

Non-Residential Property Tax Deferral Guidelines

Spring 2020



Table of Contents

Non-Residential Property Tax Deferral	3
Program Purpose	3
How will it work?.....	3
Education Property Tax - Collection.....	3
Education Property Tax – Invoicing	4
Municipal Tax Deferral	4
Municipal Bylaws.....	4
Communications.....	5
Municipal Implementation Actions	5
Municipal Action 1: Amend the relevant municipal bylaw which imposes penalties on unpaid tax amounts in accordance with council direction and in line with one of the options listed in this document to ensure alignment with provincial direction on the deferral of education property taxes.....	5
Municipal Action 2: Communicate the changes to ratepayers.....	5
Municipal Action 3: Include the provided messaging from the provincial government as an insert or addendum to the property tax notice.....	5
Municipal Action 4: Consider the development of flexible payment plans for non-residential (and residential if desired) property taxes for those ratepayers unable to make payment in 2020.....	5
Examples	5
Key Contacts.....	6

Non-Residential Property Tax Deferral

Program Purpose

In order to alleviate acute liquidity concerns anticipated as a result of COVID-19, government has asked municipalities to provide a six month deferral of non-residential education property tax or a combined municipal and education property tax deferral that is effectively equivalent to a six month deferral of education property tax. Creating liquidity for non-residential property owners will help keep more businesses viable, able to meet payroll obligations, and to continue to employ as many Albertans as possible.

Municipalities are encouraged to consider similar programs to defer the municipal portion of business property taxes to further support local businesses. The combined effort would mean businesses are able to retain the cash normally used to pay property taxes to assist in maintaining liquidity in these difficult economic times.

How will it work?

There are two acceptable approaches to implementing the property tax deferral:

Approach 1: Defer six-months' worth of education property tax.

The required payment of the education portion of non-residential property tax is deferred for six-month period, from April 1 to September 30. Municipalities are not obligated to defer any municipal property tax.

Approach 2: Implement a combined municipal and education property tax deferral that is effectively equivalent to deferring six months' worth of property tax.

The required payment of the total non-residential property tax, both the education and municipal portion, is deferred beyond the tax penalty date to provide an immediate deferral of all property taxes in lieu of a full six month deferral of only the education portion.

Education Property Tax - Collection

Municipalities are strongly encouraged to implement flexible payment plans for non-residential property owners unable to pay fully in 2020. At the same time, those businesses in a strong financial position that are capable of paying their taxes in full are strongly encouraged to do so to minimize the cash flow challenges facing municipalities.

Acknowledging that the challenging economy means that some municipalities may not be able to collect education property tax from all non-residential property taxpayers by the end of the year, the province will consider whether a broader education tax deferral or forgiveness program, similar to the Provincial Education Requisition Credit program, is required.

Education Property Tax – Invoicing

The province will maintain the non-residential education tax requisition amount for each municipality, but will defer invoicing of the non-residential portion to the December 2020 invoice. No amount will be included for the non-residential education property tax requisition on the June and September 2020 invoices. Therefore, the December 2020 invoice will be comprised of the June, September, and December non-residential invoice amount. Municipalities who believe they may be unable to remit the full amount on the December 2020 invoice should contact Municipal Affairs to discuss.

Municipal Tax Deferral

Municipal councils are responsible for determining the parameters of any tax deferral programs respecting municipal property taxes including what classes of assessment are included, what portion of the tax levy is deferred and the timelines for the deferral. Municipalities have existing authority under the *MGA* to defer the collection of property taxes.

Municipal tax due dates are determined by setting the day on which penalties are imposed for non-payment of property taxes. Therefore, municipalities implement tax deferrals by delaying imposing penalties on property taxes. In this way, those that can afford to pay the outstanding taxes can do so any time after the tax notice is received, but have the flexibility of not incurring additional costs due to penalties for non-payment over an extended period of time.

Tax deferral decisions may also impact the collection of seniors' housing requisitions and the designated industrial property requisition. The seniors' housing requisition is due to be paid to the housing management body 90 days after the invoice from the housing management body is mailed, and the designated industrial property requisition is due to be paid to the province 30 days after the municipal tax due date.

Municipal Bylaws

Property tax penalty dates are generally approved by council in one of two ways, through a specific penalties bylaw, or directly in the annual property tax bylaw. To implement tax deferrals, those municipalities with penalties outlined in the annual tax rate bylaw will set the penalty dates in the bylaw in line with the tax deferral program approved by council and one of the options outlined in this document.

For those municipalities with specific tax penalty bylaws, it is recommended that an amending bylaw to the tax penalty bylaw be drafted and approved by council. The amending bylaw would stipulate the deferred tax penalty dates for the 2020 tax year only, again in line with the tax deferral program approved by council and one of the options outlined in this document.

Communications

Municipalities are required to include government messaging as an insert to their tax notice, to inform property taxpayers of their approach to education property tax deferral. This communication will help to assure taxpayers the municipal approach is consistent with the government direction to property tax deferral.

This messaging is available at <https://www.alberta.ca/education-property-tax.aspx>

Municipal Implementation Actions

Municipal Action 1: Amend the relevant municipal bylaw, which imposes penalties on unpaid tax amounts in accordance with council direction, in line with one of the options listed in this document.

Municipal Action 2: Communicate the changes to ratepayers.

Municipal Action 3: Include the provided messaging from the provincial government as an insert or addendum to the property tax notice.

Municipal Action 4: Consider the development of flexible payment plans for non-residential property taxes for those ratepayers unable to make full payment in 2020.

Examples

The following examples would be an acceptable implementation of the program.

The individual taxpayer in these examples is a commercial property owner, holding a property with an assessed value of \$1,200,000. The municipal non-residential property tax rate is \$7.50 per \$1,000 of assessment, and the education non-residential property tax rate is \$3.75 per \$1,000 of assessment. The taxpayer's annual bill is \$13,500, comprised of \$9,000 in municipal taxes and \$4,500 in education taxes.

This taxpayer recognized the current economic situation and cancelled their monthly payment plan, and plans to pay annually.

The municipality's due date deadline is usually set at June 30.

Approach 1: Education Property Tax Deferral Only

- Provides education property tax deferral to September 30.
- Continues to require municipal non-residential property tax to be paid by June 30.
- Provides flexible payment plans for education property taxes not paid by September 30.
- Cumulative deferral is \$4,500 x 3 months = \$13,500.

Sample Taxpayer Implications

Month	April	May	June	July	August	September
Municipal	\$0	\$0	\$9,000	\$0	\$0	\$0
Education	\$0	\$0	\$0	\$0	\$0	\$4,500
Total	\$0	\$0	\$9,000	\$0	\$0	\$4,500

Approach 2: Equivalent Education Property Tax Deferral

- Provides municipal and education property tax deferral to July 30 – a deferral period of 1 month.
- Provides flexible payment plans for education property taxes not paid by July 30.
- Cumulative deferral is \$13,500 x 1 month = \$13,500.
- Because the \$13,500 cumulative deferral of both municipal and education property tax for an additional month past the due date effectively is the same as the deferral of only education property tax for 3 months in Approach 1, Approach 2 is considered equivalent.

Sample Taxpayer Implications

Month	April	May	June	July	August	September
Municipal	\$0	\$0	\$0	\$9,000	\$0	\$0
Education	\$0	\$0	\$0	\$4,500	\$0	\$0
Total	\$0	\$0	\$0	\$13,500	\$0	\$0

Key Contacts

For further information, please contact a Municipal Affairs program advisor toll-free by dialling 310-0000, then 780-422-7125, or by email at taxprogramdelivery@gov.ab.ca.