



The Rural Municipal Specific Claims Tax Loss Compensation Trust Fund is established pursuant to Article 2 of the Rural Municipal Specific Claims Agreement between Saskatchewan and the Saskatchewan Association of Rural Municipalities dated May 25, 2000. The purposes of the Trust Fund are:

- Receiving the payment from Saskatchewan pursuant to section 3 of the Agreement.
- Receiving payments from rural municipalities for specific claims tax loss compensation paid by First Nations to rural municipalities.
- Disbursing payments to rural municipalities that lose tax revenue because of lands which had been situated within the municipality being set apart as reserves pursuant to the settlement of specific claims.

The funds administered through the Trust Fund results from negotiations by Canada with certain First Nations in Saskatchewan for the settlement of their specific claims against Canada. The specific claims settlement agreements may provide that a First Nation may purchase a certain amount of land to which Canada is prepared to grant reserve status.

The beneficiaries of the Trust Fund are the rural municipalities that lose tax revenue due to lands within the municipality being set apart as reserves. The Agreement designates SARM as the trustee.

The trust fund received \$2.8 million from the province in 2000. The trust fund also receives tax loss compensation paid by First Nations to rural municipalities. The funding from the province is for a maximum of 300,000 acres of land attaining reserve status. Included in their land claim compensation from the Federal Government, First Nations receive a funding through their land claim compensation from the Federal Government to pay for the rural municipalities five times the previous year's municipal tax.

A maximum of \$261,400 of the initial provincial funding was to satisfy claims for past tax loss from the RM of Hazelwood No. 94, the RM of Golden West No. 95, the RM of Fillmore No. 96 and the RM of Edenwold No. 158 in connection with reserve lands for the Ocean Man (23,680 acres) and Pheasant Rump (11,680 acres) First Nations. For the lands transferred to reserve, subject to the limits on the required acres, there is no requirement for the First Nation to pay the five times municipal tax contribution.

Annual tax loss compensation payments are paid to rural municipalities that have lost taxable property because of settlement of specific claims.

Trust Fund Administration

Canada notifies SARM of an Order in Council granting land reserve status. SARM determines the rural municipalities where the land is located, and contacts the applicable rural municipalities to:

- Obtain a release form required pursuant to the Rural Municipal Specific Claims Agreement. The release form states that the rural municipality, in consideration of receiving payments pursuant to the Agreement releases and discharges both the Government of Canada and Government of Saskatchewan from any obligations relating to tax loss compensation with respect to the lands listed in the Order.
- Obtain a tax notice for each parcel transferred to reserve status - the tax notice is for the year prior to transfer. The taxable assessment on the tax notice is the basis for calculating future tax loss compensation payments.
- Determine if the rural municipality will transfer to the trust fund the payment from the First Nation (if applicable) for five times the annual municipal taxes based on the taxes in the year prior to transfer.

The Rural Municipal Specific Claims Agreement provides for tax loss compensation payments that are based on 60 per cent of the current year's estimated municipal property tax, subject to the following adjustments:

- In 2002, the SARM Board passed a resolution reducing the tax loss compensation to 40% of the current year's estimated municipal property tax if the First Nation tax loss compensation (5 times the annual taxes) is remitted to the trust fund.
- In 2015, the SARM Board passed a resolution to increase tax loss compensation payments to 90% of the current year's estimated municipal property tax for those lands that are eligible for the 60% payment, and to increase tax loss compensation payments to 70% of the current year's estimated municipal property tax for those lands that are eligible for the 40% payment. These increases are conditional on the approval of the increases by all rural municipalities that are beneficiaries of the trust fund, and conditional in the future on the financial sustainability of the increased payments – the Board has the discretion to reduce the tax loss compensation payments to the previous limits.

SARM maintains an investment pool that includes the funds of the Specific Claims Tax Loss Compensation Trust Fund, along with funds of the Rural Municipal Tax Loss Compensation Trust Fund and SARM's funds (general funds along with those of the benefit and insurance plans). There is no bank account maintained for the trust fund – all funds held by SARM on behalf of the trust fund are in the investment pool.

SARM maintains a list of all properties transferred to reserve since the inception of the trust fund. The process with respect to tax loss compensation payments is as follows:

- Each year, SARM requests information from rural municipalities with respect to their tax rates for the year. The tax rates include the mill rate and if applicable, mill rate factors, base tax, and minimum tax. The tax rate information is requested for agricultural, commercial, and residential properties.
- Based on the updated tax rate information, SARM generates a listing of the estimated tax loss compensation payment for the year and sends the list to the rural municipality for review. The maximum tax loss compensation payment is based on the percentage factors outlined earlier in this document.
- The tax loss compensation payment to a rural municipality is 95% of the eligible tax loss compensation payment. The remaining 5% of the eligible tax loss compensation payment is retained by SARM as per the agreement to pay for the administrative costs of the trust fund.
- The calculated tax loss compensation payment is paid to rural municipalities on the last working day of September. For any properties transferred to reserve that were not included in the initial payment, an additional tax loss compensation payment is made in December.
- When there is a reassessment in Saskatchewan, SARM obtains from SAMA data on the average assessment change in each rural municipality for each property class. The information from SAMA is used to estimate a revised assessment for the properties transferred to reserve. Rural municipalities can review the revised assessments when the tax loss compensation lists are provided.

There is an annual audit of Specific Claims Tax Loss Compensation Trust Fund, with the audit conducted by SARM's auditor. The year end of the trust fund is December 31. A copy of the audited annual financial statement of the trust fund is sent to the province and made available to the beneficiaries through the SARM website.