



Budget 2012

Earlier today Finance Minister Kevin Falcon tabled the 2012 Budget in the Legislature. The Budget forecasts a deficit for 2011-12 of \$2.5 billion, \$968 million in 2012-13, and surpluses of \$154 million in 2013-14 and \$250 million in 2014-5.

The total provincial debt is forecast to be \$57.6 billion in 2012-13, \$62.7 billion in 2013-14 and \$66.4 billion in 2014-15. Taxpayer supported debt is forecast to be \$38.7 billion in 2012-13, \$41.7 billion in 2013-14 and \$43.7 billion in 2014-15.

Local Government Finance

Permanent Tax Cap for B.C. Ports

Subject to approval of the Legislature, the current 2018 expiry date would be removed from the Ports Property Tax Act.

New SCIF Program

Included in the Budget is a new 3-year Strategic Community Investment Funds (SCIF) program for 2012-2014, which provides for payment of Small Community, Regional District, and Traffic Fine Revenue Sharing grants on the basis of a payment schedule set out in an agreement between the Province and each individual local government.

Total payments under the SCIF program will be equivalent to what would otherwise have been paid under the Small Community, Regional District and Traffic Fine Revenue Sharing

programs, and total amounts remain consistent with prior years. The only change is in the timing of payments and the need to enter into an agreement in relation to the funds, as was the case for the first iteration of the SCIF program in 2009.

Although the total funding amount remains consistent, the amounts payable to each individual local government may change from previous years due to such things as changes in population and new incorporations.

As with the 2009 SCIF program, local governments must sign a SCIF agreement before their first payment can be made. The Ministry of Community, Sport and Cultural Development has advised UBCM that it expects to distribute SCIF Agreements to local governments within the next few days.

We expect that the 2012 SCIF agreement will be very similar to the 2009 SCIF agreement. In signing the agreement, the local government will be committing to develop a plan for the intended use of the funds and set performance target(s) for the funds, as well as to annually reporting to the public on the plan and progress made towards the performance target(s).

Subject to approval of the Legislative Assembly, the first SCIF payment is due to be made by March 31, 2012. Therefore, Councils and Boards are advised to consider the SCIF Agreement at their earliest opportunity, ideally before March 23, 2012.

Hotel Room Tax & Resort Municipality Initiative

The provincial Hotel Room Tax will be re-implemented at the same time as the PST. The tax rate will be 8 per cent, the same rate as prior to harmonization, and the tax will apply in the same way it did prior to the HST. To streamline the administration, collection and remittance of provincial taxes, short-term accommodation will be taxed under the same legislation as the PST and the separate Hotel Room Tax Act will be repealed.

As announced previously, the two per cent municipal and regional district hotel room tax levied on behalf of local governments, regional districts, and eligible entities such as tourism associations that are used for local tourism marketing, programs and projects will continue.

The British Columbia Resort Municipality Initiative provided eligible resort municipalities with a portion of the provincial hotel room tax. When the hotel room tax was eliminated with the introduction of the HST, funding for resort municipalities was continued. Provincial government funding for eligible resort municipalities will continue with the reimplementation of the PST.

Provincial Initiatives and Services

Funding For Auditor General for Local government

The Budget allocates \$2.6 million to establish the office of the Auditor General for Local Government.

Funding for Independent Investigations Office

The Budget allocates \$9.3 million to implement an Independent Investigations Office to

investigate incidents involving municipal police and the RCMP that result in serious harm or death.

Authority for Certain Partial Property Tax Exemptions Provided

In some cases the Crown, which is exempt from tax, is a registered owner of property together with one or more taxable owners. Under the Acts, if one or more registered owners of a property are taxable, the entire property is taxable. The Acts are amended to provide the authority to exempt from property tax the proportion of a property owned by the Crown or its agent.

Provincial Support for BC Ferries Unchanged

The Provincial Support for BC Ferries Services Inc. remains as defined in the existing contract.

Carbon Tax Review

The Carbon Tax was implemented on July 1, 2008 and the final scheduled increase will take effect on July 1, 2012. No further increases or expansions are planned at this time.

Over the next year, the government will undertake a comprehensive review of the Carbon Tax and its impact on British Columbians. The review will cover all aspects of the Carbon Tax, including revenue neutrality, and will consider the impact on the competitiveness of BC businesses such as the agricultural sector, and in particular, BC's food producers. British Columbians will have the opportunity to make written submissions to the Minister of Finance. Changes will be considered as part of the 2013 Budget process.

Home Ownership Affordability

B.C. First-Time New Home Buyers' Bonus

The new B.C. First-Time New Home Buyers' Bonus will be a temporary, one-time refundable income tax credit for first-time home buyers who purchase a newly constructed home. The credit will be calculated as five per cent of the purchase price of the home, up to a maximum credit of \$10,000.

The credit will be phased out at a rate of 20 per cent of net income in excess of \$150,000 for single individuals and at a rate of 10 per cent of family net income in excess of \$150,000 for couples. Only one credit can be claimed per home.

The credit will be available on purchases of newly constructed housing where both the HST applies and where a written agreement of purchase and sale is entered-into on or after February 21, 2012.

Threshold for Home Owner Grant Phase-out Increased

As announced on January 3, 2012, the threshold for the phase-out of the home owner grant is increased from \$1,150,000 to \$1,285,000 for the 2012 tax year. This increase ensures that at least 95 per cent of homeowners are eligible for the full grant, consistent with longstanding government policy.

For properties valued above the threshold of \$1,285,000, the grant is reduced by \$5 for every \$1,000 of assessed value in excess of the threshold.

Low-Income Veteran's Supplement Introduced

A veteran's home owner supplement for qualifying low-income veterans under the age of 65 who have served in the Canadian Forces as officers or non-commissioned members will be made available in 2012 and in the years following.

The supplement is intended to provide low-income veterans with the same home owner grant enhancements that already apply to seniors, some persons with disabilities and their families, and certain veterans of older conflicts and their spouses.

Arts and Recreation Programs

Children's Fitness Credit and Children's Arts Credit Introduced

The Budget provides for a new Children's Fitness Credit and a new Children's Arts Credit.

The Children's Fitness Credit is a non-refundable tax credit of 5.06 per cent of eligible expenditures up to \$500 for each child, providing a benefit of up to \$25 per child.

The Children's Arts Credit is a non-refundable tax credit of 5.06 per cent of eligible expenditures up to \$500 for each child, providing a benefit of up to \$25 per child. For both the Children's Fitness Credit and the Children's Arts Credit, eligible expenditures are those that qualify for the federal children's fitness credit and children's arts credit.