

New School Tax Exemption for Eligible Hydroelectric Power Producers

School Act

Effective for the 2005 taxation year, eligible hydroelectric power projects may receive an exemption from school tax on specified improvements used in power production. This exemption does not apply to property taxes other than school tax.

Eligible Power Projects

To be eligible for the school tax exemption, a hydroelectric power project must:

- have begun production of electricity on or after January 1, 2002, **and**
- have EcoLogo™ certification under the Government of Canada's Environmental Choice™ program, **or**
- be an eligible run-of-river power project that has a power purchase agreement signed before January 1, 2005, to sell power to BC Hydro for a term of 10 or more years. An eligible run-of-river power project is a project that has a head pond storage capacity of no more than 24 hours of average annual flow.

Which Improvements Does this Exemption Apply To?

For all eligible hydroelectric power projects, this exemption applies to the following improvements:

- intake facilities and trash racks;
- tunnels and tunnel linings; and
- penstock, penstock foundations and penstock structures.

For run-of-river power projects with a head pond storage capacity of no more than 24 hours of average annual flow, this exemption also applies to weirs and associated control structures. The exemption does not apply to dams.

How Do Power Projects Get the Exemption?

The exemption is only available for projects that began production on or after January 1, 2002. For those seeking the exemption, the local assessor will confirm that the power project meets this requirement.

To receive the exemption, owners of eligible power projects must provide the following information to the local BC Assessment office by the required date as outlined on page 2.

2006 and Subsequent Taxation Years

To receive the exemption for the 2006 and subsequent assessment rolls, the local assessment office needs the following information no later than November 30th of the year preceding the year for which the assessment roll is prepared. For example, to receive the exemption for the 2006 assessment roll, the information must be received by BC Assessment by November 30, 2005.

Run-of-river power projects with a head pond storage capacity of no more than 24 hours of average annual flow must:

- provide written confirmation from a professional engineer certifying that as of October 31st in the year preceding the year for which the exemption is claimed, the head pond storage capacity is no more than 24 hours of average annual flow; **and** provide **one** of the following:
 - written confirmation from the owner or a senior executive officer of the corporation that the power project has a power purchase agreement signed before January 1, 2005, to sell power to BC Hydro for a term of 10 or more years; **or**
 - written confirmation from the owner or a senior executive officer of the corporation that the power project is a licensee in good standing under the Environmental ChoiceTM program as of October 31st in the year preceding the year for which the exemption is claimed.

Other hydroelectric power projects must:

- provide written confirmation from the owner or a senior executive officer of the corporation that the power project is a licensee in good standing under the Environmental ChoiceTM program as of October 31st in the year preceding the year for which the exemption is claimed.

2005 Taxation Year

Run-of-river power projects that currently have a power purchase agreement with a term of 10 or more years with BC Hydro may claim the exemption for 2005 by providing the following information to the local assessment office no later than August 2, 2005:

- written confirmation from a professional engineer certifying that as of October 31, 2004, the head pond storage capacity was no more than 24 hours of average annual flow; **and**
- written confirmation from the owner or a senior executive officer of the corporation that the power project in question has a power purchase agreement signed before January 1, 2005, to sell power to BC Hydro for a term of 10 or more years.

Hydroelectric power projects that have EcoLogoTM certification may claim a refund of school tax paid in 2005 and subsequent years on eligible improvements by making an application as described in the following section.

Refunds of School Tax Paid by Power Projects with EcoLogoTM Certification

Eligible hydroelectric power projects that have a power purchase agreement with a term of 10 or more years to sell power to BC Hydro that was signed **prior to** January 1, 2005, will receive the exemption during construction.

Other power projects will receive the exemption only once they have EcoLogo™ certification. These projects may receive a refund of the school tax paid on eligible improvements during the three years preceding the first year in which the project became classified as exempt by BC Assessment.

Refunds are only available for school tax paid on eligible improvements during the 2005 and subsequent taxation years.

Eligible power projects have a three year window following January 1st of the first year in which the project became classified as exempt by BC Assessment in which to apply for a refund of school tax paid on eligible improvements.

To apply for a refund, send a letter to the Minister of Provincial Revenue requesting the refund and provide:

- the name of the eligible power project;
- the name of the owner of the power project; and
- the folio number or property identification number for the property where the project is located.

Starting in 2005 for the 2006 assessment year, all hydroelectric power projects that meet the production date requirements but have not yet been classified as exempt by BC Assessment will receive detailed inventory information on their projects from BC Assessment. It will be important to make sure this information is accurate as it will be used as the basis for calculating any refunds. Please contact BC Assessment if you have any questions regarding the inventory information.

Further Information

Should you require additional information on the school tax exemption for independent power producers, please visit the Property Taxation Branch Web site at www.rev.gov.bc.ca/rpt or call (250) 356-9565, or visit the BC Assessment Web site at www.bcasessment.ca or call (250) 595-6211. You can also view BC Assessment's [Fact Sheet](#) on this school tax exemption.