January 1st annual program start date.

   C. Any missed monthly installment payments and related charges to be paid either by way of a lump sum or distributed evenly amongst the monthly installment payments for the remainder of the year.

2. That the City Solicitor/Manager of Legal Services be directed to prepare the necessary amending By-law in accordance with the foregoing for submission directly to Council.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Agenda - Executive Policy Committee - November 17, 2004**

**Report - Standing Committee on Fiscal Issues - November 9, 2004**

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 9, 2004, the Standing Committee on Fiscal Issues concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

## ADMINISTRATIVE REPORT

**RE: TAX INSTALMENT PAYMENT PLAN – AMENDMENTS TO ALLOW FOR YEAR-ROUND ENROLMENT**

**FOR SUBMISSION TO:** Standing Committee on Fiscal Issues

**ORIGINAL REPORT SIGNED BY:** Chief Financial Officer

**REPORT DATE:** November 2, 2004

**RECOMMENDATION(S):**

1. That the Tax Instalment Payment Plan By-law No. 6048/92 be amended effective January 1st, 2005 to allow for:
   a. Continuous year-round enrolment;
   b. A rate of 2% to be applied on a one-time basis against missed monthly instalment payments that are received and approved after the January 1st annual program start date;
   c. Any missed monthly instalment payments and related charges to be paid either by way of a lump sum or distributed evenly amongst the monthly instalment payments for the remainder of the year.

2. That the Proper Officers of the City do all things necessary to effect the intent of the foregoing.

**REPORT SUMMARY:**

**Key Issue(s)**:

There are approximately 212,000 property and business tax accounts in the City of Winnipeg. Of these tax accounts, about 72,000 or 34% are enrolled on the Tax Instalment Payment Plan (TIPP). Approximately $250 million in annual tax levies are currently paid through the TIPP program.

Existing TIPP criteria states that TIPP applications must be received on or before December 1st each year in order to be effective on January 1st of the following year. Enhancing the TIPP program to allow for the continuous year-round enrolment in the program will improve the accessibility of this payment option.

Other western Canadian cities (i.e. Regina, Calgary, Edmonton and Vancouver) have programs similar to the City of Winnipeg's TIPP program but they all allow for continuous year-round enrolment on their programs. Two of these cities (i.e. Calgary and Edmonton) charge a fee for applications approved after the program start date.

The establishment of a one-time charge would only apply in situations where the property is being enrolled on TIPP after January 1st. This would ensure equity between those joining TIPP for a January 1st start date and those joining later in the year. It would also serve as a means for balancing the cash flow to the City resulting from the TIPP program and the increased administrative costs in processing TIPP applications outside the normal enrolment time-frame.

This report recommends a 2% rate be used to charge customers for missed monthly instalment payments as a result of joining the TIPP program after the January 1st program start date.

It is further noted that applicants who are opposed to paying this fee have the option to join the program for January 1st of the following year at no charge. As such, this fee is discretionary on the part of the taxpayer wishing to join the program outside the normal enrolment time-frame.

**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):** Property and business owners will be able to enroll in the TIPP program at any time during the year thereby improving the accessibility of this payment option.

**Policy Implications**

- [X] **No**
- [ ] **Yes**

**Comment(s):**

**Environmental Implications:**

- [X] **No**
- [ ] **Yes**

**Comment(s):**

**Human Resources Implications**:

- [X] **No**

☐ **Yes**
**Comment(s):**

**Financial implications**

☒ **Within approved current and/or capital budget**
☐ **Current and/or capital budget adjustment required**
**Comment(s):** The TIPP program is revenue neutral to the City of Winnipeg.

**REASON FOR THE REPORT:**

Council approval is required to amend the Tax Instalment Payment Plan By-Law.

**HISTORY:**

Pursuant to provisions established under The City of Winnipeg Charter, Council may pass by-laws authorizing taxes to be paid by instalments in accordance with the following:

*By-laws re payment of taxes*

*334(3) Council may pass by-laws in respect of real and personal property taxes and business taxes*

*(a) setting a due date for the payment of the taxes imposed;*

(b) *providing that, in the fiscal year in which they are imposed, taxes may be paid in instalments as permitted in the by-law, subject to such terms and conditions as are specified and, if so provided, fixing the date or dates on which the instalments are due, or prescribing the manner in which such date or dates are to be fixed.*

The TIPP program was introduced in 1992 as a convenience for property owners who wished to pay realty taxes on a monthly basis rather than a single annual payment. The program was expanded in 1993 to allow for the payment of business taxes in the same manner. Those enrolled on TIPP pay their taxes electronically via automatic monthly debits from their financial institution.

In general, a taxpayer can apply to participate in TIPP at any time before mid-December but the program always begins on January 1st of the following year and continues on the first banking day of each month thereafter. The TIPP program continues each year unless the taxpayer chooses to withdraw or participation is cancelled due to non-payment of the monthly instalment.

The monthly payment is calculated by dividing the previous year's tax levy by the number of instalments chosen for the next calendar year. The number of instalment periods over which payments can be applied may differ depending on whether the TIPP account is for real property taxes or business taxes; for real and personal property taxes, for not less than 7 and not more than 12 instalment payments; or for business taxes, for not less than 6 and not more than 10 instalment payments. Instalment amounts are adjusted in July for real and personal property and in June for businesses, to allow for any changes in taxes resulting from the new/current tax levy.

The existing TIPP program is basically revenue neutral to the City; no interest is paid on collections from January to the tax bill due date and no penalties are charged on collections for the remainder of the TIPP instalment period. The reduced borrowing costs that result from the accelerated receipt of payments prior to the billing due date are offset by investment earnings foregone thereafter.

**DISCUSSION:**

Comparisons

In considering the proposed enhancements to the City of Winnipeg's TIPP program, several western Canadian cities (i.e. Regina, Calgary, Edmonton and Vancouver) were surveyed.

The western Canadian cities surveyed have established programs whereby taxpayers can pay property taxes by way of monthly instalments in the same manner as those enrolled under the City of Winnipeg's TIPP program. The primary difference between these other programs and the City of Winnipeg is that all of the cities surveyed allow for the continuous year-round enrolment under their programs whereas the City of Winnipeg currently does not.

Two of the cities surveyed (i.e. Calgary and Edmonton) have established a fee, which is applied in cases where enrolment occurs after the annual deadline date. In both cities, annual property taxes are due on June 30th. In Calgary, the fee is 2% of all missed monthly instalment payments. In Edmonton, the fee varies depending on the month of enrolment.

The following table provides a brief illustration of the various plans:

| ***City*** | ***Payment by Instalments*** | ***Year-Round Enrolment*** | ***Interest Charges for late Enrolment*** |
|---|---|---|---|
| Vancouver | Yes | Yes | No |
| Calgary | Yes | Yes | 2% of all missed monthly payments |
| Edmonton | Yes | Yes | Feb. 1st - 1% |

| | | | |
|---|---|---|---|
| | | | Mar. 1st - 3%<br>Apr. 1st - 6%<br>May 1st -10%<br>Jun. 1st - 15%<br>of all missed monthly payments |
| Regina | Yes | Yes | No |
| Winnipeg | Yes | No | No |

Proposed TIPP Amendments

1. Continuous Enrolment:

Consistent with program features available in all of the western Canadian cities surveyed, it is recommended that the TIPP By-Law be amended to allow for the continuous year-round enrolment on the program.

In order to be eligible for enrolment at anytime throughout the year, all taxes and penalties outstanding as of December 31st of the previous year must be paid in full. Taxes and penalties outstanding from a previous year would not be included in monthly TIPP payments for the current year.

A requirement for late enrolment would be that all missed monthly instalment payments for the current year would have to be paid. The recommendation proposes to allow the missed monthly payments to be paid either by way of a lump sum or distributed evenly among the remaining monthly instalments payments for the current year.

It should be noted that taxpayers who wish to enroll on the TIPP program after the deadline date for payment of the current year taxes would be subject to, and be responsible for paying, normal monthly penalty charges for each month the taxes for the current year were unpaid. Once TIPP eligibility has been established and monthly instalment payments commence, monthly penalties would cease to accrue.

2. One-Time Charge for Applications after January 1st of Each Year:

It is anticipated that the majority of those wishing to participate on TIPP after the January 1st start date will likely do so during the first six months of the year or when they receive their annual tax bill in May. In order to mitigate the foregone investment opportunity resulting from missed TIPP instalment payments and to recognize the administrative cost in processing TIPP applications received outside the normal enrolment timeframe, TIPP applicants who enroll after the January 1st start date would be required to pay a one-time charge. It should be noted that this charge would only apply in situations where enrolment in the program was after the January 1st start date. It would ensure equity between those joining TIPP for January 1st with those joining later in the year.

It is proposed that the charge be applied to the total missed monthly instalment payments rather than a flat amount represented as a fixed dollar value. Although the option of a fixed dollar value would apply equally to all late applications, it does not take into account the difference in individual property tax levies. Therefore, a property owner with relatively low property taxes would be subject to the same flat rate charge as a property owner with proportionately higher property taxes.

The one-time charge could be set in consideration of the City's cost of borrowing. However, since this rate fluctuates based on the prime-lending rate, the charge would need to be adjusted each time the rate changed. Alternatively, for ease of administration, a flat percentage charge could be set which would not require an adjustment due to a change in the City's borrowing rate.

It is recommended that a 2% rate be used to charge customers for missed monthly instalment payments as a result of joining the TIPP program after the January 1st program start date. This is similar to the rate used in the City of Calgary for their TIPP program. As noted above, this charge is for purposes of:

- ensuring equity between those joining TIPP for January 1st with those joining later in the year;
- mitigating the foregone investment opportunity resulting from missed TIPP instalment payments; and
- recognizing the administrative cost in processing TIPP applications received outside the normal enrolment timeframe.

It is important to stress that applicants who are opposed to paying this one-time fee have the option to join the program for January 1st of the following year at no charge. As such, this fee is discretionary on the part of the taxpayer wishing to join the program outside the normal enrolment time-frame.

3. Other Considerations:

If approved, the program enhancements proposed in this report could potentially have a negative impact on revenue the City collects as a result of late tax payments. While it is difficult to quantify the magnitude of this impact at this time, it is reasonable to assume that increased TIPP enrolment may reduce tax penalty revenue especially for those tax accounts that enroll on TIPP after the due date for the current year's taxes. The collection rate on current taxes may improve slightly as a result of this initiative.

Conclusion

The TIPP program provides benefits to the taxpayers of the City of Winnipeg as being a very popular customer service tax bill payment option and to the City in terms of improved cash flow. The benefits of the TIPP program can be further expanded by having the program available to taxpayers wishing to participate at anytime during the year.

## Financial Impact Statement Date: November 1, 2004

**COMMENTS: There is no financial impact. The TIPP program is revenue neutral to the City.**

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

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

Corporate Services Department, Legal Services Division
Corporate Finance Department, Financial Services Branch

**THIS REPORT SUBMITTED BY:**

Corporate Finance Department
Taxation and Revenue Division
Prepared by: Robert Weselowski, Manager of Taxation and Revenue
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