

Subject: Bylaw No. 19/012 - 2019 Property Tax Rate Bylaw**APPROVALS:****Annette Antoniak**_____
Director_____
Chief Administrative Officer**Recommended Motion:**

1. THAT Bylaw No. 19/012, being the 2019 Property Tax Rate Bylaw, be read a second time.
2. THAT Bylaw No. 19/012 be read a third 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, 2018. 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 new requirement, the 2019 designated industrial property requisition. With respect to requisitions for seniors' housing and the designated

industrial property requisition, the requisitioning authorities' tax rates are calculated based on the amounts requested. With respect to requisitions for provincial education, due to the timing of the provincial election and in the absence of an approved provincial budget, municipalities have not received the annual education tax requisition at the time of this publication. Therefore, the Municipality has opted to use the 2018 education tax requisition in order to collect education tax from rate-payers. A subsequent increase/decrease to the actual 2019 education tax requisition will be adjusted as part of the 2020 taxation process. Municipalities are still responsible for the actual 2019 education tax payment regardless of whether the funds have been collected from rate-payers.

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 2019 Property Tax Rate Bylaw, the process began with the zero-based budget and resulted in a requirement for less property tax revenue than in 2018. Factors such as assessment growth over 2018 and historic changes in the tax rates were utilized in determining the individual tax rate changes for 2019.

In order to assist in understanding the 2019 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 have 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 2018 assessed value.

Property assessments in which construction had occurred in 2018 were excluded from the median calculation as the calculation was intended to capture market changes in the assessed values.

Recommended Tax rates for 2019, propose the following changes when compared to

2018 as follows:

- Urban residential tax rate: The median municipal tax change in the urban residential tax class is a reduction of \$20 (if no improvements were completed to the home in 2018) due to a combination of the change in assessment over 2018 and the change in the urban residential tax rate. The median municipal and education tax change in the urban residential tax class is a reduction of \$126 (if no improvements were completed to the home in 2018) due to a combination of the change in assessment over 2018 and the change in the urban residential and education tax rates.
- Other residential tax rate: The median municipal tax change in the other residential tax class is a reduction of \$115 (if no improvements were completed to the home in 2018) due to a combination of the change in assessment over 2018 and the change in the other residential tax rate. The median municipal and education tax change in the other residential tax class is a reduction of \$1,000 (if no improvements were completed to the home in 2018) due to a combination of the change in assessment over 2018 and the change in the other residential and education tax rates.
- Rural residential tax rate: The median municipal tax change in the rural residential tax class is \$0 (if no improvements were completed to the home in 2018) due to a combination of the change in assessment over 2018 and a change in the rural residential tax rate. The median municipal and education tax change in the rural residential tax class is a reduction of \$9 (if no improvements were completed to the home in 2018) due to a combination of the change in assessment over 2018 and a change in the rural residential and education tax rates.
- Urban non-residential tax rate: The urban non-residential assessment class experienced an overall increase 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: The rural non-residential assessment class experienced an overall increase over 2018 due to oil sands growth. 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 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 2019 Tax Rate Bylaw and is subject to Council approval.

Budget/Financial Implications:

For 2019 taxation year, property tax revenue decreased by \$28M compared to 2018. Cumulatively, property tax revenue has decreased by \$123M since the 2016 budget. The revenue required through property taxes for the 2019 taxation year is \$643,621,000.

Assessment notices were sent out on February 20, 2019 and the deadline for assessment appeals is April 29, 2019 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 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. The appeal allowance for the Machinery and Equipment class is 3% and for all other tax sectors is 1% for 2019.

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 2018 tax year the Municipality’s tax ratio was 14.30.

Although the regulations guiding the method and time frame for reducing the tax ratio have not been introduced by the Government of Alberta, through budget reductions, growth in the rural non-residential assessment base and an increase in the rural residential tax rate the administrative recommendation would result in a tax rate ratio for the Municipality that has been reduced to 12.45 for 2019.

Rationale for Recommendation:

The proposed property tax methodology is budget driven reflecting zero-based

budgeting resulting in an overall reduction in property taxes from 2018, and a systematic reduction in the tax ratio from 2018 to 2019.

In addition, Administration is requesting that a Special Council Meeting be called to occur at 4:00 p.m. on Tuesday, May 7, 2019 for consideration of second and third readings of Bylaw No. 19/012, the 2019 Property Tax Rate Bylaw.

Strategic Priorities:

Responsible Government

Attachments:

- 1. Bylaw No. 19/012 - 2019 Property Tax Rate Bylaw**
- 2. Bylaw 19.012 Property Tax Rate PowerPoint**