

# 2021 Property Tax Penalty Rate Adjustment

## ISSUE

The COVID-19 pandemic, coupled with the timing of the provincially legislated reassessment cycle, has caused some property owners to request adjustments to the penalty applied to non-payment of their 2021 property taxes.

## BACKGROUND

- “1. That the Administration be directed to report back by the August 2021 Governance and Priorities Committee meeting, the financial impact and where funding would come from to reduce the non-pay penalty by 50% on property taxes for properties whose assessments rose by 70% or more as a result of reassessment; and that the report also include where such funding would come from and the differing impact of reducing penalties on all tax increases and those whose are above 70%.”

## DISCUSSION

Many property owners have requested some sort of property tax relief in 2021 due to the COVID-19 pandemic, with much of the focus relating to the impact the reassessment cycle has had on property owners in Saskatoon which is compounded by the stress from the pandemic.

The four-year reassessment cycle, which is set by the provincial government, has been in place for 25 years and exists to ensure equitable distribution of property tax for properties within the city. By reassessing properties based on market sales, the property tax burden is shifted so that properties with a higher value pay more property tax. The reassessment cycle is revenue neutral, meaning it does not increase property tax revenue for the city. Instead, any property tax shifts caused by reassessment for one property, or group of properties, must be accounted for by another in the same property tax class.

While reassessment has had an impact, it is evident the root cause of many property owners' difficulties in paying their 2021 property tax has been the economic impact of the COVID-19 pandemic. In response to those hardships, resources have been made available via the federal and provincial governments, including:

- Canadian Recovery Benefit (CRB)
- Canadian Recovery Sickness Benefit (CRSB)
- Canada Emergency Wage Subsidy (CEWS)
- Highly Affected Sectors Credit Availability Program (HASCAP)
- Canada Emergency Business Account (CEBA)
- Saskatchewan Tourism Sector Support Program
- Emergency Rent Subsidy (CERS)

The Administration will always work with any persons whose property tax accounts are in arrears and takes steps to ensure property owners are given additional time to meet their agreed upon payment arrangements.

### **DISCUSSION**

#### **Option 1: Implement a 50% Reduction to the Penalty Incurred for Non-Payment of 2021 Property Taxes for All Properties That Saw an Increase to Its Assessed Value, Solely due to Reassessment, of at Least 70%**

Under this option, the City of Saskatoon (City) would implement a 50% reduction to the penalty incurred for non-payment of property taxes for all properties which saw a 70% or above increase to its assessed value caused solely by the reassessment cycle. This reduction would only apply to penalty associated with 2021 tax arrears and would last until the end of 2021.

Advantages of this option include:

- There would be minimal financial impact to the City as only 32 properties would be eligible. The total monthly impact is approximately \$2,400.
- Property owners' difficulties would be recognized by providing relief of some of their fixed costs.

Disadvantages of this option include:

- The City may be perceived as providing preferential treatment to property owners who did not pay their property tax by the deadline. The owners of 95.3% of the properties that saw an increase to their assessed value, solely due to reassessment, of at least 70% (equal to 654 properties) paid their property tax on time and/or are on the City's TIPPS program.
- Despite the relief provided, there is no guarantee this amount would enable struggling property owners to continue owning/maintaining the property in question.
- While providing some relief, the eligibility criteria is so restrictive that very few (i.e., 32) properties would be able to take advantage of the benefit, meaning it is unlikely to address the overall issue/concern brought forward by property owners.

#### Financial Implications for Option 1

The estimated financial impact would be \$2,400 per month, totalling \$14,400 if all 32 eligible property owners chose to wait until the end of 2021 to pay their property tax. The funding to cover this option comes from the current year's operating results.

**Option 2: Implement a 50% Reduction to the Penalty Incurred for Non-Payment of 2021 Property Taxes for All Properties That Saw an Increase to Its Assessed Value, Solely Due to Reassessment**

Under this option, the City would implement a 50% reduction to the penalty incurred for non-payment of property taxes for all properties which saw an increase of any amount, to its assessed value caused solely by the reassessment cycle. This reduction would only apply to the penalty associated with 2021 tax arrears and would last until the end of 2021.

Advantages of this option include:

- Property owners' difficulties would be recognized by providing relief of some of their fixed costs.
- By lifting some of the eligibility requirements, this option will be available for 1,235 property owners, which is significantly more than Option 1.

Disadvantages of this option include:

- The City may be perceived as providing preferential treatment to property owners who did not pay their property tax by the deadline. The owners of 91.5% of the properties that saw an increase to their assessed value, solely due to reassessment, (equal to 13,386 properties) paid their property tax on time and/or are on the City's TIPPS program.
- Despite the relief provided, there is no guarantee this amount would enable struggling property owners to continue owning/maintaining the property in question.
- This option would result in significant financial impact to the City, with an estimated monthly revenue loss of \$45,640.

Financial Implications for Option 2

The estimated financial impact would be \$45,640 per month. This may result in a total impact of \$273,840 if all 1,235 eligible property owners chose to wait until the end of 2021 to pay their property tax. The funding to cover this option comes from the current year's operating results.

**Option 3: Implement a 50% Reduction to the Penalty Incurred for Non-Payment of 2021 Property Taxes for All Properties.**

Under this option, the City would implement a 50% reduction to the penalty incurred for non-payment of property taxes for all properties. This reduction would only apply to penalty associated with 2021 tax arrears and would last until the end of 2021.

Advantages of this option include:

- Property owners' difficulties would be recognized by providing relief of some of their fixed costs.
- The City would not be placed in a position of deciding the level of impact reassessment had on properties before penalty adjustments would take effect.
- By eliminating the eligibility requirements, this option would provide the benefit to the most property owners.

Disadvantages of this option include:

- The City may be perceived as providing preferential treatment to property owners who did not pay their property tax by the deadline. The owners of 92.5% of properties (equal to 87,789 properties) paid their property tax on time and/or are on the City's TIPPS program.
- Despite the relief provided, there is no guarantee this amount would enable struggling property owners to continue owning/maintaining the property in question.
- This option would result in highest level of impact to the City, with an estimated monthly loss of approximately \$161,930.

Financial Implications for Option 3

The estimated financial impact would be \$161,930 per month. This may result in a total impact of approximately \$971,580 if all property owners chose to wait until the end of 2021 to pay their property tax. The funding to cover this option comes from the current year's operating results.

**Option 4: Maintain the Status Quo**

Under this option, the City would continue to collect on the full amount of penalty incurred for non-payment of 2021 property taxes.

Advantages of this option include:

- There would be no lost revenue incurred by the City.
- The City would not be placed in a position of providing relief to some property owners but not others.
- Ensures the integrity of payment deadlines is maintained.

The main disadvantage of this option is that without providing any requested relief, property owners may not be able to continue owning/maintaining their properties.

Financial Implications for Option 4

There are no financial implications for this option.

**RECOMMENDATION**

That the Governance and Priorities Committee recommend to City Council that Option 4: Maintain the Status Quo be approved.

**RATIONALE**

The recommended option, maintain the status quo, provides the City with the most equitable approach to how it will handle the question of what relief should be provided to property owners who did not pay their 2021 property taxes on time. The reasons behind that decision may vary, including the impact of the 2021 reassessment cycle and/or the COVID-19 pandemic; however, it is evident that despite these factors, the vast majority (i.e., 92.5%) of all property owners have already made the necessary arrangements that allowed them to pay on time.

**FINANCIAL IMPLICATIONS**

Immediate financial implications are presented with each option and therefore vary depending which option is approved. The financial implications noted in this report would be funded from the current year's operating results.

**ADDITIONAL IMPLICATIONS/CONSIDERATIONS**

Any deferral of property taxes would require amendments to Bylaw No. 6673, The Discounts and Penalties Bylaw, 1987.

**COMMUNICATION ACTIVITIES**

If either Option 1, 2 or 3 is chosen, property owners will have to be notified as adjustments would have to be made to the charges currently on their tax roll as well as adjustments to potential charges throughout the remainder of 2021.

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### REPORT APPROVAL

Written by: Mike Voth, Director of Corporate Revenue  
Reviewed by: Kerry Tarasoff, Chief Financial Officer  
Approved by: Lynne Lacroix, Acting City Manager

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