

# Municipal Government Act Review

## What We Heard: A Summary of Consultation Input

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Assessment and Taxation Technical Session

Held in Grande Prairie on April 2, 2014

Released on June 24, 2014

Developed by KPMG for Alberta Municipal Affairs



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## Introduction

### Purpose

This document provides a summary of what was heard during a consultation session for the *Municipal Government Act* (MGA) review. The summary below includes the comments and opinions of the participants of the Assessment and Taxation Technical Session held in Grande Prairie.

These contributions have not been reviewed or edited for accuracy. Comments recorded here reflect the opinions of individuals offered in person and recorded by session facilitators; they do not necessarily represent the opinion of the Government of Alberta.

The input summarized below will be considered by Alberta Municipal Affairs as part of the review of the legislation. Municipal Affairs would like to thank the participants of this session, as well as all Albertans participating in the review of the MGA. Any inquiries related to this summary or to the consultation process should be directed by email to the MGA Review Team at [mga.review@gov.ab.ca](mailto:mga.review@gov.ab.ca).

### The Municipal Government Act Review

The MGA is designed to help build strong, prosperous and sustainable communities throughout Alberta. Alberta Municipal Affairs is reviewing and refreshing the MGA to address evolving circumstances and priorities in Alberta's many communities, and to ensure the MGA continues to meet its objective. A successful MGA review process will continue to position Alberta as the leading Canadian jurisdiction in terms of municipal legislation, having incorporated sound thinking, input and research into a clear Act that meets the needs of the Province and municipalities. In order to achieve this vision, an inclusive and comprehensive engagement process was developed to ensure stakeholders across the province have opportunities to provide input to the review.

As part of the MGA review, regional consultations were held in eleven locations around the province to give Albertans an opportunity to provide input face-to-face. In each location, different types of sessions were held, including Technical Sessions, a Business and Industry Session, a Municipal Administrators Session, an Elected Officials Session, and a Public Open House.

These engagements were conducted in February 2014 to April 2014 in 11 locations throughout the province. Each location was held over 3 days in the following locations:

- Brooks
- Calgary
- Edmonton
- Edson
- Fort McMurray
- Grande Prairie
- Lethbridge
- Medicine Hat
- Peace River
- Red Deer
- Vermilion

Sessions were promoted via news releases, direct email invitations, social media, and by the Minister of Municipal Affairs at stakeholder conventions. Information on regional session locations, dates and registration were on the MGA Review website.

Input to the MGA Review has also been provided through other channels, including the MGA Review website ([mgareview.alberta.ca](http://mgareview.alberta.ca)), the MGA Review Consultation Workbook, and official submissions.

## Session Overview

<b>Session</b>	Assessment and Taxation Technical Session
<b>Location</b>	Muskoseepi Park, Grande Prairie
<b>Date</b>	April 2, 2014
<b>Number of Participants</b>	17

- This session was open to anyone who wished to attend. Participants were asked to register in advance in order to receive background materials before the session.

## Regional Consultation Methodology

### ***How sessions were organized***

Regional consultations were structured around one or more of the three themes of the MGA Review:

- Governance and Administration
- Assessment and Taxation
- Planning and Development

Participants were provided with agendas in advance, which identified a list of potential topics for discussion. These topics were taken directly from the MGA Review Consultation Workbook. Several of the topics for discussion appear under more than one of the three themes of the review because they are relevant to more than one theme (e.g. public participation). The agenda is attached as Appendix A.

At this session, participants provided input through facilitated table discussions. The goal of the facilitated conversations was to give the opportunity to all participants to discuss the issues that mattered most to them. Given the large size and scope of the MGA, participants at each table were asked to focus their discussion on those topics that they felt were most important to provide input on, using the list provided in advance. In addition, this session included time for “open discussion” during which participants could provide any additional input that they felt was important to the review. Table facilitators and note takers included staff from Municipal Affairs, KPMG and ADR Education.

### ***Capturing input and reporting***

Input from session participants was captured on flipcharts by facilitators during the discussion. It was explained to participants that:

- Comments were being recorded on flipcharts so that they could be captured and considered by Municipal Affairs as part of the review of the MGA.
- Comments would not be attributed to individuals or organizations.
- Other avenues were also available to provide written input to the review.

The summary below documents the input heard from participants and recorded on flipcharts. These comments have been transcribed and organized according to the list of topics for discussion; they have not been screened for accuracy and do not reflect consensus of participants. As a result, comments and opinions listed may be contradictory. Comments that apply to issues outside of the scope of the review (e.g., suggested changes to other legislation) have been removed.

It is important to emphasize that this summary reflects the input heard from participants, and does not necessarily reflect the position of the Government of Alberta.

**How the Summary of Responses is Organized**

*Input from session participants is organized according to the three themes for the review:*

- *Governance and Administration*
- *Assessment and Taxation*
- *Planning and Development*

*Within these themes, comments are organized according to the applicable topics for discussion, using the list provided to participants in advance. In some sessions, not all themes may have been discussed.*

## Summary of Input

### **General Comments about the MGA**

The following input was received and documented related to the MGA in general.

Comments from participants included that:

- Most urban recommendations for the MGA will disadvantage and create unfair implications for rural municipalities.
- Provisions shouldn't be changed in the regulations of the MGA without further consultation.

## **Governance and Administration**

During the discussions surrounding assessment and taxation, some discussion occurred on governance and administration. The following input was received and documented related to governance and administration.

### Municipal Powers, Structures, Annexations, and Other Changes

#### ***Municipal Powers***

Comments from participants included that:

- Natural person powers are working well. These powers provide municipalities with the flexibility to meet local needs in innovative ways.

### Municipal Finances

#### ***Financial Administration***

Comments from participants included that:

- Provincial budgets should be set and shared with municipalities before the municipalities create their budgets.

## Assessment and Taxation

The following input was received and documented related to assessment and taxation.

### Taxation and Municipal Finances

#### ***Taxation***

Comments from participants included that:

- Mill rates for residential and non-residential property should be linked.
- Residential and non-residential property tax rates should remain separate.
- Splitting mill rates for non-residential properties should be an option available to municipalities.
- Local improvement taxes should continue to apply to and benefit only the local area.
- Business revitalization zones should be taxed to property owners. It is difficult to recover taxes under the current MGA.
- Municipalities should be able to leverage levies, like a business revitalization zone levy, to meet financial needs for infrastructure. This would allow municipalities to target higher service needs.
- More clarity is needed in the MGA on the well drilling equipment tax.
  - Heavy users on roads near oil wells should contribute to costs of wear on infrastructure.
  - The well drilling equipment tax should be shared by farmers, industry and heavy users.
- The local improvement tax should remain as is in the new MGA.

#### ***Municipal revenue sources***

Comments from participants included that:

- Broader options and flexibility for obtaining revenue, such as income tax sharing and lotteries, would benefit municipalities. The MGA needs to include new ideas for revenue.
  - Income tax would be a better source of revenue for municipalities, and could be based on the revenue of organizations and farms, not just individuals.
  - Some American municipalities round debit transactions up to the nearest dollar, and use those funds as community revenue.
  - The Province could share royalty resources with municipalities.
  - Adding new taxes onto existing taxes would upset residents.
- Civic charters are a good idea and can include new revenue sources. It is always a good thing for a municipality to have more revenue options.
- The MGA should allow special taxes for hamlets that want more services than the surrounding county, such as fire services.

- However, special taxes could create a situation where some areas within a municipal district have higher levels of service than others.

### ***Fees and levies***

Comments from participants included that:

- The MGA provides sufficient options for municipalities to create fees and levies.
- The community revitalization levy is a great program, but it takes a long time to implement.
  - A community revitalization levy is a huge planning exercise for the municipality.
  - A community revitalization levy shouldn't take funding away from education.

## **Exemptions from Assessment and Taxation**

### ***Exemptions and other special tax treatment***

Comments from participants included that:

- Assessment shouldn't include exemptions. Exemptions should be applied to taxation, not to assessments.
- The MGA should have fewer exemptions and less automatic depreciation for industrial properties.
- Currently, municipalities have good options for exemptions to attract business to their communities.
- Exemptions impact a large proportion of some municipalities' tax base. For example, exemptions apply to up to 30 per cent of assessed property in some cases.
- Tax-exempted groups still use municipal services. They could be taxed, just at a lower level.
- The MGA should provide municipalities with clearer options and more flexibility to tax organizations or deem them tax exempt.
- There are for-profit entities receiving tax exemptions because they are located on not-for-profit sites. This is inequitable and is not working well.
- The Province should provide clarification on exemptions. Exemptions are costly to administer, and there is too much inconsistency in how they are applied.
  - The Province needs to take a more active role in exemptions and provide better resources to municipalities to support them in applying exemptions.
- The *Community Organization Property Tax Exemption Regulation* is currently too discretionary, vague and outdated.
  - The *Community Organization Property Tax Exemption Regulation* is very difficult for assessors to interpret. It is difficult for assessors to challenge unfair values of exempt properties under the current regulation.
  - Exemptions need to change with the times. For example, it is necessary to reconsider exemptions as community needs for old age homes increase.
  - Churches should not be exempt from taxation.

- Little country churches should be exempt from taxation.
- Hospitals should not be exempt from taxation.
- There shouldn't be an outdated farm residence exemption. This exemption in the MGA should be removed or indexed.
- All exemptions for farm properties should be removed. Farms should all be assessed at market value, both in urban and rural areas.
- It is challenging for municipalities to raise farm taxes because farm owners make up their electorate. The MGA should address farm tax increases, so councillors are not penalized at election time.
- Exemptions should encourage farmers to keep farming. It is important to protect farms. Farmers shouldn't be penalized for working their land.
- Farmland should be taxed when it is not being used, as a disincentive for companies that buy land they do not develop.

## Market Value, Equalized and Supplementary Assessment

### ***Market value assessment and administration***

Comments from participants included that:

- Market value assessment does not always work well. When there is a lack of sales in a given area, it is not fair to assess a property against other properties in neighbouring communities. However, there is currently not an appropriate alternative.
- Market value assessment is not equitable, since it lowers taxes for properties that are not well maintained. Those property owners use the same services as the owners of better-maintained properties, who pay more taxes.
- All property should be assessed at market value. Market value assessment is more transparent and would offer a more equitable way for rural and urban municipalities to contribute fairly to education property taxes.

### ***Progressive and supplementary assessment***

Comments from participants included that:

- Companies should have to indicate their start-up date so the municipality can begin taxing from that date.
- Supplementary assessment should only have to be passed once.
- It is difficult for municipalities to budget before receiving their supplementary assessment figure.
- The Province could combine the July 1 and December 31 cut-off dates into one cut-off date.
- Supplementary assessment should be an option for linear property and for machinery and equipment property.

- Linear property should be subject to supplementary assessment. The approach for linear property should be more consistent with the approach to residential assessment.
- Supplementary assessment should not be applied to industrial properties.

## Industrial and Agricultural Property Assessment

### ***Linear property assessment***

Comments from participants included that:

- The immediate depreciation of linear property assessment by 25 per cent should be removed. The 77 per cent statutory level for linear property assessment should be removed from the MGA.
- Linear property should be assessed at market value.

### ***Machinery and equipment property assessment***

Comments from participants included that:

- The current property depreciation provision for machinery and equipment limits municipalities' ability to generate revenue.
- Machinery and equipment properties should pay education property tax.
- Machinery and equipment properties shouldn't pay education property tax.

### ***Transportation properties***

Comments from participants included that:

- Railway properties should be assessed at market value.
- All airports should be assessed and taxed. Airports should be supported by user levies, not tax exemptions.

### ***Farm property assessment***

Comments from participants included that:

- The formula for farm assessment is working well. Farmland assessment does not need to change. Municipalities can simply adjust their mill rates for farmland.
- The definition of a farmhouse needs to be clarified and updated in the MGA.
- Taxation of farmland needs to be more proportionate to the farm's revenue. The assessment should also consider farm productivity.
- Many farms are now big businesses. The MGA should be updated to account for modern commercial farming.
  - Assessment rates and definitions have not been kept up-to-date in the past.
  - The current system of farm assessment is inequitable to other ratepayers.
  - Not all farms should pay higher tax rates. Commercial farming has a much bigger impact on infrastructure than small farming.

## Assessment Administration

### ***Assessment administration***

Comments from participants included that:

- Education assessments and audits are working well. However, municipalities don't have the ability to check up on their provincial assessments.
- Municipalities would like more background information about how provincially assessed properties are assessed. This information needs to be presented in plain language. This is particularly needed for linear properties, as the calculation breakdowns aren't clear.
- The Province should conduct all industrial assessments. This would improve consistency.
- The Province shouldn't assess all industrial property. Municipalities want to keep conducting their own industrial assessments.
- Assessment roll information should not be visible to the public. It should be presented by street address, rather than by name.
  - The way this information is provided now should not be allowed because it overrides the *Freedom of Information and Protection of Privacy Act*. In some cases, it is necessary to share comparative information about assessment value at the expense of an owner's privacy.
- Sections 299 (Access to assessment record) and 300 (Access to summary of assessment) of the MGA are very unclear and easily abused.
- Section 295 (Duty to provide information) of the MGA is applied inconsistently and needs to be clarified.

## Public Participation and Assessment Appeals

### ***Public participation***

Comments from participants included that:

- Public participation should be the responsibility of the municipality. The municipality must play a role in making sure the public is educated about appeals and that the public can voice concerns.
  - For example, a public meeting could be held with an assessor present to answer questions.

### ***Assessment complaints and appeals***

Comments from participants included that:

- The assessment appeals process is onerous and expensive.

- Currently, appeal forms are far too detailed and complex. A typical person does not have the capacity to reasonably complete this form, and this discourages people from appealing. The Province should revert back to the previous form, which was much more user friendly.
- The current assessment appeal process is tailored to large companies.
  - However, the previous assessment appeals process didn't provide enough expertise on large property appeals.
  - The new local assessment review board system needs to meet the needs of individual appellants, as well.
- A community-based assessment board would be less intimidating for appellants.
- Currently, the appeals process misses the opportunity for local dialogue.
- There are too many "boilerplate" appeals. There should be serious discussions with assessors before appeals are filed, but this shouldn't be mandatory under the MGA.
  - Blanket appeals from some consultants bog down the system and need to be addressed.
- There should be a central Municipal Government Board for all appeals instead of composite assessment review boards.
- There are some challenges with composite assessment review boards, including:
  - It is unfair for councillors to make significant financial decisions as members of composite assessment review boards without expertise.
  - Members should be appointed by the Province, and shouldn't include councillors due to a perception of bias.
  - Inconsistent decision-making is frustrating. It is onerous and time-consuming for members of industry to go to court to fight the same fight multiple times. Decisions should be consistent.
  - There is a lack of knowledge among composite assessment review board members. There should be more intensive requirements for expertise and qualifications, as well as training for board members.
- The 60-day timeframe for appeals should be reduced to 30 days.
- The current timelines for appeals are too short.
- There is too much inconsistency in timeline interpretations by different municipalities.

### ***Municipal Government Board***

Comments from participants included that:

- The Municipal Government Board is working well.
- The new Municipal Government Board training opportunities are working well.

## Appendix A: Session Agenda

### *MGA Review: Assessment and Taxation Technical Session*

Agenda Item	Timing
1. <b>Welcome and introductions</b>	1:00-1:10
<p>2. <b>Potential topics for discussion:</b></p> <p><u>Subject 1: Taxation and Municipal Finances</u></p> <ul style="list-style-type: none"> <li>• Taxation</li> <li>• Municipal revenue sources</li> <li>• Fees and levies</li> </ul> <p><u>Subject 2: Exemptions from Assessment and Taxation</u></p> <ul style="list-style-type: none"> <li>• Exemptions and other special tax treatment</li> </ul> <p><u>Subject 3: Market Value, Equalized and Supplementary Assessment</u></p> <ul style="list-style-type: none"> <li>• Market value assessment and administration</li> <li>• Equalized assessment</li> <li>• Progressive and supplementary assessment</li> </ul> <p><u>Subject 4: Industrial and Agricultural Property Assessment</u></p> <ul style="list-style-type: none"> <li>• Linear property assessment</li> <li>• Machinery and equipment property assessment</li> <li>• Transportation properties</li> <li>• Farm property assessment</li> </ul> <p><u>Subject 5: Assessment Administration</u></p> <ul style="list-style-type: none"> <li>• Assessment administration</li> </ul> <p><u>Subject 6: Public Participation and Assessment Appeals</u></p> <ul style="list-style-type: none"> <li>• Public participation</li> <li>• Assessment complaints and appeals</li> <li>• Municipal Government Board</li> </ul>	1:10-1:20
3. <b>Change tables (if needed)</b>	1:20-1:25
<p>4. <b>Table facilitation</b></p> <ul style="list-style-type: none"> <li>▪ Up to three topics will be prioritized for discussion (~20 minutes each)</li> <li>▪ Discussion will focus on what is working well, desired changes, and potential impacts of changes to the legislation</li> </ul>	1:25-2:35
<p>5. <b>Open discussion</b></p> <ul style="list-style-type: none"> <li>▪ Are there any other relevant topics participants want to address?</li> </ul>	2:35-2:55
6. <b>Wrap-up</b>	2:55-3:00