Tax Tools

Issue

Ministry of Government Relations began consultations on tax tools as part of the Review of Industry Financial Contributions to Rural Municipalities.

Background

Government Relations undertook a tax tool review in 2013 which SARM commented on. Government Relations introduced 1:15 mill rate limit ration that same year followed by an amended mill rate limit ration to 1:9 in 2014.

Government Relations presented its proposed redesign for RMA and Local Tax Tools to the SARM's Municipal Governance Committee in November 2017 and January 2018. SARM informed the Ministry of its intention to consult with RMs on the tax tool review and reiterated our opposition to changes that would reduce the authority of a municipality to collect taxes to cover its costs.

SARM consulted with a broad group of RMs and further analyzed all RMs 2017 Financial Statements under each of the four options put forward by the province.

Key Points

Currently, there are no limits on minimum or base tax, but the ratio of the highest to lowest mill rate factors must be no greater than 9.

Based on 2017 data only 1 RM has a mill rate factor ratio over the current 1:9 limit; it had a 1:10 limit.

Government Relations has outlined four options that would set upper and lower limits for the ratio of the effective mill rate for each property class to the effective mill rate for the rural municipality in total.

> Option 1: Ratios must be between 0.75 and 2.0 2017 data indicates 139 RMs would not comply with this option.
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> Option 2: Ratios must be between 0.50 and 2.5 2017 data indicates 82 RMs would not comply with this option. For information, if these ratios applied to education taxes, 276 RMs would not comply with this option.

Option 3: Ratios must be between 0.50 and 3.0 2017 data indicates 71 RMs would not comply with this option. For information, if these ratios applied to education taxes, 238 RMs would not comply with this option.

Option 4: Ratios must be between 0.40 and 4.5 2017 data indicates 41 RMs would not comply with this option.

SARM's Recommendation to the Province

SARM's position remains the same as it was during the 2013 and 2015 local property tax tool reviews. We are against any changes to local property tax tools, including mill rate factors, minimum and base taxes, that will reduce the authority of a municipality to collect taxes to cover its costs. Such current tax tools help to ensure that those ratepayers putting a greater strain on public infrastructure than others can be taxed at a rate commensurate to such impact and, as such, should remain unchanged.

Currently, there are no limits on minimum or base tax, but the ratio of the highest to lowest mill rate factors must be no greater than nine. Based on 2017 data only one rural municipality (RM) has a mill rate factor ratio over the current 1:9 limit; it had a 1:10 limit. We do not feel that a change is warranted given the small number of outliers to the current limit. Instead, we would request that the Ministry of Government Relations work with them to understand their challenges and assist them in coming into compliance with the existing ratio while addressing their concerns. In the future, there should be a mechanism in place for RMs to apply mill rate factor ratios outside of the provincial limits if the application is defensible. Every RM has unique infrastructure challenges which stem from differences in usage, materials utilized to build and maintain road infrastructure, and the costs of materials like gravel.

SARM members have passed several resolutions resolving that RMs be given the power and authority to implement sub-classes to more fairly assess commercial, industrial, and residential properties. The inability for RMs to sub-class within the current property classes severely limits the effectiveness of the tax tools afforded to RMs under legislation to effectively govern local municipalities. Like cities, RMs require the ability to use tax tools in a way that allows them to more accurately reflect the actual impacts of certain commercial sub-classes on municipal infrastructure i.e. roads, water and waste water systems, et cetera. We believe that allowing sub-classing of existing property classes will reduce the impact of higher mill rate factors on most of commercial properties like railways which, unlike the oil and gas sector, were not noted as causing excessive damage to RM infrastructure by our members in our summer 2018 tax tools survey.