

Report to Council

- For Council Decision For Council Direction
 For Council Information



TOPIC:	Unpaid Property Tax Penalty Bylaw No. 4/2025 – Second Reading	April 8, 2025
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PURPOSE:

The following report summarizes the draft Unpaid Property Tax Penalty Bylaw proposed by Administration for Council's review and consideration.

RECOMMENDATION:

That Council approve 2nd Reading of the Unpaid Property Tax Penalty Bylaw No. 4/2025.

That Council approve 3rd Reading of the Unpaid Property Tax Penalty Bylaw No. 4/2025.

RATIONALE:

The proposed draft bylaw replaces the previous Unpaid Property Tax and Tax Arrears Penalty Bylaw. Following a review of the current bylaw, Administration found that current penalty rates in Morinville were far lower than any other municipality in the region. An additional review of directly comparable municipalities revealed similar results.

In addition, the current Bylaw contains provisions that are not intended for a Bylaw of Council and would be better addressed in an administrative policy. Unpaid property tax penalties are a legislative tool used to encourage all property owners to pay their respective property taxes and ensure that the property tax burden is equitably shared.

REPORT INFORMATION:

Tax Payer Support Programs

The Government of Alberta offers a program to support seniors facing challenges in paying local and provincial property taxes. The Seniors Property Tax Deferral Program allows eligible senior homeowners to utilize the equity in their homes to voluntarily defer all or part of their residential property taxes. The program provides low-interest home equity loans from the province that directly pay outstanding municipal taxes on the participant's behalf. Participants are provided with the flexibility to repay at any time; however, payments are not required unless the home is sold, the home is no longer registered to the participating member, or the home ceases to be the participating member's primary residence.

Locally, Morinville FCSS and the Midstream Support Society each offer emergency support funding. However, eligibility for these programs is specific to each individual and circumstance, meaning there is no certainty that an individual with challenges paying local property taxes would be eligible.

Background

In the fall of 2024, Council requested a review of the current Unpaid Property Tax and Tax Arrears Penalty Bylaw in light of concerns from a resident regarding the timing of due dates and the impact of the July statutory holiday. During that review and discussion with Council, Council expressed a desire to see amendments made to the Bylaw to provide relief to residents when the due date for property taxes falls on a weekend or statutory holiday. Council will note that section 6 specifically addresses this concern by moving the deadline for payment to the first subsequent working day, should the deadline fall on a weekend or statutory holiday.

During Administration's review of the Bylaw in preparation for the November 26, 2024, RFI, several other deficiencies were noted, including comparatively low penalty rates, lack of a phased-in penalty for current property taxes, the absence of provisions for supplementary property tax and the unnecessary inclusion of tax agreement provisions.

Comparative Analysis

Administration performed a regional comparative analysis of other Edmonton Metropolitan Region urban municipalities to see how penalty rates in Morinville compared. Municipalities included align with the regional municipalities reviewed annually during the budget and include Beaumont, Fort Saskatchewan, Spruce Grove, Stony Plain, St. Albert, Devon and the City of Leduc. Of those municipalities, the average total current tax penalty rate was 15.1%, with an average of 3.9 dates on which taxes were imposed. With respect to dates imposed, this means that all municipalities had at least three dates with gradually increasing tax amounts – for example, 9% on July 1, 3% on August 1, and 3% on September 1 for a total penalty of 15%. Currently, Morinville has one penalty date of 7.5%.

With respect to arrears penalties, some municipalities again took the approach of multiple penalty dates, while others maintained the traditional single date of January 1 only. The average arrears penalty was once again 15.1%. Morinville's current arrears penalty is 9%.

Council requested additional comparators be reviewed for the second reading of the proposed Bylaw. Administration performed the same analysis noted above for the direct comparison group, which was also used for the budget. These municipalities include the Towns of Blackfalds, Coaldale, Devon, Innisfail, Olds, Peace River, Ponoka, Redcliff, Slave Lake and Taber. For this group, the average current tax penalty was 13.9%, with an average of 3.8 days on which taxes are imposed. The average arrears penalty was 13.5 %, with three municipalities imposing a penalty each month and the remaining 7 having a single arrears penalty date of January 1.

Lastly, Sturgeon County was also reviewed. Sturgeon County currently has two dates of 6% each for current taxes (12% total) and an arrears penalty of 12%.

Absent from the current Bylaw are any provisions for supplementary property taxes. Not all municipalities reviewed have a supplementary assessment and taxation Bylaw, and as such, not all property tax penalty bylaws address supplementary property tax. However, those that did generally had a penalty of about one-third of the current year's penalties in recognition of the much more limited time to pay supplementary property taxes.

Proposed Changes

As Council will note in the proposed draft Bylaw, Administration is proposing increases to both current year tax and arrears penalties to further encourage payment of taxes on time. Late payment of taxes creates a financial burden on all municipal taxpayers, and the intent of the Unpaid Property Tax Bylaw is to utilize penalties both to encourage on-time payment and to compensate ratepayers for the financial burden of late payments.

While the impact of late payment of taxes cannot be directly accounted for, they undoubtedly create both expenses and missed revenue opportunities for the municipality. First and foremost, the Administration involved in tracking, monitoring and following legislative tax recovery procedures is extensive, representing a significant draw on the time and resources of Financial Services. Furthermore, annual budgets are prepared to match revenues with expenses; therefore, if revenues are insufficient to meet expenses, the municipality must draw on either reserves or the operating line of credit to make up the temporary difference. This either costs the municipality by way of interest expense or reduces the interest earned from reserve investments.

The draft Bylaw proposes an increase in total current-year penalties from 7.5% to 12%, but tempers that increase with a phased approach. The draft Bylaw includes a 6% penalty after 30 days (a reduction from the current 7.5%), with the penalty increasing an additional 6% for any remaining current year taxes at 90 days. With respect to tax arrears, the proposed increase maintains a higher overall penalty for arrears, with an increase from 9% to 14%. The arrears penalty remains a single penalty date under the proposed draft (January 1). The combined penalty rates of 26% ensure Morinville maintains the lowest overall tax penalties in the region amongst urban municipalities and below the average for directly comparable municipalities across the province.

With respect to supplementary taxes, the draft introduces a penalty of 5% for any supplementary taxes not paid within 30 days of the tax notice. Council will note that the extension of the due date for tax payment in the event of a weekend or statutory holiday also applies to supplementary property taxes.

Lastly, the current Bylaw contains several provisions related to the establishment of property tax agreements. Tax agreements are a method of establishing repayment terms for individuals with tax arrears in excess of two years and, therefore, subject to the tax recovery process. The *Municipal Government Act* allows for the establishment of such agreements between the taxpayer and the municipality but does not require Council's involvement, nor does it require a bylaw to allow for the establishment of such agreements. Should Council approve the removal of these provisions, an Administrative Directive will be established to address such agreements to ensure continued consistency, clarity and legislative compliance.

IMPACT:

The impact of these changes is largely dependent on the circumstances of individual taxpayers. Tax penalties are not intended to be a source of revenue but rather a tool to encourage the predictable collection of property taxes.

For some, this may encourage earlier payment, lowering municipal revenue from penalties. For others who fail to pay their tax levy on time, this will result in increased penalties, increasing municipal revenue from penalties.

NEXT STEPS:

Upon approval of 3rd reading, the Bylaw comes into effect, and the new penalty rates will apply for the 2025 tax year.

PREVIOUS COUNCIL ACTION:

At the March 25, 2025, Regular Meeting of Council, Council approved 1st reading of the Unpaid Property Tax Penalty Bylaw No. 4/2025. Council also requested further comparative analysis and additional information on available support programs for residents struggling to pay local property taxes.

As noted above, in the fall of 2024 Council requested a report on the Unpaid Property Tax and Tax Arrears Penalty Bylaw. An RFI with an overview of the current Bylaw and supporting procedures was presented to Council on November 26, 2024. During the discussion of the Bylaw, Council noted a desire to see flexibility added to the bylaw when payment dates fall on weekends and/or statutory holidays.

ALIGNMENT:

Morinville 2022-2025 Strategic Plan:
Goal 3 - Financial Stewardship

ALTERNATIVES:

As the variations for various tax penalty percentages are potentially limitless, Administration has not included any specific alternatives.

Motion:

That Council direct Administration to [add/include/remove] [insert amendment] in the Unpaid Property Tax Penalty Bylaw No. 4/2025.

Implication(s)

Implications could vary depending on the amendment. Administration would advise of any risks during the meeting or subsequent.

PRESENTER:	T. Nosko, Interim General Manager, Administrative Services	ATTACHMENTS: <ul style="list-style-type: none"> • Draft Unpaid Property Tax Bylaw 4/2025 • Unpaid Property Tax and Tax Arrears Penalty Bylaw 1/2021 • Unpaid Property Tax Bylaw Presentation
PREPARED BY:	T. Nosko, Interim General Manager, Administrative Services	
CLEARANCES:	M. Hay, Interim Chief Administrative Officer	