

LIDSTONE & COMPANY

BARRISTERS AND SOLICITORS

MEMORANDUM

TO: Clients
FROM: Don Lidstone, Q.C.
DATE: April 16, 2020
RE: Provincial Announcement re Property Tax and Other Financial Measures
FILE: 99999 - 044

Overview

The Province of British Columbia today announced proposed temporary adjustments to the property tax regime and other changes to support local governments. Some of the changes will also benefit businesses in communities. The adjustments would include deferral of the provincial school tax remittances until December 31, 2020, authority to borrow interest-free from capital reserves for operating expenses, allowing carriage of debt for an additional year, reducing school property tax rates another 25% and giving businesses more time to pay property tax without late payment penalties.

These changes will augment existing statutory authority (for example, to establish an alternate “Municipal Property Tax Scheme” to delay the due date and reduce penalties and interest, to provide “assistance” to business under a partnering agreement, to adjust the rates affecting businesses, or for property tax deferment on principal residences). The package is on its way to Cabinet and as soon as we see the wording of the regulatory amendments or other instruments, we will be able to update this bulletin with advice and recommendations.

Deferral of School Tax Remittance

The Province will defer to December 31, 2020 the provincial school tax remittances from municipalities to the Province. This will provide temporary cash flow relief, noting that in any event the municipalities must be prepared to make the transfer by the end of the year. It is our understanding that remittances to regional districts, regional hospital districts, transit authorities, MFA and other entities will still be required by August 1 (with full payment to TransLink and BC Assessment August 1 instead of in August and December).

Borrowing from Capital Reserves

Local governments will be empowered temporarily to borrow from existing capital reserves (1) interest free and (2) for operating expenses. Under current section 189(4.1) and (4.2) of the *Community Charter*, local governments must pay interest on money borrowed from capital

reserves and may only transfer money to another capital reserve (as opposed to an operational purpose). The change will free up operating funds without interest for operating expenses such as employee salaries and support for implementation of COVID-19 measures. Local governments will have up to 5 years to repay such borrowing.

Carrying Debt an Extra Year

Local governments will be able to carry revenue anticipation debt for a second year, in order to extend for an additional year beyond the current one year limit, the ability to generate revenue to cover debt. This applies to revenue anticipation money borrowed via the Municipal Finance Authority outside of Vancouver. This new temporary tool would not be available for a local government until it has first used the delayed school tax funds and operational borrowings from capital reserves. Since municipalities and regional districts cannot incur deficits, the extended debt would still become due and payable at the end of the extended year, so councils and boards must carefully review financial plans to address the need to generate the revenue to cover the debt, by for example reducing services over time or increasing taxes.

Support for Businesses

The Province also proposes to reduce the school property tax for commercial property (and to apply an equivalency reduction for classes 7 and 8), resulting in an average 25% reduction on the entire property tax bill for most business entities (therefore augmenting the previously announced 50% reduction of school tax for property classes 4,5 and 6). Also, class 4, 5, 6, 7, and 8 late payment penalties would not apply until October 1, 2020 - it is not clear yet whether this applies only to school property tax or to all property tax.

Advice and Recommendations

As stated, the package of new temporary measures is on its way to Cabinet and as soon as we see the wording of the regulatory amendments or other instruments, we will be able to update this bulletin with advice and recommendations.

Other COVID-19 Bulletins

Our other COVID-19 bulletins for local governments are at <https://lidstone.info/bulletins/>