

Township of  
Langley



Est. 1873

## REPORT TO MAYOR AND COUNCIL

<b>PRESENTED:</b>	SEPTEMBER 30, 2019 – REGULAR AFTERNOON MEETING	<b>REPORT:</b>	19-139
<b>FROM:</b>	FINANCE DIVISION	<b>FILE:</b>	1950-05
<b>SUBJECT:</b>	ALTERNATIVE MUNICIPAL TAX COLLECTION SCHEME		

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### RECOMMENDATION:

**That** Council authorize staff to implement a revised Alternative Municipal Tax Collection Scheme effective for the 2020 tax season.

### EXECUTIVE SUMMARY:

On the July 22, 2019 Regular Afternoon Meeting of Council, staff were directed to bring forward a report and any necessary bylaw changes to implement the “Two 5% penalties” model in the Township of Langley to be effective for the 2020 tax year.

The Township is currently operating under an Alternative Municipal Tax Collection Scheme that requires:

- Penalty on Unpaid Taxes - July 3<sup>rd</sup> - 10%
- Penalty on Unclaimed Home Owner Grants – September 1<sup>st</sup> – 10% Staff, at Council’s direction, are presenting bylaw changes required for the Township to migrate to the following scheme for the 2020 tax season:
- First Due Date: First Business Day in July (after which a penalty of 5% will be applied)
- Second Due Date: First Business Day in September (after which a penalty of 5% will be applied) A mock up copy of a hypothetical 2020 Annual Tax Rates and Tax Collection Bylaw is attached showing the NEW or changed sections that would facilitate the proposed Alternative Municipal Tax Collection Scheme.

### PURPOSE:

The purpose of this report is to seek Council authorization for staff to migrate the Township to an Alternative Municipal Tax Collection Scheme that provides the following two due dates;

- 1) First Business Day in July after which a 5% penalty will be levied on unpaid taxes, and
- 2) First Business Day in September after which a 5% penalty will be levied on unpaid taxes.

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**BACKGROUND/HISTORY:**

The Township of Langley has a history of employing a variety of tax collection schemes over the years.

As shown below, while operating within the *Municipal Act*, the Township of Langley moved from having a:

- 10% penalty on unpaid taxes after the due date of July 2nd; to
- 5% penalty on unpaid taxes after July 2<sup>nd</sup> and another 5% after August 2<sup>nd</sup>.

When the *Community Charter* came into effect in 2003, the Township moved from:

- 5% penalty on unpaid taxes after July 2<sup>nd</sup> and another 5% after August 2<sup>nd</sup>; to
- 10% penalty on unpaid taxes after the due date of July 2nd; and then to
- 10% penalty on unpaid taxes after July 2nd and 10% penalty on unclaimed home owners grants after August 31<sup>st</sup> (where we are now).

See bylaw excerpts below ...

Municipal Act

1981 to 1982 – Langley Percentage Addition Bylaw – 10% Penalty

1. That the percentage provided by the said Section 445 of the “Municipal Act” shall not be added on the 2<sup>nd</sup> day of July as therein provided, but the Collector shall, on the 16<sup>th</sup> day of July, add to the current year’s taxes unpaid on each parcel of Land and improvements upon his Roll as at July 15<sup>th</sup>, an amount equal to Ten Percentum (10%) thereof, and the said unpaid taxes, together with the amount as aforesaid, shall from the 16<sup>th</sup> day of July aforesaid, be deemed to be the amount of the current year’s taxes due upon the said Lands and Improvements.

Municipal Act

1983 to 1990 – Annual Tax Rates and Collection Bylaws – 5% July 3 / 5% August 3

4. The taxes for the current year as shown on the real property tax roll shall be payable on or before 4:30 p.m. on the 2nd day of July, 1990, and there shall be added to taxes remaining unpaid after the aforementioned time and date five percentum (5%) of the amount unpaid; and there shall be added to taxes remaining unpaid after 4:30 p.m. on the 2nd day of August, 1990, a further five percentum (5%) of the amount unpaid.

Municipal Act to 2002 / Community Charter effective 2003

1991 to 2004 – Annual Rates and Tax Collection Bylaws – 10% Penalty July 3

4. The taxes for the current year as shown on the real property tax roll shall be payable on or before 6:00 p.m. on the 2nd day of July 2004, and there shall be added to taxes remaining unpaid after the aforementioned time and date ten percentum (10%) of the amount unpaid.

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Community Charter

2005 to Present – Annual Rates and Tax Collection Bylaws:

- Penalty on Unpaid Taxes - July 3<sup>rd</sup> - 10%
- Penalty on Unclaimed Home Owner Grants – September 1<sup>st</sup> – 10%

4. The taxes for the current year as shown on the real property tax roll shall be payable on or before 6:00 p.m. on the 2<sup>nd</sup> day of July 2005 and there shall be added to taxes remaining unpaid after the aforementioned time and date, Ten Percentum (10%) of the amount.
5. Where a penalty addition would otherwise be applied and a property owner is eligible for and subsequently claims the current year Home Owner Grant and applies to the Director of Finance for such Grant no later than 6:00 p.m. on August 31, 2005, the penalty above shall not be applied to the portion of the taxes outstanding which is equal to the year's current Home Owner Grant.
6. Pursuant to sections 235 and 236 of the Community Charter, the municipal tax collection scheme shall apply unless a property owner makes an election under section 236 by 6:00 p.m. on July, 2nd, 2005.

The current governing legislation is the *Community Charter*. The following charter sections specify that municipalities now have two options for due dates as follows:

- a) The General Tax Collection Scheme under Section 234, or
- b) An Alternative Municipal Tax Collection Scheme under Section 235  
(from this point on referred to as the *Municipal Tax Collection Scheme*)

**DISCUSSION/ANALYSIS:**

The General Tax Collection Scheme, per Section 234, provides for a legislated property tax due date of **July 2<sup>nd</sup>**. If July 2<sup>nd</sup> falls on a weekend or a statutory holiday, most municipalities will bump the due date to the first working day following the weekend or statutory holiday.

A Municipal Tax Collection Scheme, per Section 235, allows Council the flexibility to establish **one or more dates** on which all or part of the property taxes are due. Under this section, an owner is provided with an opportunity to make an election as to which property tax due date they would like to follow; the General or the alternative Municipal Tax Collection Scheme. If no election is filed, the alternative Municipal Tax Collection Scheme will be enacted.

The Township is currently operating under an alternative Municipal Tax Collection Scheme that requires:

- Penalty on Unpaid Taxes - July 3<sup>rd</sup> - 10% Penalty on Unclaimed Home Owner Grants – September 1<sup>st</sup> – 10% The topic of this report is to provide Council enough information to authorize staff to migrate from the alternative Municipal Tax Collection Scheme above to the following revised alternative Municipal Tax Collection Scheme for the 2020 tax season.
- First Due Date: First Business Day in July (after which a penalty of 5% will be applied)

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- Second Due Date: First Business Day in September (after which a penalty of 5% will be applied)

Achieving consistency among neighbouring municipalities can be positive. Currently, the Township of Langley is the only municipality in the Lower Mainland with a 10% penalty after a July 2<sup>nd</sup> due date. In the Fraser Valley, Mission continues with a 10% penalty after a July 2<sup>nd</sup> due date.

Other items that must be considered by staff to ensure a successful migration are:

- Tempest Tax Collection Software Changes
- Tax Notice and Tax Brochure Changes
- Township Website Changes
- Customer Service Staffing at civic facility for collecting for a second due date
- Revenue and Tax Collection staffing at civic facility for processing a second due date
- Interest revenue reduction due to an increase in taxpayers paying at the 2<sup>nd</sup> due date
- Increased supplies to produce additional billing; paper, envelopes and postage

### Legislative Implications:

Community Charter, Division 10,

- Section 233 – Options for tax due dates
- Section 234 – General tax collection scheme
- Section 235 – Alternative municipal tax collection scheme
- Section 236 – Owner may elect which scheme to use

### Financial Implications:

Changes to a due date can motivate a change in behaviour of taxpayers subjected to the change. The following bullets identify a few examples of potential behavioural impacts of the proposed change, most of which will have a financial impact to the Township.

1. For taxpayers who consistently pay their property tax and utility bill on or before the due date, a change to an alternative Municipal Tax Collection Scheme will have no impact.
  - Financial Impact to the Township: No Impact
2. For taxpayers who would experience a 10% penalty on unpaid taxes effective the day after the July 2<sup>nd</sup> due date, the change to the proposed alternative Municipal Tax Collection Scheme will provide relief and a heads up. The relief will come from the first penalty being only 5% as opposed to 10% and the heads up will provide a window within which a taxpayer can pay the outstanding balance and avoid the second 5% penalty.
  - Financial Impact to the Township: Avoiding the second penalty will result in a loss of penalty revenue to the Township of the second 5%.
3. For taxpayers who consistently pay their taxes on time but face a one-off hardship, a 5% penalty may result in them choosing not to pay their taxes by the first due date and incurring the 5% charge. But they would then work to pay the outstanding amount prior to the second due date and avoid the second 5% charge.

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- Financial Impact to the Township: Choosing to take the charge of a 5% penalty would result in additional revenue to the Township of the first 5%.

Based on second penalty date revenue from other municipalities as a percentage of first penalty date revenue, it is estimated that the Township would lose approximately \$200,000 to \$400,000. This amount would have to be made up from general revenue including property tax.

Municipality	2018 Penalty Levy 1 <sup>st</sup> Due Date	2018 Penalty Levy 2 <sup>nd</sup> Due Date	2 <sup>nd</sup> Penalty as a Percentage of 1 <sup>st</sup> Penalty	Total Penalty Revenue	
Langley ToL (Current 10%)	\$950,000	n/a		\$950,000	
Langley ToL	\$475,000	\$256,500	54%	\$731,500	<b>\$218,500</b> Shortfall to be made up from general revenue
<i>Average of municipalities below</i>			54%		
Municipality A	\$1,948,000	\$1,058,000	54%		
Municipality B	\$520,400	\$256,200	49%		
Municipality C	\$1,340,800	\$439,100	33%		
Municipality D	\$458,363	\$220,191	48%		
Municipality E	\$682,028	\$595,183	87%		

Municipality	2019 Penalty Levy 1 <sup>st</sup> Due Date	2019 Penalty Levy 2 <sup>nd</sup> Due Date	2 <sup>nd</sup> Penalty as a Percentage of 1 <sup>st</sup> Penalty	Total Penalty Revenue	
Langley ToL (Current 10%)	\$1,200,000	n/a		\$1,200,000	
Langley ToL	\$600,000	\$282,000	47%	\$882,000	<b>\$396,000</b> Shortfall to be made up from general revenue
<i>Average of municipalities below</i>			47%		
Municipality A	\$2,410,000	\$1,058,000	44%		
Municipality B	\$555,300	\$256,200	46%		
Municipality C	\$1,080,400	\$439,100	41%		
Municipality D	\$501,898	\$220,191	44%		
Municipality E	\$946,255	\$595,183	63%		

Lower Mainland Municipalities A to E having two due dates.

- <sup>(1)</sup> For Other Municipalities – 2<sup>nd</sup> Due Date penalty revenue has been 'estimated' to be the same as 2018 because the municipalities have not yet run their second penalty for 2019.

Other financial impacts identified on page 4 above would be less significant than the loss in penalty revenue estimated herein.

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Respectfully submitted,

Karen Sinclair  
Director of Finance  
for  
FINANCE

- ATTACHMENT A      Mock Up Hypothetical Township of Langley Annual Rates and Tax  
Collection Bylaw 0000
- ATTACHMENT B      Community Charter, Part 7, Division 10, Options for tax due dates

## ATTACHMENT A

**MOCK UP HYPOTHETICAL  
TOWNSHIP OF LANGLEY ANNUAL TAX RATES AND  
TAX COLLECTION BYLAW 2020 NO. 0000**

**THE CORPORATION OF THE TOWNSHIP OF LANGLEY  
LANGLEY ANNUAL RATES AND TAX COLLECTION BYLAW 2020 NO. 0000**

**EXPLANATORY NOTE**

Bylaw 2020 No. 0000 provides for the 2020 levying of rates for General Municipal, Parks, Transportation, Stormwater, Regional Library and Greater Vancouver Regional District purposes.

The bylaw is a requirement of Section 197 of the *Community Charter*. The *Community Charter* states that this bylaw must be adopted after adoption of the Five Year Financial Plan and must be adopted by May 14th of each year.

Sections 233 to 236 of the *Community Charter* outline the process for establishing an Alternative Municipal Tax Collection Scheme, including penalties to be applied in relation to payments made after specified tax due dates established by such bylaw.

**MOCK UP HYPOTHETICAL****THE CORPORATION OF THE TOWNSHIP OF LANGLEY****LANGLEY ANNUAL RATES AND TAX COLLECTION BYLAW 2020 NO. 0000**

The Municipal Council of the Corporation of the Township of Langley, in Open Meeting Assembled, ENACTS AS FOLLOWS:

1. This bylaw may be cited for all purposes as the “Langley Annual Rates and Tax Collection Bylaw 2020 No. 0000.
2. The following rates are hereby imposed and levied for the year 2019:
  - a) For general purposes, on the value of land and improvements taxable for general municipal purposes, rates appearing in Column “A” of Schedule “A” attached.
  - b) For purposes of the Parks Utility, on the value of land and improvements taxable for general municipal purposes, rates appearing in Column “B” of Schedule “A” attached.
  - c) For purposes of the Transportation Utility, on the value of land and improvements taxable for general municipal purposes, rates appearing in Column “C” of Schedule “A” attached.
  - d) For purposes of the Stormwater Utility, on the value of land and improvements taxable for general municipal purposes, rates appearing in Column “D” of Schedule “A” attached.
  - e) For Fraser Valley Regional Library purposes, on the value of land and improvements taxable for general municipal purposes, rates appearing in Column “E” of Schedule “A” attached.
  - f) For the Greater Vancouver Regional District purposes, on the value of land and improvements taxable for hospital purposes, rates appearing in Column “F” of Schedule “A” attached.
3. The minimum amount of taxation upon a parcel of real property shall be One Dollar (\$1.00).
4. After the first business day in July 2020, the Township Collector will add to the unpaid taxes of the current year, for each parcel of land and its improvements on the property tax roll for which taxes have not been paid, 5% of the current taxes. The unpaid taxes, together with the 5% added, will be deemed to be taxes of the current year due upon those lands and improvements.
5. After the first business day of September 2020, the Township Collector will add to the unpaid taxes of the current year, for each parcel of land and its improvements on the property tax roll for which taxes have not been paid, an additional 5% of the current taxes (exclusive of the 5% authorized by subsection 4).



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6. Where a penalty addition in accordance with section 4 and/or 5 would otherwise be applied, and a property owner is eligible for and subsequently claims the current year Home Owner Grant, and applies to the Collector for this grant on or before the first business day in September 2020 the penalty addition will not be applied to the portion of the taxes outstanding which was equal to the years current Home Owner Grant.
7. Pursuant to sections 235 and 236 of the *Community Charter*, the alternative municipal tax collection scheme per subsections 4 and 5 shall apply unless a property owner makes an election under section 236 on or before the first business day in July 2020.

READ A FIRST TIME the \_\_\_\_\_ day of \_\_\_\_\_, 2020

READ A SECOND TIME the \_\_\_\_\_ day of \_\_\_\_\_, 2020

READ A THIRD TIME the \_\_\_\_\_ day of \_\_\_\_\_, 2020

ADOPTED the \_\_\_\_\_ day of \_\_\_\_\_, 2020

\_\_\_\_\_ Mayor \_\_\_\_\_ Township Clerk

**MOCK UP HYPOTHETICAL**

**LANGLEY ANNUAL RATES AND TAX COLLECTION BYLAW 2020 NO. 0000**

**SCHEDULE A**

Rates per \$1,000 of Assessment Value

Property Class	Property Class Description	A General Purposes	B Parks Purposes	C Transportation Purposes	D Stormwater Purposes	E Fraser Valley Regional Library	F Metro Vancouver Regional District
1	Residential	1.3750	0.1898	0.3472	0.1162	0.0659	0.04211
2	Utility	17.8105	2.4587	4.4975	1.5049	0.8541	0.14737
4	Major Industrial	3.8654	0.5336	0.9761	0.3266	0.1854	0.14316
5	Light Industrial	4.1877	0.5781	1.0575	0.3538	0.2008	0.14316
6	Business & Other	5.0156	0.6924	1.2665	0.4238	0.2405	0.10316
8	Recreation/ Non Profit	2.7626	0.3814	0.6976	0.2334	0.1325	0.04211
9	Farm	7.4421	1.0274	1.8793	0.6288	0.3569	0.04211

## ATTACHMENT B

### Community Charter, Part 7, Division 10

#### 233 - Options for tax due dates

Property taxes are due as follows:

- (a) if the municipality has not established an alternative scheme, in accordance with the general tax collection scheme under section 234;
- (b) if the municipality has established an alternative scheme under section 235, in accordance with the election of the owner under section 236.

#### 234 - General tax collection scheme

- (1) If this section applies, property taxes for a year are due on July 2 of the year.
- (2) The Lieutenant Governor in Council may make regulations establishing penalties and interest that must be applied by municipalities in relation to payments made after the tax due date under subsection (1).

#### 235 - Alternative municipal tax collection scheme

- (1) A council may, by bylaw, establish one or more dates on which all or part of the property taxes under this Part are due.
- (2) A bylaw under subsection (1) must establish an annual period during which owners may make elections under section 236 *[owner may elect which scheme to use]*.
- (3) A bylaw under subsection (1) may do one or more of the following:
  - (a) establish procedures for determining the amount of taxes due on each of the due dates;
  - (b) provide for
    - (i) estimating, before the adoption of the annual property tax bylaw, the amount of taxes payable in the year, and
    - (ii) making adjustments to payments due after the adoption of that bylaw in order to take into account variations between the estimated and actual taxes payable;
  - (c) establish discounts to be applied in relation to payments made before a tax due date established by the bylaw;
  - (d) establish penalties and interest to be applied in relation to payments made after a tax due date established by the bylaw;
  - (e) set terms, conditions and procedures in relation to payments, which may be different for different classes of owners as established by the bylaw.

- (4) As a limitation on subsection (3) (a), there must not be more than 12 months between the first and last due dates for annual taxes for any year.

### **236 - Owner may elect which scheme to use**

- (1) If an alternative municipal tax collection scheme is established under section 235, the applicable scheme is determined in accordance with the following:
- (a) if an owner has elected in accordance with subsection (2) to pay under the municipal scheme, that scheme applies;
  - (b) if an owner has elected in accordance with subsection (2) to pay under the general tax collection scheme, that scheme applies;
  - (c) if paragraph (a) or (b) does not apply and the municipal tax collection scheme
    - (i) has not established due dates that are before July 2,
    - (ii) has not established any interest, or has established interest that does not exceed the interest for the general tax collection scheme prescribed under section 234 (2), and
    - (iii) has not established any penalty, or has established penalties that do not exceed the penalties for the general tax collection scheme prescribed under section 234 (2),
 the municipal tax collection scheme applies;
  - (d) if no other paragraph applies, the general tax collection scheme applies.
- (2) An owner may make an election, or change an election, referred to in subsection (1) (a) or (b) by giving written notice of the election to the municipality within the period established under section 235 (2) *[alternative municipal tax collection scheme]*.
- (3) If the land title registration of a property indicates that there is more than one registered owner of the property, a person giving notice under subsection (2) may only do so with the written consent of the number of those persons who, together with the person giving notice, are a majority of the registered owners.
- (4) As a limit on subsection (2), after an election or change has been made under this section, no further change in election may be made for the same year.
- (5) Once an election or change has been made under this section, the owner is liable to make payments in accordance with the applicable scheme until the owner has made a subsequent change in election under this section.