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Rural Municipalities Facing \$81 Million Shortfall in Unpaid Taxes from Oil and Gas Companies

The downturn in the oil and gas industry has left a significant unpaid tax bill to rural municipalities

The Rural Municipalities of Alberta (RMA) have recently conducted a member survey that identifies that more than **\$81 million in property taxes** from oil and gas companies have gone unpaid. The survey, conducted in January and February 2019, was completed by 54 of the RMA's 69 member municipalities.

Oil and gas companies pay property taxes on the infrastructure that they own and the 2014 downturn in the price of oil has seen many companies fall on hard times. While rural municipalities are supportive of the oil and gas industry, this has left a significant hole in the balance sheets of RMA members throughout Alberta. Rural municipalities are much more reliant on taxes from industrial activities in comparison to urban communities.

Municipalities often have little recourse to recuperate these unpaid taxes as many of these companies have declared bankruptcy and municipalities are low on the list of beneficiaries from an asset sale. The Government of Alberta has introduced the Provincial Education Requisition Credit (PERC) program to offset the education property tax portion of these unpaid tax bills though the program requires the municipality to write off the unpaid tax bill to qualify which can be a disincentive for some municipalities. Of those that responded, 24 indicated that they have or would use PERC to offset some of the unpaid taxes. It is important to keep in mind that the education property tax requisition is only a small component of overall property taxes, and while helpful, PERC does not address the larger issue of tax recovery.

According to the survey, the total amount that municipalities have applied for under PERC since its introduction is \$3,240,432.

RMA members have recently endorsed a resolution calling on greater accountability from the oil and gas industry and oversight from the Alberta Energy Regulator related to payment of municipal property taxes. [Resolution 5-18F](#) asks the AER to ensure that there are no outstanding municipal property taxes before licenses are transferred including licensed properties declared as "orphan sites". RMA members have also asked for broadened tax recovery powers.

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