



The Rural Municipal Tax Loss Compensation Trust Fund (TLE Trust Fund) was established pursuant to Article 6 of the Amended Cost Sharing Agreement between Canada and Saskatchewan dated September 22, 1992. The agreement details the obligations of Canada and Saskatchewan for the payment of the anticipated costs of settling outstanding treaty land entitlement claims of certain First Nations in Saskatchewan. The agreement was the result of the signing of the *Treaty Land Entitlement Framework Agreement*.

Article 6 of the Amended Cost Sharing Agreement provides that a Rural Municipal Compensation Fund shall be established to receive payments from Saskatchewan and Canada and to disburse payments to Rural Municipalities that lose tax revenue because of lands which had been situated within the municipality being set apart as reserves.

The Rural Municipal Tax Loss Compensation Agreement between Saskatchewan and the Saskatchewan Association of Rural Municipalities (SARM) dated October 6, 1993, establishes the Rural Municipal Tax Loss Compensation Trust Fund, and designates SARM as the trustee. The beneficiaries of the Trust Fund are the rural municipalities that lose tax revenue because of lands within the municipality being set apart as reserves.

This document sets out the administrative processes adopted by SARM to comply with the provisions of the trust agreement.

Tax Loss Compensation Claims

Canada notifies SARM of each Order in Council granting land reserve status. The effective date of lands transferred to reserve status is the date of the order for orders dated August 27, 2019, and prior, and the date the lands are registered in the name of the Crown for orders after that date.

SARM develops a tax loss compensation claim for submission to Canada and Saskatchewan. SARM determines the rural municipalities where the land is located and obtains a tax notice for each parcel transferred to reserve - the tax notice is for the year prior to transfer.

SARM calculates the amounts of tax loss compensation payable by Canada and Saskatchewan for municipal and education purposes. The municipal tax loss compensation claim is 22.5 times the municipal taxes on the property for the year prior to the transfer. The education tax loss compensation claim is 17.5 times the municipal taxes paid in the year prior to the transfer. Canada pays 70% of the total claim, and Saskatchewan pays 30%. The Rural Municipal Tax Loss Compensation Trust Fund does not track or administer the education tax loss compensation claim. The agreement requires that the claims be paid within 90 days from the date of the Order.

Investment of Trust Funds

SARM maintains an investment pool that includes the funds of the Rural Municipal Tax Loss Compensation Trust Fund, along with funds of the Specific Claims Tax Loss Compensation Trust Fund and SARM's funds (general funds along with those of the benefit and insurance plans).

The allocation of investment income takes into account the investment income throughout the year, along with the relative portion of the investment pool attributable to the Rural Municipal Tax Loss Compensation Trust Fund taking into account the month by month change in the TLE's portion of the investment pool due to investment income attributed to TLE, funds received from land claims, and funds expended for tax loss compensation, SARM fees or other costs.

Tax Loss Compensation Payments

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 includes:

- 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 90% of the estimated annual municipal taxes. A rural municipality may elect to receive tax loss compensation payments based on a rate that is less than 90%. The calculated tax loss compensation payment is allocated as follows:
 - 95% of the calculated maximum tax loss compensation payment is paid to the rural municipality.
 - 5% of the maximum 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.

Trust Fund Administration

There is an annual audit of The Rural Municipal 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 each rural municipality that participates in the Trust Fund.

There is an individual account for each rural municipality. The individual account tracks the following:

- The tax loss compensation claims applicable to the rural municipality with respect to properties transferred to reserve.
- The allocated investment income for the year.
- The tax loss compensation payments for the year paid to the rural municipality.
- The SARM administrative fee applicable to the tax loss compensation payments paid during the year to the rural municipality.
- The rural municipality's share of other expenses (audit fees and the GST paid on the SARM administrative fee). The total other expenses are allocated to the rural municipalities based on their share of the net assets of the trust fund at the start of the year.

Future tax loss compensation payments are limited by the amount available in a rural municipality's individual account.

Annually, SARM provides a statement of the individual account to each rural municipality. A rural municipality may elect to receive tax loss compensation payments that are less than 90% provided for in the agreement.