

ITEM 1  
MANAGER'S REPORT NO. 15  
COUNCIL MEETING 1982 03 08

RE: TAX PENALTIES

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Treasurer be adopted.

\* \* \* \* \*

1982 March 03

File: T5-14

TO: MUNICIPAL MANAGER

FROM: TREASURER

RE: TAX PENALTIES

RECOMMENDATION

1. THAT when the 1982 annual rating by-law is brought down, the tax penalties for 1982 be changed to 5% on 1982 July 05 and 5% on 1982 September 02.

SUMMARY

This report recommends that for 1982 tax penalties be changed to 5% on July 05, being the second working day of July, and 5% on September 02, being the second working day of September. This compares with the following percentages applied in 1981:

1%	July 3rd
2%	August 5th
3%	September 2nd
4%	October 2nd

The purpose of the proposed change is to encourage payment of taxes by due date. 1981 saw some slippage in collection, likely related to our low July and August penalty rates.

The change should cause 1982 revenue to increase by about \$50,000 because of increased investment income.

REPORT

BACKGROUND

Section 445 of the Municipal Act governs the percentage additions to unpaid taxes and states:

- (1) The collector, as soon as is practicable after July 1 in each year, unless other dates and percentage additions have been determined under subsection (2), shall add to the unpaid taxes of the current year, for each parcel of land and its improvements on the property tax roll, 10% of the amount unpaid on July 2 of that year.
- (2) The council, by by-law adopted prior to the mailing of any tax demand notices under section 431 in that year, may alter the date to a date later than July 2, or designate 2 or more dates, the first not earlier than July 2, and specify the percentages which may be imposed on each date on taxes unpaid on that date. The aggregate of the percentages shall equal 10%. A date under this subsection shall not be later than November 30, when taxes unpaid are subject to the full 10% addition or the part of it not yet added.

- (3) A by-law remains in force from year to year.

ITEM	1
MANAGER'S REPORT NO.	15
COUNCIL MEETING	1982 03 08

The by-law was last changed in 1967 when Council approved the four penalty date system currently in effect, viz:

- 1% July 3rd
- 2% August 5th
- 3% September 2nd
- 4% October 2nd

These penalties are cumulative.

In 1967 the change was considered helpful to the taxpayers because it standardized Burnaby's penalty dates with those in existence in the City of Vancouver. Since that time, the City of Vancouver has changed its tax billing system to twice yearly and has also changed its penalty dates. It now appears that our penalty system is in need of revision.

CURRENT CONDITIONS

1981 saw a slippage in collection of current taxes. Taxes paid by the July due date were about 6½% less than in previous years. Some of this slippage was picked up by the September due date, at which time the percentage collected was about 2% below previous years. See Schedule 1 attached.

Economic conditions likely influenced collections overall, but the most probable cause for the slippage in July and August is the fact that the 1% and 2% penalties are too low.

Penalties charged by other communities vary, but most apply a 5% penalty in July and a further 5% a month or two thereafter. See Schedule 2 attached.

CHANGE PROPOSED AND ITS EFFECT

It is considered that for 1982 a two 5% penalty system should be instituted. One 5% penalty on unpaid taxes on the second working day in July and another 5% penalty on the second working day in September. This change should encourage more taxpayers to pay their accounts by due date, and probably bring collections up to our pre-1981 level, i.e. about 94% by the July due date.

The second penalty date of September is proposed because it allows time to process the high volume of transactions which accompany the July due date. It also allows time to send out a follow-up bill around the end of July to those taxpayers who have not paid their taxes, reminding them of the September penalty date. The September penalty date also helps in dealing with those taxpayers who have made errors in paying or who have simply forgotten to pay and who are away on vacation during July or August.

From a budget standpoint, 1982 revenue should increase by about \$50,000. The increase does not come from increased penalty revenue but from increased investment income. Projections made (based on the assumption that a 5% penalty will increase collections to about 94% of total current taxes) shows that the 1982 penalty revenue should go down by about \$180,000 but would be offset by an increase in investment income of about \$230,000. Penalty revenue goes down because the overall base on which penalties are added is lowered when more taxes are collected by the July due date.

It is recommended that when the 1982 annual rating by-law is brought down, the tax penalties for 1982 be changed to 5% on 1982 July 05 and 5% on 1982 September 02.

This recommendation is brought forward at this time so that the change, if approved, can be shown on the 1982 tax bill which is currently being designed.

ITEM 1  
MANAGER'S REPORT NO. 15  
COUNCIL MEETING 1982 03 08

-3-

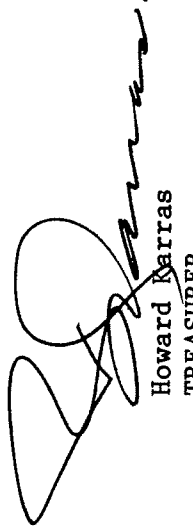
PUBLICITY

In order to make taxpayers aware of the changed penalty dates, the following action will be taken:

- Newspaper advertisements will be placed.
- An article will be written for Information Burnaby.
- A special stuffer will be included with the tax bill.
- The penalties will be highlighted on the tax bill.

INTEREST ON ARREARS AND DELINQUENT

Currently, we charge 12% interest per annum on taxes in arrears (1981 taxes outstanding) and 12% on taxes which are delinquent (1980 taxes outstanding). This is the maximum allowed under the Municipal Act. Discussions with officials at the Ministry of Municipal Affairs indicate that the Province may be considering increasing this limit during 1982. A further report will be submitted when this occurs.



Howard Karras  
TREASURER

Attach.

cc: Municipal Solicitor  
Municipal Clerk

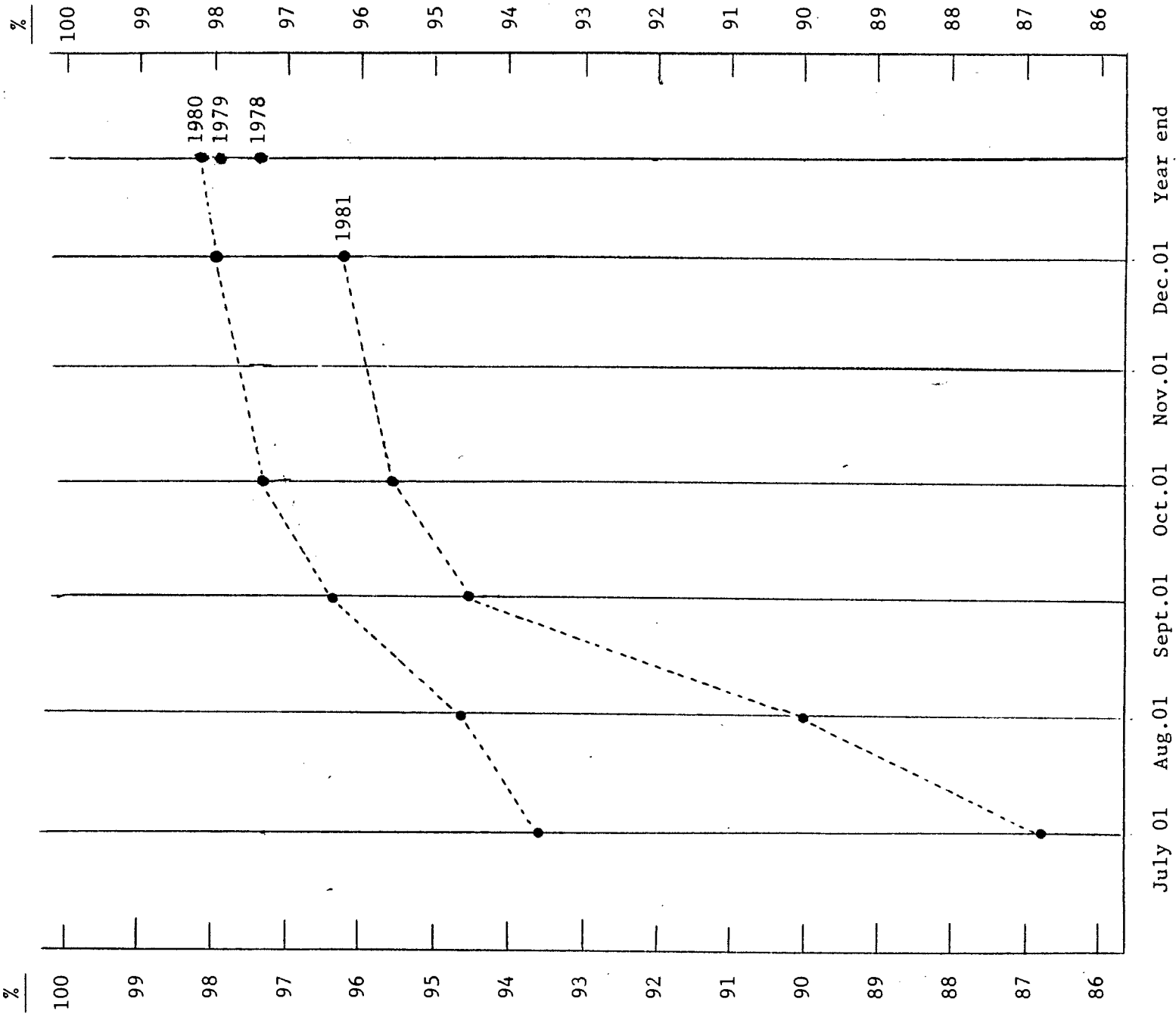
ITEM 1  
 MANAGER'S REPORT NO. 15  
 COUNCIL MEETING 1982 03 08

THE CORPORATION OF THE DISTRICT OF BURNABY

SCHEDULE 1

104

CUMULATIVE % TAXES COLLECTED BY DATE SHOWN



ITEM	1
MANAGER'S REPORT NO.	15
COUNCIL MEETING	1982 03 08

THE CORPORATION OF THE DISTRICT OF BURNABY

SCHEDULE 2

SUMMARY OF TAX PENALTIES CHARGED BY COMMUNITY IN 1981

Burnaby	1%	July 03	
	2%	August 05	
	3%	September 02	
	4%	October 02	
Vancouver	4%	February 03	Advance billing
	4%	July 03	
	1%	August 05	
	1%	September 02	
Surrey	5%	July 03	
	5%	September 02	
Delta	5%	July 03	
	5%	August 17	
Richmond	5%	July 12	1981 July 31 - strike related
	5%	August 31	
Coquitlam	10%	August 14	1981 only - strike related 1980 - 7% July 02 3% August 14
North Vancouver District	5%	July 03	
	5%	September 02	
North Vancouver City	5%	July 10	
	5%	October 15	
West Vancouver	5%	July 03	
	5%	September 02	
Port Moody	10%	July 31	
Port Coquitlam	5%	July 04	
	5%	September 04	
New Westminster	5%	July 15	
	5%	September 30	

