BELOW THE DRILL

New Drilling Assessment Holiday

This is week four 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.

RMA
RURAL MUNICIPALITIES *of* ALBERTA

What is it?

As an incentive to the oil and gas industry during the early days of the COVID-19 pandemic, the Government of Alberta announced a three-year assessment holiday on new wells and pipelines. In effect, this means that wells drilled and pipelines installed during the tax years of 2022 to 2024 will not pay municipal taxes during that period.

What does it mean for rural municipalities and industry?

As the drilling assessment holiday was timebound for a three-year period, municipalities will begin receiving taxes from these assets in the next year. However, significant oil and gas activity took place during this time, which resulted in significant lost tax revenue for municipalities. Because this initiative targeted new wells and pipelines, similar to the well drilling equipment tax explored during week two of the Below the Drill campaign, there was a compounding impact on municipalities with new oil and gas activity during this period. Both policies apply to newly drilled wells and therefore municipalities with more drilling activity are impacted by both policies on the same newly drilled well.

When did it happen?

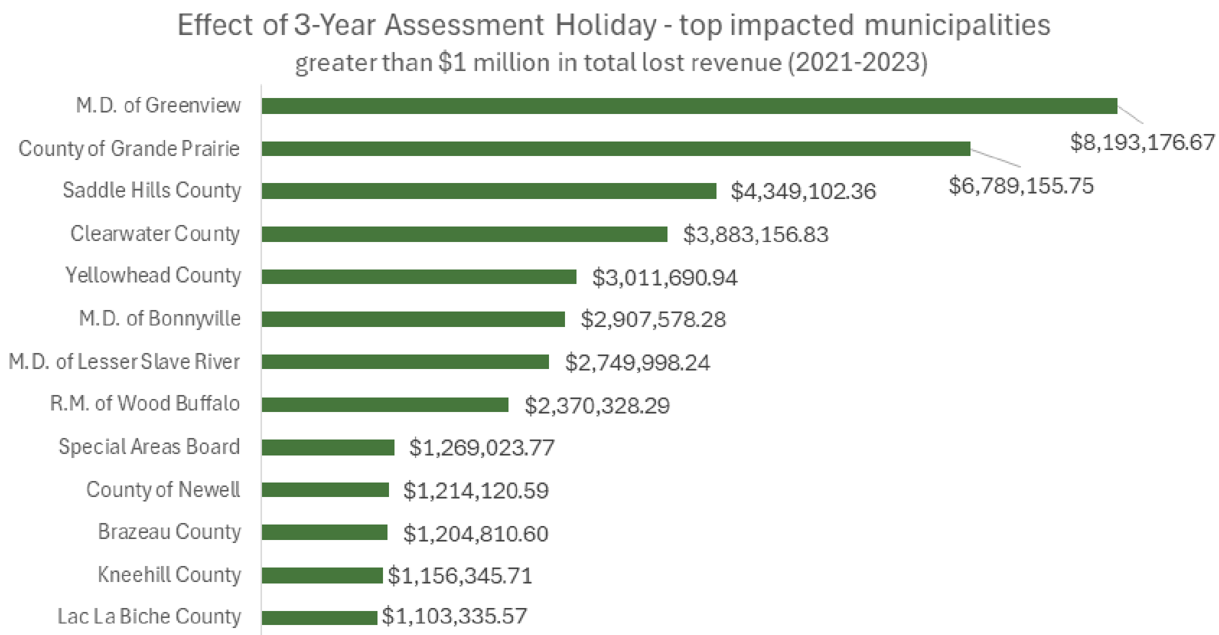
The assessment holiday was announced in 2020 as a temporary relief for the oil and gas industry, and applied to tax years 2022, 2023, and 2024.

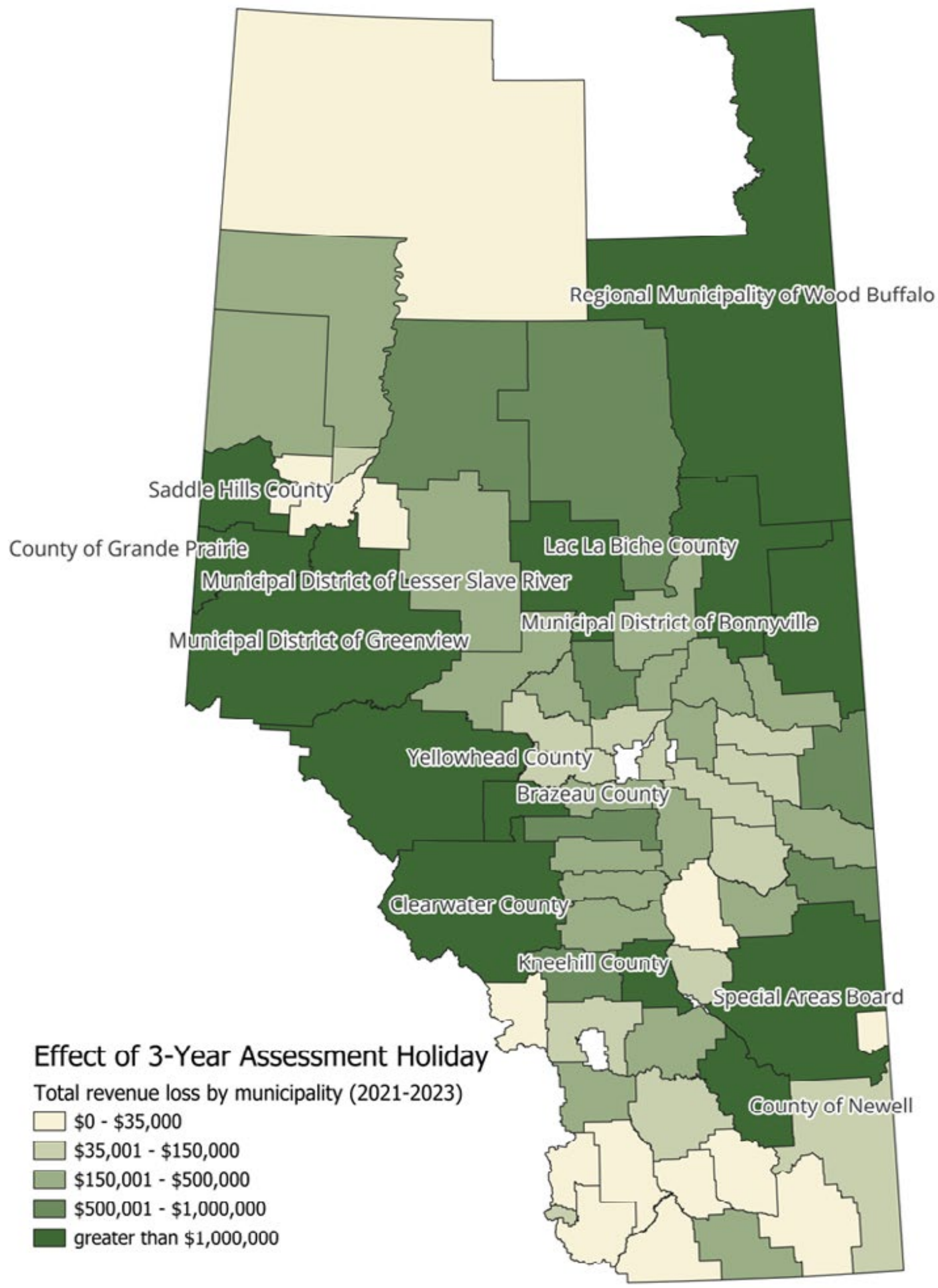
What are the impacts?

The assessment holiday on new wells and pipelines cost RMA members $52.6 million in taxes for the period of 2021-2023. While the holiday applies to additional years, 2021-2023 is reported here for consistency with the other policies explored in Below the Drill.

Where are the impacts?

Because the assessment holiday is linked to newly drilled wells and new pipelines, the impacts of the assessment holiday on revenue are highest in areas of the province linked to continued industry growth.





Our methodology

Municipal Affairs provided data on the assessment lost by municipality for each year. RMA then calculated the tax value lost in each municipality by multiplying the assessment data by the local mill rate for that year.

Watch next week for an issue on the 35% reduction in assessment on shallow gas wells.