IPTI Xtracts

Property Tax and Assessment News from Around the World

# CANADA – July 2022

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## ALBERTA

### Will Luxury Homes in Edmonton, Alberta, see Added Property Tax?

*The proposal to tax residential properties valued over C$2 million is still in the research phase*

A progressive tax on luxury homes was proposed last month in Edmonton, the capital city of the Canadian province of Alberta.

The proposal for the so-called Mansions Tax is in its nascent stages, put forth by Edmonton City Councilmember Michael Janz. He called on the city administration to prepare a report to add new tax tiers to the existing regime.

The report would consider options for a subclass of taxes on residential properties valued over C$2 million (US$1.5 million) and "that the additional revenue, if realized, be allocated to community safety and well-being initiatives and poverty elimination," according to the proposal.

"To date, we have not had progressive taxation at City Hall… .A progressive property tax—a mansion tax—would reduce wealth inequality and make sure the rich are paying their fair share," Mr. Janz said in a statement.

For now, more research is needed as to how to implement the tax, whether it be an increased mill rate or another way of taxing properties valued over C$2 million. Questions posed to Mr. Janz at the original council meeting on June 10 included whether senior residents whose property values have skyrocketed over the time they've owned the home would be charged the same as newer homeowners.

In the information-gathering process, the administration will be looking at other Alberta municipalities, they said at the meeting. A report is expected to be available by September.

### Edmonton realtors push back against councillor's mansion tax idea

*Coun. Michael Janz asked city administration to review how tax on luxury homes could apply to property taxes*

Realtors and Edmonton's real estate board are opposing a potential tax on luxury homes, after a city councillor asked the administration to look into such a tax last month.

In June, Ward papastew Coun. Michael Janz requested that the city administration examine how a mansion tax could be applied to property taxes and write a report on its findings.

Janz says he wants people who earn more to pay more, so it offsets taxes for owners of less expensive properties.

"How do we make sure that, when we're collecting services that go toward the good of all, that those who have a little bit more can contribute a little bit more," Janz told CBC News.

In Vancouver, city councillors recently voted down a motion to implement the progressive mansion tax, which would have seen homeowners paying an extra one per cent on homes worth over $5 million, and two per cent on those worth over $10 million.

When what the tax percentage and home price thresholds would be, Janz said the city administrations findings would allow him to determine those logistics.

"It may not be [based on] actual property value," Janz said. "It may be about the characteristics of the home; that somebody who has a gold toilet should pay more than somebody with a porcelain toilet."

Some realtors have openly opposed Janz's idea, suggesting it will drive Edmonton's top investors out of the city.

Marlene Pahl, a real estate agent with Royal LePage, has listings that would qualify for a mansion tax. She and her colleagues think such a tax "is just ridiculous," she told CBC News in an email.

"So-called mansions are already taxed to their value," Pahl said, adding that, long-term, a mansion tax could reduce the city's revenue.

Also, Edmonton has fewer mansions compared to other Canadian cities, such as Vancouver and Toronto, she said.

According to Janz, there are 4,000 homes in the city valued over $1 million.

Bradley Mitchell, CEO of the Alberta Real Estate Association, believes a mansion tax would be unfair to these particular homeowners.

"The concept is a bit strange," Mitchell said. "Property taxes are fair how they are. Just because you've been more successful doesn't mean that you should have to pay a higher rate."

Implementing an additional tax on more expensive homes, Janz argues, would help reduce the annual increases of property tax for other homeowners.

"We should be collecting more of that tax from those at the top," Janz said.

The inquiry should be completed by September, at which time Janz will present a motion to council, he said.

**Calgary city council caps property tax revenue increase for upcoming 4-year budget**

Calgary city administration said it needs more money from property taxes to maintain city services in the next budget due to population growth and inflation concerns.

The city needs the average revenue generated by property taxes to increase 3.65 per cent annually over the next four years, according to administration.

On Wednesday, councillors voted in favour of placing a cap on the increase to average property tax revenue.

“If we don’t set boundaries, the world is their oyster,” Ward 1 Coun. Sonya Sharp said. “We don’t have blank cheques, and neither do Calgarians; so we needed to set a ceiling, not a floor.”

Despite the forecasted increase in property tax revenue, Calgary's mayor said the budget is on par with last year, but inflation and population growth factored in.

"Since we have not had a full unpacking of the budget, what we're recommending is that we don't increase the budget over what it was last year," Jyoti Gondek said. "So that's essentially what you're getting."

According to city administration, the Consumer Price Index inflation for Calgary was at 8 per cent in May; the highest it's been since December 2002.

The latest information and expectations on rate policy decisions by the Bank of Canada indicate annual inflation is expected to average 5.6 per cent in 2022, administration said.

The revenue cap does not include potential budget requests from several city departments like Calgary Transit and the fire department, which would be coming to city council for a decision in November.

"Now is the time for administration to be bold, think outside the box, be innovative," Sharp said. "If that means you have to find inefficiencies in the organization, take things out and put things in; council needed to set a direction today."

How the increase in population and inflation will impact individual property tax bills is yet to be determined, as the numbers presented to council on Wednesday are expected to change before November.

According to city administration, even if property tax rates decline this year, a homeowner's bill could rise if the assessed value on their home increases.

"We will probably generate enough in property taxes so that the portion of the budget that has to be covered by property taxes can be covered without an increase to your property tax rate," Gondek said.

A survey of Calgarians conducted by the city, presented to council as part of Wednesday's meeting, showed half of Calgarians are in support of a small property tax increase to maintain city services.

That same survey also showed about 53 per cent of Calgarians feel they're getting "good" value for their tax dollars, while just under half of respondents said they trust The City of Calgary.

"We understand it's a very tough time," Gondek said. "But we understand that there's inflation and population growth to account for."

Administration is also recommending a fee increase for waste and recycling removal and wastewater.

Waste cart program fees are expected to increase $0.70 per year over the next four years, which would cost homeowners $27.10 per month by 2026 for blue, black and green carts.

However, disposal rates and charges at city waste management facilities are expected to stay the same through to 2026.

Administration said wastewater collection and treatment fees are expected to see an annual 2.5 per cent hike over the next four years.

Based on the city council's decision, administration will now build the proposed 2023-2026 service plan and budget, which city council will help craft during deliberations in November.

"The City is committed to continuous improvement, including finding efficiencies throughout 2023-2026 to help protect against future cost increases," a City of Calgary statement said. "Council's decisions today ensure the city collects only as much tax as is needed."

## NEW BRUNSWICK

### Fredericton mayor wants city to keep larger portion of its property tax revenue

*Kate Rogers says province redistributes about $28M in city property tax revenue annually*

Fredericton's mayor says the way the province collects and redistributes non-residential property tax revenue is non-transparent and isn't letting the municipality keep as much money as it should.

At Monday evening's council meeting, councillors voted to forward a letter signed by Mayor Kate Rogers to the caucus of MLAs from ridings in and around Fredericton.

In the letter, Rogers acknowledges the provincial government is embarking on a review of the way it collects non-residential property tax revenue and redistributes it to other communities across the province in what are known as community funding and equalization grants.

But she criticizes the way it's currently done and tells the MLAs that the outcome of the review could present either an opportunity for more tax dollars to stay in their communities, or a risk that fewer tax dollars do.

"The commercial tax base collection and community equalization funding distribution in its current form both unfairly and unreasonably burdens the [City of Fredericton] and other jurisdictions," Rogers writes in the letter.

"Given the White Paper's recognition that local governments require additional revenue sources, we are requesting that a larger portion of the non-residential tax base collected by on behalf of the [City of Fredericton] be transferred to and effectively retained by the [City of Fredericton]."

Fredericton's non-residential tax base has an overall assessed value of approximately $2.2 billion, which generates about $79 million annually, consisting of the municipal portion of the tax rate and the provincial portion, Rogers said.

The province generates about $30 million in revenue from those properties, of which less than $2 million is returned to the City of Fredericton in a "core funding grant," she said, adding that the difference is used for other provincial priorities.

Rogers also said the city is concerned that its growing responsibility — as is the case with other urban centres — to support vulnerable populations is "becoming an unfunded mandate."

"We request that the review and modernization of the equalization grant formula account for this discrepancy and increasing cost burden," she said.

"Further, funding should be directly allocated to urban centres in lieu of solutions that direct funding to municipalities through the [regional service commissions]."

The letter is addressed to Fredericton West-Hanwell MLA Dominic Cardy, Fredericton North MLA Jill Green, Oromocto-Lincoln-Fredericton MLA Mary Wilson, Fredericton-Grand Lake MLA Kris Austin, New Maryland-Sunbury MLA Jeff Carr, Fredericton South MLA David Coon and Fredericton-York MLA Ryan Cullins.

Speaking after the council meeting, Rogers said she hopes the letter gives the MLAs an understanding of what her concerns are and that they collaborate on changing the equalization model so that it's more transparent and fair.

"We're not, we're not advocating or lobbying for anything in particular other than the fact that this does need to be completely modified," Rogers said.

"And we do need to be able to rationalize it to ourselves, to our taxpaying constituents, and to just to explain where their money goes."

Vicky Lutes, spokesperson for the Department of Local Government and Local Governance Reform, said the goal of the community funding and equalization grant is to provide funding so that local governments can provide a comparable level of service at a comparable tax rate no matter where they are located.

"A new grant formula will be created to ensure communities that need support receive adequate funding, while those that are financially stronger are not recipients of equalization funding," said Lutes, citing the government's white paper on local governance reform.

In May, the province announced a new expert panel will study the current system in New Brunswick and make recommendations on how to improve it.

The two-person panel comprises Nora Kelly, a former provincial civil servant and deputy minister, and Pierre-Marcel Desjardins, a Université de Moncton professor whose area of expertise is economics and local government, according to a news release.

Desjardins and Kelly will present recommendations for a new system of fiscal transfers to the government in September.

## Owners of empty homes in these 6 areas of B.C. are about to pay more

Owners of vacant properties are about to pay more in six parts of British Columbia.

The province announced Wednesday that its speculation and vacancy tax will be expanded in January. The spec tax is similar but separate from Vancouver's municipal empty homes tax.

Homeowners in the following communities will have to pay extra for vacant homes: Squamish, Lions Bay, North Cowichan, Duncan, Ladysmith and Lake Cowichan.

Noticeably absent is the resort municipality of Whistler.

Those who live in the area and do rent their homes out full time or live in them will, for the first time, have to declare an exemption for 2023 in January 2024.

The provincial government estimates that more than 99 per cent of property owners are exempt.

Those who do not will be expected to pay, except for in special circumstances. The rate is two per cent of the property's assessed value for foreign owners and satellite families, and 0.5 per cent for Canadian citizens or permanent residents who are not members of a satellite family.

"Satellite" is a term used for untaxed worldwide earners, or those whose unreported income (in Canada) is greater than their reported total income. This income is calculated in combination with their spouse's income, when applicable.

The plan for the tax was to free up homes that could be rented out full-time to local residents, instead of sitting empty. Other goals included targeting condo flippers and tax evaders.

The NDP government says it's worked in the communities where the tax is already in effect, but Whistler was again left off the list announced Wednesday, despite a documented lack of rentals.

A year before the tax was first introduced, local business owners told CTV News the wait for rental housing could be three to 10 years.

When the tax was introduced in 2018, then-finance minister Carole James announced a narrowing of its scope so it didn't impact British Columbians who own cottages and vacation properties outside of urban areas.

The taxable regions in addition to those being added next year are:

Capital Region District;
Metro Vancouver;
Abbotsford;
Mission;
Chilliwack;
Kelowna and West Kelowna;
Nanaimo; and
Lantzville.

## Property tax relief looks iffy in New Brunswick

*Municipalities have new option to push up non-residential rates*

Property tax relief could be short-lived for New Brunswick's commercial and industrial ratepayers. Beginning in 2023, municipalities will have flexibility to pull more revenue from their non-residential tax base, potentially cancelling out a phased 15 per cent reduction in the provincial property tax rate that was introduced earlier this year.

"The provincial tax rate in New Brunswick was the highest in Canada. It was offside," says André Pouliot, senior manager, property tax, with the Atlantic Canada based real estate advisory firm, Turner, Drake & Partners. "Basically, 50 per cent of the (property) taxes you paid in New Brunswick went to the province."

That's a burden assigned to residential landlords, commercial and industrial property owners since owner-occupiers of residential properties have long been exempt from the provincial levy. Notably, non-occupier-owned residential properties are now in line for a phased 50 per cent provincial tax cut, to be complete by 2024, in tandem with the phased 15 per cent decrease for non-residential properties.

Meanwhile, the provincial property tax reduction is one of just three new measures the New Brunswick government adopted in a roughly six-month period between December 2021 and June 2022. Last fall, it stretched the allowable residential-to-non-residential property tax ratio from the traditional 1-to-1.5, giving municipalities leeway to tax non-residential properties at anywhere from 1.4 to 1.7 times the residential rate.

This spring, it carved out a new heavy industrial tax class encompassing a range of defined activities such as manufacturing, mining, milling, electricity generation, oil/natural gas extraction, processing and storage, along with the manufacturing/processing of "products, material or substances" and other uses that might be prescribed in future regulations. This allows for the application of differing tax rates on heavy industrial versus commercial/light industrial properties, although the latter uses will be taxed at the heavy industrial rate if they are located on an integrated campus with heavy industrial activities.

Municipalities will have these new taxing opportunities in place for the 2023 tax year, presenting the possibility that some non-residential ratepayers could see further tax relief if local councils opt to adjust the rate down to 1.4. However, most informed observers suggest that won't be the prevailing trajectory. Pouliot also notes that New Brunswick's residential-to-non-residential ratio is deceptive in the context of national surveys that peg the average discrepancy much wider — for example, at 2.73 times the residential rate in 2021.

"1.5 times is actually a pretty competitive multiplier if you look at it compared to other jurisdictions, but when you factor in that non-residential pays provincial taxes and homeowners don't, the multiplier ends up being close to three times," he advises.

New tax class causes uncertainty around a peculiar assessment rule

Creation of the new heavy industrial tax class is seen as a response to active lobbying from the City of Saint John. Elsewhere, Pouliot speculates most municipalities wouldn't derive a lot of extra revenue from singling out such properties for a steeper tax allocation. Alternatively, it might be used as a means to give those industries a tax break compared with commercial/light industrial properties.

In an online commentary following the early June introduction of the enabling legislation, Rob Newman, director of property tax with Altus Group in New Brunswick, expressed trepidation about the provincial government's ability to designate further categories of property as heavy industrial through future regulations. He called that particularly egregious in combination with one of the marked peculiarities of New Brunswick's property assessment system, which does not provide an avenue to challenge the property classification once assessors have established it.

"In essence, anything can be prescribed as heavy industrial at the province's discretion. The bill is extremely open-ended and affords much power to municipalities and the province," Newman maintained. "Yet, in New Brunswick, according to the Assessment Act, classifications cannot be questioned or reviewed in any court leaving taxpayers at a real disadvantage."

"It's completely unreasonable," Pouliot concurs. "In a system where the government determines the value, the government determines the tax class and the onus is on property owners to prove they're right if they challenge that, it's absurd that they can tell you: This is your class and you don't have any recourse to disagree."

That said, the language in the Assessment Act refers to whether a property is deemed residential or non-residential so he interprets that as a potential opening to appeal wrongful categorization within what are now two non-residential classes. "If you're a commercial owner who ended up in the heavy industrial class for some reason, you should be rightly entitled to take it to a hearing," Pouliot submits.

As municipalities get leeway to collect more revenue from non-residential property owners, it hasn't yet been made clear how the province will recoup the property tax it will be foregoing. "Do they collect more income tax? Is it carbon tax that they're going to use to offset it? We don't know what the future looks like," Pouliot says.

The New Brunswick government has historically redistributed some of its share of the levy as equalization grants to assist municipalities where the per capita value of their assessment base falls below a certain threshold. This year, $53.2 million in equalization grants were paid out to 68 municipalities in sums ranging from a few thousand dollars to upwards of $15 million for Saint John. A pullback from the practice would likely be more encouragement for municipalities to push their non-residential tax rates up above 1.5.

"The question would be whether the municipalities that get equalization would get enough to cover it from that multiplier change or whether they would have to increase the base rate as well. Under that scenario, homeowners and businesses would be paying more, and non-residential would get hit on both the base rate and the tax rate," Pouliot muses.

### Assessment increases on Saint John industrial properties retracted by Service New Brunswick

A series of 2022 property tax assessments by Service New Brunswick involving industrial sites in Saint John that went up and then back down following objections from owners is adding to concerns about how the agency values property in the city.

"I have watched this for the last five, six, seven, eight years. I definitely don't think we get a fair shake," said Saint John councillor Gerry Lowe.

"We're totally surrounded by heavy industry and we pay the highest taxes in this province and that's what's wrong."

Updated property assessments for Saint John at the end of May show adjustments made by Service New Brunswick since notices for 2022 were first mailed to property owners last October. These include nearly $2 million in reductions on a number of industry-linked properties that the agency originally had assigned higher taxable values.

At Irving Oil Ltd's Marine and Rail terminal on Courtney Bay in east Saint John, three adjacent properties covering 11.8 hectares, including the rail yard used to unload crude oil from trains, were initially issued assessments for 2022 totalling $6.27 million.

The amount was a $417,900 (seven per cent) increase from 2021 valuations, but records show that has since been reduced by $389,100.

Service New Brunswick also lowered the taxable value of various Irving Oil pipelines in Saint John by $140,000, and cut a $94,700 increase on the valuation of a property the company owns behind the refinery on Dedication Street down to a $5,000 increase.

Every $100,000 in assessed value for an industrial property in Saint John is worth $2,565 in tax revenue to the city.

Service New Brunswick and Irving Oil Ltd. didn't respond to requests for information about the 2022 assessment amounts and how they came to be reduced.

But Lowe is convinced it is part of a pattern of friendly treatment of industrial properties in the city that keeps their tax bills down which forces other property owners to pay more than they should.

"We get the smoke and the gas and the tractor-trailers and the trains blowing whistles all night and people are moving to the suburbs because of that," said Lowe.

"Taxes are based on assessment and assessments are low."

Industrial property assessments and taxes are normally a sensitive issue in Saint John. But it is heightened this year with the cancellation in May of a long promised review of Service New Brunswick's valuation of Irving Oil's refinery.

In 2022, the main refinery property is assessed to be worth $104.4 million, an increase of $7.6 million (eight per cent) over what it was 10 years ago.

That's less than one-third of the rate of inflation over the same period, even though Irving Oil has spent more than $500 million on fixes and improvements at the facility since 2014 in maintenance events called Operation Falcon, Operation Red Fox, Operation Sandpiper and Operation Wolf.

In cancelling the refinery's assessment review, something that Premier Blaine Higgs had been personally committed to three years ago, Service New Brunswick's Minister Mary Wilson told the Legislature the agency did not think the undertaking would reveal any hidden taxable value.

"Following ongoing discussions with the Service New Brunswick Property Assessment services team and a review of current information, government has been assured that the current assessment of the Irving Oil refinery falls within the acceptable range of value and that a review is not recommended at this time," said Wilson.

Lowe called that a disappointment and he is more frustrated by news Service New Brunswick has been backtracking on some of its other industrial valuations.

On Saint John's Chesley Drive, Ocean Steel had a $257,000 increase on its 2022 assessment cut down by 60 per cent. At the generating station at Coleson Cove, N.B. Power won a $371,800 reduction on a sea-floor property it uses as a source of coolant for the plant.

Service New Brunswick increased the assessed value of the six-square-kilometre underwater parcel in 2021 by $410,000 after a "re-inspection" of its value, but this year retracted most of it following a complaint by N.B. Power.

"We discussed our concerns with SNB (Service New Brunswick) on the substantial increase in the 2021 assessment for this water lot," wrote N.B. Power spokesperson Marc Belliveau in an email.

"After a series of meetings regarding their methodology as to how the value of the land was arrived at, and after explaining our own analysis of the value of the property, SNB lowered the assessed value for 2022."

J.D. Irving Ltd also had increased valuations on some of its properties lowered after 2022 assessments were first issued.

Three properties on the west side of Saint John near the company's Dever Road rail yard were initially issued assessments for 2022 totalling $6.57 million, $530,800 more than 2021. That increase has since been cut in half.

Service New Brunswick also increased the assessed value of the old Telegraph-Journal building on Crown Street in October by $116,200 to $1.25 million only to agree to a $331,800 reduction. The building is now valued and taxed at $920,000.

Anne McInerney, vice-president of communications for J.D. Irving Ltd, said in an email said the company challenges assessments it feels are too high "like any taxpayer."

She said this year most of the company's objections were unsuccessful and, in "the small number of cases" where reductions were won in Saint John, "Service New Brunswick determined the original assessments were too high and amended them accordingly."

McInerney also made the point that an increased assessment at the company's Reversing Falls pulp mill which increased by $9.64 million in 2022 as part of a $450 million multi-year modernization "more than offset" reductions in assessments it won elsewhere.

## NUNAVUT

### Taxing churches: Religious institutions in Iqaluit no longer exempt from property tax

Following the discovery of unmarked graves at former residential school sites and ahead of Pope Francis' visit to Nunavut's capital on Friday, the City of Iqaluit has passed a bylaw that could require churches to begin paying property taxes.

Religious institutions in Canada are generally exempt from paying taxes. Iqaluit's new bylaw, first proposed by the mayor last year, requires churches and other community groups to apply for tax relief. Applicants must meet a series of strict conditions and the total annual funding available for all groups is capped at $300,000.

City council approved the third and final reading of the bylaw on April 12, which means local churches risk receiving only partial tax relief, or none at all, beginning in 2023.

"It is unfair. It is a kind of revenge, a kind of game," said Father Daniel Perreault, pastor at Our Lady of the Assumption, Iqaluit's only Catholic Church.

Father Daniel Perreault is the pastor at Our Lady of the Assumption, Iqaluit's only Catholic Church. Jeff Semple / Global News
Perreault said the bylaw may limit the church's ability to offer free services — from weddings and funerals to hospital and prison visits.

"It will not kill us. It's just one more thing to make us suffer a little bit more," he told Global News. "For some churches, they can even (become) bankrupt by that tax."

Last year, 16 local organizations were exempt from paying property taxes under the city's previous rules, including eight religious institutions.

In a statement, a spokesperson for the City of Iqaluit said the "intent of this bylaw is to provide a fair opportunity, to all community-based organizations, to apply for full or partial property tax relief."

"This is not a by-law specific to the church," the spokesperson said.

Nunavut MP Lori Idlout also defended the bylaw in an interview with Global News in Iqaluit, noting the remote northern city is already struggling to pay for basic services.

"Everyone is lacking in resources," she said. "It's not fair to the rest of the municipality to have to carry the burden of a faith-based group — that itself is part of the history of colonialism."

The bylaw has proved polarising in the community, which is home to about 7,500 people. The per-capita impact of residential schools was higher in the North than anywhere else in Canada because of its large Indigenous population.

But despite their traumatic history with the church, around three quarters of Iqaluit's population still identifies as Christian, according to Statistics Canada.