

Shallow Gas Tax Relief Initiative

Municipal Affairs, Government of Alberta
Sept. 17, 2019
Shallow Gas Tax Relief Initiative (SGTRI) Guidelines

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1. GUIDELINES

These guidelines provide direction to municipalities seeking funds to recoup credits provided to shallow gas properties identified on the qualifying linear properties list (qualifying properties) provided by the Government of Alberta.

2. PROGRAM OBJECTIVE AND TERM

While property taxes are collected by municipalities, the assessment model used by municipalities to set tax rates for linear properties such as wells and pipelines is determined by the province. The model has not been updated since 2005, and does not reflect the circumstances faced by many shallow gas producers with older, lower productivity assets. This situation has been made worse by lower commodity prices and other economic conditions, and has required the province take action.

The Shallow Gas Tax Relief Initiative (SGTRI) provides support to shallow gas producers to mitigate this outdated assessment model, which is expected to be updated for the 2020 tax year. In the interim, the government is taking immediate steps to reduce 2019 taxes for shallow gas wells and pipelines.

This program will provide immediate relief to shallow gas producers by crediting 35 per cent of the 2019 property taxes levied on qualifying properties. Municipalities will be reimbursed by the province through the education property tax requisition. Municipalities' participation in this program is critical to its success.

The term of this program is the 2019 tax year.

3. KEY DATES

Activity	Timeline
Qualifying properties list and tax relief summary distributed	August 2019
Adjustment of taxes owing for qualifying properties	October 21, 2019
Submission of documents to the Province	October 21, 2019
Issuance of credit to municipalities	December 31, 2019

4. CONTACT

If you have any questions, call a Municipal Affairs program advisor at 780-422-7125 (toll-free 310-0000), or email TaxProgramDelivery@gov.ab.ca.

5. SUBMISSION METHOD

All program related documentation must be submitted by email to TaxProgramDelivery@gov.ab.ca.

6. QUALIFYING PROPERTIES

Shallow gas wells and pipeline gathering systems eligible for this initiative are those identified in the qualifying properties list provided directly to municipalities. For the purpose of the qualifying properties list, shallow gas wells are defined as wells less than 1500 metres in depth, producing only gas (that is, gas containing 0% condensate), drawing from formations that are younger than 98.5 million years. Depth is determined as the calculated production depth for assessment purposes.

Pipeline gathering systems are defined as those that transport gas from the well to the first downstream processing facility, and that have an outside diameter of 6 inches (152.4 mm) or less.

7. PROGRAM PROCESS

7.1) Receive Qualifying Property Information from Province

We have provided your municipality with a list of qualifying properties and a Summary of Tax Relief by Company. The summary will inform the resolution you draft, detailed below.

If there are any discrepancies between the information on the qualifying properties list and your municipal information please contact Municipal Affairs before proceeding.

7.2) Municipal Administration

A credit of 35 per cent should be applied to the total property tax owing for the qualifying properties. This includes total property taxes levied as per section 353(2) of the *Municipal Government Act* (MGA) which includes municipal property taxes, requisitions detailed in section 326(1)(a) and 359(1)(2), as well as special taxes levied under section 382(1) where the tax rate is based on the assessment. Total property taxes would include:

- Municipal property taxes
- Alberta School Foundation Fund, including allowance for non-collection;
- Opted-out School Boards;
- Local housing management bodies;
- Designated industrial property;
- Allowance to pay the requisitions due to non-collection of taxes; and
- Special taxes such as those for fire protection areas or recreational services.

If a previously agreed upon tax agreement exists for any of the qualifying properties, the 35 per cent must be applied to the original amount of taxes owing, absent a tax agreement. In some cases, this may result in no net change in taxes for the company.

To be eligible for reimbursement of cancelled property taxes under SGTRI, municipalities must apply a 35 per cent credit to all properties on the list of qualifying properties received from the Province, as per the Summary of Tax Relief by Company.

Adjustments applied to taxes owing of the qualifying properties will vary depending on the circumstances. Examples are provided below:

- Where taxes on the qualifying properties have not been paid, credit 35 per cent of the taxes owing for the 2019 year.
- Where taxes on the qualifying properties have already been paid, refund 35 per cent of the taxes paid for the 2019 year.
- Where some of the taxes on the qualifying properties have already been paid and some have not been paid, credit 35 per cent of the taxes levied for the 2019 year and provide refunds where property taxes paid are over 65 per cent of the total taxes levied in the 2019 year; and
- Where penalties have been imposed for unpaid taxes for the 2019 tax year, cancel the associated penalties.

Cancelled penalties will not be reimbursed through the SGTRI.

Property tax credits applied to properties not on the qualifying properties list, and/or at a per cent other than 35 per cent will not receive an education tax credit from the province.

A sample resolution template is available at www.alberta.ca/shallow-gas-tax-relief.aspx.

In cases where a portion of the education property tax credit has already been received by your municipality, do not submit an altered application. Provincial staff will have records of what has already be credited to your municipality and will adjust your total credit accordingly.

7.3) Submission to Municipal Affairs

Your submission must include the following documents submitted by email to Municipal Affairs for processing and must include the following:

- Certification form, signed by the chief administrative officer.
- A resolution from council confirming 35 per cent of the property tax and any 2019 tax year penalties associated with the qualifying properties list have been cancelled.
 - As an appendix, the resolution must include a summary of tax relief by company.

If there are any issues or concerns with the qualifying properties list or summary please contact Municipal Affairs prior to processing and sending your submission.

7.4) Municipal Affairs Review Process

Municipal Affairs staff will review your submission and recommend that Alberta Education process a credit equal to the amount of property taxes credited to the qualifying properties, on a future education property tax requisition invoice for your municipality.

8. PROVINCIAL CREDIT PROCESS AND MUNICIPAL DOCUMENT RETENTION

8.1) Credits

For submissions received on or before October 21, 2019, credits to municipalities will be reflected on their December 2019 education property tax requisition invoice. If you expect that your submission will not be ready by October 21, 2019, please contact Municipal Affairs well in advance.

Credits will reimburse municipalities for 35 per cent of all 2019 property taxes associated with qualifying properties. Municipalities will not be reimbursed for any cancelled penalties or fees associated with qualifying properties.

Municipalities with greater than \$50 million in qualifying assessment under the SGTRI program will see a portion of this, representing 50 per cent of total eligible tax credits, reflected on the September education property tax requisition invoice.

8.2) Document Retention

All supporting documents related to your application must be kept for a minimum three years after the last credit date referred to in the motion from council. This may include council's resolution, refunds given, supporting journal entry demonstrating that the property taxes have been credited, and late payment penalties that have been cancelled.

9. IMPACT ON THE PROVINCIAL EDUCATION REQUISITION CREDIT PROGRAM

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

The PERC program assists municipalities in managing undue hardships experienced as a result of uncollectable education property taxes related to oil and gas properties. This program provides the affected municipalities with a credit, equal to 100 per cent of the

provincial education requisition associated with taxable properties that are delinquent in payment of education property taxes.

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