# TAXATION

SECTION 11

### Property Tax System

Real property (i.e., land and improvements) is subject to taxation from municipalities (within their boundaries) and the Province of British Columbia (Province) in rural unincorporated areas. These two taxing jurisdictions levy and collect property taxes for themselves and for other public authorities (e.g., schools, regional districts, regional hospital districts, BC Transit, Translink, BC Assessment Authority and Municipal Finance Authority). Property taxes levied are a product of the assessed value of the property and a tax rate to be applied to that assessed value. Assessed values are determined by the BC Assessment Authority (see Fact Sheet #10). Tax rates to be applied to these assessed values are set in accordance with a "variable tax rate" system. This fact sheet will focus on taxes levied by municipalities.

### Variable Tax Rate System

The system, introduced in 1983, allows properties to be classified into one of nine property classes for councils to set a tax rate and for the levy of taxes for municipal purposes. A tax rate is defined as an amount per each $1,000 of assessed value. The tax rate may vary between property classes but must be the same for all properties within a class.

By considering a unique tax rate for each property class, council determines the appropriate share of taxes to be borne by each of the property classes (i.e., council decides not only the amount of tax to be raised in total but also the amounts that will be raised from each class of property).

### Financial Plan

The total amount of taxes to be raised for municipal purposes in a particular year will be determined by council and set out in its financial plan bylaw (i.e., the budget – see Fact Sheet #7). The financial plan bylaw must be adopted annually prior to adoption of the municipality's annual tax rate bylaw. The financial plan must set out the projected revenue (including total property tax revenue) and expenditures for the upcoming year, plus objectives and policies of the municipality in relation to:

- the proportion of total revenue that is proposed to come from each funding source (e.g., property value taxes, parcel taxes, etc);
- the distribution of property value taxes among the property classes that will be subject to the tax; and
- the use of permissive tax exemptions.

## Tax Rate Bylaw

Once the financial plan is adopted, council must determine how much of the projected taxation revenue will be provided by each of the nine property classes and set tax rates necessary to recover these amounts. Councils must adopt their tax rate bylaw by May 15 each year, after which officials prepare property tax notices, distribute them to property owners, and begin the process of collections.

In setting tax rates, council must decide what tax burden should be placed on each class (e.g., Residential, Businesses, and Light & Major Industry as defined by the legislation).

For example, if council wishes to raise $200,000 of property tax revenue from the Residential Class (Class 1), and the total value of residential properties is $10,000,000, then the tax rate would be set at $20 per $1,000 of assessed value (e.g., (200,000 x 1,000)/10,000,000).

The decision rests solely with the council, although its administrative staff will advise council of the total tax revenue that would result from any combination of tax rates that council might wish to consider. In setting tax rates, the council must consider the tax distribution objectives and policies it has set in its financial plan.

*NOTE:* Municipalities also levy and collect taxes for other public authorities (e.g., regional district and regional hospital district). The tax rates and/or ratios (relationship between tax rates for different property classes) for these other public authorities are usually set in legislation.

## Tax Rates

Tax rates are expressed in dollars per thousand of taxable property value. The tax levy on any property is the result of applying the tax rate to the taxable assessment. For example, if the tax rate set was $20 per $1,000 of assessed value, then an owner of a house and lot assessed at $100,000 would pay $2,000 in property taxes ($20/1000 x $100,000).

## Limits on Tax Rates

Municipalities have considerable legislative discretion to set a separate tax rate for each of the nine property classes. These rates reflect amounts needed by council to recover projected taxation revenue from the financial plan.

However, the Province has the authority to apply their own limits on tax rates and ratios (i.e. the relationship between the tax rate for one property class and other property classes). This authority is rarely exercised, but was used in 1997 to set limits on the Class 2 (Utilities) tax rates and again in 2004 to set limits on municipal tax rates for certain port properties.

## Additional Tax Options

Due to rapid fluctuations in real estate prices (specifically in metropolitan land values) in the 1980s and 90s, municipalities were given the power to provide either an “averaged” or “phased” land value for municipal taxation purposes. Averaging and phasing may only be used with respect to land values for certain property classes. Improvement values are not subject to phasing or averaging.

**Averaging** uses the average of the assessed values of land in the current year and the two preceding years and the assessed value of improvements in the current year.

**Phasing u**ses the assessed value of land in the current year minus not more than 66% and not less than 50% of the amount by which the increase in the assessed value of the land in the current year exceeds the average percentage increase in the value in the current year of all land within the municipality included in the same property class and the assessed value of improvements in the current year.

Both averaging and phasing are subject to a number of regulatory requirements (e.g., municipality must give notice of its intention to use one of the options; municipality must establish procedures for property owners to make complaints), *Community Charter* s.198 and the Assessment Phasing and Averaging Regulation should be reviewed prior to use.

## Municipality as Tax Collector

For administrative ease, all taxes imposed (e.g., municipal, school, regional district, etc) on a particular property are collected by one entity. For properties within rural areas, the Province, through the Surveyor of Taxes, collects taxes on behalf of all public authorities. For properties within municipal boundaries, the municipality takes on this collection role.

The amount of taxes collected by municipalities on behalf of other taxing jurisdictions can be significant. In some cases, almost half of the overall tax bill for a property within a municipality can be for non-municipal use. Amounts imposed by the municipality are generally due to the taxing jurisdiction shortly after the tax due date even if the municipality has not collected the tax from the taxpayer. There are some exceptions to this general rule, most notably with respect to school taxes levied on behalf of the Province. For school taxes, a municipality may choose to defer payment for school taxes uncollected at year-end.

## Home Owner Grants

A Homeowner Grant program introduced in 1957 offers grants to owner-occupiers of residential properties to offset part of their school property tax burden. In practice, the grants are paid by the Province directly to the tax collector on behalf of the property owners and are applied to school taxes first, then to municipal or other taxes. The Homeowner Grant threshold is currently $1.65 million (2018). If the residential value or partitioned value of a property is over the threshold, the grant amount is reduced by $5 for each $1,000 of value over the threshold. The threshold is reviewed each year as part of the provincial budget process.

The Homeowner Grant amounts are:

- $570 for the basic homeowner grant
- $770 if the home is located in a northern or rural area
- Up to $845 for homeowners who are 65 years or older, or the homeowner is a person with a disability.
- Up to $1,045 for homeowners who are 65 years or older, or the homeowner is a person with a disability if the home is in a northern or rural area.

## Tax Payment Calendar

The *Community Charter* provides a general tax collection scheme under which taxes are due on July 2 and the Province sets penalties and interest rates for unpaid taxes [CC s.234]. Councils may also choose to offer an alternative tax collection scheme, under which it establishes one or more dates on which taxes become due and may establish discounts, penalties and interest in relation to taxes [CC s.235]. If a municipality has an alternative tax collection scheme in effect, owners have the ability to choose to pay in accordance with the alternative scheme or the general scheme [CC s.236].

Under either scheme, certain statutory provisions apply to taxes that remain unpaid at the end of the year in which they were imposed, as follows:

- On December 31, Year 1: The unpaid taxes and penalty become taxes in arrear and bear interest at rates prescribed by the Province.
- On December 31, Year 2: Taxes in arrear become delinquent taxes and continue to bear interest at rates prescribed by the Province.
- On the last Monday in September, Year 3: Properties with delinquent taxes are subject to tax sale. The upset price is all taxes and interest outstanding plus 5% of these amounts plus fees prescribed under the *Land Title Act*. Any tax sale surplus money is payable to the owner if the property is not redeemed. The municipality may bid on the property at tax sale. If the property is not sold at tax sale the municipality is declared the owner.
- September, Year 4: In the year following the tax sale the property may be redeemed up to one year from the day the tax sale began if the owner repays the upset price, costs, any current taxes paid by the purchaser plus interest at the prescribed rate.

## Caution

There are many subtleties to the taxation process and the above is just an overview - the *Community Charter* and the *Local Government Act* should be thoroughly consulted.

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