April 17, 2020

Dear CAOs:

This email is in follow up to Minister Selina Robinson’s regional calls with Mayors and Chairs held yesterday, Thursday April 16 and focused on the new Property Tax Framework. On that call, Minister Robinson spoke about the announcement she and Minister Carole James made yesterday morning on support for business and local governments. A link to the news release and back-grounder is provided here:

https://news.gov.bc.ca/releases/2020FIN0020-000703

We heard from your communities directly over the past few weeks, from many of you directly, as well as from your Mayors and Chairs. We heard from the UBCM senior management team, from the Municipal Finance Authority and many other key partners and stakeholders. We took that information and worked closely with the Ministry of Finance and those partners on this framework to provide the initial direction and steps we are taking to support you and your communities’ businesses through this challenging time.

We want to be clear that this is an initial step. We are monitoring the situation closely and will make further adjustments and/or take additional action to ensure the right tools and measures are in place to maintain service delivery of critical local government services and that all local governments remain financially sustainable.

This initial framework builds on the original $5 billion B.C. COVID-19 Action Plan - these are new measures. There are two components to the framework to support the business sector and five components to support local governments. These components are described below. More detailed information will flow directly to your CFOs next week.

**Property tax measures for B.C. businesses:**

The first component for business is that late payment penalties for commercial properties classes 4 (major industrial), 5 (light industrial), 6 (business/other), 7 (managed forest) and 8 (recreation/non-profit) will have no penalties imposed on property tax payments made on or before September 30. Penalties will be imposed effective Oct 1.

- This is applicable to all municipal taxes, not just the school portion of the taxes.
- There is no change to the payment date, and the penalty is not being waived.
- This provides three months of tax payment relief to businesses who need it.
- **We strongly** encourage business who can pay, to pay on the payment date.
- One way you can help communicate this new measure and encourage business who can pay to pay early, is to include a brief reminder in your property tax notice that your community will send out later in May.
The second component for business is a further reduction to school property tax rates for classes 4, 5, 6, 7, and 8, such that a business’ overall tax bill will be reduced by about 25%.

- This is above and beyond the March 23 measure that reduced school property tax rates for classes 4, 5 and 6 by 50%.
- See below for a listing of the tax-rates for each property class.
- While this is good for businesses, this will reduce the School Tax received – however there will still be significant amounts remaining for most local governments to assist with cash flows as well as the measures below.

### Property tax measures for local governments:

First, municipalities will be allowed to hold onto the School Property Tax collected until the end of December 2020, instead of remitting it to the Province earlier in the year, to assist with your cash flow requirements.

- By holding onto the School Property Tax, the municipality must FIRST use it to pay other taxing authorities like regional districts, hospital districts, etc.
- Additionally, municipalities will be required to make the full requisition annual payment to TransLink and BC Assessment Authority in August, rather than August and December.

The second measure allows both municipalities and regional districts to borrow, interest-free, from their capital reserve funds, providing access to cash to cover both temporary and permanent revenue shortfalls.

- Local governments will have up to five years to pay back the reserve funds.
- Local governments may borrow from their reserves (including capital reserves) up to the amount of revenue shortfall for the year, including remittances to other public authorities such as regional districts, regional hospitals transit authorities, etc.

Working closely with the Municipal Finance Authority, the third measure is that local governments will be able to extend their revenue anticipation borrowing for one additional year past the current limit of one year.

- To manage the impacts of this on the MFA, the Province is requiring local governments to first use the delayed School Property Tax payment and their own capital reserve funds before seeking operating borrowing through the MFA or other financial institutions.
- Larger local governments must demonstrate to the MFA that they have accessed a portion of their cash and investments (including reserves) before seeking MFA revenue anticipation borrowing.

The fourth measure is that the municipal property tax sale provisions will be amended for this year only, allowing municipalities the discretion to delay the statutory date of property tax sales and remissions for one year.

- This will allow municipalities to delay tax sales for one year and allow the delinquent property owner an additional year to carry the taxes as “delinquent”.
The fifth and final measure is the deadline for completing and submitting the Statement of Financial Information (SOFI) and Annual Reports will be delayed until the end of August 2020, enabling local governments to focus on other critical issues at this time.

As previously mentioned, stopping the spread of COVID-19 remains everyone’s top priority. We can all do our part by following the direction and orders from our provincial health officer. Thank you for the important role you are playing in providing sound leadership to our communities through this challenging time. More detailed information on these measures will flow directly to your CFOs next week.

We know these are uncertain times, but if we work together, we have no doubt we will all come through this situation stronger.

Thank you for all your work and your ongoing partnership during this challenging time. Please direct any additional inquiries or questions to your specific ministry Finance Officer, which can be found through the following link:

https://contacts.localgovernmentinformationsystem.gov.bc.ca/lgics.aspx

Sincerely,

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Breakdown of tax relief for B.C. businesses:
Major industry (property class 4)
• Budget 2020 mill rate: 3.72
• March 23 mill rate: 1.86
• April 16 mill rate: effectively zero
• Tax cut as a per cent of total tax bill: 4%

Light industry (property class 5)
• Budget 2020 mill rate: 3.72
• March 23 mill rate: 1.86
• April 16 mill rate: 1.0561
• Tax cut as a per cent of total tax bill: 25%

Business/other (property class 6)
• Budget 2020 mill rate: 3.72
• March 23 mill rate: 1.86
• April 16 mill rate: 1.1070
• Tax cut as a per cent of total tax bill: 25%

Managed forest (property class 7)
• Budget 2020 mill rate: 1.87
• March 23 mill rate: 1.87
• April 16 mill rate: effectively zero
• Tax cut as a per cent of total tax bill: 20%

Recreation and non-profit (property class 8)
• Budget 2020 mill rate: 2.29
• March 23 mill rate: 2.29
• April 16 mill rate: 0.7844
• Tax cut as a per cent of total tax bill: 25