
Potential Property Tax Relief for Residential Property Owners

Executive Committee - June 1, 2022

Item 6.1

Tax Relief and Property Tax as a Policy Tool

That Administration provide a report outlining options for potential property tax relief for residential property owners, including but not limited to tax forgiveness, tax credits and grants, and considerations for determining the qualifications for property tax relief for residential property owners such as but not limited to income thresholds.

Property Tax and Tax Relief

- **Primary purpose** of property tax is to fairly distribute the levy - on the basis of property value - to fund municipal operations and capital investments.
- Tax relief requires clear guidelines in order to ensure a fair and equitable approach
 - ◆ Necessarily results in tax shifts
- Property tax relief on the basis of income is not recommended
 - ◆ Distorts interplay between consumption, income and wealth taxation
 - ◆ Difficult to administer equitably

Types of Tax Relief Available

- Tax relief options available under the MGA can be grouped in three categories:
 - ◆ Direct targeted tax relief
 - ◆ Tax allocation among classes and subclasses
 - ◆ Tax-adjacent financial support

1. Direct Targeted Tax Relief

- Council has broad authority to cancel, reduce or defer municipal taxes.
 - ◆ Must be retroactive
 - ◆ Difficult to apply broadly
- Decisions guided by City Policy C607: Retroactive Municipal Tax Relief

2. Tax allocation among classes and subclasses

- Re-allocation from residential to non-residential classes
 - ◆ Large impact on non-residential properties
- Broad authority to create residential subclasses
 - ◆ Must be based on characteristics of the property
 - ◆ Existing Council direction to explore subclasses to support City Plan

3. Tax-Adjacent Financial Support

- Formal legislated tax system vs City tax processes
- Usually grants based on tax information
 - ◆ Fewer legislative requirements
 - ◆ Easier to target policy objectives and adjust when necessary
- City examples:
 - ◆ Economic Recovery Construction Grant Program
 - ◆ Brownfield Redevelopment Grant Program
 - ◆ Future Affordable Housing tax-back grants
- Provincial example:
 - ◆ Alberta Seniors Tax Deferral Program

Property Tax, Wealth and Income

- Property tax is a form of wealth tax.
 - ◆ Distribution is based on wealth measured through property value.
 - ◆ Property ownership correlates with both wealth and income.
 - ◆ Programs exist to support ability to pay taxes.
- Administration does not recommend linking property tax relief to income thresholds.
 - ◆ Data collection would be difficult, costly and risky.

Questions?