



# CANADA – February 2020

---

## Contents

<b>ALBERTA .....</b>	<b>1</b>
PROVINCIAL BUDGET WILL INCREASE CALGARY PROPERTY TAXES: REPORT .....	1
UCP BUDGET ALMOST DOUBLES 2020 TAX HIKE FOR CALGARY HOMEOWNERS .....	2
<b>BRITISH COLUMBIA.....</b>	<b>4</b>
SMALL BUSINESS OWNERS NOT IMPRESSED WITH B.C.'S NEW PROPERTY TAX RELIEF PLAN.....	4
PARTNERSHIP EXEMPTION FROM PROPERTY TAX OF FOREIGN BUYERS, BRITISH COLUMBIA .....	5

---

## ALBERTA

### Provincial budget will increase Calgary property taxes: report

On Monday, Calgary City Council received a rundown of the financial impacts of the new provincial budget.

The area causing the most concern — property tax increases.

After learning about the 11.3 per cent increase residents will now see on their property tax bills, Ward 11 Councillor Jeromy Farkas said it’s important for the government to be transparent on where the money is going.

“When there are increases, I think it’s really important for us to be accountable and transparent in terms of where those increases are going,” Farkas said.

“At minimum, we should have two different bills, one making very clear what’s the city’s portion and what is the province’s portion.”

“When we’re talking about property taxes a lot of Calgarians assume it’s all city council or city hall collecting those property taxes. Whereas at this point, a significant portion of that is going directly to the province.”

The increase is due to the UCP government raising education taxes for Calgarians.

The median assessed home with a value of \$455,000 will see an extra \$11 a month go to provincial coffers with these new increases.

Several council members are asking for property tax bills to provide clarification on how much money stays in the city and how much goes to the province.

### International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

“We need to be very clear about what stays in the city and what leaves the city,” Ward 6 Councillor Jeff Davison said.

“The unfortunate part is that we are the tax collector and we want to make it clear: While you live in the city of Calgary, you also live in the province of Alberta, and we’re just the facilitator who goes out to collect on behalf of everybody.”

The municipal portion of the property tax bill will also be going up.

Because of the moves made by council in November to accommodate the tax shift problem and a provincial funding shortfall of \$13 million for police, the municipal portion of residential taxes are increasing 7.51 per cent.

For the median assessed home that’s an extra \$12.50 a month going to the city.

The positive news from the provincial budget is that non-residential taxes are not increasing.

Non-residential ratepayers will see a drop of 12.25 per cent in their property taxes. For a property valued at \$5 million that means a decrease of \$13,356 a year in taxes.

Cuts in maintenance to affordable housing units was also a topic of discussion at Monday’s meeting.

There was a forewarning that 100 affordable housing units — owned by the province but maintained by the city — could be closed this year without maintenance.

Ward 7 Councillor Druh Farrell, also chair of the Calgary Housing Company, said there are units in appalling condition.

“Calgary Housing Company does not want to be a slum landlord,” she said.

“We’re going to be releasing photos of those units shortly just to show the state of these units.”

Farrell said maintenance dollars saves money in the long-run.

She hopes the province will have a change of hearts on these cuts, a sentiment echoed by Farkas.

“I’m all on board with the cost-cutting agenda that the province is trying to execute on, but we can’t be shortsighted in how we go about that,” Farkas said.

“When it comes to essential services, whether that’s police or fire or essential things like structural repairs, we can’t scale back there because it’s only going to cost us more in the long run.”

A report that went to council on Monday also stated that the province will be taking an additional \$4 million from Calgary Police Service.

## UCP budget almost doubles 2020 tax hike for Calgary homeowners

*'It's just ugly news,' one councillor said of the property tax increase*

City council's message to Calgarians about this spring's tax hike is: it's not all our fault.

Council learned Monday why its members might be hearing from angry taxpayers this spring.

The combined impact of the UCP budgets last fall and last week will result in an 11.3 per cent increase in the provincial education property tax for Calgary's residential property owners.

When blended with Calgary's approved 7.5 per cent tax hike, it means homeowners are looking at a combined tax hike of 8.9 per cent for 2020.

### International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

For the median-priced Calgary house of \$455,000, it means a tax hike of \$280 this year. Of that amount, \$130 will land in provincial coffers — not to city hall.

"It's just ugly news," said Coun. Ward Sutherland.

He predicts taxpayers will direct their anger at city council.

"I don't think they're going to be very happy," said Sutherland.

The magnitude of the provincial tax hike caught him off-guard.

"We did not expect that of course. We have no capacity to cut and make up for that at all. We've already done our cuts."

Provincial budget upsets city plan

Last summer, council cut \$60 million in spending. The move resulted in 233 job cuts and more than 100 layoffs in city departments.

Council also gave business property owners \$70 million in a rebate to blunt tax increases.

The timing of the provincial tax hike has landed like a sledgehammer at city hall.

Council approved a tax freeze for 2020.

But because of the ongoing impacts of the drop in downtown property values that have pushed up property taxes for business properties outside the core, council decided to shift some of the tax burden from non-residential accounts to homeowners.

That means a tax increase for homeowners while many business properties will see a decrease or small increases.

The impact of that tax shift lands in this spring's tax bill envelopes at the same time the province is boosting its property tax for homeowners.

For residential customers, 63 per cent of their property tax bill goes to city hall while the other 37 per cent goes to the province.

For non-residential property owners, 81 per cent of their bill goes to the city while the other 19 per cent goes to the Alberta government.

Council wants facts in bills

It all creates a communications challenge for city council.

"There's an incredible pinch on all Calgarians right now and it's a challenge to communicate all of the factors that are going into these decisions without simply saying: taxes are going up," said Coun. Jeff Davison.

Several council members are asking city administration to come up with ways of getting more information into the tax bill this spring to let people know what's happened and where their money is actually going.

City manager David Duckworth said he's talking with the finance department about putting an insert into tax bills that spells out that the city has a property tax and that it simply acts as a collector for the province's education property tax.

"We still might have the one bill that shows everything but at least have some backup information that's very clear for people, that draws their attention to read it," said Duckworth.

The provincial budget is causing other troubles for the city.

Another hit for police

### International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Council heard the Feb. 27 budget saw another \$4-million reduction in fine revenues for the Calgary Police Service.

Last fall's budget resulting in the withholding of \$13 million in fine revenues. City council decided to fill in that gap last fall but there's no word yet on how this newest reduction will be handled.

The city is expecting a provincial cut in maintenance funding for affordable housing units will result in 100 units being closed for use.

Coun. Druh Farrell calls the cut a big concern for the city as it will hurt vulnerable people.

Rather than close units, she said the city wants to add thousands of new units to help people who are on a waitlist.

The Calgary Housing Company, a city-owned agency, looks after provincially owned affordable housing buildings.

But she said many units are in poor condition and provincial money is needed to keep them safe for people to live in.

"Calgary Housing Company is not a slum landlord. We don't want to be a slum landlord," said Farrell.

She pointed out that the province will save money in the long term if it creates more units and keeps people in those units rather than on the streets.

"We want our residents to be living in safe, clean housing. Stable housing. We know that it saves us money in the long term," said Farrell.

"Homelessness is not a cheaper solution. It's a more costly solution."

## BRITISH COLUMBIA

### Small business owners not impressed with B.C.'s new property tax relief plan

Small business owners and non-profit organizations in Vancouver say the province's new recommendations — meant to lessen taxes for some — don't provide the immediate fix and meaningful relief needed to help their struggling businesses.

"It's urgent," said Denise Brennan, executive director of Creative Coworkers, a non-profit collective.

"For me, this new recommendation is too little too late," she said.

Earlier this week, the province introduced a new interim program to allow local governments to provide property tax relief to small businesses and non-profit groups in the 2020 tax year.

The measure is meant to help businesses, non-profits, and arts and culture venues that are struggling with high leases due to skyrocketing property values.

The program will allow municipalities to enact their own individual bylaw to exempt a portion of the property tax for affected businesses, within a set of parameters decided by each municipality.

Brennan has been operating her shared workspace for the last five years, but was forced to close down after getting an eviction notice three weeks ago.

"The increase in property tax eliminated any potential to earn a living, or to get out from under our operating costs," she said.

Vancouver Mayor Kennedy Stewart expressed concern this week for small business owners and said he fears the new legislation is unworkable, as many cities will struggle to sort through the implications ahead of the April 22 tax deadline.

### International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

"There is a chance this could make things worse," said Stewart.

Sarah Savoy leases space on Main Street for her clothing store Much and Little. She says her rent more than doubled in the past 18 months and she was forced to find a smaller, more affordable space.

"It's rough, it's been very challenging," said Savoy.

"There's only so much revenue you can generate out of a smaller space."

Savoy said she has considered selling her clothing online but keeps coming back to the need for a brick-and-mortar presence in the community.

"Having that face-to-face with customers and suppliers, that's very important to me as a business owner," she said, noting her sentiment is shared by many other small business owners.

## Partnership exemption from property tax of foreign buyers, British Columbia

British Columbia's 2020 budget includes a new exemption from the 20% additional property transfer tax (referred to as the "foreign buyer tax") for certain partnerships.

The measure would provide relief to taxpayers and is intended to allow qualifying Canadian-controlled limited partnerships to be treated in a manner consistent with Canadian-controlled corporations. The draft legislation and effective date for the new exemption have not yet been released, but it is expected new legislation would introduce a new concept of a qualifying Canadian-controlled limited partnership.

### Background

Under current B.C. law, the 20% foreign buyer tax generally applies to certain transfers of residential property located in specific geographic areas within the province. Specifically, it applies when the transferee is a foreign national, a foreign corporation or a "taxable trustee" (i.e., a trust with a foreign national or foreign corporation as trustee or beneficiary). A foreign corporation is defined for this purpose as a corporation not incorporated in Canada, or a corporation that is incorporated in Canada but that is controlled directly or indirectly by foreign entities (unless the corporation's shares are listed on a Canadian stock exchange).

The current rules do not explicitly address how the foreign buyer tax applies to a transferee that is a partnership.

## International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.