



# Corporate Report

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**REPORT NUMBER** 423-2024-Corporate Services-Revenue

**DATE**

**PREPARED**

November 18, 2024

**FILE**

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**MEETING DATE**

December 9, 2024

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**SUBJECT**

2025 Interim Tax Levy

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## **RECOMMENDATION**

WITH RESPECT to Report 423-2024-Corporate Services-Revenue, we recommend that the 2025 interim tax levy be established at 50% of the 2024 final tax obligation;

AND THAT the 2025 interim tax levy be due in two installments, March 5 and May 7;

AND THAT the penalty shall be one and one-quarter per cent (1.25%) of the amount in default on the first day immediately following the installment due date for tax installments due in 2025;

AND THAT interest shall be one and one-quarter per cent (1.25%) against all amounts that have become due and remain unpaid. Such interest shall be calculated and imposed on the first day of the calendar month;

AND THAT any necessary by-laws be presented to City Council for ratification.

## **EXECUTIVE SUMMARY**

This report recommends an interim property tax levy of 50% of the 2024 property tax obligation, collected over two installments due March 5 and May 7, 2025. This approach ensures steady cash flow, reduces borrowing costs, and offers taxpayers consistency for budgeting purposes. With approximately 43,100 taxable properties generating \$130 million in taxes, the interim levy will provide essential funds to meet operational needs before the 2025 tax rates are finalized.

It is recommended that penalty and interest rates for overdue taxes remain at 1.25%, encouraging timely payments and generating an estimated \$3.15 million in 2025.

## **DISCUSSION**

The *Municipal Act, 2001* (the “Act”) provides that the interim levy shall not exceed 50% of the prior year’s annualized taxes. Annualized taxes reflect municipal, and education taxes levied against the property at final billing, including all tax adjustments due to supplementary assessment and resulting from assessment appeals. For properties that are new to the assessment roll for the current year, and were not assessed in prior year, fifty per cent of the previous year’s tax rate for the properties’ applicable tax class will be applied to the property’s assessed value to generate an interim levy.

The Act provides that the percentage levied may be different for different property classes but shall be the same for all properties in a property class. Furthermore, taxes may be billed with a requirement that payment be made in one amount or in a series of installments. Different installments and due dates may also be established for different property classes.

The City of Thunder Bay has historically offered tax payments in four installments, two each for both the interim and final levy. The main advantages of installment billings are:

1. They reduce the cost of current borrowing (or reduce amount of lost interest income) if combined with the use of an interim levy.
2. They provide convenience to taxpayers so that they may budget for payments.
3. They provide steady cash flow.
4. They reduce tax delinquency by provision of earlier payments in the year.

Consistent with prior years, Administration is recommending an interim levy of 50% of the 2024 final property tax obligation with installment due dates of March 5 and May 7, 2025.

In 2024, there were approximately 43,100 taxable properties, which generated approximately \$260 million in municipal and educational taxes.

### **Penalty & Interest**

The City may impose penalty and interest not to exceed 1.25% for the non-payment of taxes.

Historically, the City applies a penalty of 1.25% calculated on the installment amount that is not paid, the day after a tax installment is due.

The City also applies interest of 1.25% calculated on the tax balance that is overdue, on the first of each month. Interest is not calculated on the penalties or interest balance.

Penalty and interest revenue is approximately \$3.15 million annually.

Administration recommends a penalty rate of 1.25% and an interest rate of 1.25%.

### ***FINANCIAL IMPLICATION***

An interim levy will raise approximately \$130,000,000 over two installments.

Penalty on property taxes of 1.25% is expected to generate revenue of approximately \$325,000 in 2025 and will be included in the 2025 Budget for consideration.

Interest on property taxes of 1.25% is expected to generate revenue of approximately \$2,825,000 in 2025 and will be included in the 2025 Budget for consideration.

### ***CONCLUSION***

It is concluded that an interim tax levy, and penalty and interest for non-payment of taxes, as recommended in Report 423-2024-Corporate Services-Revenue should be approved for the 2025 taxation year.

### ***BACKGROUND***

Section 317 of the *Municipal Act* provides authority for Council to levy interim taxes in advance of the adoption of the budget and tax rates for the year. The interim levy is required to provide cash flow to meet current operating requirements.

### ***REFERENCE MATERIAL ATTACHED***

None.

### ***REPORT PREPARED BY***

Kathleen Cannon, CPA, Director – Revenue Division

### ***REPORT SIGNED AND VERIFIED BY***

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer  
(11/25/2024)