

Date 29 February 2012



City Council Committee Report

To: Mayor & Council

Fr: Pat Geisel, Tax Collector

Re: Penalty and Interest Rate on Outstanding Taxes

Recommendation: THAT the request to lower the existing penalty/interest rate of 1.25% per month on unpaid taxes be denied.

Background: A rate-payer has approached the City requesting that the monthly penalty/interest rate of 1.25% per month charged on late taxes be lowered. The rate-payer had made note of the fact that the current prime rate is significantly lower than the City's late payment charge of 15% per annum. He also indicated that many businesses are currently unable to get financing at all.

In light of this request, the Tax Department did a survey of Dryden, Fort Frances, Sioux Lookout, Atikokan, Red Lake, and Thunder Bay. All continue to charge 1.25% per month, and indicated that they would not recommend to their Council lowering of the rate. It is the consensus that the penalty/interest charge is to encourage rate-payers to make payment in a timely manner, and act as a deterrent for using the Municipality for financing. Lowering the rate would only encourage owners to defer paying their taxes. This could have the effect of the Municipality being forced to borrow if the levy is not paid as expected.

Further, rate-payers who generally pay only their third-year arrears at the end of each year in order to avoid registration for tax sale, would probably not be encouraged to pay any sooner, they would just pay less.

Budget: The effect of keeping the rate as is would have no impact on the budget.

Communication Plan/Notice By-law Requirements: The individual making the request would be advised of Council's decision, and no further communication would be necessary.