

ITEM SUPPLEMENTARY 16
MANAGER'S REPORT NO. 3
COUNCIL MEETING 88/01/11

RE: INDUSTRIAL TAXATION

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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TO: MUNICIPAL MANAGER

FROM: DIRECTOR FINANCE

RE: INDUSTRIAL TAXATION

RECOMMENDATION

1988 January 06
File: A73-2

1. THAT this report be received for information purposes.

REPORT

MOTION ON INDUSTRIAL TAXATION

On 1987 December 17 the following motion was introduced in the B.C. Legislature by the Minister of Finance and Corporate Relations and passed by the House (Legislature):

That this House authorize the Select Standing Committee on Finance, Crown Corporations and Government Services to examine, inquire into and make recommendations on the matter of replacing industrial property taxes presently imposed under the Municipal Act and the Taxation (Rural Area) Act with a single tax at a uniform rate, the proceeds of which would be distributed to local government and, in particular, to consider:

1. the nature of industrial property to be included in such a tax;
2. the basis for the assessment of such property;
3. the appropriate level of taxation; and
4. the basis for distributing the proceeds of the industrial property tax to local government,

and to report to the House as soon as possible, or following any adjournment, at the next following session, as the case may be.

The full extract from the U.B.C.M. circular with the motion and members of the Select Standing Committee on Finance are attached as Schedule 1. The U.B.C.M. Executive are meeting to discuss the implications of this motion on 1988 January 21 and 22.

DISCUSSION

The motion implies that the Provincial Government is considering levying and collecting the property taxes on industrial assessments and redistributing the proceeds to local governments. In other words, the Provincial Government, rather than local government, would control the taxation of industrial property. In 1987 Burnaby collected \$3.6 million in general municipal taxes from its industrial assessments. It is not known how the industrial class property taxes collected by the Province would be distributed back to the local governments.

The implications of the legislation which could result from this motion are serious for local municipal governments. It is an erosion of the power of the local government to impose taxation to fund its continuing services. It is a loss of local autonomy. It is also a centralization of taxation powers towards Provincial control. It will affect the amount of property taxes local government can impose on its industrial base. It could also affect the ability of a community to encourage industrial economic development because it cannot control its property taxation rates.

The potential legislation which could result from the motion is cause for serious concern. Rather than voicing our objection, or rejecting the proposal out of hand at this time, we will wait to see what clarification will be forthcoming and the position that the U.B.C.M. will take. This should allow us to determine the position we wish to take. A further report will be submitted as information is available.

NEW CLASS OF INDUSTRIAL ASSESSMENTS

Council has been informed of the Province's intent to create a new class of industrial assessments. Bill 67, which deals with the issue, received Royal Assent on 1987 December 17. Schedule 2 attached has been provided by the U.B.C.M. and provides details about the legislation such as:

- . Definitions
- . Timing for 1988
- . Appeals in 1988
- . Discretion to phase in

The foregoing is for the information of Council.



Howard Karras
DIRECTOR FINANCE

PWT:gw
Attach.

cc: Directors

ATTENTION ALL UBCM MEMBERS

• IMPORTANT •

MOTION ON INDUSTRIAL TAXATION

Before the House adjourned the following motion was introduced by the Minister of Finance and Corporate Relations, the Honourable Mel Couvelier, and was passed by the House:

Moved by Honourable Melville B. Couvelier

That this House authorize the Select Standing Committee on Finance, Crown Corporations and Government Services to examine, inquire into and make recommendations on the matter of replacing industrial property taxes presently imposed under the Municipal Act and the Taxation (Rural Area) Act with a single tax at a uniform rate, the proceeds of which would be distributed to local government and, in particular, to consider:

1. *the nature of industrial property to be included in such a tax;*
2. *the basis for the assessment of such property;*
3. *the appropriate level of taxation; and,*
4. *the basis for distributing the proceeds of the industrial property tax to local government,*

and to report to the House as soon as possible, or following any adjournment, at the next following session, as the case may be.

In addition to the powers previously conferred upon the said Committee by the House, the Committee shall have the following additional powers, namely:

- (a) *to appoint of their number one or more sub-committees and to refer to such sub-committees any of the matters referred to the Committee; and,*
- (b) *to sit*
 - (i) *during any period in which the House is adjourned, is prorogued and during any sitting of the House; and,*
 - (ii) *to adjourn from place to place as may be convenient; and,*
- (c) *to retain consultants as required to advise the Committee generally, during its deliberations.*

The Select Standing Committee on Finance, Crown Corporations and Government Services is composed of Mr. Bud Smith (Chairman), Mr. J. Rabbitt (Secretary), Hon. M. Couvelier, Mr. C. D'Arcy, ~~Mr. J. Jansen~~, Mr. J. Jansen, Mr. A. Rec, Mr. ~~Mr. E. Veich~~ and the Hon. E. Veich.

Note * Subsequently these two members were replaced by Mr. M. Sihota and Mr. R. Williams.

UBCM IS SEEKING IMMEDIATE CLARIFICATION OF THIS MOTION.

BILL 67

Bill 67, the Assessment Amendment Act, was introduced December 11, 1987.

The major thrusts of the Bill deal with Major Industrial Valuations and the Assessment Appeal Board. (see below)

Other amendments of interest include:

- replacing "storage tanks" in the definition of improvements with a "tank with a capacity of more than 4,500 litres." This is intended to remove the problems between "storage tanks" and "process tanks"; so that these tanks remain assessable.
- removing the words "closed circuit" from the definition in order that TV towers will remain assessable.

ASSESSMENT OF MAJOR INDUSTRIAL PROPERTIES

NEW CLASS DEFINED

Major mining, petroleum, forest industry, other resource manufacturing and allied plants will form a new industrial class (see box opposite). UBCM understands that the properties remaining in present Class 5 Industrial will continue to comprise a separate class.

APPROACH TO VALUATION OF MAJOR INDUSTRIAL PROPERTIES

The Act prescribes the following approach to valuation:

1. DETERMINE THE REPLACEMENT COST OF IMPROVEMENTS
 - calculated using Cabinet-approved manuals.
2. LESS DEPRECIATION
 - at rates prescribed by Cabinet (rates may be different for different properties).
3. PLUS ACTUAL LAND VALUE
 - as now determined under the Act.
4. EQUALS NEW VALUES

DISCRETION TO PHASE IN

If Cabinet determines that the new assessed values or resulting taxes are substantially higher than the 1987 values, they may order the assessment or taxation phased in by the manner they determine.

ASSESSABLE IMPROVEMENTS DEFINED

A relatively complex definition of what is a major industrial improvement is introduced and the text of the Bill should be consulted for details.

Of importance to local government is the intention of the definition to retroactively "freeze" the assessability of improvements within the major industrial class for the purposes of 1987 taxation. The effect will be to restore to the roll for 1987 tax purposes industrial improvements such as beehive burners and drykilns.

THE NEW INDUSTRIAL CLASS WILL CONTAIN:

"Industrial Improvement" means an improvement that is part of a plant that is designed, built and can be used for the purpose of one or more of the following:

- (a) mining, extracting, beneficiating or milling of metallic or non-metallic ore;
- (b) mining, breaking, washing, grading or beneficiating of coal;
- (c) producing of aluminum;
- (d) smelting or refining of metal from ore or ore concentrate;
- (e) manufacturing of refined petroleum and natural gas products including fuels, blended oils and greases;
- (f) manufacturing of lumber or other sawmill and planing mill products;
- (g) manufacturing of wood veneer, plywood, particle board, wafer board, hardboard and similar products;
- (h) manufacturing of gypsum board;
- (i) manufacturing of pulp, paper or linerboard;
- (j) manufacturing of chemicals;
- (k) manufacturing of chemical fertilizer;
- (l) manufacturing of synthetic resins or the compounding of synthetic resins into moulding compounds;
- (m) manufacturing of cement;
- (n) manufacturing of insulation;
- (o) manufacturing of sheet glass or glass bottles;
- (p) building, refitting or repairing ships;
- (q) loading cargo onto sea-going ships or barges, including associated cargo storage and loading facilities.

but the Lieutenant Governor in Council may exempt from this definition the industrial improvements in a plant or a class of plant that has less than a prescribed capacity and may prescribe different capacities for various type of

TIMING FOR 1988

Although the Act does not deal with the process it is UBCM's understanding that:

- all affected properties will be removed from the Assessment Roll (approximately 500 properties are likely to be affected).
- the Assessment Authority will calculate new values. The Authority is currently in the process of inventorying affected properties using a series of teams of assessors. Once the valuation manuals are produced, the values for specific properties will be produced.
- new assessment notices will be mailed and local government advised before March 31, 1988.

APPEALS IN 1988

- an owner may appeal the new values on or before May 1, 1988.
- appeals will be made directly to the Assessment Appeal Board in 1988 (not to the Court of Revision).

REGIONAL DISTRICT DEADLINES EXTENDED

- Since major industrial values may not be known until March 31, regional district deadlines have been extended for:
- adoption of the budget until April 23 (from March 31).
 - requisitions of funds until April 30 (from April 10).