Details of the Municipal Non-Residential Phased Tax Program (PTP)

Summary

The effect of the PTP is to phase in 2017 non-residential property tax increases (municipal portion only) by limiting the increase in 2017 to 5%. As a result of the PTP, non-residential property owners will experience a maximum increase in the municipal non-residential property tax of 5% (not including the effect of the Business Tax Consolidation) resulting from the preparation of the 2017 market value assessment.

It is expected that approximately 6,000 non-residential properties will be affected. The cost of this one-time program is estimated to be $45 million, funded by a transfer to the Community Economic Resiliency Fund from intentional savings in 2016 Corporate Programs.

This would be a one-year program only. Any potential non-residential property tax impacts resulting from the preparation of the 2018 assessment are not addressed by this program. The intent of the PTP is to phase in the municipal portion of non-residential property tax increases above 5%, with the full increase (subject to further assessment / tax rate changes) taking effect in 2018.

No application process will be required, and the tax effect of the phase-in will be applied through the 2017 non–residential property tax billing process.

This does not include any property tax change due to the provincial non-residential property tax requirement.

There will be some additional administrative costs associated with the implementation of the PTP including costs primarily relating to process and systems changes, and communications. It is expected that Administration will absorb some of these costs where possible, with costs not absorbed to be funded from the allocation provided for the PTP (estimated to be $400,000).

While provided for by the *Municipal Government Act*, the PTP does not phase in any decrease resulting from the preparation of the 2017 market value assessment.

- Municipal non-residential property tax decreases resulting from the preparation of the 2017 market value assessment will be unaffected by the phase-in.
- Municipal non-residential property tax increases resulting from the preparation of the 2017 market value assessment, up to 5%, will be unaffected by the phase-in.
- Any municipal non-residential property tax increases resulting from the preparation of the 2017 market value assessment above 5% will be phased in to a maximum of 5%.

Business Tax Consolidation

The City of Calgary is in the fifth year of the seven year plan to eliminate the business tax and consolidate it with the non-residential property tax. In summary, the business tax consolidation was designed to be overall revenue neutral. As total business taxes decreased, total municipal non-residential property taxes were to increase by an equal amount.

By 2019 the business tax will be completely consolidated. In 2017, an additional 20% of the business tax will be consolidated into the non-residential property tax, with non-residential property taxes expected to increase by approximately 5% solely due to the effect of the consolidation. With this additional 20% reduction in the business tax, the total reduction in the business tax is 60%.

Therefore the proposed PTP excludes the effect of the business tax consolidation. Only the effect resulting from the preparation of the 2017 market value assessment is being phased in. On a total basis, Business Tax Consolidation is intended to be revenue neutral so there is no need to phase in or mitigate any municipal non-residential property tax increase from Business Tax Consolidation, as the mitigation already occurs by a corresponding drop in the business tax.

Provincial Non-Residential Property Tax

This PTP does not include any non-residential property tax effects from the provincial government. At this point, The City of Calgary has not been informed of the provincial requirements for property tax to be collected from the non-residential property group.

Market Value Impacts Only

This program is designed to phase in only the non-residential property tax effects resulting from the preparation of the 2017 annual market value assessment. Thus, the focus is on market value changes only. Non-residential properties that realized assessment changes from non-market value impacts are excluded. Furthermore, properties valued using regulated rates are excluded.

Non-Market Value changes:
Properties which had physical changes that affected the 2017 assessment relative to the 2016 assessment or had changes due to other external non-market impacts (e.g. a zoning change, servicing, remediation, a change in taxable status, factual corrections) would be excluded from the PTP.

Regulated Rate Properties:
Any non-residential property not valued on the market value standard is excluded; such as farmland and linear properties.

Other Criteria

To be included in the PTP, non-residential properties:

- Must have existed in 2016.
- Must have a tax status of "taxable".
- For properties assessed under more than one assessment class, only those properties where the non-residential component is 50% or higher will be included.

To improve administrative efficiency, the Program will be applied to only to accounts where:

- 2017 municipal non-residential property taxes are greater than $50.
- The amount to be phased in exceeds $25.

Impact of Filing an Assessment Complaint

In accordance with the *Municipal Government Act* property owners who disagree with their assessment have the right to file an assessment complaint with the Assessment Review Board. For 2017 property assessment notices issued on 2017 January 05, complaints must be filed by 2017 March 06, and hearings will be conducted through the year. As the PTP requires a known and final 2017 assessment value in order to determine if the tax change is above or below the phase-in threshold (5%), any non-residential property that has filed a 2017 assessment complaint will not be included in the PTP until the decision of the Assessment Review Board has been rendered, and any further appeals or reviews have been concluded. Once a final determination of the 2017 assessed value has been received, any resulting tax effect will be taken into consideration in accordance with the PTP.

Processing the Phase In

There will be no application process required, and the tax effect of the phase-in will be applied on the annual non-residential property tax bill.

Property tax accounts using the Tax Installment Payment Plan (TIPP) will have the TIPP amounts accordingly adjusted.