



# MEDIA RELEASE

## FOR IMMEDIATE RELEASE

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## *Unpaid taxes owed from oil and gas companies to rural municipalities continue to increase*

**Nisku, AB, January 20, 2020** – The Rural Municipalities of Alberta (RMA) has conducted a member survey that identifies that approximately **\$173 million in property taxes** are currently owed to rural municipalities from oil and gas companies have gone unpaid. This is a 114% increase from the \$81 million that was identified through a similar survey in March 2019. The current survey was completed by a significant number of RMA's 69 member municipalities. The \$173 million estimate above was determined by extrapolating the survey results to apply to all RMA members using equalized assessment.

Non-payment of taxes by oil and gas companies on property that they own and operate has been an ongoing issue for rural municipalities. The massive increase in unpaid taxes since the last survey less than a year ago indicates that the problem is worsening. Many oil and gas companies are unable or unwilling to pay municipal property taxes due to the ongoing downturn in the price of oil and Alberta's challenges in market access and receiving a fair price for its resources. Additionally, rural municipalities also have little recourse to recover unpaid taxes from companies that have declared bankruptcy, as municipalities rank below the Alberta Energy Regulator in priority for seizing the assets of a bankrupt company.

While rural municipalities have a long history of collaborating with the oil and gas industry and sharing in its successes and struggles, RMA is deeply concerned that flaws in Alberta's tax collection regime are allowing oil and gas companies to transfer their struggles to municipalities in the form of unpaid taxes, and municipalities have no ability to take action to recover owed taxes on this type of infrastructure.

*"Rural municipalities are proud of their role as partners and supporters of Alberta's oil and gas industry. However, municipalities require property taxes to provide the infrastructure and services that industry relies on to access natural resources. If Alberta's property tax system is not amended to prevent oil and gas companies from refusing to pay property taxes, many rural municipalities will struggle to remain viable."* – Al Kemmere, RMA President

The survey results show that the issue of unpaid taxes on oil and gas properties is worsening at an alarming pace. Strengthening municipal tax recovery powers would help address the issue, but broader action to address the industry's struggles is needed, as the viability of both industry and rural municipalities is at risk.

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“RMA members have been impacted by provincial decisions to attract industry through reduced red tape and government spending in the form of reduced municipal grants, increased expectations for municipalities to contribute to policing costs, and an ongoing review Alberta’s assessment model which is likely to result in reduced tax revenue in many municipalities,” said Kemmere. “However, this survey shows that municipalities are struggling, and need similar support from government and industry to remain viable and serve rural Alberta’s businesses and residents.”

In 2019, the Government of Alberta implemented the Shallow Gas Tax Relief Initiative (SGTRI), which was intended to support struggling shallow gas companies by allowing municipalities to provide them with a 35% reduction on their property tax bills, which would then be reimbursed to municipalities by the province. In 2020, shallow gas companies will continue to receive this reduction, but municipalities will no longer receive a corresponding credit, and instead must absorb the 35% loss in assessment on these properties. RMA is concerned with the SGTRI and its focus on property taxes as a source of the shallow gas industry’s struggles while larger issues related to market access and world resource prices remain unaddressed. RMA’s survey found that among the responding municipalities with properties eligible for the SGTRI, 81% had outstanding taxes on such properties, with some municipalities attributing up to 98% of their unpaid taxes to the shallow gas industry. This suggests that the SGTRI is not solving the problem of unpaid taxes and industry struggles, but is rather providing many companies with 35% forgiveness on their taxes while the rest remain unpaid.

Kemmere stated, “The assessment and taxation model for shallow gas infrastructure is not the cause of or solution of the industry’s challenges. Until government and industry are successful in making fundamental changes rather than blaming long-term, fixed costs such as municipal taxes for the industry’s struggles, this uncertainty will continue.”

*The Rural Municipalities of Alberta (RMA) is an independent association comprising Alberta’s 69 counties and municipal districts. Since 1909, the RMA has helped rural municipalities achieve strong, effective local government. The RMA provides Advocacy and Business Services (including RMA Trade, RMA Fuel and RMA Insurance).*

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