

BELOW THE DRILL

Unpaid Municipal Taxes

This is week three of RMA's campaign to demonstrate the ongoing subsidization of the oil and gas industry by the Government of Alberta at the expense of municipal revenue.



What is it?

For several years, RMA members have struggled with unpaid property taxes from some oil and gas companies. Municipalities assess taxes on industrial assets, including oil and gas wells, pipelines, and other associated infrastructure. Unlike residential or commercial properties, municipalities lack mechanisms to enforce payment of taxes on oil and gas properties, and to this point, measures taken by the Government of Alberta to compel companies to pay have been ineffective. Even if municipalities were able to seize oil and gas properties, it is unlikely to occur due to associated liability and environmental risks.

What does it mean for rural municipalities and industry?

Rural municipalities rely on property taxes to fund their budgeted capital projects and delivery of municipal services. Many RMA members are owed significant sums from oil and gas companies, which is subsidized by other property tax payers either through reduced spending on services or increasing tax rates. In either case, the residents and business communities in these municipalities are unfairly burdened by the non-payment of taxes by a small number of companies.

When did it happen?

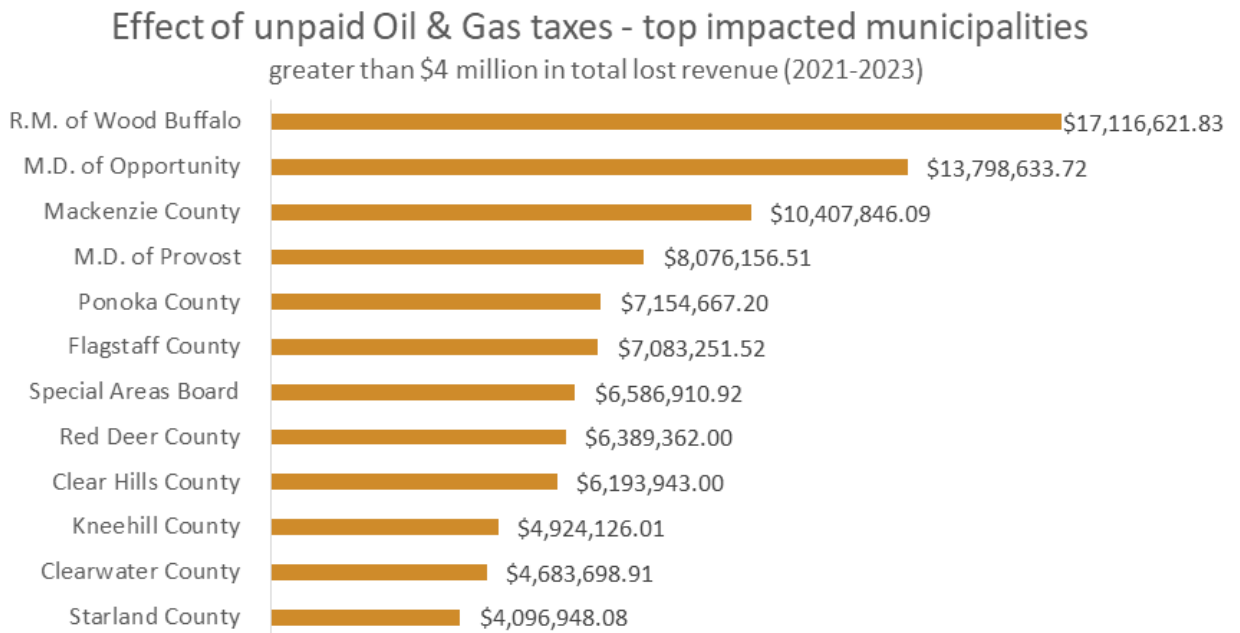
While unpaid taxes have been a challenge for many years, the issue became widespread in 2019. Since then, the total amount of unpaid taxes has continued to grow. Although many of the taxes currently owed to municipalities are currently uncollectible as the responsible companies no longer exist, operating companies continue to ignore property taxes. While the Government of Alberta has taken steps to address the non-payment of taxes such as the implementation of the Special Lien and Ministerial Order 96/2024, these are partial solutions that have not solved the problem.

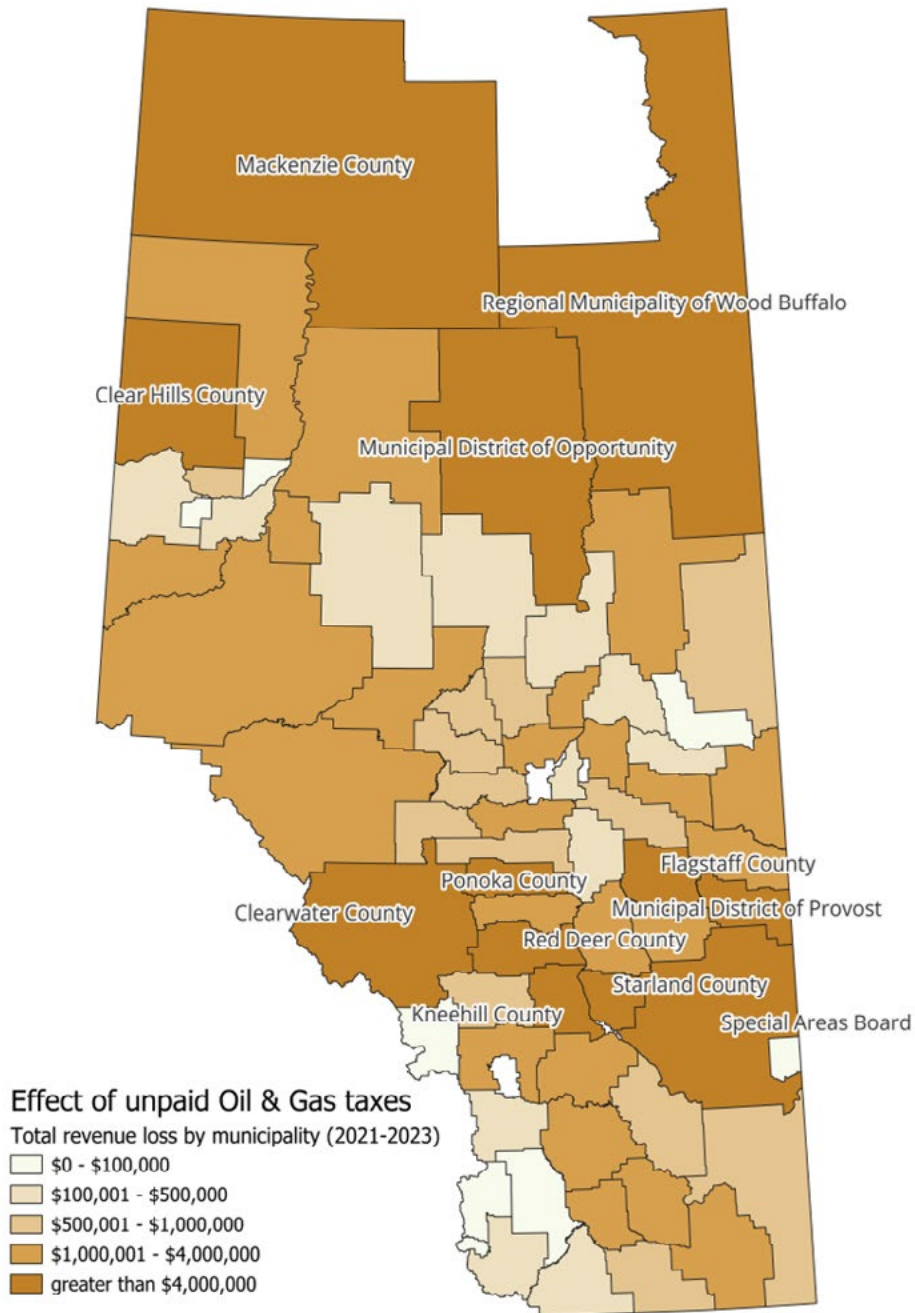
What are the impacts?

- \$161.5 million in municipal taxes was unpaid from 2021-2023. These are new outstanding tax amounts that build on historical unpaid taxes. It is important to note that this figure differs from the total cumulative unpaid tax amount previously shared by RMA, as the Below the Drill campaign focuses specifically on 2021-2023.

Where are the impacts?

Nearly every RMA member has been impacted by the non-payment of taxes. Between 2021 to 2023, the most impacted RMA members are shown below:





Our methodology

Each year RMA surveys members to obtain up to date information on unpaid taxes. Between 2021 and 2023, RMA received 100% participation from members, which speaks to both the quality of the data and the importance of this issue to members. The values reported in this document do not include taxes that have been written off (\$132 million for the oil and gas sector since 2015) or taxes in a payment plan.

Watch next week for an issue on the assessment holiday for newly drilled wells.