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Impacts of Annexation on Assessment and Taxation

Alberta Assessors' Association 2020 Fall Symposium

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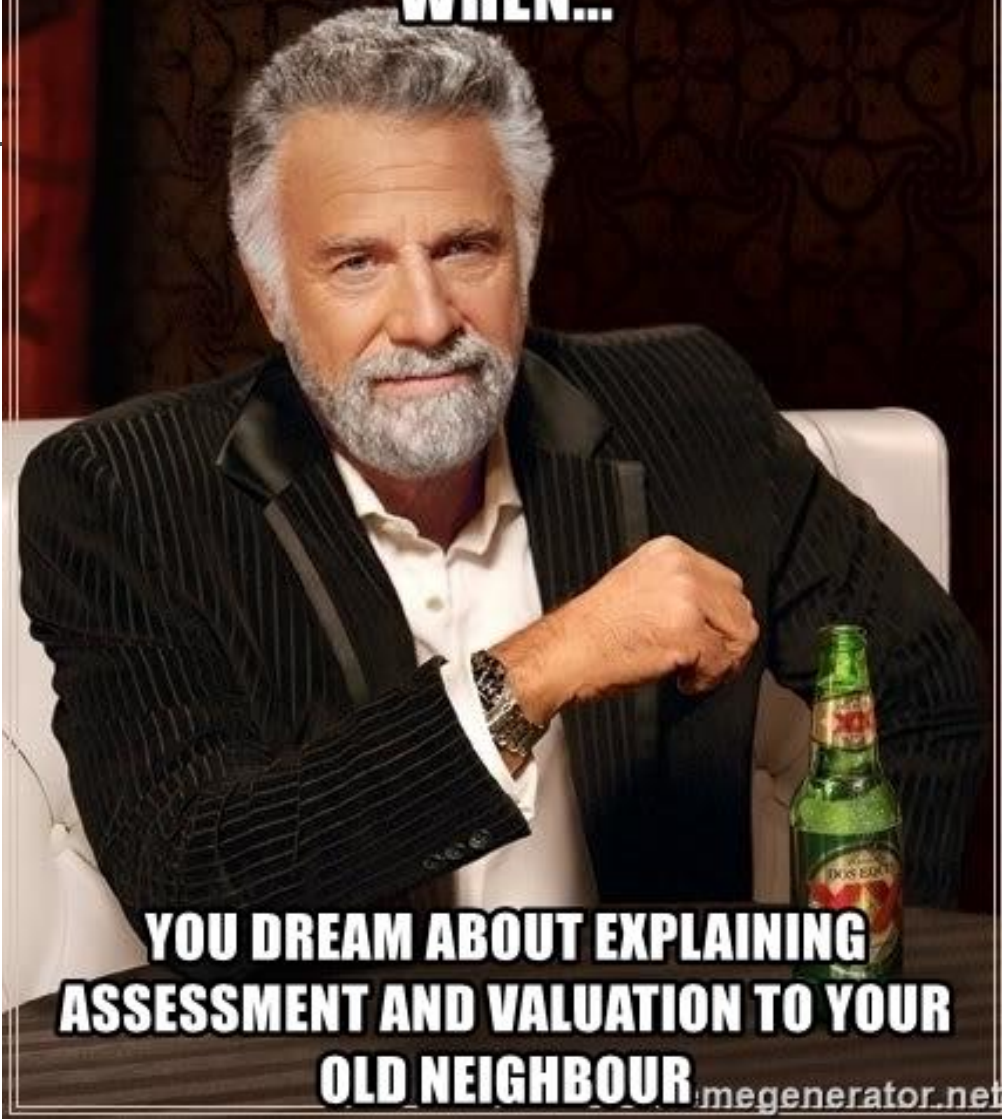
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**YOU KNOW YOU ARE AN ASSESSOR
WHEN...**

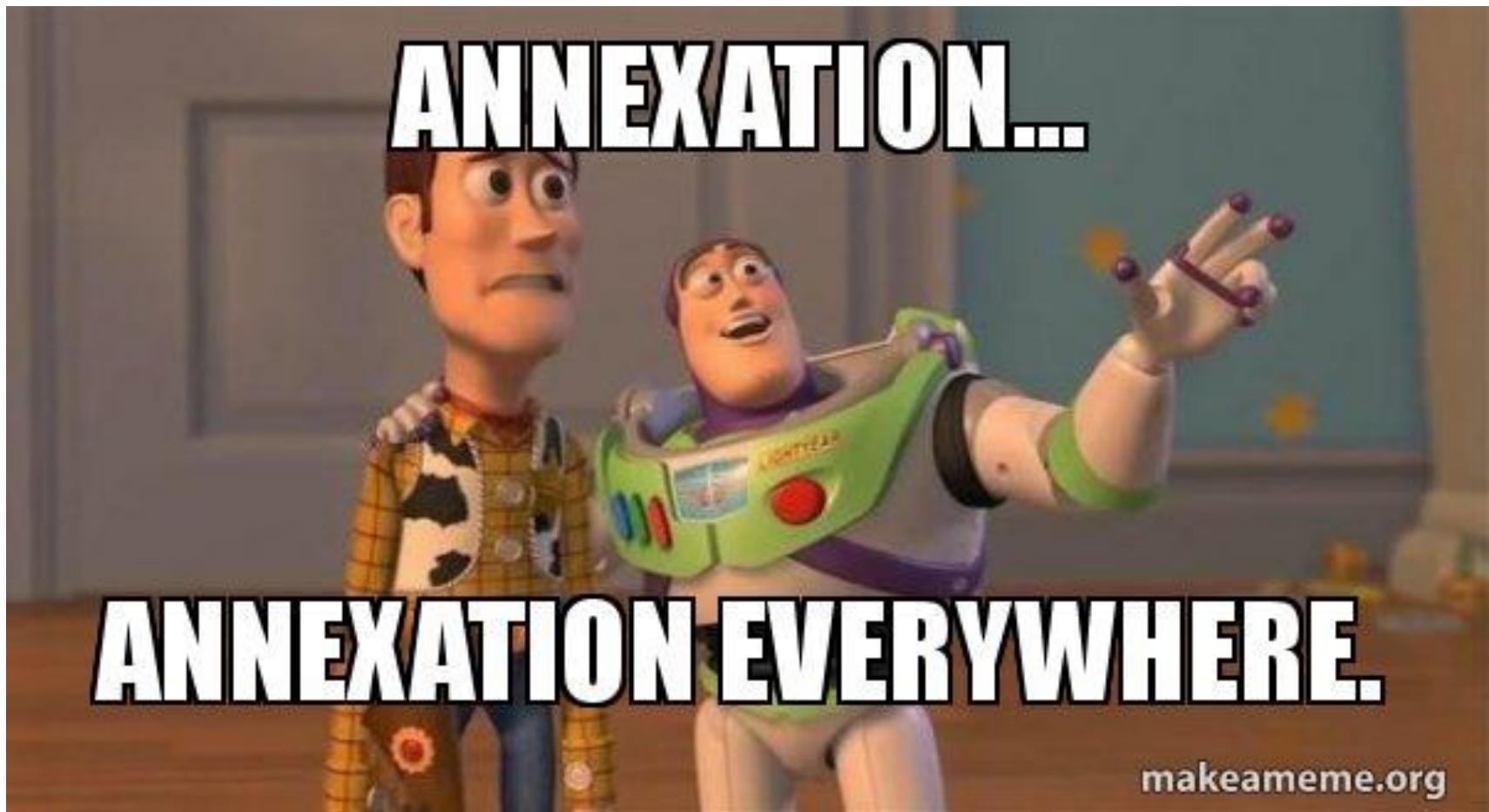


**YOU DREAM ABOUT EXPLAINING
ASSESSMENT AND VALUATION TO YOUR
OLD NEIGHBOUR**

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Agenda

- What is Annexation?
- Assessment pre and post Annexation
- Impacts of Annexation on:
 - Property Tax
 - Designated Industrial Property
 - Education Tax
- Role of the Assessor in Annexations



PART 1

OVERVIEW OF ANNEXATION



What is Annexation?

- Transfer of jurisdictional control, not ownership
- Generally required to accommodate long term growth of a municipality
- Due to change in jurisdictional control, tax rates are affected (tax rates of new municipality apply, unless otherwise ordered)



DO YOU NEED AN

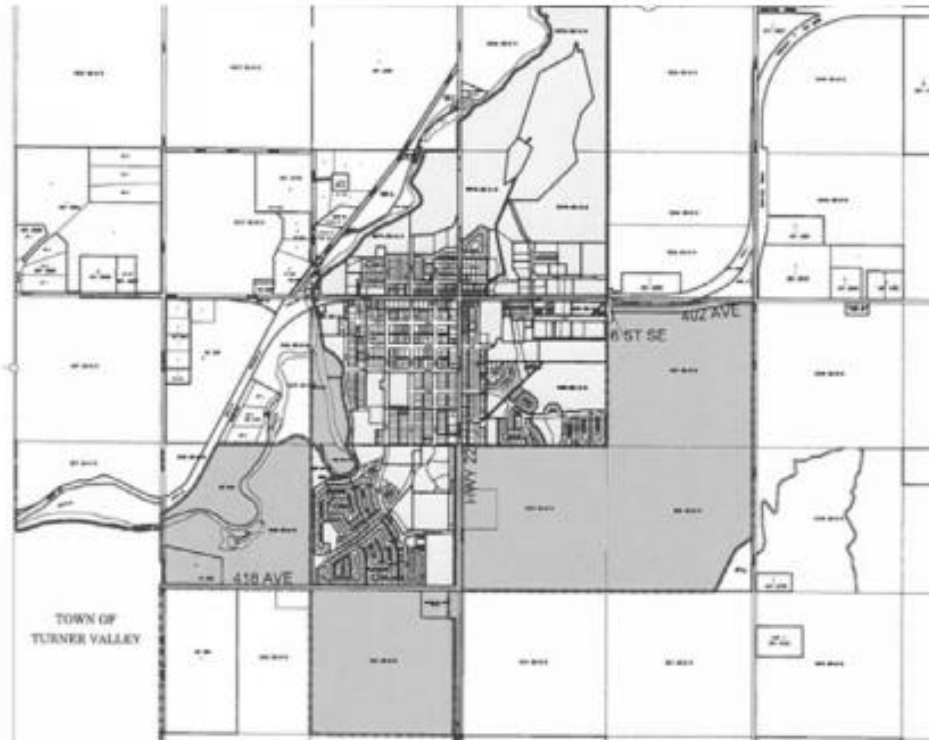
ANNEXATION ?



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Schedule 2

A SKETCH SHOWING THE GENERAL LOCATION OF THE AREAS SEPARATED FROM FOOTHILLS COUNTY AND ANNEXED TO THE TOWN OF BLACK DIAMOND



Legend

- Existing Town of Black Diamond Boundaries
- Annexed Land



PART 2

ASSESSMENT PRE AND POST

ANNEXATION



Assessment

- Assessment is generally not affected by annexation whether the land is in an urban or rural municipality
- Annexation Order in Council (OC) specifies impact
- OC may provide for different rule



4 For the purpose of taxation in 2020 and in each subsequent year up to and including 2044, the annexed land and assessable improvements to it, excluding linear property,

- (a) must be assessed on the same basis as if they had remained in Foothills County, and
- (b) must be taxed by the Town of Black Diamond in respect of each assessment class that applies to the annexed land and the assessable improvements to it using the tax rate established by Foothills County for property of the same assessment class,

and if Foothills County offers its taxpayers a discount for prepayment of property tax for any of those years, the Town of Black Diamond must offer the Town's taxpayers the same discount for prepayment of property tax on the annexed land and any improvements to it.



PART 3

PROPERTY TAX ISSUES FROM ANNEXATION





Tax Issues

- Tax rates vary between municipalities
- Municipality losing territory tries to limit the tax impact on its citizens
- Annexation affects long range development potential of the land (20-50 years)
- Municipality losing territory seeks tax protection measures



Tax Protection

- Tax protection measures generally negotiated to last for duration of growth horizon for annexation lands
- Tax protection can be lost (triggering conditions)



Tax Protection - Triggers

- Generally, 3 triggering conditions:
 - Subdivision
 - Connection to urban services (water and sewer)
 - Change of land use

- Generally as a result of a landowner request or on behalf of the landowner



Trigger - Subdivision

5 Where in 2020 or any subsequent taxation year up to and including 2044 a portion of the annexed land

(a) becomes a new parcel of land created

(i) as a result of subdivision,

(ii) as a result of separation of the title by registered plan of subdivision, or

(iii) by instrument or any other method that occurs at the request of, or on behalf of, the landowner,



Trigger - Subdivision

- For subdivision – is first parcel out a triggering condition?
- What if there are density targets in LUB?
- What if density targets are different between the annexing municipality and municipality losing territory?



Trigger – Land Use

(b) is redesignated, at the request of or on behalf of the landowner, under the Town of Black Diamond's land use bylaw to another designation, or



Trigger - Services

(c) is connected, at the request of or on behalf of the landowner, to water or sanitary sewer services provided by the Town of Black Diamond,

section 4 ceases to apply at the end of that taxation year in respect of that portion of the annexed land and the assessable improvements to it.



Post-Trigger

6 After section 4 ceases to apply to a portion of the annexed land in a taxation year, that portion of the annexed land and the assessable improvements to it must be assessed and taxed for the purposes of property taxes in the same manner as other property of the same assessment class in the Town of Black Diamond is assessed and taxed.



PART 4

DESIGNATED INDUSTRIAL PROPERTY TAX ISSUES



DIP – Pre-annexation considerations

- DIP assessment calculated by Provincial Assessor
- Unlike municipal property, DIP assessed value cannot be determined without Provincial Assessor's assistance



DIP – Pre-annexation considerations

- Timing of response from Provincial Assessor in preparation of fiscal position

- Amount of DIP assessment may impact negotiations for land area



DIP – Post-annexation

- DIP not usually given tax protection
- DIP rate payers generally do not make submissions at annexation hearings
- Impact of current financial climate on DIP collection?



PART 6

EDUCATION TAX ISSUES



Education Tax

- Education tax is provincial requisition
- Municipalities have no control over requisition amounts
- Municipalities must be careful to exclude education taxes from tax protection conditions



Education Tax

- If amount of land is significant, impact of requisition can affect municipality losing territory
- Is there a need to have specific agreements addressing compensation due to reuirementn to pay?



Education Tax

- Timing of requisitions compared to effective date of annexation
- Negotiation for payment to offset amount payable by municipality losing territory (if significant amount)?



Education Tax

- Discussions with school boards?
- Compensation questions with school boards?



PART 7

PRACTICAL CONSIDERATIONS



Practical Considerations

- Effective date of annexation generally July 1 or January 1
- Practical implication of effective date of outside of those dates



Practical Considerations

- Tax installment
- Administrative provisions or special payment plans apply?
- What if the two municipalities do not have the same tax payment date?



Black Diamond/Foothills County

“and if Foothills County offers its taxpayers a discount for prepayment of property tax for any of those years, the Town of Black Diamond must offer the Town’s taxpayers the same discount for prepayment of property tax on the annexed land and any improvements to it.”

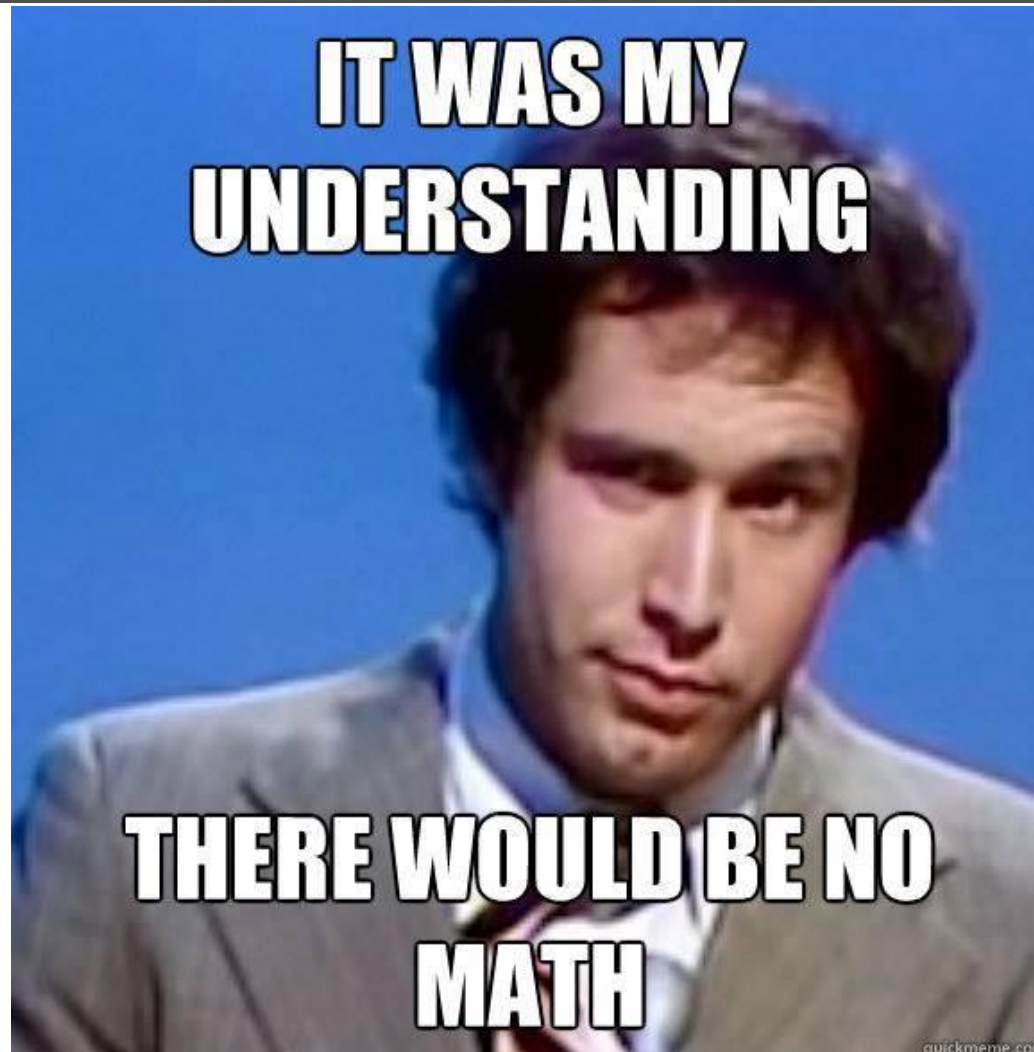


Role of the Assessor

- Significant role pre-annexation
 - Annexing municipality will request assessment data
 - Input and assistance with Fiscal Impact Assessment report
 - Review of tax protection impact and triggering conditions



Role of the Assessor



Role of the Assessor

➤ Post Annexation

- Follows direction from OC regarding assessment and taxation
- Practical implications regarding record keeping
- Implementation details re: Education, administrative provisions, tax payment dates, etc.





Questions/Comments





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