

INTERIM BUSINESS PROPERTY TAX RELIEF EXEMPTION BEST PRACTICES GUIDE

PROPERTY ASSESSMENT
SERVICES BRANCH

Ministry of Municipal Affairs
and Housing



March 2020

The information contained in the Interim Business Property Tax Relief Best Practices Guide (Guide) relates to amendments to the *Municipalities Enabling and Validating Act (No. 4)* under Bill 10.

If a municipality wishes to adopt a *Business Property Tax Relief Exemption Bylaw*, the information provided in this Guide, the model *Business Property Tax Relief Exemption Bylaw* and the sample *Notice of Proposed Business Property Tax Relief Exemption* serve as reference material. It remains the responsibility of the municipality to ensure its bylaw and public notice meet:

- i. all applicable requirements of the *Municipalities Enabling and Validating Act (No.4)*; and,
- ii. any other applicable legal requirements, including those contained in the *Community Charter*, *Vancouver Charter* and the *Assessment Act*.

It is important that municipalities do not rely on this Guide, including the attached model *Business Property Tax Relief Exemption Bylaw* or sample *Notice of Proposed Business Property Tax Relief Exemption*, as a substitute for seeking independent legal advice or a municipality exercising its own discretion.

Bylaw Development and Adoption

Recent amendments to the *Municipalities Enabling and Validating Act (No.4)* under Bill 10 enable municipalities, by bylaw, to exempt from municipal and school taxation a portion of the value of certain commercial properties.

The purpose of the legislation is to provide immediate, interim property tax relief to those small businesses, non-profits and arts and culture organizations that have been disproportionately affected by unexpected and significant increases in property taxes as a result of factors such as zoning or Official Community Plan changes or general market trends.

This Guide is intended to provide helpful information and an overview of the requirements for implementing the interim business property tax relief exemption.

Note: Legal counsel should review the bylaw before it proceeds to council to ensure that it complies with requirements in the legislation.



A. Overview of Key Dates

- Municipalities must adopt the bylaw on or after January 1 and before March 31.
- Municipalities must deliver a copy of the bylaw to BC Assessment as soon as practicable and no later than April 2.

- Municipalities must deliver the exemption notice to owners of exempt properties as soon as practicable.
- BC Assessment must provide the report to municipalities by April 15.
- Municipalities must adopt tax rate bylaws before May 15.

B. Adjustments for 2020

- Requirement for public notice – only one newspaper publication is required.
- Bylaw adoption – no requirement for a one-day delay between third reading and bylaw adoption.
- Bylaw adoption must occur by April 22.
- Municipalities must deliver a copy of the bylaw to BC Assessment as soon as practicable and no later than April 24.
- Municipalities must deliver the exemption notice to owners of exempt properties as soon as practicable after bylaw adoption.
- BC Assessment must provide the report to municipalities by May 8.

Note: The annual property tax notice must include notice of the exemption and adjustment to school tax rates for exempt properties.

C. Summary of Bylaw Requirements (section 13)

- a. List of exempt properties, preferably identified by folio number where appropriate;
- b. Base year: Any year between 2015 and the current tax year, used for comparison;
- c. Taxation year the exemption applies to;
- d. Land value ratio threshold: The minimum percentage of the total assessed value that must be land value;
- e. Base change threshold: The minimum percentage increase in combined Class 5/6 land value since the chosen base year; and,

- f. Percentage of the assessed Class 5/6 value that would be exempt from taxation, by property, property kind, or area.

Note: See Appendix 1 for model *Business Property Tax Relief Exemption Bylaw*



Photo courtesy - Michael Marson, MAH

D. Annual Municipal Report (20(1))

- Municipalities must include the interim business property tax exemption in the annual municipal report.

E. Public Notice Requirements (sections 20(2), 20(3), 21(1), and 21(2))

- Notice of the proposed bylaw must be published in accordance with the *Community Charter* (section 94) and *Vancouver Charter* (section 3).
- The public notice must describe the proposed exemption and state what tax year it applies to.
- Municipalities may wish to include a list of the properties they intend to exempt in the bylaw. Though identification of the properties is not a legal requirement, the description of the exemption must comply with the legislation.

Note: See Appendix 2 for sample *Notice of Proposed Business Property Tax Relief Exemption*.

F. Publication Requirement Exception for 2020 (sections 20(4) and 21(3))

- For the 2020 taxation year, the notice publication requirements have been amended in recognition of the short timeline between introduction of the legislation and the bylaw adoption deadline; the notice need only be published once in a newspaper distributed at least weekly rather than once a week for two consecutive weeks.

G. Adoption Requirement Exception for 2020 (section 13(6))

- For the 2020 taxation year, the municipal bylaw adoption requirement has been amended; there is no requirement that there be at least one day between third reading and adoption of the bylaw.

H. Notice to Owners and Lessees – Exemption (sections 18(1) and 18(3))

- Once a municipality adopts a bylaw under section 13, it must deliver a notice of the exemption as soon as practicable to the owners of the properties exempted by the bylaw.
- An owner who receives notice of an exemption must promptly deliver a copy of the exemption notice to each lessee who is responsible in whole or in part for property taxes under a commercial lease to which the exempt property is subject.

I. Summary of Exemption Notice Contents (section 18(2))

- The exemption notice in relation to an exempt property must include the following:
 - a. A statement that the property is exempt under section 13 for the current tax year;
 - b. The percentage of the exemption; and,

- c. A statement advising that owners or any other person may review BC Assessment's report and request adjustments to reported net taxable values to correct errors or omissions or to reflect a change in the assessed value since March 31.

J. Notice to Owners and Lessees – Tax Notice or Statement (section 19(3))

- The owner must promptly deliver a copy of the tax notice/statement to each lessee responsible in whole or in part for property taxes under a commercial lease to which the exempt property is subject (as with the exemption notice).

K. Summary of Tax Notice or Statement Contents (section 19(2))

- The tax notice/statement in relation to an exempt property must include:
 - a. A statement that the property is exempt under section 13 for the current tax year;
 - b. The percentage of the combined Class 5/6 property value to be exempt;
 - c. A statement advising owners or any other person that they may review BC Assessment's report and request adjustments to reported net taxable values to correct errors or omissions or to reflect a change in the assessed value since March 31; and,
 - d. A statement that the school tax rates for Class 5 and/or Class 6 under the *School Act* have been adjusted as a result of the bylaw.

L. Notice to BC Assessment – Adoption (sections 16(2)(a) and 23(b))

- The municipality must provide the tax exemption bylaw to BC Assessment no later than April 24 for 2020 and April 2 for years 2021-2024. It is recommended

that a municipality provide the tax exemption bylaws to BC Assessment as soon as possible after adoption.

Eligibility Requirements

A. Provincial Criteria (sections 15(1)(a) and 15(1)(b))

- Properties must be assessed in whole or in part as Class 5, Class 6, or a combination of the two classes.
- These properties must also have, as of December 31 of the prior taxation year, at least one commercial tenant responsible for all or a portion of the property taxes, the amount of which varies with the amount of tax imposed.



Photo courtesy – Michael Marson, MAH

B. Municipal Base Year and Criteria Thresholds (sections 13(2)(a) to (c) and 13(3)).

- The base year and criteria thresholds for each municipality will likely vary based on local circumstances. For instance, a municipality may wish to set the following base year and criteria thresholds (Note: These examples are for illustrative purposes only – they are not recommendations):
 - Base year: e.g., 2015;
 - Land value ratio threshold: e.g., 90% of the assessed value of the property must be attributable to land for the current tax year; and,
 - Base change threshold: e.g., the combined Class 5/6 land value of

the property must have increased in value by 100% between 2015 and the current tax year.

- The base year must be a year between 2015 and the current tax year and once established by bylaw cannot be changed in subsequent tax years.
- The land value ratio threshold is the minimum requirement for a property to be eligible for an exemption. A property's land value ratio must be equal to or greater than the land value ratio threshold to be eligible for an exemption.
 - For example, assume the land value ratio threshold is set by the municipality at 75%. A property that has a year-end assessed value for the taxation year of \$100,000 (\$80,000 attributable to land and \$20,000 attributable to improvements) would meet the land value ratio requirement ($\$80,000 / \$100,000 = 80\%$).
- Once established, the base change threshold is used to determine whether a property is an outlier. A property's combined Class 5/6 land value must have increased to a greater extent than the base change threshold to be eligible for an exemption.
 - For example, assume the base change threshold is set at 150%. A property classed entirely as class 5 that had a base change of 175% (land only) would be an outlier and eligible for the exemption.
- The land value ratio threshold and base change threshold can vary from year to year (see Appendix 3 for further examples).
- Municipalities may wish to establish further criteria or considerations used to select properties for an exemption.
- BC Assessment will provide data upon request to help municipalities select criteria thresholds and the base year.



Photo courtesy – Michael Marson, MAH

Note: As with the bylaw notice, it is recommended that legal counsel review the contents of the bylaw.

C. Date Used for Eligibility (section 15(1)(a) to (d))

- Eligibility is based on the property as shown on the assessment roll on December 31 of the previous year (in most cases, this will be the value on the completed roll). For clarity, if a municipality is considering a property for exemption in 2020, it would look at the classification and value of the property on the completed roll for 2020, which BC Assessment prepares no later than December 31, 2019. The property would have to meet all eligibility criteria based on the information in the completed roll as of December 31.

Exemption

A. The Basics (sections 13(2)(d), 13(4), and 16(3) to (6))

- The amount of the exemption, expressed as a percentage of the combined Class 5/6 assessed value of the property, can vary by property (e.g., every property can be exempt by a different amount), kind of property (e.g., art studios) or area.

Note: If grouping properties by kind or area in the bylaw, the municipality should still identify them individually, preferably by folio number.

- The percentage of the exemption is applied to the combined Class 5/6 assessed value of the property as shown on the assessment roll on March 31 of the current year (in most cases, this will be the value on the revised roll) to determine an amount that will be deducted from the school and municipal tax bases once any other exemptions or averaging changes are applied.
- All exempt properties should be listed individually in the bylaw with the corresponding exemption percentage, preferably including folio number.

Note: The combined Class 5/6 value of the property may change between December 31 of the previous year and March 31 of the current year, which is the date BC Assessment uses to calculate the reported net taxable values.

B. Excess Exemption (sections 16(3)(b)(ii)(B) and 16(3)(c)(ii)(B))

- If for some reason the exemption amount exceeds the combined Class 5/6 value due to other exemptions or assessment roll changes, any excess cannot be carried over to other classes.
- For example: If a property is split classified in Class 1, 5 and 6, and if the value of the exemption (e.g., \$100,000) exceeds the net taxable values in Class 5 and 6 (e.g., \$80,000 net taxable value), the difference (\$20,000) cannot be applied to reduce the assessed value of part of the property classified as Class 1.

Reported Net Taxable Values

A. Overview and Calculation (sections 14, 22, 23(b), 16(2)(b), 16(7))

- For properties exempt under section 13, municipal and school taxes will be based on the reported net taxable value provided in a report prepared by BC Assessment.
- BC Assessment will calculate the reported net taxable value for each exempt property and provide a report to municipalities, which they will use as the basis for taxation.
- BC Assessment must deliver the report to municipalities by May 8 for 2020 and by April 15 for subsequent years.
- The report will contain:
 - The value of the interim business property tax relief exemption: e.g., \$100,000;
 - Assessed value as of March 31: e.g., \$1 million in Class 5;
 - Averaged or phased-in value (if applicable): e.g., \$900,000;
 - Net taxable after \$10,000 Industrial and Business Property Exemption: e.g., \$890,000 (\$900,000-\$10,000); and,
 - Reported net taxable value: e.g., \$790,000 (\$890,000-\$100,000).
- The reported net taxable value is the value municipalities will use to determine property taxes for municipal and school purposes only and will not be entered on the official assessment roll, similar to averaged or phased in values (see Appendix 4 for examples of report calculations).

Report Adjustments and Appeals

A. Overview (section 17)

- The collector of taxes has authority to, and must amend, the report where there are errors or omissions in the calculation of reported net taxable values or changes to the assessment value of an exempt property after March 31. As a best practice, though not required, it would be advisable for municipalities to submit any report changes to BC Assessment for information only.
- Appeals in relation to assessed values as shown on the assessment roll will continue to be administered under the *Assessment Act* (i.e., the Property Assessment Review Panel and the Property Assessment Appeal Board).
- For the City of Vancouver (or any other municipality using the assessment averaging and phasing in provisions), the appeal system related to averaging (and phasing in, where applicable) remains the same (i.e., collector of taxes then local review panel). Any averaged (or phased in, where applicable) value changes would then be reflected in the reported net taxable values where an exemption under section 13 applies.

B. No Recapture Provision

- If a property meets eligibility criteria as of December 31 for the following tax year and the municipality exempts that property by bylaw, the exemption continues to apply to the property in accordance with the bylaw for that tax year, notwithstanding termination of a commercial lease or, as a result of changes to assessed value, the property no longer meeting the established land value ratio or no longer meeting or

exceeding the base change threshold as an outlier.

- Municipalities have the option to not exempt that property the following taxation year.

School Taxes

A. Overview (section 22)

- An exemption under section 13 applies for both municipal and school tax purposes.
- The extent of the exemption for properties included in an exemption bylaw reduces the net taxable value for school tax purposes. However, the total amount of school tax revenue to be collected by the municipality for Class 5 and 6 property on behalf of the Province must be the same as before the exemption is applied.



Photo courtesy – Michael Marson, MAH

Municipalities are required to, by resolution, increase the Class 5 and 6 school tax rates set by the Province in order to raise the same amount of revenue within each property class (5 and 6).

PROVINCIAL REGULATION AUTHORITY

A. Regulations by Municipality

(section 24(2)(a))

- The Lieutenant Governor in Council is authorized to make regulations to set, by municipality:
 - Base year or a range for the base year;
 - Land value ratio threshold or a range for the threshold;
 - Base change threshold or a range for the threshold; and,
 - Percentage of the exemption or a range for the exemption, which can be different for different areas, properties or kinds of properties.

B. Province-wide Regulations

(section 24(2)(b))

- The Lieutenant Governor in Council is also authorized to make regulations to amend the following dates
 - Bylaw adoption deadline;
 - Date by which the municipality must deliver a copy of the bylaw to BC Assessment;
 - Date by which BC Assessment must deliver a copy of the report to municipalities;
 - Date used to determine reported net taxable values;
 - Date on which adjustments to the report are based; and,
 - Modified dates for 2020 under section 23.

TRANSITIONAL REGULATIONS

A. Overview (section 25)

- Section 25 provides authority for the Lieutenant Governor in Council to make regulations to more effectively bring into operation the interim business property tax relief exemption and to alleviate any transitional difficulties.
- Transitional regulations enacted under section 25 would be repealed within one year of the section coming into force.



APPENDIX 1

BUSINESS PROPERTY TAX RELIEF EXEMPTION MODEL BYLAW

This model bylaw is provided as a guide only. It is the responsibility of the municipality to ensure its bylaw meets all applicable requirements of the Municipalities Enabling and Validating Act (No.4), the Community Charter, the Assessment Act and any other applicable legal requirements.

[INSERT NAME OF MUNICIPALITY]

BUSINESS PROPERTY TAX RELIEF EXEMPTION BYLAW NO. XX, 202__

WHEREAS Section 13 of the *Municipalities Enabling and Validating Act (No. 4)*, S.B.C. 2011, c. 14 authorizes Council to exempt, by bylaw, a portion of the value of certain eligible commercial properties from taxation for a taxation year after 2019 and before 2025;

AND WHEREAS Council wishes to provide such an exemption for those properties listed on Schedule A for the 20__ taxation year;

AND WHEREAS notice of the proposed adoption of this bylaw has been given in accordance with section 20 of that Act and section 94 of the *Community Charter*;

NOW THEREFORE, the Council of the [insert name of Municipality] in open meeting assembled enacts as follows:

1. This bylaw is cited as "Business Property Tax Relief Exemption Bylaw No. XX, 202__".
2. In this bylaw:
 - (a) "Act" means the *Municipalities Enabling and Validating Act (No. 4)*; and
 - (b) the definitions contained in section 12 of the Act apply.
3. The properties listed on Schedule A are exempt from taxation in accordance with sections 12 to 25 of the Act for the taxation year 20__ and for that taxation year:
 - (a) the base year is 20__; **[Note: cannot be before 2015, but must not be different from a base year previously specified in an exemption bylaw]**
 - (b) the land value ratio threshold for the purposes of section 15(1)(c) of the Act is ____;
 - (c) the base change threshold for the purposes of section 15(3) of the Act is ____;
and
 - (d) the extent of the exemption for each property, expressed as a percentage of the eligible portion of assessed value, is the applicable percentage shown on Schedule A. **[Note: may vary by area, properties or kinds of properties]**

READ A FIRST TIME this ____ day of _____, 202__.

READ A SECOND TIME this ___ day of _____, 202_.

READ A THIRD TIME this ___ day of _____, 202_.

ADOPTED this ___ day of _____, 202_.

Mayor

Clerk

SCHEDULE A

LIST OF EXEMPT PROPERTIES

PROPERTY DESCRIPTION [Note: use folio, PID or civic as appropriate]	EXTENT OF EXEMPTION (% OF ELIGIBLE PORTION OF ASSESSED VALUE)

APPENDIX 2

SAMPLE NOTICE OF PROPOSED BUSINESS PROPERTY TAX RELIEF EXEMPTION BYLAW

This sample notice is provided as a guide only. It is the responsibility of the municipality to ensure its form of public notice meets all applicable requirements of the Municipalities Enabling and Validating Act (No.4), the Community Charter, the Assessment Act and any other applicable legal requirements.

SAMPLE

[INSERT NAME OF MUNICIPALITY]

NOTICE OF PROPOSED BUSINESS PROPERTY TAX RELIEF EXEMPTION BYLAW

Notice is given under section 20 of the *Municipalities Enabling and Validating Act (No. 4)*, S.B.C. 2011, c. 14 that the Council of [insert name of Municipality] proposes to adopt a bylaw to exempt the properties listed below from taxation for the 20__ taxation year (the "Taxation Year"). Each of these properties, as of December 31 of last year, was: (i) subject to a commercial lease where the tenant pays an amount of money that varies with the amount of property taxes; and (ii) classified, in whole or in part, as class 5 or class 6 property under the *Assessment Act* (British Columbia) for the Taxation Year. For each property, the proposed exemption would see property value taxation imposed under section 197(1)(a) of the *Community Charter* and section 119 of the *School Act*, for the Taxation Year, be based on the property's "reported net taxable value" rather than assessed value of land and improvements, where "reported net taxable value" is, in general terms, calculated by reducing the net taxable value of the property by an amount equal to: the applicable percentage below multiplied by the assessed value attributable to lands and improvements (or portions thereof) classified as class 5 or class 6.

[NOTE: The form of notice will depend upon the type of bylaw and needs to be revised if averaging or phasing bylaw in place]

[NOTE: If properties are not to be listed, the notice must describe the exemption (see section 20 of the Act) in some other way]

PROPERTY DESCRIPTION [Note: use folio, PID or civic as appropriate]	EXTENT OF EXEMPTION (% OF ELIGIBLE PORTION OF ASSESSED VALUE)

Inquiries with respect to this bylaw may be directed to:

APPENDIX 3

LAND VALUE RATIO THRESHOLD AND BASE CHANGE THRESHOLD EXAMPLES

(for illustrative purposes only – these are not recommendations)

EXAMPLE 1:

LAND VALUE RATIO THRESHOLD

Based on data analysis, the municipality sets the land value ratio threshold at 90% (i.e., the minimum percentage of the total assessed value of the property that must be attributable to the land portion).

Eligible outlier property

Assessed Value	= \$3,000,000 (Class 6)
Land Value	= \$2,750,000
Land value ratio	= 91.67%

Ineligible property

Assessed Value	= \$3,000,000 (Class 6)
Land Value	= \$2,000,000
Land value ratio	= 66.67%

EXAMPLE 2:

BASE CHANGE THRESHOLD

Eligible outlier property:

In a municipality where Class 5/6 land values have increased on average 150% from the base year, an appropriate base change threshold to identify properties as outliers might be 175% (i.e., the minimum percentage increase in combined Class 5/6 land values since the base year).

Current taxation year combined Class 5/6 land value	= \$6,000,000
Base year (e.g., 2015) Class 5/6 land value	= \$2,000,000
Base change	= $6,000,000 - \$2,000,000 / \$2,000,000$

Base change for the property is 200% so the property is an outlier and eligible as this percentage is greater than the base change threshold of 175%.

Ineligible property:

Current taxation year combined Class 5/6 land value	= \$6,000,000
Base year (e.g., 2015) Class 5/6 land value	= \$4,000,000
Base change	= $6,000,000 - \$4,000,000 / \$4,000,000$

Base change for the property is 50% so the property is ineligible as this percentage is lesser than the base change threshold of 175%.

APPENDIX 4

REPORT CALCULATIONS

EXAMPLE 1: 20% INTERIM BUSINESS PROPERTY TAX RELIEF EXEMPTION

Assessed Values

Land Class 1	\$300,000	Improvement Class 1	\$25,000
Land Class 5	\$500,000	Improvement Class 5	\$15,000
Land Class 6	\$600,000	Improvement Class 6	\$10,000
Totals	\$1,400,000		\$50,000
Total Assessment	\$1,450,000		

Net Taxable Values (Municipal)

Land Class 1	\$300,000	Improvement Class 1	\$25,000
Land Class 5	\$500,000	Improvement Class 5	\$5,000
Land Class 6	\$600,000	Improvement Class 6	\$10,000
Totals	\$1,400,000		\$40,000
Total Net	\$1,440,000		

- Under the Industrial and Business Property Exemption Regulation (Community Charter), up to \$10,000 of the assessed value of improvements in Class 4, Class 5 and Class 6 is exempt from all property taxes.

Interim Business Property Tax Relief Exemption: 20% of Class 5/6 Assessed Values

Land Class 1	\$0	Improvement Class 1	\$0
Land Class 5	\$100,000	Improvement Class 5	\$3,000
Land Class 6	\$120,000	Improvement Class 6	\$2,000
Totals	\$220,000		\$5,000
Total Exemption Value	\$225,000		

Reported Net Taxable Values

Land Class 1	\$300,000	Improvement Class 1	\$25,000
Land Class 5	\$400,000	Improvement Class 5	\$2,000
Land Class 6	\$480,000	Improvement Class 6	\$8,000
Totals	\$1,180,000		\$35,000
Reported Net Taxable Value	\$1,215,000		

REPORT CALCULATIONS

EXAMPLE 2: 20% INTERIM BUSINESS PROPERTY TAX RELIEF EXEMPTION – PROPERTY WITH LOW IMPROVEMENT VALUES

Assessed Values

Land Class 1	\$300,000	Improvement Class 1	\$25,000
Land Class 5	\$500,000	Improvement Class 5	\$5,000
Land Class 6	\$600,000	Improvement Class 6	\$5,000
Totals	\$1,400,000		\$35,000
Total Assessment	\$1,435,000		

Net Taxable Values (Municipal)

Land Class 1	\$300,000	Improvement Class 1	\$25,000
Land Class 5	\$500,000	Improvement Class 5	\$0
Land Class 6	\$600,000	Improvement Class 6	\$0
Totals	\$1,400,000		\$25,000
Total Net	\$1,425,000		

Interim Business Property Tax Relief Exemption: 20% of Class 5/6 Assessed Values

Land Class 1	\$0	Improvement Class 1	\$0
Land Class 5	\$101,000	Improvement Class 5	*\$1,000
Land Class 6	\$121,000	Improvement Class 6	*\$1,000
Totals	\$222,000		\$2,000
Total Exemption Value	\$222,000		

Reported Net Taxable Values

Land Class 1	\$300,000	Improvement Class 1	\$25,000
Land Class 5	\$399,000	Improvement Class 5	*\$0
Land Class 6	\$479,000	Improvement Class 6	\$0
Totals	\$1,178,000		\$25,000
Reported Net Taxable Value	\$1,203,000		

**As there is no taxable improvement value, this will need to go to the land.*

