



MEMO

2020 January 24

To: Councillor Keating

From: Carla Male CFO, Katie Black A/GM Community Services, and Nelson Karpa
Director/City Assessor

Re: Administrative Inquiry – Non-Profit Property Tax Exemptions

Background:

For-profit organizations generally operate to make a profit for owners or shareholders. Their boards are usually populated by paid leaders who have required expertise in their field of endeavor.

Non-profit organizations generally do not operate to generate a profit. However, in order to ensure their long-term stability, where possible some non-profit organizations maintain a surplus/reserve as a financial strategy to get them through unpredicted, difficult financial times. When the reserve exceeds what is reasonable, a non-profit organization is expected to use these surpluses or reserves to pay for activities that serve the organization's purpose/mission. Non-profit organizations are traditionally directed by volunteers who serve (unpaid) on the governing board/council.

While for profit and non-profit organizations may appear to have similar service offerings there can be substantial differences in those service offerings: from grass roots to elite performance programming activities. Governments allow various non-profit organizations to be tax exempt because they augment or replace the role of government in providing services that are generally accessible to a larger portion of the population.

Property tax exemptions are governed by the *Municipal Government Act* and its regulations; in particular, the *Community Organization Property Tax Exemption Regulation* (COPTER). These legislative tools provide the rules which Assessment interprets and applies. Assessment's decisions are then subject to scrutiny by the Assessment Review Board (ARB) and the Courts.

COPTER provides extensive exemption criteria for properties held by non-profit organizations that fall under MGA section 362(1)(n):

- (i) Entities acting in an official capacity on behalf of the municipality
- (ii) Community games, sports, athletics, or recreation
- (iii) Charity or benevolence
- (iv) Senior citizen lodge accommodation
- (v) Agricultural society or community association

COPTER also allows the exemption for ten other property use classifications that are not expressly exempt under the MGA such as non-profit museums and non-profit childcare facilities.

A common misconception is that if the question, “is the organization a non-profit?” is answered in the affirmative, that the organization is exempt from property tax. However, this is not the case. Non-profits must meet the legislative criteria in order to qualify and as a result, not all non-profit entities actually qualify for property tax exemption.

Should you require more information on property tax exemption, PFC2019-0491, a report to Priorities and Finance Committee on 2019 June 04, provides information on exemption as it relates to non-profit entities.¹

Administrative Inquiry Responses:

1. How many non-profits are receiving property tax exemptions?

There are approximately 6,000 registered non-profit organizations in the city of Calgary², which includes organizations such as religious bodies, recreational clubs, homeowner associations, and charities.³

Administration estimates that approximately 2,400 exempt property accounts are related to non-profit organizations, if religious bodies are included.

Estimated Number of Non-Profit, Exempt Property Accounts under COPTER and s. 362(1)(n) to date	1,700
Estimated Number of Exempt Religious Bodies under s. 362(1)(k)	700
Total	2,400

This leaves approximately 3,600 registered non-profits in Calgary that have not been granted a property tax exemption as they:

- may qualify for exemption under other parts of the Act;
- may not qualify for exemption; or
- may not have applied for exempt status.⁴

2. What types of non-profits receive these exemptions (e.g. community groups, religious institutions, charitable organizations, recreation groups, etc.)?

Non-profit organizations that may receive property tax exemptions include facilities used for:

¹ See Item 6.10, here: <https://pub-calgary.escribemeetings.com/Meeting.aspx?Id=c5c9ab54-944f-40d8-9713-08574e81b7e8&Agenda=Merged&lang=English&Item=32>

² Information as of 2019 October 1

³ Government of Alberta. “Alberta Non-Profit Listing.” *Open Data*. Accessed 2019 October 9 <https://open.alberta.ca/opendata/alberta-non-profit-listing>.

⁴ This list likely captures the main reasons for the difference between the number of exempt, non-profit accounts and the number of non-profits that exist in Calgary. However, there may be other reasons to explain the difference; for example, some non-profit organizations included in the dataset from Alberta Open Data may have moved or closed since the data was extracted.

- Residents Associations
- Sports/Recreation
- Fairs or Exhibitions
- Arts/Museums
- Entities for the Care and Supervision of Children
- Linguistic Organizations
- Ethno-cultural Associations
- Charitable / Benevolent Entities
 - This type can qualify under at least 4 different parts of the legislation
- Thrift Shops
- Sheltered Workshops
- Chambers of Commerce
- Operators of a Municipal Property in an Official Capacity
- Organizations for Community Sports / Recreation for the Benefit of the General Public
- Seniors Lodge Accommodations
- Agriculture Societies
- Community Associations
- Religious Bodies

While these are generally the kinds of organizations that may qualify, “may” is the key word, and each category of exemption has differing requirements with varying degrees of complexity.

For example, a “charitable and benevolent” organization applying under s. 15(k) of COPTER may fail to qualify due to the following reasons, including but not limited to:

- Failing to benefit the “general public” by serving the interests of only a select group of people;
- Failing to meet the unrestricted use requirement, which means that the property is not open to the public for at least 70% of the time;
- Failing to use the property for at least 60% of the time for the charitable purpose; or
- Failing to use the funds primarily for the charitable purpose.

3. Are non-profits eligible for City grants on top of property tax exemption?

Grant funding and property tax exemptions are two independent and unrelated processes. Non-profit organizations that receive grant funding from The City may also qualify for property tax exemption under provincial legislation. Applying for property tax exemption is up to the non-profit organization and eligibility is determined by the Assessment business unit.

All grants administered by The City follow the Investing in Partnership policy (CP2017-01) and adhere to a transparent funding practice.

4. Are private businesses providing similar services eligible for similar grants?

As stated in the Investing in Partnership Policy “The City of Calgary partners with external organizations in which it makes an Investment, including over 400 Partnerships with not-for-profit organizations, for-profit independent organizations, and Wholly-owned Subsidiaries. Partnerships strengthen economic development, tourism, convention services, cultural

attractions, events, and library services; connect communities; support vulnerable Calgarians; and offer Calgarians a wide range of sport, recreation, conservation, arts and cultural opportunities.”

The Policy defines partnership to mean “the working relationship between The City and one or more Partners to deliver positive Results for Calgarians. It is characterized by the Investment of City resources; and mutually agreed upon results, responsibilities and accountabilities. “Partnership” in this policy does not imply a partnership as defined by the Partnership Act (Alberta).” And the Policy goes on to outline the shared outcomes of Partnerships stating “The City recognizes that effective Partnerships are founded on aligned objectives and agreement on mutually agreed upon results. They are structured to steward public Investment appropriately by balancing interdependence, mutual accountability, and autonomy; and by integrating risk management practices.”

5. How are we ensuring that the City is not doing a disservice to private businesses by offering tax exemptions and grant opportunities to non-profits providing similar services?

The MGA, COPTER, and any ARB or Court decisions govern property tax exemption. Assessment interprets and applies the law to make a determination on an entity’s taxable status, which is then subject to the ARB and the Courts. The presence of other entities doing similar work or providing similar services, whether they are for profit or not, is not a part of the process of administering an exemption application pursuant to the legislation.

Non-profit organizations that receive a grant from The City have a mutually agreed upon outcome of generating community benefit. They differ from for-profit business in which the primary outcome is to generate profit. Competition for services is not a criteria for grants to non-profit organizations but rather whether the program being funded is required in the community and providing a community benefit. All organizations that receive funding from The City are subject to financial accountability and reporting requirements.

6. How are we ensuring the viability of both private businesses and non-profits providing similar services, while ensuring access to services that some Calgarians may not be able to access privately?

While for profit and non-profit organizations may appear to have similar service offerings there can be substantial differences in those service offerings: from grass roots to elite performance programs and or private clubs which operate using a membership model. In order to support Calgarians who may be unable to access private clubs or elite performance programs, governments allow various non-profit organizations to be tax exempt because they augment or replace the role of government in providing services that are generally accessible to a larger portion of the population.

- **Are there measures in place to ensure a non-profit does not erode a private business’s existing opportunities to conduct itself?**

The legislation does not provide for a test to determine or consider a non-profit’s effect on other entities’ business opportunities.