

AAA Fall Symposium



Assessment Services Branch
Alberta Municipal Affairs

October 28, 2020

Agenda

- Welcome
- Audit - Valuation 2020
- Regulated Assessment – Assessment Model Review
- Centralized Industrial Property Assessment (CIPA)
- Exemption Guide
- ASB Organization
- Closing

Assessment Audit

Darren Rossiter
Acting Director

Assessment Audit

Assessment Community Feedback

- What we heard
- Assessment Audit Bulletin

Annual Audits – 2020 Assessment Year

- Declaration deadline
- Post facto Indicators of Value
- “The current annual assessment cannot be declared as the ratio study has not been passed.”
 - ❑ “overrides” and “overrides”

Assessment & Property Tax Policy

Sheila Young
Director

Regulated Assessment

- Assessment Model Review
- Regulated Industrial Property Assessment Guide (RIPA)
- Unpaid Taxes

Assessment Model Review - Background

- The assessment model for wells, pipelines, and wellsite M&E have not been updated since 2005 and were implemented in 2008.
 - Since 2018, Municipal Affairs has been undertaking a review of these models.
 - The AMR included a technical phase and a strategic stakeholder engagement phase.
 - Four scenarios were developed in an effort to balance drivers such as attracting investment, maintaining viability of existing assets, promoting predictability and stability of valuations, and municipal viability.
- Since the conclusion of the formal process, Ministerial consultation included discussions with RMA and AUMA, regional meetings with impacted municipalities, and direct meetings with industry organizations.

Outcomes

- Given current uncertainties and lack of consensus around assessment changes, alternative measures to provide certainty for the next three years will be implemented.
 - Partially address industry concerns about competitiveness for new investment.
 - Provide additional relief for lower producing (typically mature) assets.
- Alternative measures:
 1. Initiate a three-year tax holiday for new wells and pipelines.
 2. Eliminate the well drilling equipment tax (WDET).
 3. Increase existing adjustments for all lower producing wells.
 4. Maintain the existing 35 per cent assessment reduction for shallow gas assets (wells and associated pipelines).

Assessment and Tax Changes – Summary

1. Three Year Tax Holiday

- Assessments for new well and pipeline assets set to zero to encourage new investment.
- Applicable for 2022, 2023, and 2024 property tax years.
- Estimated municipal tax impact is \$10 to \$12 million per year.

2. Well Drilling Equipment Tax

- Eliminate the WDET beginning in January 2021.
- Total WDET revenue was \$23 million last year.

Assessment and Tax Changes – Summary

3. Low Productivity Adjustments

- Change additional depreciation for lower producing wells beginning in 2021 tax year (2020 assessment year).
- Increasing the adjustments under the existing assessment models will result in an overall 8 per cent decrease in well valuation
- Results in an estimated \$21 million decrease in municipal revenue.

4. Shallow Gas

- Maintain the existing 35 per cent assessment reduction for shallow gas assets (wells and associated pipelines) for the next three years.
- Results in an estimated \$14 million decrease in municipal revenue.
- Applies to 2020, 2021 and 2022 assessment years.

Low Producing Wells – Additional Depreciation

Current Factor (Additional Depreciation)	Current Assessment (2020 Tax Year)	New Factor 2020 Assessment Year (2021 Tax Year)	Assessment 2021 Tax Year (estimate)
0.10	1,621,833,060	0.03	486,550,000
0.15	643,924,270	0.08	343,430,000
0.29	818,924,350	0.22	621,250,000
0.39	40,860	0.32	34,000
0.43	835,463,500	0.36	699,460,000
0.49	6,544,570	0.42	5,610,000
0.57	824,007,010	0.50	722,810,000
0.62	30,320	0.55	27,000
0.72	865,274,180	0.65	781,150,000
0.86	903,827,550	0.79	830,260,000
1.00	18,227,142,880	1.00	18,227,000,000
Total	24,747,012,550		22,717,600,000

AMR Outcomes

- Annual Tax Impacts:

Summary of annual tax impacts – AMR	Municipal Taxes	Education taxes
Additional depreciation for low producers	21,000,000	7,000,000
Well drilling equipment tax	23,000,000	N/A
Tax holiday on new well and pipeline	12,000,000	3,000,000
Shallow gas adjustment	14,000,000	4,000,000
Total	\$70,000,000	\$14,000,000

Implementation

- AYM's for the 2020 assessment year have been determined.
- Minister's Guidelines reflecting these changes are being finalized and should be available in November.
- The assessment for all well and pipeline assets are prepared by the provincial assessor's office in Municipal Affairs.
 - We are in the process of running the impacts of these changes on the 2020 inventory.
 - In the event any impacts are materially different from the impact provided, staff will reach out to CAOs and advise.

Future Considerations

- These measures support economic recovery and provide much needed certainty to industry, investors, municipalities, and other property taxpayers for the next three years.
- In the coming months, government will develop a plan for regular, future reviews of assessment models for all regulated property types, including the timing and process for the reviews.

Regulated Industrial Property Assessment Guide (RIPA)

- Review of the Construction Cost Reporting Guide (CCRG) began in 2015.
- Key concerns with CCRG due to ambiguity resulting in potential inconsistencies in the assessment.
- A stakeholder working group was developed in 2017, consisting of 21 knowledgeable industry and assessment representatives.
- Ten meetings were held between September 2017 and July 2018.
- The outcome is RIPA, considered by the working group members to be an easy-to-follow document that improves consistency in assessments.
- The CCRG will continue to be used for property constructed prior to the implementation of RIPA.
- The government will consider the assessment model review schedule and RIPA in the new year.

Unpaid Taxes

- Municipalities depend on property tax revenue to provide essential municipal services and programs.
- Many municipalities across Alberta are experiencing challenges with receiving and collecting unpaid oil and gas property taxes.
- When a municipality is unable to collect taxes from a group of property owners, the result is increased rates for other properties, which may lead to higher property taxes for other property in the municipality.
- Additionally, the current tools available to municipalities to recover linear property and M&E taxes are not effective due to the Alberta Court of Appeal ruling in Virginia Hills and the public safety and environmental risks attached to seizure of operating oil and gas assets by municipalities.
- The Government is considering options to clarify and reinforce existing tax recovery mechanisms in Alberta as they apply to linear property and M&E.

Centralized Industrial Property Assessment (CIPA)

Aaron Slotsve
Acting Director, CIPA

CIPA Overview

Linear Property



Industrial Property



Current Milestones / Upcoming Initiatives



Long-Term IT System



Questions

Linear Property

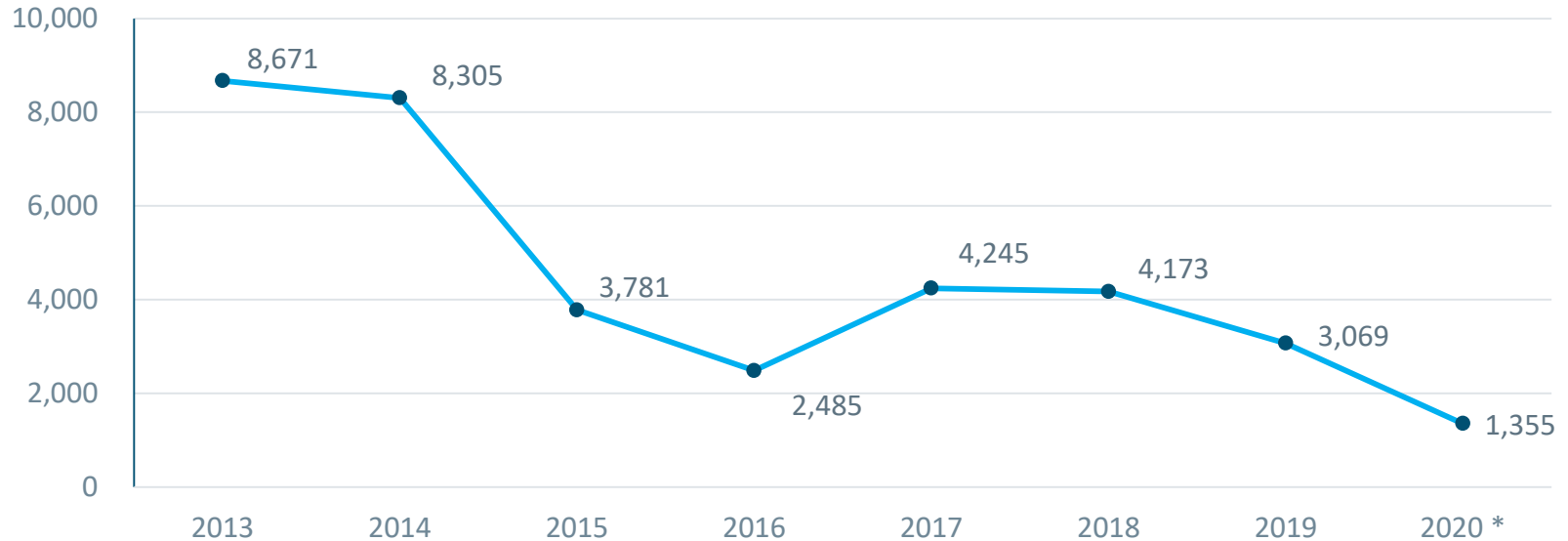


- Given the economic slowdown, oil and gas assessments have decreased:
 - The decrease was 2.5% from \$73.2 billion to \$71.3 billion between the 2019 and 2020 tax years.
 - Sixty-five percent of municipalities had a reduction in their DI linear property assessment.
 - Majority of the decrease attributable to concerns regarding viability of shallow gas assets and assessment reduction to reflect lower costs.

Well drilling activity for the last 9 years



Well Drilling Activity Reports - number of new well licenses reported as finished drilling



* based on first 7 months of 2020

Industrial Property (non-linear)



- Non-Linear Assessments remained relatively unchanged for the 2019 assessment year:
 - There was a slight increase of 0.7% from \$99.3 billion to \$99.7 billion between the 2019 and 2020 tax years.
 - Forty-two percent of municipalities had a reduction in their DI non-linear property assessment.
 - The economic situation worsened in 2020, in part due to the pandemic, which will result in further shut-ins, reduced productivity, etc. all resulting in further reductions in assessments for the DI property sector.

Reporting Timelines



- Dates for the request for information remain relatively static:
 - October 31, 2020 for Industrial (non-linear) property
 - Linear Property:
 - December 2, 2020 for utilities; and
 - December 30, 2020 for well and pipeline
- Mailing dates for assessment roll and notices:
 - January 31, 2021 for Linear property
 - February 26, 2021 for Industrial (non-linear) property

Industrial Property Integration Progress



- Integration Progress:
 - 2018 – 63% (143 municipalities)
 - 2019 – 74% (24 municipalities)
 - 2020 – 84% (20 municipalities)
- 39 municipalities remaining to be integrated.
- Hybrid contracts extended until end of 2021.

Industrial Property



- Current Milestones / Initiatives:
 - Single request for information (RFI) mailed by the Provincial Assessor for all property owners
 - Linking machinery and equipment to linear property through AER well licenses
 - Standardization of single well site packages
 - Ongoing recruitment
 - Implementation of new long-term system for consistency in linear and non-linear properties

Long-Term IT System



- Integrate Linear and non-Linear assessment information into a single system
- Significant progress made towards Industrial property release 1, which is scheduled for July/21
- Linear property release 2 scheduled for August/22
- CAMALot contract extended to 2022

DI Property Appeals



- Property Appeals:
 - Several outstanding complaints from the 2017 and 2018 assessment years will be heard this fall.
 - 11 new complaints for the 2019 assessment year, primarily focused on:
 - Reductions for buildings and structures where the machinery and equipment inside is decommissioned or disconnected.
 - Additional depreciation for decreased production or throughput.
 - Definition of “abnormal” costs under the Construction Cost Reporting Guide (CCRG) for cost-based properties.

Tax Program Delivery

Christine Bigoray
Director

Equalized Assessment

- The annual Equalized Assessment will be released by Municipalities around November 1, after which ASSET will be locked for revisions to 2019 assessment year data. ASSET will again be available for submission of 2019AY revisions after December 1, 2020.
- As you are aware, the equalized assessment is used to calculate education tax and seniors' housing requisitions. Tax program delivery staff are available at taxprogramdelivery@gov.ab.ca to answer questions, and to help municipalities better understand how changes in the EA may impact changes in the requisitions.

Exemptions Guide

- Municipal Affairs is working on updates to the Guide to Property Tax Exemptions in Alberta; however a new version is not expected to be released until 2021.

PERC

- The Provincial Education Requisition Credit program provides an education property tax credit equivalent to the unpaid education taxes on oil and gas properties.
- The application deadline for PERC applications covering the 2015-2020 tax years is February 1, 2021.
-

Assessment Services Branch (ASB)

Janice Romanyshyn
Executive Director
Provincial Assessor

ASB Organization

Time of Transition

Number of Acting Roles

Restructuring Being Finalized

Communication – coming soon

Questions?

