

Municipal Government Act

progressive powers for municipalities

INFORMATION BULLETIN #30

TAX EXEMPTION and REDUCTION BY-LAWS

- Revised -

Summary: Municipalities may, by by-law, provide complete or partial tax exemptions for properties used for the public benefit.

Legislation: Part IV, Section 71

Related - Sections 3(av), 429, 547

Discussion: Municipalities have had the authority to provide full or partial tax exemptions for certain classes of property for many years. These powers have been taken out of the *Assessment Act* and added to the *Municipal Government Act*. For consistency of treatment and to facilitate the requirement that these exemptions show as a municipal cost, all properties that have the benefit of a municipal tax exemption will show as taxable on the assessment roll in future years.

Exemptions

Council may provide full or partial tax exemptions, subject to any conditions set out in the by-law, for

- ! property of a specific registered charity *if used directly and solely for a charitable purpose* (case law confirms that this does not include fundraising)
- ! property of a nonprofit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization *if council considers the organization provides a service that might otherwise have to be provided by the council*

- ! property of a fire department registered under Part X *if used directly and solely for community purposes or fund raising activities of the fire department*
- ! property of an emergency services provider registered under Part X *if used directly and solely for community purposes or fund raising activities of the emergency services provider*
- ! buildings, pump stations, deep well pumps, main transmission lines, distribution lines, metres and associated plant and equipment of a municipal water utility (including village and service commission water utilities).

The exemptions must be granted by by-law. The property and the organization being benefitted must be named in the by-law. Council has complete discretion to grant or refuse a benefit.

Exemptions do not apply to area rates ***or fire protection rates*** unless the by-law specifically states that the exemption applies to area rates ***or fire protection rates*** as well as the general rate.

Existing by-laws under the *Assessment Act* are continued if authorized by the *Municipal Government Act*. Accordingly, most tax exemption and partial tax exemption by-laws continue in force.

Tax Reduction

Council may allow a tax reduction for the property of any nonprofit community, charitable, fraternal, educational, recreational, religious, cultural or sporting organization from commercial tax rates to residential tax rates. Area rates (which can be different for residential and commercial taxpayers) would be covered by the reduction. ***(Fire protection rates are charged at the same rate for both residential and commercial properties.)***

The reductions must be granted by by-law. The organization and the specific property must be named in the by-law.

Villages

Villages have the same authority as municipalities to pass tax exemption and reduction by-laws: s.429. These by-laws do not require the approval of the Minister of Housing and Municipal

Municipal tax exemption and reduction by-laws do not apply to village taxes.

Accounting & Reporting

The tax exemption or reduction must be shown on the tax bill, perhaps as a credit against the full taxes payable. The municipality must account for it as an expenditure, not a reduction in revenue.

Tax exemption and reduction by-laws have effect in the fiscal year following the year in which they are published, unless the by-law provides otherwise, and are in effect until repealed or replaced.

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Note: The reader is cautioned that preparation of this and subsequent Information Bulletins containing practical suggestions must necessarily involve interpretation of legislation as it applies in general situations. Specific situations may require careful legal analysis and therefore reference should be made to the *Municipal Government Act*, other relevant legislation and to legal advisors.