Allowance for Non-Collection of Requisition Taxes

Concerns have been raised recently with Alberta Municipal Affairs about the manner in which some municipalities are applying section 359(2) of the Municipal Government Act (MGA). The section reads as follows:

"In calculating the tax rate required to raise sufficient revenue to pay the requisitions, a municipality may include an allowance for non-collection of taxes at a rate not exceeding the actual rate of taxes uncollected from the previous year's tax levy as determined at the end of that year."

The provision is intended to set a maximum limit that cannot be exceeded when calculating the allowance for uncollected requisition taxes that may be levied in a given year. However, in many instances, the actual amount required to offset uncollected requisition taxes is less than the amount generated by applying the calculation formula provided in section 359(2).

Municipalities should base the calculation of the allowance on an analysis of property tax account receivables. The municipal auditor may be able to assist you in determining an appropriate method for analyzing the account receivables. The amount that can reasonably be expected to be uncollected should be levied as the allowance, in compliance with section 359(2).

The provision exists so that municipalities do not have to absorb uncollectable requisitions, but is not intended to be used to generate additional revenue for any other purpose.

If you require further assistance, please contact your municipal auditor or Financial Advisory Services.