



## **Bylaw 6510 – 2026 Incentive for Prepayments, Penalties, and Tax Deferral Bylaw**

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**Department** Finance and Corporate Performance

### **Summary**

In accordance with Section 339 of the *Municipal Government Act* (MGA) (Link 1), Council may, by bylaw, provide incentives for the payment of taxes by the date set out in the bylaw. Proposed Bylaw 6510 (Attachment 1) allows taxpayers not on TIPP the option to prepay their 2026 taxes and receive a 1 percent discount on prepayment.

The Bylaw also authorizes penalties under MGA sections 344 and 345 (Link 1):

- Current year penalties on outstanding tax balances will remain as follows: 7 percent on the first of July and 1.0 percent on the first of each month from August to December.
- No change to the arrears penalty rates of 12 percent per year (calculated at daily interest)
- For administrative and cost efficiencies, the Tax Manager can write off penalties of Twenty (\$20.00) Dollars or less.

Per Section 347 of the MGA (Link 1), the proposed Bylaw allows Council to defer the collection of taxes, with no change to the 2026 tax deferral program.

This Bylaw must be enacted by year-end to set the prepayment rate and the arrears penalty rates for January 1, 2026.

### **Recommendation(s)**

That Council give first reading of Bylaw 6510 to update the following details for 2026:

1. Set a 1.0 percent discount on prepayment of property taxes, applicable to property owners not enrolled in the Tax Instalment Prepayment Plan (TIPP);
2. Establish the current and arrears penalty structure; and

Make necessary adjustments to dates as required.

### **Financial**

Penalty revenue for 2026 is budgeted at \$570,000. Penalties encourage timely payments, preventing the City from having a budget deficit from late or missed payments. The \$20,500 prepayment incentive has a minimal impact to the City's budget, and the tax deferral program has little to no financial effect.

### **Background and Prior Decisions**

- **Municipal Government Act (MGA), Sections 344–347:** Provides municipalities with authority to impose penalties on unpaid taxes and establish terms for prepayment incentives.
- **Annual Tax Penalty and Prepayment Bylaw:** Annually presented to Council to set the prepayment incentive and arrears penalty rates and implementation dates for the upcoming year. The 2026 bylaw maintains the same penalty rates as 2025 and takes effect January 1, 2026.
- **Property Tax Payment Deadline:** Payments received on the **last business day of June** are considered paid on time to avoid late payment penalties. For 2026, this date is **Tuesday, June 30, 2026.**
- **Financial Context for Prepayment Incentive:** This Bylaw sets the 2026 discount on prepayment on property taxes at 1.0 percent, which is a reduction from the 2025 rate. The Bank of Canada has continued a trend of rate cuts that began in 2024. With inflation near the targeted rate of 2.0 percent, market forecasts suggest that it will likely hold steady through the near term through this period of structural adjustment. The 1.0 percent rate aligns with the City's investment portfolio forecast and is comparable to returns on basic savings accounts and term deposits, serving as an incentive for prepayment of property taxes.
- **Prepaid Taxes Summary:**
  - 1,601 properties prepaid \$1,589,631, earning \$10,283 in incentives.
  - 1,714 properties carried forward \$2,087,322 in credits from 2024, earning \$15,538 in incentives.
  - A total of \$25,821 in prepayment incentives were applied to property owner accounts in 2025.
- **Tax Deferral Program (2025):** No properties participated in the program, which allows for the deferral of taxes on increases exceeding 10 percent from the prior year.

### **Engagement**

No outside engagement occurred; only discussions among Treasury and Corporate Performance.

### **Recommendation and Option(s) Analysis**

- Option 1: Council approves the request (recommended); or
- Option 2: Council denies the request.
  
- *Community/Citizen*
  - Social – Prepaying property owners receive an incentive credited to their tax account; late payers will have penalties applied. The deferral option allows time for property owners with increased levies, the time needed to pay in full to avoid penalties.
  - Economic – Penalties ensure the City receives needed revenue for 2025 operations.
  - Environmental - none
  
- *Risk: Not implementing:*
  - Little incentive for property owners to pay their taxes during the first two years, before a tax lien warning is issued.
  - Shortfall in budgeted revenues.
  - Less prepaid revenue in the City’s cash flow.
  - No tax deferral options for the property owner.
  
- *Implementation and Communication Plan:*
  - A Public Service Announcement (PSA) will be released in December, promoting the prepayment discount starting January 1.
  - Three Herald advertisements between January and February will remind residents of the prepay incentive, ending February 28.
  - The updated penalty structure will be included on the tax notices, reminder notices, and the City website.
  - In June, reminder ads in the Herald and PSA’s will alert taxpayers that paying in full by June 30 avoids the 7 percent penalty.

**Attachment(s)**

1. Attachment 1: Bylaw 6510 – 2026 Incentives for Prepayments, Penalty and Tax Deferral Bylaw

**Link(s)**

1. Link 1 – [RSA 2000, c M-26 | Municipal Government Act | CanLII](#)