



## AGENDA ITEM

### Provincial Property Tax Relief for Shallow Gas Producers

October 10, 2019

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#### **BACKGROUND**

As part of its election platform, the newly elected government identified improving the state of the natural gas industry as a priority. In light of low natural gas prices and restricted pipeline capacity, starting in May of this year, the Province had discussions with industry and the Rural Municipalities of Alberta Association. These discussions revolved around identifying temporary solutions to ease the financial burden of natural gas companies and in particular shallow gas operators. One of the solutions selected by the Provincial Government was a temporary reprieve of property taxes for shallow gas wells sites and pipelines (linear assessments).

This shallow gas property tax relief program is intended to bring forward tax relief in 2019. A review of the linear assessment for these specific types of wells and pipelines in 2019 will result in a permanent reduction in assessment values commencing in the 2020 property tax year.

As this relief is occurring during the middle of the County's 2019 fiscal year, the Province has committed to funding the entire relief through a reduction of the school requisition for both the school and municipal portion of the tax relief. The Province is also funding the lost Senior's Foundation and DIP requisition revenue in 2019. In future years, linear assessments for shallow gas wells and pipelines will be reduced and the reduced tax revenue will be borne by the municipality and School Foundation.

#### **ANALYSIS**

As this tax relief is occurring during the middle of the year, the Province is having to use existing legislation to carry out this policy decision. This means that the proposed tax relief must be cancelled by resolution of County Council. Although cancellation of property taxes is a discretionary power of Council, the Province has made it clear that they expect municipalities to participate in this program.

Since this cancellation is being considered after the County's tax payment deadline, Council will also have to cancel penalties related to the unpaid portion that is being cancelled. Fortunately, most of the companies have already paid their taxes for 2019.



The property tax relief amounts to 35% of the property tax amount for the eligible well and pipeline infrastructure related to shallow gas production. This ends up being a small portion of the overall linear assessments for many of the companies eligible for the program. Of \$497 million in linear assessment related to these companies only \$165 million is eligible for the program.

Once the County confirms to the Province that Council has cancelled the taxes in question, the Province will then credit the amount on the School Foundation account for the County.

The Province has indicated that the cancellation must be done, and information provided to the Province by the 21<sup>st</sup> of October. A copy of the letter from the Minister is attached.

### ALTERNATIVES

1. Council approve the cancellation as presented.
2. Council can decide not to approve the cancellation proposal.
3. Council can direct Administration on another course of action.

### BUDGET IMPLICATIONS

The property tax relief program will result in the loss of \$559,659 in property taxes for the County in 2019. This will be offset by a reduction in the amount of school requisition payable in 2019. In future years, the assessments for the affected linear assessments will be reduced resulting in lost revenue of \$316,000 for the County in 2020 and beyond.

The County will have to cancel \$557.53 in penalties already levied in 2019. This amount will be applied to the 2019 penalty revenue account.

A summary of the program is provided below:

Provincial Shallow Gas Tax Relief Program for 2019									
# of Companies Affected	Asset Type	# of Assets	Affected Assessment Value	Municipal Taxes	School Taxes	DIP & Foundation Requisition	Subtotal	Penalties	Total Cancellation
25	Pipeline Segments	1,558	\$ 43,567,240	\$ 83,303	\$ 61,939	\$ 2,121	\$147,363	\$ 153.38	\$147,516.38
31	Well Sites	1,884	121,893,130	\$233,066	\$ 173,296	\$ 5,934	\$412,296	\$ 404.15	\$412,700.15
			\$165,460,370	\$316,369	\$ 235,235	\$ 8,055	\$559,659	\$ 557.53	\$560,216.53



## **LEGISLATIVE RESPONSIBILITIES**

1. Section 180(1) of the MGA states that Council may act only by resolution or bylaw.
2. Section 347 of the MGA provides the authority to Council to cancel, reduce, refund or defer all or part of a tax for a particular property or business if it considers equitable to do so.

## **PUBLIC PARTICIPATION**

The proposed tax relief program is a Provincial initiative. As Council is simply carrying out a step in that initiative, the County's public engagement will be limited to informing the public of Council's decision on this matter as well as communicating the impact of Council's decision to each of the affected companies.

## **STRATEGIC PLAN**

Our Vision: "An attractive, balanced and progressive community".

Our Mission: "Building a safe and vibrant community through leadership, innovation and the development of healthy relationships".

Key Principles: 1) "Transparent in our decisions and for our actions".



**RECOMMENDATION**

That Council approve the cancellation of a total of \$559,659 in 2019 property taxes and \$557.53 in current year's penalty for the following linear properties in accordance with the Province's Property Tax Relief for Shallow Gas Producers Program:

Roll #	2019 Total Levy	Total Eligible Levy	35% of Total	Penalty	Total Cancellation
0000550187	\$ 4,965.21	\$ 3,360.69	\$ 1,176.24	\$ 70.57	\$ 1,246.81
0000552026	\$ 16,582.92	\$ 413.43	\$ 144.71	\$ -	\$ 144.71
0000550093	\$ 32,280.22	\$ 2,591.42	\$ 907.00	\$ -	\$ 907.00
0000551956	\$ 209,571.91	\$ 40,035.30	\$ 14,012.36	\$ -	\$ 14,012.36
0000550222	\$ 82,714.92	\$ 4,248.62	\$ 1,487.03	\$ -	\$ 1,487.03
0000550119	\$ 538,427.69	\$ 2,247.59	\$ 786.65	\$ -	\$ 786.65
0000552494	\$ 79,395.61	\$ 1,590.63	\$ 556.72	\$ -	\$ 556.72
0000550179	\$ 1,480,039.05	\$ 1,078,535.16	\$ 377,487.36	\$ -	\$ 377,487.36
0000550210	\$ 18,368.55	\$ 266.43	\$ 93.25	\$ 5.60	\$ 98.85
0000550067	\$ 17,976.30	\$ 8,365.20	\$ 2,927.83	\$ -	\$ 2,927.83
0000550113	\$ 107,853.20	\$ 9,145.98	\$ 3,201.14	\$ -	\$ 3,201.14
0000550168	\$ 14,542.44	\$ 993.74	\$ 347.81	\$ -	\$ 347.81
0000550052	\$ 527.79	\$ 174.72	\$ 61.15	\$ 3.67	\$ 64.82
0000554596	\$ 63,938.84	\$ 780.77	\$ 273.27	\$ -	\$ 273.27
0000550185	\$ 36,864.57	\$ 14,241.77	\$ 4,984.67	\$ -	\$ 4,984.67
0000550131	\$ 150,018.14	\$ 8,475.69	\$ 2,966.48	\$ -	\$ 2,966.48
0000552031	\$ 226,058.46	\$ 81,763.09	\$ 28,617.12	\$ -	\$ 28,617.12
0000550212	\$ 378,596.72	\$ 252,113.46	\$ 88,239.88	\$ -	\$ 88,239.88
0000555944	\$ 664,273.81	\$ 32,395.89	\$ 11,338.52	\$ -	\$ 11,338.52
0000550044	\$ 49,460.27	\$ 12,803.10	\$ 4,481.09	\$ -	\$ 4,481.09
0000550204	\$ 2,382.38	\$ 262.38	\$ 91.83	\$ 5.51	\$ 97.34
0000550064	\$ 88,628.20	\$ 1,740.13	\$ 609.05	\$ -	\$ 609.05
0000550182	\$ 12,674.45	\$ 6,470.00	\$ 2,264.51	\$ 135.87	\$ 2,400.38
0000550065	\$ 5,610.59	\$ 5,610.58	\$ 1,963.70	\$ 117.83	\$ 2,081.53
0000558514	\$ 39,997.79	\$ 4,135.47	\$ 1,447.41	\$ -	\$ 1,447.41
0000556628	\$ 10,870.67	\$ 3,014.14	\$ 1,054.95	\$ -	\$ 1,054.95
0000551211	\$ 27,837.63	\$ 9,932.64	\$ 3,476.39	\$ 208.58	\$ 3,684.97
0000556646	\$ 9,788.29	\$ 471.42	\$ 165.00	\$ 9.90	\$ 174.90
0000550160	\$ 7,761.25	\$ 6,413.00	\$ 2,244.54	\$ -	\$ 2,244.54
0000550058	\$ 401,035.70	\$ 6,181.55	\$ 2,163.54	\$ -	\$ 2,163.54
0000550209	\$ 1,267.75	\$ 250.87	\$ 87.80	\$ -	\$ 87.80
	\$ 4,780,311.32	\$ 1,599,024.86	\$ 559,659.00	\$ 557.53	\$ 560,216.53

PREPARED BY: Michael Minchin, Director of Corporate Services

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