

Property tax incentives

For municipalities

Overview

The proposed legislation amends the *Municipal Government Act* (MGA) to allow municipalities to offer property tax incentives for non-residential properties to attract investment and development.

Municipalities in Alberta currently have very limited and specific authorities with respect to tax forgiveness. Councils can cancel, defer, or refund property taxes for specific properties in a specific year to provide relief to owners in cases of hardship.

The act also enables municipalities to provide multi-year tax incentives to encourage redevelopment of brownfield properties. Expanding these existing authorities to provide incentives for broader economic development purposes, and for durations of up to 15 years, will attract investment and provide longer-term certainty for businesses.

Summary of legislative components

Proposed amendment	Explanation
Specifies that if land with an existing tax incentive is part of an annexation, the receiving municipality will need to continue the exemption or deferral, subject to the terms and conditions of the incentive approval.	Provides certainty for property owners that any tax incentive provided will remain in effect after an annexation, provided the property owner continues to meet the necessary conditions.
Requires that tax incentives be included on the assessment and tax rolls, and that corrections and amended notices are issued to reflect new tax incentives.	Provides public transparency regarding what properties received tax incentives, and ensures that assessed persons receive notice of changes resulting from new tax incentives. This mirrors requirements that are already in place for other types of property tax exemptions.
Enables municipalities to, by bylaw, provide multi-year property tax incentives (full or partial exemptions, or deferral of taxes) for non-residential properties for the purpose of encouraging development or revitalization for the general benefit of the municipality.	Streamlines the process for offering tax incentives by allowing council to establish property tax incentives through a single bylaw that creates parameters and criteria for tax incentives, rather than requiring a council resolution or bylaw for each individual property.

Proposed amendment	Explanation
<p>Requires that a bylaw:</p> <ul style="list-style-type: none"> ○ Establish eligibility criteria ○ Establish an application process ○ Include a maximum time period of 15 years (with the option for renewal) ○ Provide a process for council review of an application decision made by a delegated official 	<p>Eligibility criteria and clear application processes enhance public transparency and accountability.</p> <p>Limiting the length of the incentive helps protect the interests of other property taxpayers in the municipality, while remaining competitive with other jurisdictions.</p> <p>Designating council as the appeal body for staff decisions respects the role of council as the municipality's policy decision maker.</p>
<p>Requires a written decision be issued that outlines the applicable tax years, the extent of the exemption, and any conditions of the approval (or alternatively the reasons for a refusal, and a deadline for council review of the decision).</p>	<p>Provides transparency for the applicant in the case of approval or refusal.</p>
<p>Enables cancellation of the incentive if criteria in the bylaw or conditions of the approval are not met.</p>	<p>Including conditions mitigates the risk that a property owner does not follow through on commitments to develop or economically revitalize the property.</p>
<p>Specifies that the provincial assessor must be notified if a tax incentive is given for designated industrial property.</p>	<p>Enables the provincial assessor to properly assess and tax designated industrial properties.</p>
<p>Specifies that approved incentives are unaffected if the tax incentive bylaw is later amended or repealed.</p>	<p>Provides certainty to property owners that their incentives will remain in place even if there are future changes to the program.</p>
<p>Requires that applications for judicial review of decisions regarding tax incentives must be filed within 60 days of the decision date.</p>	<p>Reduces the default timeline of 6 months (under the Alberta Rules of Court) to provide property owners and the municipality with swifter resolution of any disputes.</p>
<p>Specifies that individual councillors or other delegated persons are protected against court costs when making a tax incentive decision.</p>	<p>This is a standard clause that protects the individuals making the decisions on behalf of the municipality.</p>
<p>Specifies that Assessment Review Boards and Composite Assessment Review Boards do not have jurisdiction to review complaints regarding these tax incentives.</p>	<p>Recognizes that councils are best suited to determine what incentives will result in benefits to the municipality, and upholds council discretion to decide what developments and revitalization efforts will meet the needs of their municipality.</p> <p>Note: these provisions do not limit the ability to make complaints to the Boards regarding other aspects of a property assessment.</p>

Municipal tax incentives

Questions and Answers

What does this legislation do to allow municipal tax incentives?

The proposed amendments to the *Municipal Government Act* will enable municipalities to offer multi-year tax exemptions, reductions or deferrals for non-residential properties, to attract investment, development, and revitalization. Municipal councils will be able to pass bylaws establishing tax incentive programs. Property owners, or prospective property owners, will apply to the municipality.

What are the benefits?

Many municipalities are struggling to attract business and boost economic development and revitalization. Tax incentives will lower the financial burden on businesses, and will help municipalities attract investment. This legislation will help Alberta municipalities create business investment climates that can compete with other communities across both Canada and the United States, where property tax incentives are already available.

How do municipalities implement this?

Council will need to pass a bylaw that outlines the types of property tax incentives that will be available in their municipality. The bylaw will define the types of development and revitalization that will be eligible to receive these incentives, the criteria and conditions for approval, and will outline the application process. Property owners will then apply to the municipality to receive the incentive.

How is this different from what municipalities can do now?

The *Municipal Government Act* currently enables councils to cancel or refund all or a portion of a property tax, or defer the collection of a tax in a specific year for the purposes of providing tax relief in instances of hardship. The act also allows municipalities to provide multi-year tax incentives to encourage redevelopment of brownfield properties. This legislation will expand the existing authority to include broader economic development purposes.

What about the municipalities that already offer these types of incentives?

In rare circumstances, some Alberta municipalities may have used their existing tax cancellation, reduction, and deferral authorities to offer incentive programs. These municipalities may need to pass new bylaws under the new legislation to ensure that their programs are in alignment.

Can these incentives be used for existing businesses, or just new development?

The proposed legislation is enabling, and leaves that determination to local councils.

How does the public get involved?

These programs are established through a bylaw, which requires three readings, and ensures that the citizens are aware of the proposed program. In addition, the *Municipal Government Act* requires that every municipality must adopt a Public Participation Policy, setting out the local council's approach to public engagement. Residents can speak to their local municipal office to find out more about public participation opportunities within their municipality.

Can the municipal tax incentives be appealed?

Municipalities may choose to designate decisions on applications to municipal staff. These decisions can be appealed to council. Decisions can also be judicially reviewed, with a shortened timeline of 60 days to provide property owners and municipalities with quick resolution of any disputes.

How will these programs work with existing trade agreements?

Any non-residential property that meets the criteria and conditions outlined in the bylaw will be eligible to apply for a tax incentive – this gives all property owners equal opportunity to receive a tax incentive, and prevents discrimination against businesses from other provinces. British Columbia and Saskatchewan both provide for similar tax incentive programs.