

## City of Calgary Corporate Approach to Property Tax Incentives Pursuant to Bill 7

Programs to use the tax incentives pursuant to Bill 7 should adhere to the following to ensure that it is not used in isolation and does not put other City of Calgary initiatives at risk.

### I) Prioritization:

Priority should be given to Bill 7 initiatives where its use:

- Supports two or more priority City of Calgary initiatives\*; and/or
- Is in conjunction and/or cooperation with Calgary Metropolitan Region Board (CMRB) membership; an/or
- Demonstrates well-defined social and / or environmental benefits, in addition to economic benefit; and/or
- Does not have a negative impact on other City interests

*\*Initiatives currently including Downtown Strategy, Industrial Area Growth Strategy, Real Estate Working Group, Financial Implementation Task Force and Calgary's involvement in the Calgary Metropolitan Regional Board, and additionally, Calgary Economic Development's Calgary in the New Economy Strategy. As these initiatives may change over time, this list should not be considered exhaustive.*

### II) Process:

When considering the use of Bill 7, the following steps should be taken:

- 1) Ensure broad corporate awareness of intended use of Bill 7 to avoid competing or conflicting use
  - a. Contact other City stakeholders including but not limited to the project teams identified in the footnote below, Law, and Assessment with details around its intended use, including identified risks, and mitigation strategies for these risk
  - b. Solicit feedback from other stakeholders, including risks, and possible alignment or conflict with other City initiatives. Consider feedback from other stakeholders, and integrate into the plan as appropriate
  - c. Priority should be given to use of Bill 7 where it can be demonstrated that its use is supportive of two or more City initiatives
- 2) Consider the Calgary Regional Municipal Board (CMRB)
  - a. Contact City's Administrative liaison to the CMRB to understand the impact of using Bill 7 on the relationships within the Calgary Metropolitan Region, identify risks to The City and explore mitigating measures
  - b. Determine how best to involve and/or inform the CMRB and its membership of Bill 7's intended use.
  - c. Priority should be given to use of Bill 7 in conjunction with CMRB member(s).
- 3) Ensure alignment with City of Calgary priorities
  - a. Reporting and communications should demonstrate direct and clear alignment with approved City of Calgary policies, plans, priorities and directives
- 4) Determine an estimated financial cost to The City as a result of the proposed property tax deferral or tax exemption incentive program

- 5) Ensure possible risks have been identified; determine appropriate mitigations
- 6) Demonstrate adherence to these priorities and process in Council reporting

## APPENDIX

*This section is provided for information only.*

The above framework was developed in specific response to Bill 7. However, any intervention in the current tax system should consider the principles on which a good assessment and tax system are built:

<b>Principle</b>	<b>Taxation Effect</b>
<b>Equity and fairness</b> <ul style="list-style-type: none"> <li>Taxation system design should take account of horizontal and vertical equity.</li> <li>It is important that the public perceives the tax system as fair.</li> </ul>	<ul style="list-style-type: none"> <li>Municipalities and the province have a duty to design and operate a fair taxation system.</li> <li>Horizontal equity a shared provincial/municipal responsibility through tax rate setting.</li> <li>Vertical equity a shared provincial/municipal responsibility through tax rate setting.</li> <li>Property tax system is generally neither regressive nor progressive, but proportional.</li> <li>Tax incidence in property tax system based on ability to pay and not benefits received. Ability to pay uses the value of real estate as a proxy for wealth.</li> <li>Attempts to moderate market driven tax impacts should be avoided.</li> </ul>
<b>Certainty and simplicity</b> <ul style="list-style-type: none"> <li>Tax rules should not be arbitrary.</li> <li>Tax rules should be as clear and simple to understand as the complexity of the subject of taxation allows, so that taxpayers can anticipate in advance the tax consequences of a transaction including knowing when, where and how the tax is to be accounted.</li> <li>There should be transparency and visibility in the design and implementation of the tax rules.</li> </ul>	<ul style="list-style-type: none"> <li>Certainty requires that taxpayers know: <ul style="list-style-type: none"> <li>when tax is to be paid</li> <li>how it is to be paid</li> <li>how the amount to be paid is to be determined.</li> </ul> </li> <li>Certainty not tied to predictability of tax incidence.</li> </ul>
<b>Efficiency</b> <ul style="list-style-type: none"> <li>Compliance and administration costs should be minimised and payment of tax should be as easy as possible.</li> </ul>	<ul style="list-style-type: none"> <li>Cost to generate tax revenue is no more than necessary to ensure the system functions properly.</li> </ul>
<b>Neutrality</b> <ul style="list-style-type: none"> <li>The tax system should not impede or reduce the productive capacity of the economy.</li> <li>Business decisions should be motivated by economic rather than tax considerations.</li> <li>Taxpayers in similar situations carrying out similar transactions should be subject to similar levels of taxation.</li> </ul>	<ul style="list-style-type: none"> <li>Applies intra-municipally for municipal tax and across the province for education tax.</li> <li>Suggests that boutique tax exemptions are to be avoided with the understanding that exemptions merely transfer the taxes to other taxpayers.</li> <li>Taxation should be relatively neutral in its effect on investment decisions.</li> </ul>

<p><b>Effectiveness</b></p> <ul style="list-style-type: none"> <li>• The system should collect the right amount of tax at the right time without imposing double taxation or unintentional non-taxation.</li> <li>• The system should be flexible and dynamic to ensure a match with technological and commercial developments.</li> <li>• The potential for active or passive non-compliance should be minimised while keeping counter-acting measures proportionate to the risks involved.</li> <li>• In order to ensure a responsive system, which meets the needs of all stakeholders, periodic reviews of the system should be undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>• The tax provides an adequate amount to operate municipal services / fund education on both a short and long term basis.</li> </ul>
<p><b>Transparency and Accountability</b></p> <ul style="list-style-type: none"> <li>• The system should be encourage transparency and accountability for all stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Taxation bylaws should be passed at public meetings of Council.</li> <li>• The system should be subject to regular statutory and regulatory review to ensure that the intent of the legislation is carried through and to encourage dialogue between stakeholders on what is best for the system.</li> <li>• Favourable taxation treatment is transparent and clearly and unambiguously stated in legislation as an exception to the rule of uniform taxation.</li> </ul>

Use of Bill 7 should be:

- *Time-Limited:* Any use of MGA tax incentives should be limited and likely to less than the MGA maximum of 15 years.
- *Targeted:* The scope of any incentive should be sufficiently narrow as to avoid the possibility of over subscription.
- *Tailored:* The magnitude of the proposed incentive should be the minimum necessary in order to attract and retain the targeted development.
- *Easy to Understand:* Any measure chosen by the City needs to be understood by policy-makers, City staff, stakeholder groups and tax payers.
- *Straightforward to Administer:* Incentives should be relatively easy for Administration to administer.
- *Aligned with City initiative as outlined above.*