

# Municipal LGDE Help Manual

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Ministry of  
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## **5(c) – Statement of Property Taxation (Schedule A4)**

This statement records all tax revenue recognized by the local government in the accounting period. This amount reconciles to the Total Own Purpose Taxation line in the Statement of Financial Activities (Schedule A3 - Line a).

In addition, Schedule A4 has a table that records total taxes levied less total taxes collected. The net amount of taxes levied (but uncollected) reconciles with the taxes receivable in the Statement of Financial Position (Schedule A2 – Line b).

### **Total Gross Taxation (Line a)**

This includes all municipal-wide property taxes (plus any related interest and penalties) levied in the current reporting period in accordance with Part 7 of the *Community Charter*. This includes taxes levied both for the municipal government and for other public authorities and is the sum of Lines a1 to a5 (listed below).

#### **Real Property Taxes (Line a1)**

Total municipal-wide *ad valorem* levy on all Classes of properties defined under the *Assessment Act*.

#### **Penalties and Interest on Taxes (Line a2)**

This line item represents all penalties and interest levied on taxes, including:

- Late payment penalties and interest under section 234 of the *Community Charter* (see section 5 of the BC Reg 426/2003 for more information);
- Late payment penalties and interest under section 235 of the *Community Charter*.
- Interest imposed on arrears and delinquent taxes under section 245 and 246 of the *Community Charter* (see section 11 (3) of *Taxation (Rural Area) Act* for more information).

#### **Parcel Taxes (Line a3)**

This line item includes all municipal-wide parcel taxes imposed in accordance with section 200 of the *Community Charter*. This type of tax includes unit, frontage and area taxes. This does not include parcel taxes imposed as part of a specified area or local improvement (See Line d3).

#### **Local Service Taxes (Line a4)**

This line item includes all taxes levied for specified areas and local improvements under Part 7, Division 5 of the *Community Charter*.

#### **1% Utility Tax (Line a5)**

This line includes all taxes levied on linear utility assets within municipalities under section 644 of the *Local Government Act*.

**Less: Levies for Other Governments (Line b)**

These are levies made by the municipality on behalf of other public authorities in accordance with section 197 of the *Community Charter*. Normally the public authority will requisition the municipality for a specific amount of money and the municipality will collect this through a municipal-wide ad valorem tax. This amount is equal to the sum of Lines b1 to b6 (listed below).

**School District (Line b1)**

This is the amount requisitioned annually by the Province for school purposes in accordance with section 119(6) of the *School Act*.

**Hospital District (Line b2)**

This is the amount requisitioned annually by the Regional Hospital District for hospital purposes in accordance with section 25(1) of the *Hospital District Act*.

**Regional District (Line b3)**

This is the amount requisitioned annually by the Regional District for regional services in accordance with section 386 of the *Local Government Act*.

**Joint Boards & Commissions (BCA/MFA) (Line b4)**

This is the amount requisitioned annually by joint boards and commissions for various purposes. This includes, but is not limited to the following:

- MFA requisitions in accordance with section 19(2) of the *Municipal Finance Authority Act*.
- BC Assessment Authority requisitions in accordance with section 20(1) of the *Assessment Authority Act*.

**Library Board (Line b5)**

This only includes requisitions for library boards that are not part of the local government reporting entity.

Integrated Public Libraries under section 60 and Municipal Libraries under Part 2 of the *Library Act* are part of the local government reporting entity and therefore should **not** be included in Line b5.

While Public Library Associations (under Part 4 of the *Library Act*) are not part of the local government reporting entity, they are also not financed through annual tax requisitions. Instead, these associations are financed through grants-in-aid. Therefore, Public Library Associations should also **not** be included in Line b5.

Similarly, Library Federations (under section 49 of the *Library Act*) are not part of the local government reporting entity and they have no requisitioning authority. Therefore, they should also **not** be included in Line b5.

**Only Regional Library District requisitions (under section 25(3) of the *Library Act*) should be included in Line b5.** These districts are not part of the local government reporting entity and have full requisitioning authority.

For more information on libraries, please see Appendix A at the end of this Help Manual. For more information on reporting entities, please see Section 3 of this Help Manual, entitled, "Financial Reporting Entities."

**Other (Requisitioning Public Authorities) (Line b6)**

This is the amount requisitioned by any public authorities not listed above in Lines b1 to b5. Requisitions for the GVTA, Victoria Transit, or police should be included here.

**Municipal Own Purposes - Net Taxes (Line c)**

This line item is the net property taxes (including any penalties and interest) levied in the current accounting period for municipal purposes only. It is equal to the total gross taxation (Line a) **less** the total tax levies for other governments (Line b).

**Other Taxes (Line d)**

This line item includes all taxes (plus interest and penalties) levied in the current period, other than property tax levies from Line c – Schedule A4. This amount is equal to the sum of Lines d1 to d4.

**Business Taxes (Line d1)**

This line item includes all taxes on commercial enterprises under the authority of Part 11, Division 10 of the *Municipal Act (1996)*. The authority to impose this tax was repealed under section 105 of Bill 88 (1999). However, section 331(2) of the Bill, grandfathered the taxing authority for all municipalities that were using the business tax prior to 1999.

**Hotel Tax (Line d2)**

Hotel Tax in accordance with section 3 of the *Hotel Room Tax Act*;

**Other (Line d3)**

This includes all other taxes levied by the local government and not included in Lines c (property tax), d1 (business tax), or d2 (hotel tax) of Schedule A4 of the reporting forms.

This line item may include any other adjustments necessary to balance the **Total Own Purpose Taxation** line from the Statement of Property Taxation (Line f – Schedule A4) with the **Net Taxation** line from the Statement of Financial Activities (Line a – Schedule A3).

### **Payments in Place of Taxes (Line e)**

Under section 220 of the *Community Charter*, Crown Properties are exempt from municipal taxation. These properties include land and improvements vested in the federal/provincial government or any government agencies and crown corporations.

Both the federal and provincial governments have special legislation to make payments to municipalities in lieu of taxation.

This line item does **not** include any conditional or unconditional government grants; these grants are recorded as Transfers from Other Governments in the Statement of Financial Operations (Line c – Schedule A3).

This line item is equal to the sum of Lines e1, e2 and e3.

#### **Federal Government /Agencies PIP (Line e1)**

This line item equals all payments in place of taxes received from the federal government (and related agencies and crown corporations) in accordance with the federal *Payment in Lieu of Taxes Act*.

#### **Provincial Government / Agencies PIP (Line e2)**

This line item equals all payments in place of taxes received from the provincial government (and related agencies and crown corporations) in accordance with the *Municipal Aid Act*.

#### **Other PIP (Line e3)**

This includes any other payments in place of taxes received from other public authorities not listed above in Lines e1 or e2.

### **Total Own Purpose Taxation (Line f)**

This line item equals the total amount levied in the current reporting year for taxation (including interest and penalties) and payments in place of taxes. This line item equals Line c (net municipal property taxation) **plus** Line d (other municipal taxation) **plus** Line e (payments in place of taxation).

The amount from this line item should reconcile with the Net Taxation line in the Statement of Financial Operations (Line a – Schedule A3).

### **Section 2: Taxes Imposed/Collected**

This schedule tracks the **total taxes levied** (plus interest and penalties on late taxes) by the municipality for its own purposes plus levies on behalf of other governments. This includes:

- property tax (including flat tax)
- parcel tax
- local area service tax
- other taxes (including the 1% utility tax in S.644 of the *Local Government Act*), and

This table also tracks total taxes collected (including collection of taxes outstanding from prior fiscal periods). Methods of collection include, but are not limited to, regular tax payment, tax sale and distress. The bottom line of this schedule reconciles with the total taxes receivable from the Statement of Financial Position (Line b – Schedule A2).

Each column in the chart reflects a fiscal period. Current represents all taxes levied and collected relating to the current reporting period for the financial statements. Arrears represent all taxes that were uncollected from the previous reporting period (in accordance with section 245 of the *Community Charter*). Delinquent represents all taxes that were uncollected from the reporting period of two years ago (in accordance with section 246 of the *Community Charter*).

### **Taxes Outstanding at January 1 (Line g)**

This line item represents all taxes unpaid at the start of the fiscal period. All taxes levied but uncollected from the previous fiscal period are placed in the **arrears** column. All taxes levied but uncollected from two fiscal periods ago are recorded in the **delinquent** column.

### **Total Imposition of Taxes (Line h)**

This is the total taxes, penalties, interest and other charges imposed in Lines h1 to h3 and it should be equal to the Total Gross Taxation on Line a.

#### **Current Year Tax Levy (Line h1)**

This is the levy of all taxes (including Local Area Service taxes, parcel taxes and the 1% utility tax) in the current reporting period (also including collections for other governments).

#### **Penalties Imposed (Line h2)**

This line item represents all penalties levied on taxes, including:

- Late payment penalties under section 234(2) of the *Community Charter* (see section 5 of the BC Reg 426/2003 for more information);
- Late payment penalties under section 235(3)(d) of the *Community Charter*;

This generally does **not** comprise the 5% charge or other fees included in the upset price of a property at tax sale [S.407(1)(c) & (d)]. If this amount is included in the tax levy, it should also be included in the line item “Transfers to Tax Sale Account” (Line i5 – Schedule A4).

#### **Interest Charged (Line h3)**

This line represents all interest imposed on arrears and delinquent taxes under section 245(1)(b) and 246(1)(b) of the *Community Charter* (see BC Reg 59/2003 for more information).

The sum of Lines h2 and h3 should be equal to Penalties and Interest on Taxes (Line a2 – Schedule A4).

## **Collections**

This represents collections made in the current reporting period. The collections should be applied to the year in which the taxes were imposed (e.g. if the taxes were imposed in the “Arrears” year (thus recorded in the arrears column), the collection of those taxes should also be applied to the “Arrears” column).

### **Total Collections and Adjustments (Line i)**

This is the sum of all taxes (& PIPs) collected and any adjustments on collections during the current reporting period.

#### **Taxes Collected (Line i1)**

This is total taxes collected (municipal and other) by way of regular payment (e.g. *Community Charter* Section 244 payment). This does not include HOG Claims (Line i2), collection of interest and penalties (Line i3 & i4) or tax sale (Line i5).

#### **HOG Claimed (Line i2)**

This is the total amount claimed by home owners under the *Home Owner Grant Act*. Under Section 8 of the *Home Owner Grant Act*, all claims must be filed by the end of the calendar year in which they are imposed. Thus, there are no HOG claims for the Arrears or Delinquent years. A home owner may request a claim extension under section 9 of the Act. If this is done, include the claim amount under “Other Collections and Adjustments” Line i6 (for the appropriate year, either “Arrears” or “Delinquent”). This amount should reconcile with the amount listed on Total Home Owner Grants on Line 3 in Schedule C2.

#### **Penalties Collected (Line i3)**

This represents the total amount of penalties imposed under **Line h2** that are collected by way of normal tax payment (i.e. this excludes interest and penalties recovered through tax sale or distress – Lines i5 and i6).

#### **Interest Collected (Line i4)**

This represents the total amount of interest imposed under **Line h3** that is collected by way of normal tax payment (i.e. this excludes interest and penalties recovered through tax sale or distress – Lines i5 and i6).

#### **Transfer to Tax Sale Account (Line i5)**

This represents the amount of taxes owed (including interest and penalties) that are recovered through the tax sale process, in accordance with Part 16 of the *Local Government Act*. Based on an October 13, 1990, discussion paper entitled, “A Method for Accounting for Tax Sale Transactions,” when a property is to be auctioned for tax sale, the local government should establish a temporary tax sale account as a financial asset. All taxes receivable on the tax sale properties should be transferred to the tax sale account using the following journal entry:

DR Tax Sale Account	10,000	
CR Current Taxes Receivable		2,500
CR Taxes Receivable (Arrears)		3,000
CR Taxes Receivable (Delinquent)		3,500
CR Other Revenue		1,000
<i>(Establishment of tax sale account)</i>		



In this example, the upset price of the property at tax sale is \$10,000. In accordance with section 649 of the *Local Government Act*, the breakdown of the upset price is as follows:

• Current Taxes Receivable	\$2,500
• Taxes Receivable (Arrears)	\$3,000
• Taxes Receivable (Delinquent)	<u>\$3,500</u>
○ <b>Total Taxes Receivable</b>	\$9,000
• 5% Recovery for Tax Sale Administration	\$ 450
• Land Title Fees	<u>\$ 550</u>
○ <b>Upset Price at Tax Sale</b>	<u>\$10,000</u>

The amount in the **Transfer to Tax Sale Account** line (Line i5) will equal \$9,000 for the total taxes receivable. The collection for the **5% Admin Recovery** and the **Land Title Fees** should normally be included as “Other Revenue,” and therefore should not be included as part of taxes collected.

However, if the local government has included the 5% Admin Charge and Land Title Fees as part of Tax Revenue (i.e. as part of Penalties Imposed in Line h2), then the fees and charges should be included as part of Transfers To Tax Sale Account (Line i5).

#### **Other Collections & Adjustments (Line i6)**

This line item includes all other forms of tax collection (not listed above in Lines i1 to i5) including distress (section 252 of the *Community Charter*) and real property in lieu of taxes (section 253 of the *Community Charter*).

This line item also includes annual adjustments to the taxes uncollected from prior periods. This may include municipal write downs of any outstanding taxes from previous years (plus accrued interest and penalties) relating to successful assessment appeals under the *Assessment Act*. This also includes any municipal repayment of tax overpayment (section 239 of the *Community Charter*) from previous years **and** any tax write offs (including accrued interest and penalties) under section 781 of the *Local Government Act*. All these entries should be recorded as positive numbers if they are decreasing the balance of the taxes receivable.

Also, include any Home Owner Grants successfully claimed on arrears or delinquent taxes in accordance with section 9 of the *Home Owner Grant Act*. Another possible adjustment is for school taxes. Municipalities levy taxes for other public authorities under Lines b1 to b6 – Schedule A4. For all of these authorities (except school districts) the municipality must remit the full amount of the requisition in the current reporting period, for example:

- Hospital Districts – Remittance Date August 1 – S.25(2) *Hospital District Act*
- Regional Districts – Remittance Date August 1 – S.385 *Local Government Act*
- BCAA – Remittance Date August 1 – S.20(3) *Assessment Authority Act*
- MFA – Remittance Date August 1 – S.19(4) *Municipal Finance Authority Act*
- Regional Library Districts – Date Mar 1, Jun 1, Sep 1, Dec, 1 – S.25(5) *Library Act*

However, School District Taxes may be remitted from the municipality to the school district (in full) in the current reporting period or a portion of the taxes may be paid incrementally as collected in accordance with section 124(3) of the *School Act*.

Most municipalities remit school taxes in full (like remissions to other public authorities). In this case there is no impact on the tax schedule. However, some municipalities choose to remit school taxes incrementally.

If a municipality elects to incrementally remit to the school district a portion of the school taxes (in accordance with S.124[3]), that portion of the outstanding school taxes owed (plus any accrued interest or penalties) should be included in Line i6 (Other Collections and Adjustments) for the “Current” year column.

The school taxes are included in this line item because they are deemed to be taxes receivable of the school district, not the municipality. The school district is external to the municipal reporting entity (See section 3 of this Help Manual for more information), therefore the school taxes outstanding should be reduced from the total tax levy (Line h) so the bottom line of the tax table reconciles to the taxes receivable in the Statement of Financial Position (Line b – Schedule A2).

#### **Balance of Taxes Receivable (Line j)**

This line equals the total of the Taxes Outstanding at the Start of the Year (Line g) **plus** Total Taxes Imposed (Line h) **less** Total Taxes Collected and Other Adjustments (Line i).

The total of this line item must reconcile to the total Taxes Receivable from the Statement of Financial Position (Line b – Schedule A2).