

**Subject: Bylaw No. 21/009 - 2021 Property Tax Rate Bylaw****APPROVALS:****Jamie Doyle**\_\_\_\_\_  
Director\_\_\_\_\_  
Chief Administrative Officer**Recommended Motion:**

1. THAT Bylaw No. 21/009, being the 2021 Property Tax Rate Bylaw, be read a second time.
2. THAT Bylaw No. 21/009, be read a third and final time.

**Summary:**

In accordance with the *Municipal Government Act*, the Regional Municipality of Wood Buffalo is required to pass a property tax rate Bylaw annually for the purpose of completing the work set out in the approved Operating and Capital Budgets.

**Background:**

A property tax rate bylaw establishes the rates at which various property classes are to be taxed and is calculated based on the total assessment value of all taxable properties within each of the property classes throughout the Municipality. The Order in Council, creating the specialized Regional Municipality of Wood Buffalo, provided Council with the authority to establish a mill rate structure for each of the Urban and Rural Service Areas.

Assessment valuation standards are prescribed by the Alberta Provincial Government and are either based on a market value premise or on a regulated cost-based system depending on property type. The tax levied on all residential and commercial properties is calculated by applying the tax rate against the individual property assessment which is an estimate of the market value as of July 1, 2020. The Designated Industrial Properties (DIP) are assessed by the Provincial Assessor.

Property taxes are levied to raise revenue to fund municipal expenditures and pay external requisitions from Alberta Education, seniors' housing (Ayabaskaw House and Rotary House) and the Designated Industrial Property requisition. With respect to requisitions for provincial education, seniors' housing and the Designated Industrial Property requisition, the requisitioning authorities' tax rates are calculated based on the

amounts requested. In imposing levies, it is important to note that the Municipality simply acts as a collector of the funds and has no authority to refuse or change the amount requested by external requisitions. A typical property tax notice consists of the municipal levy, Alberta Education requisition levy, and levy for seniors' housing. The exception is the Machinery and Equipment class which is exempt from the Alberta Education levy. Only properties identified by the Provincial Assessor as Designated Industrial Properties will include the Designated Industrial Property tax rate. The total amount of property taxes paid will vary based on the actual assessment value and the respective tax rate applied. In establishing municipal tax rates for the 2021 Property Tax Rate Bylaw, the process began with the zero-based budget and resulted in a requirement for less property tax revenue than in 2020.

In order to assist in understanding the 2021 Property Tax Rate recommendations, the following clarifications are provided:

Increases or decreases in municipal tax rates will not necessarily result in corresponding increases or decreases in municipal taxes paid. The reason for this is that increases or decreases in municipal taxes are equally dependent on the year-over-year assessment change of a property. Due to this formula, many property owners will see reductions in their municipal tax levies even if the tax rate in their tax class has increased.

The formula for calculating municipal property taxes is as follows:

$$\text{Assessment} \times \text{Tax Rate} = \text{Municipal Tax Levy}$$

Due to reductions in market value, many property assessments have declined from the previous 2020 assessed value.

Recommended Tax rates for 2021, propose the following changes when compared to 2020 as follows:

- Urban Residential Tax Rate Increase of 4%

This increase in tax rate, is less than the median assessment decrease of 10%. The median municipal tax change in the Urban Residential tax class is a reduction of \$69 (if no improvements were completed to the home in 2020) due to a combination of the change in assessment over 2020 and the change in the Urban Residential tax rate.

- Other Residential Tax Rate Increase of 4%

This increase in tax rate, is less than the median assessment decrease of 28%. The median municipal tax change in the Other Residential tax class is a reduction of \$6,867 (if no improvements were completed to the home in 2020) due to a combination of the change in assessment over 2020 and the change in the Other Residential tax rate.

- Rural Residential Tax Rate Increase of 4%

The median municipal tax change in the Rural Residential tax class is an increase of \$15 (if no improvements were completed to the home in 2020) due to a combination of the change in assessment over 2020 and a change in the Rural Residential tax rate.

- Urban Non-Residential Tax Rate Increase of 4%

The Urban Non-Residential assessment class experienced an overall decrease due to factors such as sales, vacancy, availability, rents, and land value, and as such, individual properties may experience differing increases or decreases in taxes. Therefore, a median tax change was not calculated.

- Rural Non-Residential Tax Rate Decrease of 2%

The Rural Non-Residential assessment class experienced an overall decrease of 2% from 2020 to 2021. Due to the wide variance in assessed values in this tax class, a median tax change was not calculated.

In addition, based on Matters Relating to Assessment Sub-Classes Regulation Alberta Regulation 202/2017, municipalities can create a sub-class for either the Urban or Rural Service Areas entitled “small business property” sub-class. In 2018, the Regional Municipality of Wood Buffalo Council approved the creation of a Rural Non-Residential Small Business property sub-class. The tax rate of this sub-class was 25% lower than the rural non-residential tax rate. The criteria of this sub-class required that the business:

- must apply online and meet all criteria to be taxed at the Rural Non-Residential Small Business property tax rate; and
- must be operating under a business license or that is otherwise identified in a municipal bylaw; and
- have fewer than fifty (50) employees across Canada; and
- must hold a RMWB business license as of December 31 of the preceding year.

A rural small business property tax rate has been included within the 2021 Tax Rate Bylaw and is subject to Council approval.

### **Budget/Financial Implications:**

For the 2021 taxation year, property tax revenue decreased by \$24 million compared to 2020. Cumulatively, property tax revenue has decreased by \$328 million since the 2016 budget. The revenue required through property taxes for the 2021 taxation year is \$468 million.

Assessment notices were sent out on February 3, 2021, and the deadline for assessment appeals was April 12, 2021, for the majority of properties. In some instances, additional information has been received regarding assessment accounts that have led to the issuance of an updated assessment. In accordance with legislated requirements, notice of the appeal period for these properties is extended by an additional sixty (60) days. A better estimate of assessment roll totals and resulting property tax revenue impacts will be determined when the last appeal deadline has passed.

**s. 358(1) Maximum Tax Rate Ratio (formerly Bill 21 and Bill 8)**

The Municipality is a “non-conforming” municipality meaning that the tax ratio is greater than 5:1. The tax ratio means the ratio between the highest non-residential tax rate to the lowest residential tax rate. In the Municipality the highest non-residential tax rate is the Rural Non-Residential tax rate, and the lowest residential tax rate is the Rural Residential tax rate. The tax ratio can be reset each year, but the ratio cannot increase from the previous year. For the 2020 tax year the Municipality’s tax ratio was 7.78:1.

Although the regulations guiding the method and time frame for reducing the tax ratio have not been introduced by the Government of Alberta, Council directed Administration to have the 5:1 ratio in place within ten (10) years, starting with 2017. Through budget reductions and an increase in the rural residential tax rate, Administration continues to work towards this timeline this tax rate recommendation would result in a tax rate ratio for the Municipality of 7.30:1 for 2021.

There will be financial implications if any rates lower than the recommended 4% are proposed. For example, with a 0% increase in municipal tax rates for Rural Residential, Urban Residential, Urban Other Residential, and Urban Non-Residential classes, there would be a \$1.3 million property tax revenue deficiency that would have to be drawn from reserve funds. In addition, Rural Residential tax rates will require a 10% increase each year from 2022 to 2026 to reach the 5:1 ratio goal by 2026.

**Rationale for Recommendation:**

The proposed property tax methodology is budget driven, reflecting zero-based budgeting. This results in an overall reduction in property taxes from 2020, and a systematic reduction in the tax ratio from 2020 to 2021.

In addition, Administration is requesting that consideration of second and third readings of Bylaw No. 21/009, the 2021 Property Tax Rate occur on Tuesday, May 11, 2021.

**Strategic Priorities:**

Responsible Government

**Attachments:**

**Bylaw No. 21/009 - 2021 Property Tax Rate**

**2021 Tax Rate Bylaw Presentation**