

**MEETING DATE:2025-04-08**

## **BRIEFING NOTE - TO COUNCIL**

### **SUBJECT**

2025 TAX PENALTY BYLAW – FOR DISCUSSION

### **RECOMMENDATION**

THAT the County of Vermilion River receive the report on changes to Tax Penalty Bylaw as information.

### **DETAILS**

Background:

Council asked Administration to bring back the current Tax Penalty Bylaw for discussion regarding a potential progressive penalty system.

Prior to 2017, the County of Vermilion River imposed a 12 per cent penalty on the current levy outstanding after the due date and an additional six (6) per cent penalty on all tax arrears outstanding in January of the following year.

In 2017, the County of Vermilion River changed the penalty on the current levy outstanding to eight (8) per cent after the due date and the additional penalty on all tax arrears in January to 12 per cent.

As of 2023, the County of Vermilion River imposes an eight (8) per cent penalty on all taxes outstanding after the due date, then an additional six (6) per cent on all taxes outstanding in January and another six (6) per cent on all taxes outstanding in May.

Rational used in previous discussions.

- The county has budgeted \$400,000.00 in penalty revenue for the 2025 budget.
- Penalties are used to discourage people from delaying payments.
- Penalties also encourage taxpayers to pay their taxes, which the county uses to fund municipal services.
- CVR sometimes faces a situation where a taxpayer compares their payment to potential investment returns. If the investment generates more income than the penalty for late payment, the county may end up using its own funds to cover operations instead.



#### Discussion:

- Is the county willing to charge a penalty to encourage taxpayers to pay on time?
- If a penalty is necessary, what should the penalty percentage be?
- What penalty amount would be significant enough to encourage taxpayers to prioritize paying property taxes over other investment opportunities?
- The current version of the penalty bylaw, which calculates the penalty based on the total outstanding amount, is the simplest to enforce and easiest to understand.
- Each instance of the current penalty calculation process, along with follow-up communication and notifications, requires significant staffing. It is estimated that each penalty takes about 12 to 16 hours to calculate, reconcile, post, print notification letters, mail them out and follow up with taxpayers.

Relevant Policy/Legislation Practices: Tax Penalty Bylaw

## ATTACHMENTS

Bylaw 24-05 Tax Penalty Bylaw

City of Lloydminster Tax Penalty Bylaw

Town of Vermilion Penalty Rates

Village of Kitscoty Tax Penalty Bylaw

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REVIEWED BY: Viren Tailor

DATE: March 20, 2025