

Municipal Taxation and Assessment

Municipalities require a source of revenue to provide services, maintain existing infrastructure, and construct new infrastructure to meet growth pressures and to enable economic development. For all municipalities in Alberta, property taxes are the largest source of revenue. Rural municipalities are highly dependent on property tax revenue from the industries operating within their boundaries, and much of the revenue collected is used to maintain the roads, bridges, and other services that industry relies on. It is critical that property assessments are conducted transparently and objectively, and that both assessment values and tax rates ensure that all property owners pay their fair share for municipal services and infrastructure. The ability to set tax rates that meet local infrastructure and service delivery needs is a core aspect of municipal autonomy.

What is the RMA's position on the importance of municipal taxation and assessment?

- ◆ Alberta's rural municipalities rely on a stable, fair, and transparent property assessment regime to ensure they can collect the taxes needed to provide residents and businesses with municipal infrastructure and services. Any changes to Alberta's assessment regime must not proceed without an understanding of how they will impact the ability of municipalities to generate adequate revenue.
- ◆ Non-payment of municipal property taxes causes municipalities significant planning and financial challenges. Alberta's current legislation allows for different tax recovery powers for different property types. Due to the importance of property taxes to municipal sustainability, municipal tax recovery powers must be clarified and applied consistently across property types.
- ◆ While most property types in Alberta are assessed based on market value, some unique property types (such as pipelines) use a regulated assessment rate based on a formula determined by the Government of Alberta. Regulated assessment processes should be based on the most accurate and up-to-date data and methodology possible and must not be impacted by economic or political influences.

What financial considerations do rural municipalities have with respect to municipal taxation and assessment?

- ◆ To effectively plan and budget, municipalities rely on the Government of Alberta to provide timely and accurate assessment information, such as annual assessment year modifier rates. Delays or untimely changes to this information can cause municipalities significant financial and planning challenges.
- ◆ Municipalities depend on an equitable, transparent, and stable assessment model to budget and provide services. Any changes to the assessment model should enhance the consistency and accuracy of regulated property valuation.
- ◆ The ongoing process of centralizing industrial assessment responsibility within the Government of Alberta should not result in a reduction in the quality and accuracy of assessments. The RMA is concerned with reports that centralization has led to a reduction in in-person assessments, an increased reliance on industry self-reporting, a lack of an assessment audit mechanism,

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municipal difficulties in accessing assessment information, and in some cases, reduced taxation revenues for municipalities.

- ◆ Municipalities are required to collect education property taxes on behalf of the Government of Alberta. This requirement often impacts the ability of municipalities to collect adequate property taxes to support local needs.

How does the work of the RMA support a fair and objective municipal taxation and assessment system?

- ◆ The RMA continuously reviews proposed policy or legislative updates and seeks input from members regarding changes that could affect taxation and assessment regimes.
- ◆ The RMA actively engages with the Government of Alberta to ensure that any changes to tax or assessment frameworks are fair, data-driven, and consider the unique needs of rural municipalities.
- ◆ The RMA collaborates with partner organizations (such as ABmunis and the Alberta Assessors' Association) to advocate on behalf of municipalities for fair, transparent, and accountable assessment and taxation legislation and policies to support municipal sustainability.

What current taxation and assessment-related issues are impacting rural Alberta?

Unpaid Oil and Gas Property Taxes

- ◆ The Alberta Energy Regulator should require payment of municipal taxes as a core measure of an oil and gas company's ability to operate.
- ◆ If a company is unable or unwilling to pay municipal taxes, it is likely they will struggle to meet other regulatory or environmental requirements.
- ◆ As of December 31, 2024, Alberta's rural municipalities are facing approximately \$253.9 million in unpaid taxes from the oil and gas industry, with \$67.8 million dollars being owed in the 2024 tax year alone.
- ◆ Despite the recent introduction of some enforcement and recovery mechanisms, the current amount of unpaid taxes owing from the oil and gas industry is still very similar to previous years' amounts, including a significant increase in the outstanding tax amount owed in the most recent fiscal year.
- ◆ Approximately 60% of unpaid property taxes are now owed by companies that are no longer operational. This highlights the need for the AER to adopt a more effective approach to ensure that the oil and gas industry meets its tax obligations to municipalities while still operating, as the likelihood of recovering property taxes through the insolvency process is extremely low.
- ◆ Approximately half of RMA's 2025 Unpaid Oil & Gas Tax survey respondents indicated they have had to raise both residential and non-residential tax rates due to loss of oil and gas property tax revenues. This places an additional burden on residents and businesses who are forced to make up for the financial shortfall, further complicating the economic landscape for municipalities already struggling with limited resources.
- ◆ More than half of RMA's 2025 Unpaid Oil & Gas Tax respondents indicated they have been forced to increasingly rely on debt or reserve funds to cover operating expenses and routine maintenance. This reliance on borrowed funds or reserves is unsustainable in the long term, as it diminishes a municipality's financial flexibility and increases the risk of future fiscal instability. In fact, nearly a quarter of respondents expressed concern that the ongoing issue of unpaid taxes could increase their risk of non-viability.

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- ◆ The RMA is working with the Government of Alberta on a joint approach to developing and implementing solutions to eliminating the issue of unpaid oil and gas property taxes once and for all. The “Property Tax Accountability Strategy” is designed to confirm the scale, scope, and impacts of the issue and create solutions that are effective and implementable, with the ultimate goal being to produce a joint report with actionable recommendations and strategies to recover unpaid taxes and restore a strong partnership between industry, rural municipalities, and government.

Alberta’s Regulated Assessment System

- ◆ The assessment model review (AMR) process is underway, with an anticipated timeline of 2024-2028. The RMA is an active participant in the review and is committed to ensuring that the process is equitable, transparent and data-driven to ensure the best outcomes for all involved.
- ◆ The AMR process needs to remain a collaborative effort led by the Government of Alberta, with constructive involvement from municipal and industry stakeholders to ensure the outcomes are fair. When stakeholders cannot reach consensus, the Government of Alberta must be willing to serve as a decision-maker.
- ◆ Municipalities depend on equitable, efficient, and transparent assessment system to budget and provide services.
- ◆ Tax exemption policies should not be built into the assessment system. Such policies should be implemented in a transparent and targeted manner.
- ◆ Municipalities must have access to detailed assessment data for all property types to support municipal informed budgeting and forecasting.
- ◆ Alberta’s property assessment system should not be used as a tool to reduce costs for struggling industries. Municipalities depend on a stable, fair and transparent assessment system to budget and provide services, and arbitrarily reducing assessments to support specific property owners is not only unfair but may have unintended consequences such as reducing services or municipal viability risks.

Municipal Support of Industry and Economic Development

- ◆ RMA members have a long history of partnering with industry to support local and province-wide economic development and continue to do so.
- ◆ There are a wide variety of tax and policy tools available to enhance industry competitiveness.
- ◆ Any tool to enhance industry competitiveness should be evaluated on five principles:
 - Equitable in cost-sharing – Are the costs of supporting industry shared equitably among different levels of government?
 - Equitable in benefits-sharing – Are the benefits of an incentive or support distributed equitably within industry, and do they reach the sub-sets of industry that need it the most?
 - Tangibility – Do the benefits of the tool lead to direct, observable action by industry that provides an overall provincial benefit (capital investment, job creation, etc.)?
 - Sustainability – Does the tool prioritize long-term growth and investment for industry and is it adjustable or cancellable if it is no longer needed?
 - Transparency – Is the tool understandable to taxpayers? Are the province-wide benefits easily observable? Does the tool have a built-in means for regular review and modification?

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Threats to Municipal Tax Autonomy

- ◆ Property taxes are a primary source of revenue for municipalities. A key feature of this system is that municipalities have the authority to set their own tax rates in response to local priorities and circumstances. This fiscal autonomy is fundamental to effective municipal governance. Policy proposals that aim to standardize tax rates across jurisdictions, tie them to external economic indicators, or otherwise limit local discretion undermine both municipal financial sustainability and self-determination.
- ◆ If municipalities lose the ability to set their own property tax rates, they also lose control over their most significant source of self-generated revenue. This would increase their reliance on provincial funding, weakening their fiscal independence and placing additional financial pressure on the Government of Alberta through higher grant demands.
- ◆ Reducing municipal control over property tax policy not only restricts local responsiveness but also risks creating imbalances in service delivery, as communities would be less able to align revenue with local service expectations and infrastructure needs.

Reduced Municipal Tax Revenues

- ◆ Over the past several years, the Government of Alberta has implemented policy changes that have significantly affected rural municipal tax revenues. Key decisions include allowing ongoing non-payment of property taxes by the oil and gas sector, eliminating the well drilling equipment tax, introducing a three-year property tax exemption for newly drilled wells, and reducing shallow gas well assessments by 35%.
- ◆ These policy changes resulted in a \$331 million loss in property tax revenue for RMA members between 2021 and 2023. This loss has reduced municipalities' capacity to meet local needs, deliver essential services, and maintain infrastructure – forcing greater reliance on provincial grants and shifting financial burdens onto other property owners through higher taxes or diminished services.

For more information visit: rmalberta.com

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