



## Tax Policy Changes and Tax exemption Powers Broadened

Beginning in 2008 Bill 35 will require, municipalities to include in their financial plan, the objectives and policies for:

- the portion of total revenue that will come from each revenue source (property tax, parcel tax, fees, etc..).
- the distribution of property value taxes among the classes subject to taxation.
- use of permissive tax exemptions.

There are some transition provisions that deal with the implementation of these requirements over the next few years.

Before adopting the annual tax bylaw, council must consider the proposed tax rates in conjunction with the objectives and policies set out in the financial plan.

The UBCM understands that government has considered the recommendations of the Competition Council on capping or otherwise regulating business or industrial taxation and will not be introducing any specific measures. Government however, decided to introduce the financial plan requirement and a broadening of the revitalization tax exemption.

The current **Revitalization Tax Exemption** is expanded or amended in a number of ways:

- the term maybe up to 10 years at the outset (not 5 plus a possible additional 5 years).
- the property may be anywhere in the municipality (eg: the condition to specify in OCP, for example, is repealed).
- the exemption may apply at council's discretion to land and/or improvements and is not tied by legislation to an increase in value of the improvement portion.

The three components of the revised scheme are:

- a revitalization program bylaw that establishes all the terms and conditions under which an exemption may be provided.
- an agreement with an owner regarding the specific exemption.
- tax exemption certificate that is issued once all the requirements of the bylaw and agreement are met and it must contain basic information on the extent, amount or formula of the tax exemption; term; any conditions; and tax recapture if applicable.

The bylaw must set out:

- a description of the reasons for and the objectives of the program;
- a description of how the program is intended to accomplish the objectives;
- a description of the kinds of property, or related activities or circumstances, that will be eligible for tax exemptions under the program;
- the extent of the tax exemptions available;
- the amounts of tax exemptions that may be provided under the bylaw, by specifying amounts or by establishing formulas by which the amounts are to be determined, or both;
- the maximum term of a tax exemption that may be provided under the bylaw, which may not be longer than 10 years.

Council may also include in the bylaw other provisions the council considers advisable respecting the program including:

**Please make copies of this Circular and distribute them to Council/Board Members and Staff**

- the requirements that must be met before an exemption certificate may be issued,
- conditions that must be included in an exemption certificate, and
- provision for a recapture amount that must be paid by the owner of the property to the municipality if the conditions specified in the exemption certificate are not met.

The bylaw may also have different provisions for:

- different areas of the municipality;
- different property classes under the *Assessment Act*;
- different classes of land or improvements, or both;
- different activities and circumstances related to a property or its uses;
- different uses as established by zoning bylaw.

There are notice procedural requirements and considerations for the permissive tax exemption policy in the Financial Plan.

## New Assessment Valuation Legislation for Ports, Ski Hills and STOCAPS

**B**ill 32, Assessment Statutes Amendment, amends both the *Assessment Act* and the *Assessment Authority Act*.

The classification and valuation of short-term occupation tourist accommodation properties has been an issue for many years. Some strata properties that are rented out for parts of a year were classed and assessed as Class 1 (residential). Other properties were classed and assessed under Class 6 (business).

As a result of these amendments, individual strata hotel units would be classed based on a split of actual occupancy either Class 1 for residential use or Class 6 for rental use. The portion used for personal occupancy would be assessed at Class 1 and the portion used for actual rental occupancy would be assessed at Class 6. Unoccupied time would be classified as residential. Existing Class 1 strata hotels would be grandfathered and not affected. The financial effects will hit hardest in Whistler and to an extent to be determined, in

Vancouver, Victoria, Tofino and Parksville. The provincial government estimates that currently 18,000 strata hotel units are in class 1 while 5,000 are in class 6. Today most new hotels built in BC are strata properties.

Briefly, a new approach will be put in place to value the crown land component of designated ski hill property. We are advised that one of the factors will be ski hill gross lift revenues.

Special valuation rules are also introduced for designated port lands.

The Bill will also make some changes to the roles and responsibilities under both Acts.

For instance, the new section dealing with powers and duties of the board of directors of BC Assessment Authority is introduced. The position of Commissioner becomes the CEO and in many cases the responsibilities of the Commissioner are assigned to the assessment authority (in essence the board) or "an authorized person".

### TILMA Update

**T**he Legal Analysis of the Trade, Investment and Labour Mobility Agreement produced by Don Lidstone for UBCM has had some revisions in response to on going discussions of the issue. The updated version is available on CivicNet under Featured Policy Topics/TILMA.