



**City of Kingston
Report to Council
Report Number 21-038**

To: Mayor and Members of Council
From: Desiree Kennedy, Chief Financial Officer & City Treasurer
Resource Staff: Lana Foulds, Director, Financial Services
Jeff Walker, Manager, Taxation and Revenue
Date of Meeting: January 19, 2021
Subject: 2021 Interim Tax Levy

Council Strategic Plan Alignment:

Theme: Financial measures/budget

Goal: See above

Executive Summary:

The *Municipal Act, 2001*, as amended, allows municipal councils to pass by-laws for the purpose of levying an interim tax levy, prior to the adoption of the estimates for the year. The interim tax amount to be levied shall not exceed 50% of the total amount of taxes levied on the property in the previous year. This levy will provide funds to assist in financing daily operations and reduce reliance on short-term borrowings prior to setting tax rates and issuing the final tax bill.

A motion of Council on December 15, 2020 directed staff to report back on a process and category of businesses that could be considered for property tax deferrals in 2021. This report also includes a recommendation to implement an application based COVID-19 Hardship Deferral Program for small business property owners for the 2021 interim property tax billing as well as a recommendation to extend the property tax pre-authorized payment program to allow for the deferral of up to two instalments to November and December 2021.

January 19, 2021

Page 2 of 6

Recommendation:

That the City Treasurer be directed to implement an application based COVID-19 Hardship Deferral Program - 2021 Interim Property Tax Billing for small business property owners in the City of Kingston in accordance with the criteria outlined in Council Report Number 21-038;

That the property tax pre-authorized payment program be extended to allow for the deferral of up to two instalments to November and December 2021;

That a by-law, attached to Council Report Number 21-038 as Exhibit B, be presented to Council to provide for the levying and collecting of 2021 interim property taxes, including the following provisions:

- a. the 2021 interim tax bill be no greater than 50% of the 2020 taxes levied;
- b. the rates be as specified in Schedule A to the by-law attached hereto;
- c. the due date for interim taxes be March 31, 2021;
- d. various payment options be provided;
- e. late payment charges be added to taxes that are in default;
- f. the property tax pre-authorized payment program be extended to allow for the deferral of up to two instalments; and
- g. the implementation of an application based COVID-19 Hardship Deferral Program - 2021 Interim Property Tax Billing for small business property owners.

January 19, 2021

Page 3 of 6

Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL
OFFICER & CITY TREASURER

**Desiree Kennedy, Chief
Financial Officer & City
Treasurer**

ORIGINAL SIGNED BY CHIEF
ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Community Services	Not required
Peter Huigenbos, Commissioner, Business, Environment & Projects	Not required
Brad Joyce, Commissioner, Corporate Services	Not required
Jim Keech, President & CEO, Utilities Kingston	Not required
Sheila Kidd, Commissioner, Transportation & Public Works	Not required

January 19, 2021

Page 4 of 6

Options/Discussion:

The interim tax levy by-law is required in order to provide funds to assist in financing daily operating requirements until the final tax rates are set and the final tax bills are issued later in 2021. The *Municipal Act, 2001*, as amended (the *Act*) provides that the amount to be levied shall not exceed 50% of the total amount of taxes levied on the property in the previous year.

For properties where assessment was added to the collector's roll during 2020 as supplementary tax levies, the 2021 interim taxes will be based on 50% of an annualized 2020 amount. Where new assessment has been added to the 2021 roll, the interim tax levy will apply to the new assessment. For these properties, an interim billing adjustment will be applied to ensure the levies do not exceed the maximum amounts allowable under the *Act*.

The interim billing is normally mailed at the end of January with a due date of the last business day in February. However, with the current provincial government COVID-19 shutdown in place from Dec. 26 to Jan. 23, 2021, staff are recommending that the interim billing be deferred by one month with a revised due date of March 31, 2021. Tax bills will be mailed no later than March 10, 2021 to allow for the required 21 days' notice.

While the recommended one-month deferral of the interim property tax billing would provide a tax relief measure to all taxpayers, staff, at the request of Council, have also reviewed an additional payment deferral beyond March 2021 specifically targeted towards the small business sector who continue to cope with recovery efforts.

On December 15, 2020, Council directed staff to report back on a process and category of businesses that could be considered for property tax deferrals in 2021. Staff are proposing an application-based program be made available to small business property owners that continue to experience hardship as a result of the COVID-19 pandemic, that is similar to the deferral program offered to small business property owners as part of the 2020 final property tax billing. The program would allow for a deferral of payment of the 2021 interim property tax installment from March 31, 2021 to September 30, 2021. Interest on the deferred installment would not accrue during the deferral period. This program will not alleviate a property owner's responsibility to pay their property tax obligation for 2021; it will only defer the interim billing obligation.

Recognizing the fiscal challenges experienced by the small business sector, the program would target the commercial property class with a total taxable assessment of \$2.0M or less as well as all properties identified under a hotel or motel property code. This component of the commercial property class represents approximately \$15M in total interim property tax billings and represents the same business categories that were eligible for 2020 final property tax deferral program. Applications would require supporting evidence that the property owner continues to experience financial hardship directly related to the COVID-19 pandemic and would require that previous years' property taxes be paid up to date prior to the August 2020 final billing installment. The program would also require property owners with tenants to pass on the benefit of a deferral to their tenant. Exhibit A provides additional detail on the program details and eligibility requirements.

January 19, 2021

Page 5 of 6

This report includes a recommendation to establish an application-based property tax deferral program as described above. The report also includes a recommendation to extend the property tax preauthorized payment program by allowing the deferral of up to two instalments to November and December 2021. Under the preauthorized payment program, the final instalment is normally due on the last business day of October. Not only will the extension provide taxpayers on the instalment program the opportunity to defer two payments during the calendar year, it will make it easier for taxpayers to join the program later in the year.

The draft interim tax levy by-law is being presented to Council to provide for the interim property tax billing.

Payment methods, as provided for in the draft by-law, include:

- in person at City Hall (216 Ontario St.)
- at any financial institution in the City of Kingston area having payment arrangements with the City of Kingston
- through banks offering telephone and internet payment plans registered with the City of Kingston
- by using one of the 24 hour drop boxes located at City Hall and 1211 John Counter Boulevard
- by mail
- at Canada Post outlets where MoneyGram Bill payment services are offered
- by pre-authorized payment under the City's pre-authorized property tax payment program and
- by Visa or MasterCard online or over the telephone through Paymentus Corporation, a third-party bill payment service (Paymentus charges a separate convenience fee per transaction).

The draft by-law also provides for the imposition of late payment charges, at a rate of 1¼ per cent per month, for the non-payment of taxes. Penalty charges are imposed for the non-payment of taxes on the first day of default and interest will be charged on unpaid taxes on the first day of each month thereafter.

Existing Policy/By-Law:

Municipal Act, 2001, as amended

Notice Provisions:

None

January 19, 2021

Page 6 of 6

Accessibility Considerations:

None

Financial Considerations:

The interim tax levy, for municipal and school purposes, will provide revenues of approximately \$149M. This revenue will assist in financing daily operations and payment of education levies, reduce reliance on short-term borrowings and maximize investment income. In order to provide the necessary cash flow, and as provided for in the *Municipal Act, 2001*, as amended, the interim tax bill represents 50% of the previous year's total tax levy.

The component of the commercial property class eligible for the COVID-19 hardship deferral program represents approximately \$15M in total interim property tax billings. Should short-term borrowings be required for operating cashflow purposes during the deferral period, it is anticipated that they could be transacted by way of temporary internal borrowings from other City funds.

Contacts:

Jeff Walker, Manager, Taxation and Revenue 613-546-4291 extension 2484

Other City of Kingston Staff Consulted:

None

Exhibits Attached:

Exhibit A - COVID-19 Hardship Deferral Program - 2021 Interim Property Tax Levy

Exhibit B - Draft By-Law, being a By-Law to Provide for a 2021 Interim Tax Levy; Payment of Taxes by Instalment; Penalty and Interest at One and One Quarter Percent Monthly on Tax Arrears, including Schedule A - 2021 Interim Tax Rates

COVID-19 Hardship Deferral Program – 2021 Interim Property Tax Levy

Program Details and Eligibility Requirements

Small business property owners in the City of Kingston that are experiencing hardship as a result of the COVID-19 pandemic may qualify for tax deferral of the 2021 interim property tax installment to September 30, 2021, if the following criteria are met:

1. The property owner must be experiencing financial hardship directly related to the COVID-19 pandemic.
2. Property taxes must be paid up to date prior to the August 2020 final billing installment.
3. The property must be either;
 - a. A taxable property assessed in the following tax classes; occupied commercial, shopping centre, parking lot or office property class and have a total 2021 property assessment value equal to or less than \$2.0 million; or
 - b. A taxable property assessed in the occupied commercial tax class that is assessed as a hotel or motel property.
4. All other property tax classes and sub classes do not qualify for the deferral; these include but are not limited to residential, multi-residential, new multi-residential, farm, landfill, pipeline, managed forest, vacant land, excess land, farmland awaiting development and all payment in lieu.
5. Property owners must be experiencing hardship in one or more of the following categories; excessive business revenue loss or temporary business closure, or another category of financial hardship related directly to the COVID-19 pandemic as determined at the sole discretion of the Chief Financial Officer & City Treasurer.
6. Eligible property owners must apply for the deferral before March 15, 2021 to be considered.
7. The property will be ineligible if false or inaccurate information is provided in the application.
8. Property owners with tenants are expected to pass on the deferral.

Eligible property owners will receive a confirmation email to confirm the extended due date for the tax deferral of the 2021 interim property taxes.

By-Law Number. 2021-XX

**A By-Law to Provide for a 2021 Interim Tax Levy; Payment of Taxes
by Instalment; Penalty and Interest at One and One Quarter Percent
Monthly on Tax Arrears**

Passed:

Whereas sub-sections 317(1) and (2) of the *Municipal Act, 2001*, c.25, as amended, provide that:

1. The council of a local municipality, before the adoption of the estimates for the year under section 290 of the *Municipal Act, 2001*, may pass a by-law levying amounts on the assessment of the property in the local municipality rateable for local municipality purposes.
2. A by-law for levying amounts under subsection (1) shall be passed in the year that the amounts are to be levied or may be passed in December of the previous year if it provides that it does not come into force until a specified day in the following year; and

Whereas sub-section 317(3) of the *Municipal Act, 2001*, contains the following additional rules:

1. The amounts levied on a property shall not exceed the prescribed percentage or 50 percent if no percentage is prescribed, of the total amount of taxes for municipal and school purposes levied on the property for the previous year.
2. The percentage under paragraph 1 may be different for different property classes but shall be the same for all properties in a property class.
3. For the purposes of calculating the total amount of taxes for the previous year under paragraph 1, if any taxes for municipal and school purposes were levied on a property for only part of the previous year because assessment was added to the collector's roll during the year, an amount shall be added equal to the additional taxes that would have been levied on the property if the taxes for municipal and school purposes had been levied for the entire year; and

Whereas sub-section 317(5) of the *Municipal Act, 2001*, contains the following additional rule:

1. Amounts may be levied on assessment added to the tax roll for the current year that were not on the assessment roll upon which the amounts are levied; and

Whereas clause 342(1)(a) of the *Municipal Act, 2001*, c.25, as amended, provides that the council of a local municipality may pass by-laws providing for the payment of taxes in one amount or by instalments and the date or dates in the year for which the taxes are imposed on which the taxes or installments are due; and

Whereas subsection 343(4) of the *Municipal Act, 2001*, c.25, as amended, provides that a local municipality may pass a by-law providing for the billing of a property class separately from the other property classes; and

Whereas sub-section 345(1) of the *Municipal Act, 2001*, c.25, as amended, provides that the council of a local municipality may pass by-laws to impose late payment charges for the non-payment of taxes or any instalment by the due date; and

Whereas sub-sections 345(2) and (3) of the *Municipal Act, 2001*, contain the following additional rules:

1. A percentage charge, not to exceed 1¼ per cent of the amount of taxes due and unpaid, may be imposed as a penalty for the non-payment of taxes on the first day of default or such later date as the by-law specifies.
2. Interest charges, not to exceed 1¼ per cent each month of the amount of taxes due and unpaid, may be imposed for the non-payment of taxes in the manner specified in the by-law but interest may not start to accrue before the first day of default; and

Whereas sub-section 346(2) of the *Municipal Act, 2001*, c.25, as amended, provides that the council of a local municipality may pass by-laws to provide for the payment of taxes by any person into a financial institution to the credit of the treasurer of the municipality and, in that case, the person making the payment shall be entitled to be issued a receipt by the institution for the amount paid; and

Whereas Council deems it expedient to pass a by-law for such purposes;

Therefore be it resolved that the Council of The Corporation of the City of Kingston hereby enacts as follows:

1. An interim tax rate is hereby imposed and levied on the whole of the assessment for real property in each of the “Residential Assessment”, “New Multi-Residential Assessment”, “Multi-Residential Assessment”, “Commercial Assessment”, “Industrial Assessment”, “Pipe Line Assessment”, “Farm Assessment”, “Managed Forest Assessment”, “Railway Property Assessment” and “Utility Transmission and Distribution Corridor Assessment” and the applicable subclasses pursuant to Section 7 of the *Assessment Act*, R.S.O. 1990, c.A.31, as amended, as set out in Schedule A attached hereto.

2. All amounts as calculated above shall be adjusted by an amount to provide that the levy does not exceed 50 percent of the 2020 tax levy, subject to the following rules:
 - a. Taxes for municipal and school purposes levied on a property for only part of the previous year because assessment was added to the collector's roll during the year, shall have an amount added equal to the additional taxes that would have been levied on the property if the taxes for municipal and school purposes had been levied for the entire year.
 - b. The amounts levied on assessment added to the tax roll for the current year that was not on the assessment roll upon which the amounts are levied, shall be deemed to be 50% of the 2020 tax levy.
3. Taxes levied for Residential, New Multi-Residential, Pipeline, Managed Forests, and Farm property classes for the said interim tax levy will be billed together and shall become due and payable on the 31st day of March 2021.
4. Taxes levied for Commercial, Industrial, Multi-Residential, Railway and Utility Transmission & Distribution Corridor property classes for the said interim tax levy will be billed together and shall become due and payable on the 31st day of March 2021.
5. Small business property owners who meet the eligibility criteria under the Council-approved COVID-19 Hardship Deferral Program – 2021 Interim Property Tax Levy will, upon application, be eligible to defer payment of their interim 2021 tax levy until September 30, 2021.
6. Payments under City of Kingston By-Law Number 2003-368 "A By-Law to Provide for an Alternative Instalment (Pre-Authorized) Tax Payment Program" will be extended, upon request, by allowing the deferral of up to two installments to November and December 2021.
7. A percentage charge of 1¼ per cent of taxes due and unpaid shall be imposed as a penalty for non-payment of taxes, or any instalment thereof, and shall be added to any tax or instalment remaining unpaid on the first day of default.
8. Interest charges shall be imposed for the non-payment of taxes on the first day of each month at the rate of 1¼ per cent per month (15% per annum) of taxes due and unpaid.
9. Penalties and interest on all taxes of the interim tax levy in default shall become due and payable and shall be collected forthwith as if the same had originally been imposed and formed part of such unpaid interim tax levy.

10. The tax bill shall be sent to the taxpayer's residence or place of business or to the premises in respect of which the taxes are payable unless the taxpayer directs the City Treasurer in writing to send the bill to another address, in which case it shall be sent to that address.
11. The taxes are payable using the following methods:
 - a. City of Kingston municipal office at 216 Ontario Street, Kingston, Ontario,
 - b. At any financial institution in the City of Kingston area having payment arrangements with the City of Kingston,
 - c. Through banks offering telephone and internet payment plans registered with the City of Kingston,
 - d. By using one of the 24 hour drop boxes located at City Hall and 1211 John Counter Boulevard,
 - e. By mail,
 - f. At Canada Post outlets where MoneyGram Bill payment services are offered,
 - g. Under the City's pre-authorized property tax payment program and provided the City Treasurer has received and approved a taxpayer's request to use the alternative instalments and due dates under that program pursuant to City of Kingston By-Law Number 2003-368, and
 - h. By VISA or MasterCard online or over the telephone through Paymentus Corporation, a third-party automated bill payment service, subject to a convenience fee, pursuant to City of Kingston By-Law Number 2014-69.
12. Pursuant to section 347 of the Municipal Act, 2001 as amended, where any payment is received on account of taxes, the following applies:
 - a. The payment shall first be applied against late payment charges owing in respect of those taxes according to the length of time the charges have been owed, with the charges imposed earlier being discharged before charges imposed later.
 - b. The payment shall then be applied against the taxes owing according to the length of time they have been owed, with the taxes imposed earlier being discharged before taxes imposed later.

- c. No part payment shall be accepted on account of taxes in respect of which a tax arrears certificate is registered except under an extension agreement entered into.

13. This By-Law shall come into force and take effect on the date of its passing.

Given First and Second Readings:

Given Third Reading and Passed:

John Bolognone
City Clerk

Bryan Paterson
Mayor