



Property tax credit guidelines

Provincial Education Requisition Credit
Designated Industrial Requisition Credit



Contents

1) Guidelines	4
2) Program objective and term	4
3) Key dates	4
4) Contact	4
5) Submission method	5
6) Eligibility requirements	5
6.1) Eligible applicants	5
6.2) Eligible properties.....	5
6.3) Ineligible properties	5
7) Application and review process	6
7.1) Submission to Municipal Affairs and review of applications	6
8) Provincial credit process and municipal document retention	6
8.1) Credits.....	6
8.2) Future tax recovery	6
8.3) Document retention.....	6
9) 2019 Shallow gas tax relief initiative (SGTRI)	6
9.1) SGTRI and DIRC	6
9.2) SGTRI and PERC	6
Property 1.....	7
Property 2.....	7

1) Guidelines

These guidelines will assist municipalities in applying to the:

Provincial Education Requisition Credit (PERC) for uncollectable Education Property Taxes on oil and gas properties and; Designated Industrial Requisition Credit (DIRC) for any uncollectable Designated Industrial (DI) Property Tax Requisition.

2) Program objective and term

With the downturn in the energy industry in recent years, municipalities are finding it increasingly difficult to collect property taxes, often due to insolvency or receivership of oil and gas and other industrial properties.

The province has established two programs to assist municipalities where taxes related to requisitioned amounts cannot be collected from property owners.

The PERC program provides affected municipalities with a credit, equal to the provincial education requisition associated with taxable properties that are delinquent in payment of education property taxes. The term of PERC extends to the 2023 tax year and may be applied retroactively to the 2015 tax year.

Additionally, the total education property tax credits provided to municipalities for the purpose of uncollectable education property taxes on delinquent oil and gas properties will be no more than \$30 million for the 2021/22 application intake year and \$15 million each year for the 2022/23 and 2023/24 application intake years (pending annual budget approval).

The DIRC program provides affected municipalities with a credit, equal to the DI Property Tax Requisition associated with taxable properties that are delinquent in payment of the requisition. The term of DIRC does not have an expiration date and can be applied retroactively to the 2018 tax year.

If the total Designated Industrial property tax requisition is less than \$1000 for 2020 and subsequent tax years, there will be no requirement to remit the amount collected to the province. As such, no application for a reduction/cancellation will be accepted for any municipality with a DI property requisition under the \$1000 threshold.

If the total Designated Industrial property tax requisition is less than \$50 for 2019, there will be no requirement to remit the amount collected to the province. As such, no application for a reduction/cancellation will be accepted for any municipality with a DI property requisition under the \$50 threshold. There was no threshold for the 2018 DI property requisition.

3) Key dates

Activity	Timeline
PERC & DIRC Application Intake	Application due to Municipal Affairs by January 15th, for the previous year(s) uncollectable taxes.
Receipt of Credit	If your application is successful, a credit will be applied to your next ASFF invoice (PERC) and to your following year's requisition notice for DI properties (DIRC).

4) Contact

If you have any PERC questions, call a program advisor at 780-422-7125 (toll-free 310-0000), or email TaxProgramDelivery@gov.ab.ca. For DIRC questions, call 780-422-1377 (toll free 310-0000) or email ma.asbcia.asmt@gov.ab.ca.

5) Submission method

Signed application forms and supporting documentation must be submitted by email to TaxProgramDelivery@gov.ab.ca.

6) Eligibility requirements

6.1) Eligible applicants

All municipalities in Alberta are eligible applicants. For program purposes, an eligible applicant includes any city, town, village, summer village, specialized municipality, municipal district, improvement district, special area, or the Townsite of Redwood Meadows Administration Society.

6.2) Eligible properties

Municipalities are eligible to apply to PERC for uncollectable education property taxes related to the following types of properties:

- The property is an oil and gas property assessed to a company that does not exist, cannot be located or does not have the financial means to pay outstanding property taxes owing to the municipality due to significant amounts of debt (and therefore may be undertaking receivership or bankruptcy proceedings).
- The property is coded in ASSET as taxable and non-residential for the purpose of the education property tax requisition. (Education property tax is levied on specific properties, and not others. For example, education property tax is not levied on machinery and equipment.)
- The property may be subject to a tax agreement where the property tax payer has defaulted on repayment of the tax agreement.

Municipalities are eligible to apply to DIRC for uncollectable DI Property Tax Requisitions related to the following types of properties:

- The DI property is assessed to a company that does not exist, cannot be located or does not have the financial means to pay outstanding property taxes owing to the municipality due to significant amounts of debt (and therefore may be undertaking receivership or bankruptcy proceedings).
- The property is taxable for the purpose of the DI Property Tax Requisition.

6.3) Ineligible properties

Aside from the properties described in 6.2, taxes levied against all other properties are excluded from PERC eligibility. Examples include:

- Properties owned by insolvent companies outside the oil and gas industry
- Residential properties
- Farmland
- Vacant non-residential land as the Municipal Government Act provides municipalities with other options for recovering unpaid taxes on such lands.
- Properties that are subject to a tax agreement where property taxes have been either cancelled or deferred and the tax agreement is in good standing.

Aside from the properties described in 6.2, taxes levied against all other properties are excluded from DIRC eligibility. Examples include:

- Properties owned by insolvent companies that are not DI property and the DI Property Tax Requisition was not applied.

7) Application and review process

7.1) Submission to Municipal Affairs and review of applications

- Your submission must include a completed application form and supporting documents submitted by email to Municipal Affairs (MA) for processing.
 - The application form is available online under Provincial Education Requisition Credit: <https://www.alberta.ca/provincial-education-requisition-credit.aspx>.
 - The application form requires you to provide detailed information on each property and to certify that the information provided is correct.
- Supporting documentation to be attached with the application include:
 - If the property tax has been expensed as bad debt, a motion from council confirming this.
 - If the property tax has not been expensed as bad debt, a motion from council confirming submission of the PERC application.

8) Provincial credit process and municipal document retention

8.1) Credits

PERC credits to municipalities will be reflected on a future education property tax requisition invoice and DIRC credits will be reflected in the following year's DI Property Tax Requisition.

Applying for PERC credits does not affect the quarterly remittance of the education property tax requisition by your municipality.

8.2) Future tax recovery

In cases where the unpaid taxes have not been written off, the municipality will be required to report the status of tax recovery on an annual basis.

If the uncollectable taxes are eventually recovered in whole or in part, this must be reported to MA and the recovered amounts must be remitted to the ASFF (PERC) or MA/Provincial Assessor (DIRC).

Please contact a Municipal Affairs program advisor at TaxProgramDelivery@gov.ab.ca if this is the case.

8.3) Document retention

Any documentation related to your application should be retained for three years after submitting your application as they may be requested by Municipal Affairs in the future. This may include a journal entry showing an expense of bad debt, tax notices and documents related to attempted tax recovery.

9) 2019 Shallow gas tax relief initiative (SGTRI)

9.1) SGTRI and DIRC

All properties for which a SGTRI credit was received are eligible for an unadjusted DIRC credit.

9.2) SGTRI and PERC

If property taxes owing on a qualifying property under the SGTRI are subsequently cancelled for the purposes of the PERC program, an adjusted PERC claim may be processed.

SGTRI uses the mechanism of the education property tax requisition process to provide a credit for 35 per cent of the total property taxes owing on qualifying properties for municipalities with qualifying properties. This ensures the affected municipalities are credited for the total amount of tax relief they provided to the qualifying properties. A subsequent PERC claim on a SGTRI qualifying property would provide a credit equal to the provincial education property tax requisition less the

SGTRI credit. Where a SGTRI credit is greater than or equal to the municipality's education property tax requisition, there would be no PERC claim remaining. The following two examples are provided to illustrate this.

Property 1

Property 1 receives \$630 in tax relief through SGTRI. If the property meets the program parameters of PERC, it would be eligible for the remaining education property taxes.

Municipal Tax	\$1000
Education Tax	\$800
Total	\$1800
SGTRI Credit (35 per cent of total)	\$630
Municipal tax remaining	\$1000
Education tax remaining	\$170
Potential PERC Claim	\$170

Property 2

Property 2 receives \$525 in tax relief through SGTRI. If the property meets the program parameters of PERC, it would be eligible for the remaining education property taxes.

Municipal Tax	\$1000
Education Tax	\$500
Total	\$1500
SGTRI Credit (35 per cent of total)	\$525
Municipal tax remaining	\$1000
Education tax remaining	\$ (25)
Potential PERC Claim	\$0

For more information on the SGTRI, please visit <https://www.alberta.ca/shallow-gas-tax-relief.aspx>.