

1992 RURAL TAX ISSUES UPDATE

1. BACKGROUND

The 1991 UBCM Convention authorized the Working Group on Rural Taxation to continue its research and to report back to the 1992 Convention.

The Working Group is comprised of one representative from each of the five Area Associations and is chaired by the UBCM Electoral Representative. The current members of the Working Group are:

Director Hans Cunningham	UBCM	Chairperson
Director Jim Gurney	AVIM	
Director Paul Caissie	OMMA	
Director Darlyne Brecknock	NCMA	
Director Roy Millar	AKBM	
Director Brian Appleby	LMMA	

In its 1991 Report, the Working Group made a number of recommendations to the province with respect to:

- the need for provincial accounting policies to track more precisely the costs and levels of services delivered by the Province in rural areas.
- the need for a clearer statement of provincial policy objectives for the rural tax.
- the need for greater provincial accountability to rural taxpayers for service delivery and policy change decisions.
- the involvement of UBCM in provincial rural tax studies.
- the advisability of delaying implementing differential rural tax rates until the 1993 reassessment year.

The Working Group also recognized the need for further study on:

- the criteria for calculating differential tax rates;
- the criteria for determining appropriate boundaries for the differential rates; and
- other potential methods for mitigating any impacts of the 1993 reassessment.

2. PROVINCIAL TAX POLICY INITIATIVES THIS YEAR

This year the province chose to announce the rural tax rates together with the school tax rates late in April rather than as part of the Budget Address, as in earlier years. The 1992 rural residential tax rate rose by about 3% while the non-residential rates experienced various increases. The rates for managed forest lands and farms remained unchanged. The rates for

1992 are as follows:

GENERAL RURAL TAX RATES , 1991-1992

Property Class	<small>(per \$1,000 of assessed value)</small>		
	1991	1992	Increase
01 <i>Residential</i>	1.75	1.80	2.9%
02 Utilities	4.00	4.30	7.5%
03 Unmanaged Forest	4.50	4.70	4.4%
04 Major Industry	4.50	4.70	4.4%
05 Light Industry	4.00	4.20	5.0%
06 Business/Other	4.00	4.20	5.0%
07 Managed Forest	0.50	0.50	0.0%
08 Recreational/Non-Profit	2.00	2.10	5.0%
09 Farm	0.50	0.50	0.0%

The increased rates are expected to raise an additional \$3.0 million in 1992. This will result in a total tax levy of approximately \$54.0 million for 1992/1993, up from \$51.0 million in 1991/92.

3. ISSUES AND PROGRESS TO DATE**a. Tracking Costs**

Rural residents want to know what they are getting for their rural tax dollars. We know that the tax revenues collected by the Province go toward providing police and road maintenance services in rural areas. It has never been possible to say with any confidence what proportion of the actual costs of providing these services are actually paid for by the taxes raised. The Working Group has made some progress in this regard.

- ***Rural Policing***

The Police Services Branch of the Ministry of Attorney General has provided some preliminary figures on the costs of rural policing. They estimate that in 1991, they spent some \$51 million for this purpose. These figures do not include the costs of highway patrol or other services shared among detachments. Staff will continue to work with Police Services to update these figures using more current financial information as it becomes available and to use the 1991 Census population information.

- ***Rural Highway Maintenance***

The Highway Maintenance Branch of the Ministry of Transportation and Highways also agreed to assist us in our research. Staff from the Maintenance Branch have put together information from the most recent round of maintenance contracts which provides us with a good idea of the costs of maintaining rural bridges and roads (i.e., third class and lower roads, not part of the numbered provincial highways system). The figure generated for 1992 is \$147 million for this purpose. Because the information is reported by Highways District and not by Regional District, work is ongoing by Ministry staff to approximate our boundaries and to recast the figures on that basis. This work is tedious and time-consuming and we appreciate their efforts.

We expect to have some preliminary results on a Regional District basis from the Ministry by sometime in October.

b. Assessment Act Changes

There were some changes made to the *Assessment Act* this year that will affect rural residents. As a way of stabilizing the tax base, assessment roll will again be produced on an annual basis rather than every two years. The tax roll will also be finalized by the end of December rather than by the end of September.

The move to an annual roll is intended as a way to minimize the kinds of assessment driven tax shifts that took place in 1991 and that we expect to see again in 1993. In this year's *Assessment Act* changes, municipalities were also given the authority to mitigate the impacts of significant assessment changes through the optional use of three-year averaging of assessments or through a phase-in of assessed values. These options are not available for use in unincorporated areas.

c. Differential Tax Rates

The only tool currently available to mitigate tax shifts in rural areas is through the use of differential tax rates which were introduced into the *Taxation (Rural Area) Act* last year. The province complied with our request to delay implementing these until the next reassessment year which is 1993.

In July, UBCM staff met with staff from Treasury Board and the Real Property Taxation Branch of the Ministry of Finance and Corporate Relations to discuss various possibilities of how differential tax rates might be applied in rural areas. Staff shared the Working Group's concerns about the difficulties in determining appropriate regional groupings and in maintaining service levels in less populous areas. Treasury Board staff are working to determine if a formula can be applied across the province that would be sensitive to regional variations and capacity to raise revenue.

The Ministry staff have indicated that they will have preliminary assessment data available by November, at which time they would begin analyzing the impacts that the updated assessment roll might have in rural areas. They will also then have a base on which to begin modelling different schemes for applying differential rates. They have indicated their intent to continue consulting with UBCM on these matters and to seek UBCM's input and advice.

4. RECOMMENDATIONS

There are many significant issues that are unresolved at this time that pertain directly to the objective of the Working Group on Rural Taxation, including:

- finalizing cost data for rural policing and road maintenance;
- assessing the impacts of the 1993 reassessment; and
- providing input to the possible implementation of differential tax rates.

It is therefore recommended that the Working Group's mandate be extended for

another year so that the members can pursue these issues and provide direction for discussions with the province on policy matters involving rural taxation.