

THE CORPORATION OF THE DISTRICT OF BURNABY

December 5, 1966

HIS WORSHIP THE REEVE
AND MEMBERS OF THE COUNCIL:

Gentlemen:

REPORT RE PAYMENT OF PROPERTY TAXES
BY THE MONTH

People today are quite accustomed to meeting payments for all necessities on a monthly basis. Therefore, it would appear that payment of property taxes by the month might be desirable and could be a convenience to the taxpayers. "The Easy Monthly Payment" is considered to be the painless way of extracting funds.

The Corporation is now preparing for the installation of new electronic data processing equipment. This equipment is quite versatile and would make it quite easy to develop a system for the monthly payment of taxes. There would, of course, be some increase in administration costs. However, the use of the new equipment would minimize this increase. To have instituted such a program prior to the installation of our new equipment would have been a difficult administrative problem; in fact, it would appear to have been impossible. The earliest, therefore, that a program of this type could be implemented would be January 1st, 1968 in order to allow for the developing of the program in relation to the use of our machines and for the de-bugging of the program. Some consideration, however, will have to be given as to whether the new equipment has the capacity to do the job adequately. The new equipment depends upon information being stored on cards, resulting in a storage problem if it is necessary to store too much information. A move to the type of machine that would provide convenient storage methods such as a disc or tape machine would likely increase machine rental by approximately \$2,000.00 per month.

In giving consideration to the program for payment of taxes in this manner, it is most difficult to find reliable information, as such information is not available. It should be pointed out that:

- (a) Taxes are being paid today without any great need of putting forth any serious effort to effect collection. The system of penalties assessed on unpaid taxes and an efficient administration in our Tax Collection Department are resulting in our Corporation collecting at least 96% of current taxes each year. It cannot be anticipated, therefore, that monthly payment of taxes would result in increasing this percentage.
- (b) Many municipal officials across Canada have studied this problem and in almost all cases have become very lukewarm to any such proposal following their studies. This is because they formed the opinion the problems associated with collection of taxes in this manner far outweighed the convenience to the taxpayer. It should be pointed out that Burnaby officials have possibly given this matter greater thought than have the officials of any other municipality.
- (c) Mortgage companies now arrange to collect from the property owners a monthly payment along with the principal and interest payment on the mortgage to be applied on taxes. They accumulate these twelve payments and pay the Corporation in one lump sum. The collection of taxes in this manner is a requirement of N.H.A. mortgages and is also a condition in the mortgages of many other mortgage companies.

The purpose, of course, is to protect their security by seeing that the taxes are paid regularly. In Burnaby, 29% of the property owners pay their taxes in this way. It is unlikely that the mortgage companies would be very happy about giving up this right of collection of taxes by regular monthly payment. It would require an amendment to thousands of existing mortgages. They would also have to be assured of some protection with regard to their security, as they must know the taxes are paid. However, they might be willing to forego the privilege of collecting taxes to save them some administrative work.

- (d) Only very few municipalities allow payment of taxes on an instalment basis. Such instalment bases may vary from semi-annual, quarterly, etc. up to monthly.

There are many problems, therefore, to be solved before any such program could be implemented. However, because of the convenience to the taxpayer, Council should give the matter further consideration. They would then be in a position to weigh the problems that would be created against the benefits that would accrue to the taxpayer.

Section 381A of the Municipal Act is the enabling legislation allowing Council to implement such a program. The general interpretation of this section is that if such a program was adopted through the passage of a by-law, it would be mandatory on the part of all taxpayers to pay in this manner unless they opted out. If the vast majority of taxpayers opted out for one reason or another it would appear that the Corporation would have gone to a lot of trouble and effort for the convenience of a few taxpayers.

It must be kept in mind that the Corporation has never refused payments made in advance on account of taxes. Furthermore, any taxpayer who desires to follow this system could arrange with his bank or credit union to make regular monthly payments into a tax account. It could be said, therefore, that the taxpayer can today make such an arrangement if he so desires.

If a program is to be implemented, it would appear to me that it would have to be along the following lines:

1. That a due date would have to be established for the monthly payments. It would be a particular day each month. It is convenient in such programs to use cycle billing. However, a legal opinion would be needed as to whether a different due date could be established for taxpayers according to the area of community in which they live in order to establish different due dates on a cycle billing basis, otherwise it would appear that the due date would have to be the same for all taxpayers.
2. That during the months of January through to August inclusive, taxpayers would be billed for 1/12th of the amount of the previous year's net taxes (that is, taxes less the home owner grant). Should the circumstances of a taxpayer change whereby he would not be eligible for a home owner grant, it would be necessary for him to ask the Corporation to change the amount of the instalment to 1/12th of gross taxes.
3. That as of September 1st of each year the amount of the monthly tax billing be adjusted to collect the balance of the taxes owing in four regular equal instalments. This would allow time for the Corporation to make the necessary calculations for all taxpayers as to the amount remaining unpaid and adjust the billing accordingly.

4. That taxpayers be requested to file an application for the home owner grant by June 30th of each year. To facilitate this, a tax notice should be mailed to reach the taxpayer early in June of each year. Here, however, the Corporation would be faced with a problem. There seems to be no way in which the taxpayer could be penalized for not having forwarded his application for the home owner grant. He would be able to make application on December 30th for the home owner grant and would be entitled to receive it. Had he been paying taxes on a gross basis, he would then likely want a refund. If his instalments during the first part of the year had been 1/12th of net taxes the previous year and at the time of adjustment of taxes, no home owner grant application had been received, the adjustment would be made to collect the gross balance of the taxes remaining unpaid. Here again, the taxpayer, after having paid the gross taxes, could make application for the home owner grant and ask for a refund. The Corporation would be powerless to prevent him, under existing legislation, from doing so.

This is one of the most difficult problems to solve relative to payment of taxes by the month, unless the Corporation is prepared to accept a great deal of additional administrative work.

5. Any taxpayer who fails to make his monthly payment by the due date, or makes his payment with an N.S.F. cheque would be penalized by having added to his instalment, a penalty of 10% of the amount of the instalment. The Act would appear to provide for such a penalty, although it must be noted that if all payments were made late, the penalties would likely exceed the allowed amount. This provision would also create a real headache for municipal officials in that where a payment is required to be made by a deadline, people will maintain that payment was forwarded in time to meet such deadline but that it was the fault of the mail that it did not do so. This could result in the municipal officials having to retain envelopes including late payments to show the taxpayer the postmark.

There seems to be no other answer and any effort to try to make people meet deadlines is likely to result in the creation of ill-will towards the Corporation. A simple method, of course, would be for the Corporation to produce a draft on the taxpayers bank account, rather than a billing. It is doubtful that permission could be obtained from the Bankers' Association for such a system, as they are doing their best to discourage it.

6. That the penalty dates for non-payment of taxes of July 2nd and November 2nd remain as they are at present for all taxpayers not paying on an instalment basis. For those paying on an instalment basis, these penalties would not apply, providing all instalments have been paid on time.

For taxpayers paying on an instalment basis who do not meet all payments on time, these penalties would apply on the unpaid amount. This system might create an excessive amount of administrative work and might also end up with the taxpayer paying more in the way of penalties and interests than the Act allows.

It would be necessary, therefore, for officials of the Corporation to study this suggestion in greater detail to see whether penalties can be applied in this manner.

The purpose of this report is to place before Council some concept of the type of system that would have to be developed to allow for payment of taxes on the instalment basis and the problems related thereto.

It would appear that the logical procedure is to have this matter referred to a meeting of the Policy Committee. For such a meeting, it would be

advisable to have the Manager and Treasurer prepare a report as to the administrative problems as they see them and the effect that such a system would have on the finances of the municipality, together with any other comments they wish to make.

If large numbers of taxpayers opt out, such a system would have little effect but it would also be of little value. If, on the other hand, the majority of taxpayers pay taxes in this manner, the Corporation would receive its revenue at regular intervals each month. This would avoid the necessity of borrowing large sums of money in the early part of the year and then investing surplus funds after the taxes are paid. It is difficult to estimate what the financial effect would be to the Corporation on the basis of receiving money regularly throughout the year, making it unnecessary to borrow, because it will vary according to the amount that is charged on our temporary borrowing and according to the amount we can earn on our temporary investments. However, in my estimation, to receive twelve regular payments from a taxpayer rather than one \$300.00 payment on July 1st would save the Corporation approximately \$1.15 at current interest rates. This is a purely theoretical estimation made on the basis that the Corporation does not have other funds available during the early part of the year but would have to borrow for all its needs until such time as taxes were paid and then could invest half the taxes paid on July 1st and withdraw monthly from the account that was invested.

In practical circumstances, because the Corporation does have some funds it can operate on in the early part of the year without borrowing, the financial advantage is not likely to be as great. Even if this theoretical amount of \$1.15 were to be realized, it is doubtful that the added administration costs to the Corporation would be less than this amount per taxpayer.

Respectfully submitted,

JHC:mc

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COUNCILLOR