

PENALTY AND INTEREST BY-LAW

Recommendation

The Director of Finance in consultation with the Manager of Property Tax & Assessment recommends:

That a by-law to establish the penalty and interest rate for taxes overdue, at the same rates as last year, 1.25% per month, be approved for 2004.

Purpose

The purpose of this report is get Council's approval for the rates of penalty and interest to be charged on property tax arrears for 2004.

Background - Analysis and Options

The new Municipal Act, which took effect January 1, 2003, requires Council to pass a by-law to establish a percentage charge for penalty and interest, not to exceed 1¼% per month. This is the City's current rate. This rate is applied to all property taxes that are in arrears. Penalty and interest is applied consistently to all property owners in arrears and is not compounded.

Penalty and interest rates are set at the maximum level as permitted by the Municipal Act so that municipalities are not considered an alternative to conventional lending institutions. A ratepayer's first choice in borrowing funds should be a financial lending institution such as a bank. Lowering the rate may encourage property owners to put their property at risk by financing their tax arrears through the municipality thereby eroding the equity in their property. Additionally this action would place the property at risk for a tax sale once the balance outstanding reached three (3) years.

Conclusion

This item is being brought forward at this time in order to establish the percentage to be charged, as this is needed for January 1, 2004.

The City's current rate of 1¼% per month (15% per annum) has not changed over the past several years and is consistent with other area municipalities. Penalty and interest generates significant revenue to the City and therefore any reduction in the rate would have an impact on the Operating Budget.

Attachments

None

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Respectfully submitted,

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