

## **Notice to ratepayers in the Resort Village of Cochin**

### **2017 Tax Prepayment Discount:**

In 2017 the Resort Village of Cochin granted a 15% discount on all 2017 municipal taxes paid to the village before September 1, 2017. The cost to the village for this accommodation was \$60,000 and was included in the 2017 budget as an expenditure which became part of the means used to calculate the base rate and the mill rate. No penalties were assessed on payments made in September, October, November and December.

This was the practice that had been followed for many years prior to 2017.

### **2018 Tax Prepayment Discount:**

In 2018 the Resort Village of Cochin will grant a 10% discount on all 2018 municipal taxes paid on or before July 31, 2018. The cost of this accommodation is \$45,000 and is included in the 2018 budget as an expenditure which becomes part of the calculation of the base rate and mill rate. 2018 will be the last year in which a discount will be offered regardless of when the taxes are paid.

The 2018 municipal and school taxes are due and payable in 2018 and if so paid in 2018 no penalty will be assessed.

### **2019 Taxes**

Beginning in 2019 and continuing thereafter, property taxes are due and payable on or before the last day of the month next following the month in which the current year's tax notices are mailed. In 2019 it is expected that the tax notices will be mailed in June. Accordingly, the taxes will be due and payable on or before July 31, 2019. If the tax notices are mailed in April 2019 the due date for payment will be May 31, 2019. If they are mailed in July 2019 the taxes will be due and payable on or before August 30, 2019 and so on and so on.

Beginning in 2019 and continuing thereafter, any portion of property taxes not paid on or before the due date will be assessed a 1.5% per month penalty. Therefore, if the tax notices are sent out in June, the due date for payment is July 31. If not paid on or before July 31 there will be a 1.5% penalty added on August 1. If the taxes are not paid in August there will be an additional 1.5% penalty added in September and so on and so on.

These changes were prompted by two considerations:

1. To grant a 15% discount for payment in August equates to an annual (12 month) interest rate of 45%. (15% divided by 4 times 12). A 10% discount for payment in July equates to an annual interest rate of 24%. Although it is helpful for the village to have the cash flow in the summer months, such a model is not fiscally responsible. If the village "runs short" of cash in the summer months it makes more sense to take out a short term loan at the Credit Union at a competitive interest rate.
2. Some ratepayers have the financial resources to make the prepayment in full in order to take advantage of the discount and others do not. The model of granting discounts for early payment results in a shifting of some tax liability from some to everyone, regardless of means.