

Appendix 10: Backgrounder: Property Tax and Utility Fee Deferrals

Issue

As a response to the emergence of COVID-19, the City of Saskatoon announced that it would defer the collection of property taxes and utility fees for residential and non-residential accounts from late March to September 30, 2020. More recently, the Saskatoon Chamber of Commerce and the Canadian Federation of Independent Business (CFIB) have requested deferral extensions to at least December 31, 2020 and, in some cases beyond. What are the potential financial and administrative implications of extending property tax and utility fee deferrals beyond September 30, 2020?

Background/Discussion/Analysis

Requests for Tax and Fee Deferrals

- In April 2020, the Greater Saskatoon Chamber of Commerce sent out a media release requesting that “the City of Saskatoon defer tax payments an additional 3 months, until December 31, 2020.”
- They go on to state that “we are requesting that the repayment of the deferral, for both taxes and utilities, be spread over a 2-3-year period, in coordination with, or as an add on to, property taxes for 2021-2023 and that a late payment penalty not be applied during this time.”
- Similarly, the CFIB is requesting that only property taxes be deferred an additional three months to December 31, 2020.
- The question that emerges is whether or not the requests are limited to non-residential customers or to all tax and fee accounts. The subsequent analysis

Tax and Fee Deferrals in Other Jurisdictions

- The Administration has conducted some research into the approaches to property tax and utility fee deferrals in Saskatchewan and Canada. To date the overwhelming majority of jurisdictions appear to have granted tax or utility fee deferrals for up to six months, April 1 to September 30.
- For example, Crown utilities in Saskatchewan are waiving interest for six months. Over this period, no late payment charges or interest will be applied. After six months, the balance of regular monthly payments will be due.
- In terms of municipalities, the research indicates that:
 - The City of Calgary approved a three month tax payment extension, from June 30th to September 30th without penalty;
 - The City of Edmonton deferred property taxes from June 30th until Sept. 30;
 - The City of Winnipeg defer property and business taxes for three months. Business and property taxes were originally due May 29th and June 30th and now they will be due at the end of August and September
 - Several Ontario municipalities have deferred property taxes for two to five months.
- The City of Saskatoon’s existing property tax deferral plan appears to be one of the most aggressive to date.

Financial and Administrative Implications of Tax Deferrals

- Property tax and/or utility fee deferrals and the revenue implications they pose to the City are difficult to quantify as this depends on the uptake of eligible accounts. While a deferral pushes the payment date forward to a point in time the major revenue implications to the City emerge in two ways.
- First, because the City has waived penalties and interest charges on late tax payments this is foregone revenue to the City. To date, the City estimates that it has forgone about \$800,000 in total penalties and interest due to the waiving of them in response to COVID.
- Second, deferrals restrict the City's cash flow that helps to finance programs and services. To date, the City estimates a cash flow reduction of \$65.5 million.
- Deferring property taxes in particular to the end of December 2020, or beyond, generates the following administrative implications:
 - Logistical challenges because penalty for late payment would go straight to the "arrears bucket", which is at a different percentage and would require a manual administrative process to implement. This would be further complicated by having different tax deadlines for different property tax classes (i.e. residential vs non-residential).
 - It would result in two tax bills being owed within 6 months of each other.
 - We have to remit the education portion for the year, in full, to the province by the 2nd week of January. Without a change to provincial processes, delaying collections and reacting to missed payments could result in the City facing significant financial penalties from the province for missing the remittance deadline.
 - Tax Notices and Tax enforcement processes would need to be changed to accommodate. For example, under provincial tax enforcement legislation, a letter is sent in February detailing that they'll be advertised in the Start Phoenix if they do not clear their arrears. The deadline being shifted to end of September still allows us time to initiate our own collection activities before they get that letter. Without this period of time, the City is unable to assist customers to prevent jumping them straight into Tax Enforcement proceedings.