

July 3, 2019

Province Announces Shallow Gas Tax Relief Program

Municipalities may offer impacted companies a reduction of up to 35% on well and pipeline taxation, to be reimbursed by an equivalent reduction in the education property tax requisition amount

On July 2, 2019, the Government of Alberta **announced a plan** to offer tax relief to struggling shallow gas companies operating in rural municipalities across the province. The program will allow the municipalities to offer impacted shallow gas companies a reduction of up to 35% in their 2019 property tax bill on wells and pipelines. Municipalities will then be reimbursed by the Government of Alberta for any reductions they provide to shallow gas companies through the forgiveness of an equivalent amount of the education tax requisition that the municipality owes to the province. The Government of Alberta expects to provide more than \$23 million in education property tax credits back to municipalities through this initiative.

For this one-time solution, the Government of Alberta emphasizes that any reductions to the required amount of education property taxes that municipalities would normally collect will be supplemented from general revenues.

How will the process work?

The Government of Alberta will work with impacted municipalities to implement the following process:

- Distribute a list of qualifying shallow gas pipelines to impacted municipalities and companies
- Help companies report natural gas pipelines related to the wells
- Work with municipalities to develop process by which municipalities will forgive taxes and report amount forgiven to Government of Alberta
- Reduce the education property tax requisition by equivalent amount

Your municipality will be contacted by Alberta Municipal Affairs if you host a qualifying company. If your municipality is not contacted by Municipal Affairs, you do not host any companies eligible for tax relief.

Why the shallow gas industry?

While companies across many sectors periodically struggle for a variety of reasons, the Government of Alberta has identified specific concerns with the fairness of how shallow gas wells are assessed. There is currently a review being undertaken to update assessment values for wells and pipelines which is expected to be complete later this year, with changes implemented for the 2020

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tax year. This relief is intended to provide temporary support to shallow gas companies prior to the updating of assessment amounts.

The shallow gas industry has indicated that many companies are at high risk for company failure or insolvency which may lead to job losses, abandonment of reclamation liabilities, and lost municipal tax revenue.

More details on this initiative is available [here](#).

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