



AGENDA ITEM

HESC Energy Corp

2021 Property Tax Late Penalty Cancellation and Payment Plan Request

January 13, 2022

BACKGROUND

Attached is email correspondence from HESC Energy Corp. in which the Company is requesting that Lacombe County cancel the \$34,225.28 in late payments levied on the Company's 2021 outstanding tax balance for its oil and gas properties in Lacombe County and accept a payment plan for the balance.

Action requested of Council is consideration of this request.

ANALYSIS

HESC Energy is seeking the cancellation of the property tax penalties levied on its properties in 2019, 2020, and 2021. Since this correspondence was sent, the December 2021 penalty was also levied amount to an additional \$10,913.98. As the correspondence indicates, the Company has been impacted by low natural gas prices which was further impacted by the pandemic. As the Company's cash flow improves, it is attempting to reach payment arrangements with government and its vendors.

The Company has not paid taxes since 2018. Since that time penalties and levies have accumulated each year. With the addition of the \$10,913.98 in December penalties, the total outstanding is \$120,053.80.

Council has received a number of requests from oil and gas companies similar to the request from HESC Energy. To date, Council has turned all requests for cancellation or deferment of penalties. In this particular case, the company in question has not made any payments over the past 3 years. Agreeing to cancel the penalties may not result in any payments of the original tax balance.



There is nothing stopping HESC Energy from making monthly payments. In fact, there are no new penalties until August of 2022.

Alternatives:

1. Deny the Request (by defeating the proposed resolution) (Administrative recommendation)
2. Approve the cancellation of late payment penalties of \$45,139.27, as requested by the property owner.
3. Take other action(s) as determined by Council.

BUDGET IMPLICATIONS

Any cancellation of late payment penalties will result in a reduction of late payment revenue of a corresponding amount.

LEGISLATIVE RESPONSIBILITIES

Section 347 (1) of the MGA states that “if a Council considers it equitable to do so, it may, generally or with respect to a particular taxable property or business or a class of taxable property or business, do one or more of the following, with or without conditions a) cancel or reduce tax arrears; b) cancel or refund all or any part of a tax; or c) defer the collection of a tax”.

RECOMMENDATION

That Council defeat the following resolution:

That Lacombe County cancel the \$45,139.27 late payment penalties levied on properties owned by HESC Energy.

PREPARED BY: Michael Minchin, Corporate Services Director

REVIEWED BY: Tim Timmons, County Manager