

## **STAKEHOLDER PERSPECTIVES/ENGAGEMENT**

- Consultations were held June through July 2016. Participants in the consultations included:
  - Provincial Ministries
  - Government Finance Officers Association (Cities)
  - Residential Property Associations
  - Agricultural Associations
  - Grain Elevator Industry
  - Oil and Gas, and Pipeline Industries
  - Railway Industries
  - Commercial/Business Sector
  - Mining and Forestry Industries
  - Local Government Associations
  - Saskatchewan Assessment Management Agency
- Consultation meeting attendees offered comments at the presentations and were invited to provide written feedback and viewpoints.
- A detailed copy of the ministry's presentation is available on the government website with contact information for stakeholders to provide any feedback. The presentation includes maps showing projected tax shifts. The link for this website is:  
<http://publications.gov.sk.ca/documents/313/93311-WebPres2017.pdf>

## **Summary of Consultations Remarks & Submissions**

### **Meeting Date and Sector**

#### **24-Jun-16 SAMA Board**

- SARM representative noted RMs do not have property subclasses to distinguish between pasture and cultivated land; therefore, it is hard to manage the shifts.
- Chairman wondered if government should re-examine providing subclass authority for municipalities outside of cities. Need to look at overall picture in considering goals.
- SARM representative stated it was possible to harmonize agriculture and pasture, as BSE is long past.
- SARM representative felt 45 per cent for Agriculture land and 80 per cent for residential would be possible, or even 50 per cent for Agriculture land for POV.
- No expectation for government to fully cushion municipal tax shift to Agriculture land.

#### **28-Jun-16 Provincial Ministries**

- Finance feels EPT will be of interest to the ministry – when will POV decision be announced?
- Parks is looking at changing its fee structure for provincial parks and is sensitive to leaseholders. Wondering if SAMA will do valuations in parks. Have had Cabinet direction to move to an assessment and tax system for residential sector.
- Sask Housing feels the change for multi-unit residential changes will affect them and other affordable housing - higher property taxes mean higher rents.
- Sask Housing agreed recent demand for multi-unit housing pushed values up. Asked about how assessed values are calculated.
- Agriculture felt the increase in Agriculture land was not unexpected. Sector is doing well and they have been watching land values increase.
- Agriculture also felt the province needs to consider the balance between Agriculture land and value-added Agriculture industries.
- Agriculture would like to consider a review of tax tools as well.

- Agriculture also indicated even though it is a large increase, it is spread over many acres.
- Justice indicated the increases could affect ISC through land registry and transfer fees. Changes in POV may cause pressure on what is included in affidavit of value.
- Curious about condo impacts and if there is any overvaluation in residential.

## **29-Jun-16      Grain Elevators and Railways**

- CP wanted clarification that railway assessment is track (right-of-way) versus commercial property.
- Viterra was interested in what the agriculture sector thought about harmonizing pasture and cultivated land POV.
- Viterra also wanted to know if any thought given to moving grain elevators back to 75 per cent POV.
- GWR short line felt magnitude of shifts were not great.
- Viterra and the Inland Terminal Association of Canada felt there was minimal impact on grain elevators, which was good.
- Western Grain Elevator Association expressed concern about local tax tools, especially the use of mill rate factors.
- Questioned about timelines for decision making process.
- Scope of shifts is significant to agriculture sector but need to consider health of oil and gas industry at the same time (balanced approach).

## **05-Jul-16      Local Government Associations**

Saskatchewan Urban Municipalities Association (SUMA)

Saskatchewan Association of Rural Municipalities (SARM)

Urban Municipal Administrators Association of Saskatchewan (UMAAS)

Rural Municipal Administrators Association (RMAA)

- SUMA wondered if there was a policy or requirement for municipalities to stay revenue neutral during a revaluation – informed no.
- SARM wondered why is agricultural land increasing so much and was this a province-wide increase.
- Informed that exempt agricultural residential properties are not included.
- SARM also wanted an explanation of resource property class and how railway rights-of-way are assessed.
- SARM was curious if it was possible to adjust POV by a single percentage point. Informed yes, but that it would have little effect.
- All were informed that assessment base in the model is an apples-to-apples comparison before and after revaluation.
- SUMA wondered why agricultural land is mitigated so much. Supposed to be ad valorem system; agriculture market saw increases so this should be reflected.
- SUMA felt the province should move to ad valorem (100 per cent) and let shifts flow through (stop mitigation).
- Agriculture currently experiencing benefit of lower POV, exemptions and low EPT rates.
- SARM noted for RMs with mainly agriculture assessment, revaluation does not have much effect. No real shifts. For cattle industry it will be important.
- UMAAS noted small urbans will likely use tax tools to shift tax back to commercial.
- SARM stated RMs would like property subclass authority. This will not make a difference with current shifts.

- RMAA noted many municipalities use revaluation as an opportunity to increase taxes. This should be monitored and tracked.
- All wondered when the taxable assessments will come out (timelines)?
- Discussed differences between agriculture industry and other businesses in term of handling property tax expenses (accounting).
- Mentioned potential issue of possible impacts with local government elections.

#### **06-Jul-16      Agriculture Sector**

- Sask Pork Development Board wondered what time frame the revaluation covers.
- How does government get to the decisions - which options are brought forward?
- FCC curious about frequency of revaluation as compared to other jurisdictions and why. Informed we are on a four-year cycle and there are a variety of other cycles with varying reasons why the frequency is different across Canada.
- Sask Wheat Growers expressed concern about how closely taxes match assessment. Informed that is up to municipalities. Increase in assessment may not mean increase in taxes depending on what municipalities do with local tax tools.
- Pork Development Board asked what causes negative move in taxes from revaluation if assessment always increasing? Informed that the increase in assessment for a property is relative to the provincial average for a property class, and depending on whether you are above or below will indicate a tax increase or decrease.
- Agricultural land values still are based on productivity. A Saskatchewan provincial agricultural land market value factor (based on agricultural land sales) is included in calculating assessments, which is what is causing the increase.
- Ministry of Agriculture stated RMs only have the one agricultural property class so POV relationship between cultivated and pasture is important.
- FCC wondered why no change in pasture POV, as the BSE crisis has long since ended?
- Sask Oat Development Commission felt it is an impact on a challenged sector (cultivated agriculture). Increased taxes could hurt the productivity of farms.
- Sask Cattlemen's Association is not enthusiastic about the shift to agricultural land and more concerned about the shift from cultivated to pasture. Felt the shifts should reflect industry economic situation - mitigate shifts.
- Ministry of Agriculture felt the shift was not unexpected due to increases in agricultural land sales values.
- Pork developers feel no one wants to pay more and agricultural land should be assessed on cost, not productivity influenced by market values.
- Would like to see EPT shifted totally to General Revenue Fund. This would balance municipal tax increases.
- Want secondary weight corridors increased to primary weights.
- Want better definition between commercial and agricultural properties as many agriculture properties are large commercial operations.
- Worried about balance between agricultural land and value -added agriculture industry. Concerned about harmonizing agriculture POV.

#### **07-Jul-16      Oil and Gas, Pipelines and Mining**

- Sask Potash Producers Association asked about their share of the assessment base.
- Also wondered if municipalities could apply mill rate factors to mines. Informed that not anymore.
- Potash showing decrease due to municipal mill rates decreasing while assessments increasing. Will this trend be maintained?

- Enbridge Pipelines interested in shift for their property class in cities (increasing).
- Enbridge liked the transparent approach by Government Relations in holding the consultation meetings. They felt the analysis is good and other provinces could be more transparent when dealing with assessment.
- CAPP interested in timeframes for the oil and gas assessments and what caused the decrease in taxes for those properties in the analysis.
- Canadian Energy Pipeline Association concerned about whether there may be consideration of going over a 100 per cent POV for certain commercial properties. They receive no services for high municipal property tax cost.
- Small Explorers and Producers Association of Canada acknowledged that municipalities will try to change outcome through the use of tax tools and wondered if the modelling took this into account (no – cannot predicted how municipalities will treat the new assessed values combined with local revenues and tax distribution decisions).
- Canadian Property Tax Association curious if EPT rates continue to be province wide and how will it be distributed amongst the property classes? Informed no response currently as this is a budget decision item.
- Feel a shorter assessment cycle could moderate the magnitude of the shifts. Depressed values in some areas will result in shifts that differ; system would be more responsive.
- Would like further reduced provincial limits on tax tools.
- Concerned about subclasses in cities. For example, Prince Albert put in subclasses to reverse assessment appeal outcomes.
- Ministry of the Economy wondered if modeling could look into specific sectors (system not designed for that).
- Asked about timeline for decision.

#### **08-Jul-16      Residential Sector**

- Association of Saskatchewan Realtors asked if there was an audit or monitoring of municipal use of tax tools. Informed the ministry gets municipal information that generates the mill rate survey which allows for examination.
- Canadian Condominium Institute wondered if cities could tax condos and rental/multi-unit residential differently. Informed that cities can create property subclasses and that some in fact do have multi-unit subclasses.
- Informed they should talk to cities about taxes. Local councils need to be communicated with if you want to influence the tax burden for a property class.
- Association of Saskatchewan Realtors was curious if there was a government policy to shift all POV to 100 per cent. No policy exists. The scenario in the presentation is only used for display purposes of what would happen.
- Also asked if government has a policy on tax exemptions versus a base or minimum tax? Informed that exemptions, base tax and minimum tax decisions were local municipal decisions and government is not involved.
- Felt should work towards 100 per cent POV across board for transparency. Moving downward (lowering POV) not a good policy.
- Canadian Condominium Institute informed that for assessment concerns there is the province, assessment service providers, appeal process and local councils a ratepayer could go to for more information/clarification.
- Asked about agriculture sector reaction to shifts.
- Wondered what constituted multi-unit residential properties (multi-unit properties with four or more suites).

### **13-Jul-16 Commercial**

- Saskatoon Chamber was interested in if Moose Jaw did its own assessments and what was the name of the private firm in the province providing assessment services.
- CFIB interested in how many municipalities were at the 9:1 ratio limit.
- Asked about the percentage increase for commercial assessments and why the residential increase was lower.
- What is the revaluation base date? January 1, 2015.
- Regina Chamber wanted the commercial/industrial property class broken down further (i.e. office, retail, warehouse etc.).
- Saskatoon Chamber wanted to know the mill rates for mines and why potash differed.
- Felt needed more time to provide input in future years. Make the presentation sooner in the year rather than later.
- Wanted to know about feedback from other sectors.
- Requested other scenarios be run (done).
- Asked about a separate resource class for municipalities as done for EPT.
- Felt this revaluation was agriculture versus energy, resource industry and value-added agriculture.
- Would like to see 100 per cent POV across the board.
- Any thought about putting caps on assessments or tax increases? – has not worked well in other jurisdictions (creates its own issues).
- Both Saskatoon and Regina Chambers felt Regina and Saskatoon should be on a two-year revaluation cycle. Regina Chamber wants a shorter revaluation cycle.
- Felt not transparent enough without a shorter revaluation cycle and all at 100 per cent.
- Long lag between base date and end of the revaluation cycle.
- BOMA found the information good and appreciated the invitation to consult.
- Hotels are suffering an impact on business due to the economic changes in the province. Large vacancy rates due to oil and gas sector downturn. Wondered if this was taken into account with base date? This may be out of line with the base date since many of the decreases in rental incomes occurred after.
- Wondered if Prince Albert was authorized to use tax tools and property subclasses (yes).
- Saskatoon Chamber stated there was a need for a long-term provincial policy statement to be set and a move from political to policy based decisions in terms of property tax policy. Would provide predictability and resolve distribution issues.
- Annual tax bylaw for municipalities makes some sense for transparency.
- Need to have an effective mill rate ratio instead of current tax policy framework.
- CFIB pointed out they get the mill rate survey for their reports from GR (appreciated this).
- Want to narrow the gap in taxation rates between residential and commercial. Phase out mill rate factors.
- Would like to see reversal of POV reduction for pasture since BSE no longer an issue.
- SCC wants more predictability in taxation.
- Timeline for decision making process.

### **02-Aug-16 Saskatchewan Opportunities Corporation Meeting**

- What will the impacts be for commercial/industrial in the cities?
- Wanted clarification on why the shifts were occurring onto commercial/industrial property. Explained that it is in urban sectors.

- Would like 100 per cent for all and would like to see it as a government target. Currently this is not a government policy.
- Wondered if there was actual growth in the physical assessment base (yes).
- Wondered why government may choose to cushion agriculture when it did not cushion any of the other property classes in previous revaluations. Did not reverse trends or mitigate to zero.
- Noted local municipal tax tools still to be applied - will change municipal tax shifts.
- Asked about timeline for decision.

## **Submissions/Letters Received**

### **Canadian Association of Petroleum Producers**

- Notes current economic situation of the industry (downturn) while external costs (e.g. property taxes) continue to increase.
- Feels RMs will not allow the municipal tax shifts to flow through and will use tax tools to shift the burden back onto oil and gas properties, negating their potential benefit.
- RMs will not be revenue neutral.
- Recommend maintaining the status quo in terms of POV for agricultural and residential properties.
- Recommends that over the next five years the POV for agriculture and residential be increased to 100 per cent (gradual change).
- Recommend the implementation of an effective mill rate ratio including the use by municipalities of minimum or base taxes.
- Concerned about the RMs that are at the provincial mill rate factor limit using other tax tools to make up any revenue losses.
- Recommends that if agriculture POV be lowered, then stricter rules on the use of tax tools be considered and implemented.

### **Saskatchewan Potash Producers Association**

- Concerned the assessment system is bringing about unfair distribution of the local tax burden due to POV.
- The shift onto agricultural land should be allowed to flow through and is a consequence of revaluation.
- Tax tools still allow local governments to impose higher taxes upon industry.

### **Saskatchewan Wheat Development Commission**

- State that agricultural property taxes are a significant cost to wheat producers.

### **Greater Saskatoon Chamber of Commerce**

- Would like a two-year revaluation cycle.
- Feel the province should go to 100 per cent POV for all property classes.
- Local governments can use mill rate factors and mill rates to deliver different taxation levels to different property classes.
- Move to an effective mill rate factor ratio of 1.43 between residential and non-residential properties.

### **Saskatchewan Chamber of Commerce**

- Property taxes are a capital tax and are difficult for a business to manage due to their unpredictability.

- Eliminate POV (move all to 100 per cent). Municipalities alter the intent of POV through the use of tax tools.
- Eliminate the inequitable treatment of commercial properties when compared to other properties.
- Since the move to 100 per cent POV for agriculture may not be feasible this year, move to 100 per cent on residential.
- Implement an urban residential to commercial mill rate ratio of 1.43.
- Harmonize pasture and cultivated agriculture lands at 50 per cent POV.
- Ask that mill rates, mill rate factors, base tax and minimum tax be replaced with an effective rate of tax for each classification of property. This will increase clarity and transparency.

#### **North Saskatoon Business Association**

- Support more property classes being at 100 per cent POV with mill rate tools to be used to determine the property tax burden between classes.
- Feel commercial ratepayers face an undue tax burden when compared to other property classes.
- States municipalities are increasing mill rates at rates greater than inflation and economic growth.
- Feel local governments should work with reduced revenues and stringent operating budgets (as businesses are faced with) and this should be reflected in the POV decision.
- Goal should be to have property tax increases at less than the rate of inflation. This would make municipal government operate more effectively and efficiently.
- Would also like a two-year revaluation cycle, as they feel this would allow for timely adjustments, predictability and more accurate taxes.

#### **Regina Chamber of Commerce**

- Believes that we are missing economic opportunities because investors view the system as being complicated and not understandable.
- Want to move to a two-year cycle. Increased costs would be paid for through local increased mill rates.
- Alternative of allowing Regina and Saskatoon to be on a two-year cycle while the rest of the province remains on a four-year cycle.
- Rather than using equalization to make up for the differing cycles; cap the total tax generated in each city for EPT purposes and redistribute the tax within each community so there is no loss to government.
- Move to 100 per cent POV for all properties and then use mill rates and mill rate factors to distribute the tax burden between property types.
- Move toward a tax rate ratio of 1.43 between commercial and other properties.
- On the assumption that a move to 100 per cent POV is not possible in 2017, would like to:
  - harmonize agricultural land at 50 per cent POV,
  - increase residential to 80 per cent POV; and
  - resist offsetting energy sector reductions to offset the increases to the agriculture sector (energy sector needs our support).
- Would also like government to investigate moving toward the Alberta model of property assessment (examine if there would be any cost savings).