

**An Examination
of
Canadian
Property Tax Exemptions**



ICURR Intergovernmental Committee on Urban
and Regional Research
Comité intergouvernemental de recherches
urbaines et régionales **CIRUR**

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I am also extremely grateful to the many staff of the provincial municipal affairs departments and ministries for their initial co-operation in directing me to the relevant statutes with respect to property tax exemptions and partial exemptions. As anyone who has ever tried to document the intricacies of Canada's provincial property tax systems will know well, the variation in statutory regimes is almost as great as the resulting tax systems. Usually directors of policy or research, those staff who were also members of ICURR's research committee, also provided invaluable assistance in reviewing the draft of the report and guiding it to successful and hopefully accurate completion.

Of course, it goes without saying that I am responsible for any omissions or inaccuracies in the final report.

Jeffrey Patterson, M.Phil., MCIP



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Author's Biography

Jeffrey Patterson, a consultant specializing in urban and environmental planning and research, lives in Richmond, British Columbia, with his son Gabriel. He is a member of the Canadian Institute of Planners and the Real Estate Institute of Canada.

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He has taught courses in urban planning at the University of Toronto, in human ecology at the University of Manitoba and in urban and environmental studies at the University of Winnipeg. He also served for four years as senior research fellow in the Institute of Urban Studies in the latter institution. He has previously worked as a researcher for the Canada Mortgage and Housing Corporation, Ontario's Treasury, the Canadian Council for Social Development and the Social Planning Council of Metropolitan Toronto. In the 1985 to 1988 period he also served on the Ontario Minister of Housing's Rent Review Advisory Committee and subsequently chaired the Ontario Housing Minister's Advisory Committee on the International Year of Shelter for the Homeless. He is the author of numerous monographs published by the above organizations.





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Executive Summary

Chapter 1: Introduction

The practice of exempting specific properties or classes of property from property taxation has long and principled traditions associated with it. The introductory section explores the historical origins of property taxes and property tax exemptions, provides a brief history of property tax exemptions in Canada and documents the overall magnitude of exemptions relative to property assessments, as well as the overall importance of property taxes in the national tax system and to local and provincial governments.

Development of the Principles of Property Taxation

The forerunners to property taxes emerged in Europe in the 13th and 14th centuries. Each person's required contribution equalled the proportion that their property represented of the community's total assessed wealth. Real property was one of the major manifestations of wealth at the time. These new taxes, which also incorporated the concept of appeal should the taxed feel that their assessment was inequitable, became common in England and France in the 15th through 18th centuries. This broad-based tax on wealth was imported into pre-Confederation Canada in the 19th century, but has undergone significant transformation down to contemporary times.

What began as a general tax on wealth and an equitable tax based on ability to pay — a tax on wealth, income and property — has come down to contemporary Canadians as a more limited tax levied largely on real property by municipalities and other local authorities. Modern real property taxes, however, resemble the historical property tax in at least one essential respect: Equity objectives remain, as often as not, a critical feature of contemporary property taxation.

Property taxes have also essentially evolved into benefit taxes for local services. In addition to the many features of property taxes stemming from the equity objectives, other variations in property taxation (designed to bring it in line with benefits received) had also been put in place. Among these are lower taxation rates for farms in urban municipalities that are not receiving urban services. An increased concern that exemption from property taxes results in passing the cost of supplying services from one set of taxpayers to others has often made the magnitude and extent of property tax exemptions and special treatments a major issue with municipal councils and taxpayers who may feel they're over-taxed.

The Magnitude of Property Tax Exemptions

Exemptions increase the magnitude of taxation for non-exempt properties and property owners. They may also lead to increased reliance on other forms of taxation or on taxation by other levels of government.

No national data are available on the magnitude of overall exemptions from property taxation. The magnitude of exemptions from assessment is almost totally unknown. Data for selected jurisdictions indicate that the total magnitude of exemptions of assessed properties from taxation is considerable. Total exemptions in Nova Scotia were 21 percent of assessment. They were 23 percent in Halifax and 28 percent in Sydney. In New Brunswick, where social housing is exempt from taxation, total exemptions were 21 percent of residential assessment

and 14 percent of non-residential assessment. Exemptions from taxation were 18 percent in Winnipeg.

The total magnitude of exemptions is mitigated somewhat by the existence of grants-in-lieu (GILs) of taxes from federal and most provincial governments. GILs were nearly 10 percent of assessment in Nova Scotia, or about 46 percent of exempt assessment. They were 7 percent of assessment, or 38 percent of exempt assessment, in the City of Winnipeg. GILs by no means indemnify all classes of tax-exempt properties owned by federal and provincial governments.

There are at least two additional reasons why exemptions are significant considerations for Canada's local governments. Unlike local governments in other nations, Canada's municipalities, school boards and other local authorities have been denied access to all tax sources other than local property taxes. Property taxes were 54 percent of all taxes in such USA cities as Atlanta, 33 percent in Seattle and 46 percent in Pittsburgh.

Partly as a result, property taxes paid by Canada's residents and businesses alike are the highest in the world. An exemption from a fairly major tax has different implications than an exemption from what might be a secondary form of taxation in another jurisdiction. Secondly, following decreases in their magnitude for the period from the mid-1970s through the late 1980s, the magnitude of property taxes relative to the nation's income (Gross Domestic Product) increased substantially through the mid-1990s.

At 4.0 percent of Gross Domestic Product (GDP) in 1994, the burden of property taxes was greater than in any other of the 28 member countries of the Organization of Economic Co-operation and Development (OECD). By contrast Canada's overall burden of taxation was 18th among this elite group of industrial economies. Property taxes were 3.3 percent of GDP in 1975-76, 3.2 percent in 1980-81, 3.3 percent in 1985-86 and 3.4 percent in 1990-91. Led in no small part by increases in Ontario, the overall property tax burden increased to 3.9 percent of GDP in 1995-96, just slightly less than in 1970-71.

The total burden and magnitude of property taxes varies considerably from province to province. In 1994 they varied from 4.1 percent of all taxes and 2.6 percent of Gross Domestic Provincial Product (GDPP) in Newfoundland up to 13.4 percent of all taxes in Manitoba and 4.6 percent of GDPP in Ontario (Perry, 1996b, p. 1248; Patterson, 1997, p. 5). The total magnitude of property taxes relative to all taxes in provincial and local jurisdictions depends principally on the services for which property taxes are levied and on the mix of taxes, provincial grants and own revenues that comprise the revenues for those services. While public education and municipal finance requirements comprise the vast majority of property taxes in every provincial jurisdiction, property taxes are used to finance a variety of other local and provincial services, such as hospitals and public health services, the local portion of provincial-local social service costs and public transit. Aside from exemptions that stem from constitutional provisions forbidding the taxation of the federal government and its Crown agencies and corporations and Indian reserves, each province is in full control of the structure of local property tax systems and determines the services for which property taxes will be levied.

Definitions and Concepts

Property taxes as used herein are defined as periodic payments of general purpose taxes for the benefit of local governments. They include business taxes levied by many Canadian municipalities. Special assessments, usually levies for capital works benefitting specific properties, are excluded. Also not included are development levies for the capital cost of off-site

services benefitting new subdivisions. Another exclusion are special taxes on such real estate based services as hotel rooms and amusements. While paid by the owners of real estate, these taxes are usually *ad valorem* taxes not based on the value of the real estate.

Types of Exemptions Examined

In addition to the absolute exemptions analyzed in this report are partial exemptions, as well as significant variations from the usual market or actual value assessments.

Assessment and Taxation Exemptions

Property tax exemptions may occur at two levels. Property or classes of property may be exempt, or partially exempt, from assessment. Or, they may be assessed and then exempted from taxation.

Grants-in-Lieu of Taxes

Section 125 of the Constitution Act, 1867, provides that, "No Lands or Property Belonging to Canada or any Province shall be liable to taxation." A large portion of property exempt from taxation — chiefly property owned by federal and provincial governments or Crown corporations owned by these governments — attracts grants-in-lieu of taxes. In 1950 the federal government issued the Municipal Grants Regulations. These Regulations were replaced by the Municipal Grants Act in 1951. Since 1967, services normally financed by local governments, including provincial education levies, have been eligible for grants-in-lieu of taxes, although certain classes of property remain exempt from grants. Although there are significant exceptions, most provinces also pay grants-in-lieu of taxes for most types of government-owned property.

Despite the importance of these grants in municipal finance, it was agreed between the author and ICURR, early on in this review of exemptions, that grants-in-lieu of taxes would not be included. They would make a potentially interesting monograph on their own.

Chapter 2: Provincial Property Tax Exemptions by Object and Issue Area

The connection of real property to wealth, especially in earlier times, is relatively clear. Real property was one of the most prominent manifestations of wealth in these times. Personal property, which included the stock of mercantilists, the tools of crafts people, the machinery and equipment of industrialists, stocks in limited corporations, bank deposits and, in some cases, precious household goods were also manifestations of wealth that came to be taxed. Personal property has largely been abandoned as an object of taxation throughout Canada. Business taxes had largely been substituted for taxation of personal property throughout Canada by the early part of the 20th century.

The remainder of Chapter 2 provides a detailed context and explanation of exemption provisions for the property tax legislation of the 10 provinces, organized into 8 major and 29 minor headings:

1. General (a. Legislation; b. Provincial Government Exemptions)
2. Principal Transfer Organizations (a. Hospitals; b. Post-secondary Education)
3. Religious and Charitable Organizations (a. Religious Organizations; b. Cemeteries; c. Charitable Organizations)

4. Local Government and Related (a. Primary and Secondary Education Taxation; b. Municipalities; c. Highways, Roads, Etc.; d. Libraries; e. Golf Courses; f. Community Facilities; g. Airports)
5. Rural Uses (a. Farms; b. Agricultural Societies and Related; c. Protected Natural Spaces; d. Forests)
6. Residential Properties (a. Residences; b. Seniors)
7. Natural Resources and Productive Enterprises (a. Minerals; b. Machinery and Equipment; c. Railways; d. Gas Distribution; e. Telecommunication Systems; f. Hydroelectric Systems; g. Ports and Wharves)
8. Miscellaneous

Chapter 3: Property Tax Exemptions by Category

This chapter consists of a 29 x 10 matrix detailing exemptions with respect to the above categories.

Chapter 4: Summary and Conclusions

The property tax in contemporary Canada possesses a dual tradition. On the one hand, it is a local tax levied for the purpose of providing local services. On the other hand, the property tax also has its roots as a tax in equity levied on the basis of the wealth and the ability to pay by the citizens being taxed. Many of the exemptions detailed in the monograph reflect these equity considerations by the legislatures of the 10 provinces.

Some of the more significant conclusions, with respect to differentials in provincial treatment of full and partial exemptions and the issues connected thereto, are summarized in 13 subsections.

The magnitude of local government grew from slightly over 4.0 percent of GDP to over 9.4 percent during the course of the first seven decades of the 20th century. Despite this growth in the size of local government (primarily municipalities and local school boards), the growth in grants from senior governments (chiefly provincial government) kept a similar growth in local property taxes from occurring. Property taxes were 4.0 percent of GDP in 1913 and 3.7 percent in 1971. Grants increased from 3.7 percent of local government revenues in 1913 to 54.8 percent in 1971. Local government revenues comprised 8.1 percent of GDP in 1991, while grants from senior governments had decreased to 48.5 percent. The period since 1991, and especially since 1995, shows further decreases in provincial support for local governments. The interest of both provincial and local governments in accounting for the wisdom of each exemption and in formulating policies to mitigate the total value and impact of exemptions is heightened in such times.

One lesson from the collective government budgetary turbulence of the 1990s is that each level of government will undoubtedly strive to become more self-reliant and less dependent on transfers. Municipalities have often generated funds in a variety of ways. Primary among these is the substitution of specific service levies and charges for services financed from general taxes. In the context of property tax exemptions, the importance of substituting specific service charges for taxes as a means of financing critical municipal services is that such charges are usually payable by exempt properties in the same manner as by non-exempt properties. Up to 25 percent of the cost of municipal services are financed by specific charges. Numerous studies

have shown that such non-tax sources are seldom utilized to the extent desirable on an economic efficiency basis. Progress in limiting the impact of property tax exemptions on the finances of municipalities and other government services financed by property taxes can only result from a two-pronged effort. The aim would be to rationalize exemptions and make them consistent with public policy objectives, while creating user charges for those services for which this method of revenue generation is appropriate.



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Chapter 1: Introduction

The aim of this introduction is to provide a context for exploring the exemption of selected classes of property from property taxes. Because property taxes are seen as (and in Canada certainly are) the primary source of revenues for local governments and the primary means of fiscal support for local government services, many tax theorists would advocate the full taxation of all properties. Such a position holds that all properties benefit from local public services, and there is little rationale for exempting some properties from paying for those services and effectively passing the cost of providing local services on to other property owners. And as will be detailed below, several major enquiries into property taxes have taken exactly this position. Nevertheless, the practice of exempting specific properties or classes of property from property taxation has long and principled traditions associated with it.

In addition to providing a map of the layout for the remainder of this monograph, this introduction explores the historical origins of property taxes and property tax exemptions, provides a brief history of property tax exemptions in Canada, documents the overall magnitude of exemptions relative to property assessments and looks at the overall importance of property taxes in the national tax system and to local and provincial governments. As well, this introduction sets forth the definitions and concepts used herein and defines the kinds of exemptions examined.

Report Organization

An attempt to provide the context for an examination of property tax exemptions is provided immediately below in the remainder of this introduction and Chapter 1. As will be noted, the precursors to modern property taxes were at one time modern society's approach to taxing wealth in an equitable fashion. A combination of real and personal property assessment and income taxation permitted taxation in some proportion to ability to pay. While contemporary real property taxes may be a long way from this ideal, and indeed may have only ever imperfectly approached it, it is important to bear this objective in mind.

Chapter 2 commences with a brief review of the history of the development of contemporary real property taxes in Canada with an emphasis on the approaches to property taxation by 19th and early 20th century provincial governments. The author believes that a brief historical review provides the best way of understanding contemporary approaches.

The remainder of Chapter 2 is devoted to an exploration of the development of these approaches. It is important to stress at the outset of this exploration that documentation of Canadian provincial approaches to various aspects of property taxation is both scarce and repetitive. This paucity of documentation contrasts with the voluminous contemporary literature on subjects such as income and consumption taxation. The magnitude and yield of other taxes is one explanation.¹ Many of these other tax fields are even more important in other nations, while property taxes, as will be documented below, are less important outside of

¹Federal and provincial income taxes yielded well over three times as much revenue in the early 1990s as real property taxes (Perry, 1996, p. 1502). Taxes on goods and services yielded over 2.4 times as much revenue. Social security levies yielded over 1.5 times as much as property taxes.

Canada.² The magnitude of other taxes has also often increased by substantially greater proportions than property taxes.³ Property taxation is moreover decentralized to a greater degree than other taxation fields. It is governed by 10 provincial legislatures. The paucity and repetitiveness of literature needs to be understood in this light.

The ultimate product of this examination of property tax exemptions is a matrix, labeled Table 2 herein, detailing the specific approaches of Canada's 10 provinces to some 29 different classes of property taxation:

1. General (a. Legislation; b. Provincial Government Exemptions)
2. Principal Transfer Organizations (a. Hospitals; b. Post-secondary Education)
3. Religious and Charitable Organizations (a. Religious Organizations; b. Cemeteries; c. Charitable Organizations)
4. Local Government and Related (a. Primary and Secondary Education Taxation; b. Municipalities; c. Highways, Roads, Etc.; d. Libraries; e. Golf Courses; f. Community Facilities; g. Airports)
5. Rural Uses (a. Farms; b. Agricultural Societies and Related; c. Protected Natural Spaces; d. Forests)
6. Residential Properties (a. Residences; b. Seniors)
7. Natural Resources and Productive Enterprises (a. Minerals; b. Machinery and Equipment; c. Railways; d. Gas Distribution; e. Telecommunication Systems; f. Hydroelectric Systems; g. Ports and Wharves)
8. Miscellaneous

In each case the background of the issue area is discussed, followed by a brief expansion on the issues that have been addressed by provinces with respect to the specific area of discussion. A summary of each province's solution is contained in the relevant cell of the matrix.

The large 10 x 29 cell matrix may be considered as Chapter 3 of this monograph. The first row of cells for each province indicates the relevant legislation reviewed. Each cell in the matrix contains a province's individual solution with respect to each of the 29 issue areas. Entries are abbreviated. However, the specific legislation and section is indicated so that readers may refer to the actual legislation or regulation for a more complete understanding. Null entries usually mean that a province's legislation is silent on a subject.

It needs also to be emphasized that null entries or lack of treatment of a subject does not necessarily mean that a particular item is fully taxed. It is in some cases equally likely that the use or class that is the subject of the row of provincial responses may not actually exist. One of the simpler examples may be commercial airports. Most of Canada's major airports are probably owned by Transport Canada (DOT) or the Department of National Defence (DND), both branches of the federal Crown and exempt from taxation. Other airfields may be provincial

²Income taxes yielded 5.6 times as much as property taxes in the OECD (the Organization of Economic Co-operation and Development comprises the western industrial, or advanced, nations) nations collectively. Goods and services taxes yielded 6.4 times as much and social security taxes well over five times as much.

³Social security levies have generated significant amounts of taxation literature in the early and mid-1990s, and indeed increased 50 percent more than property taxes in the early 1990s. Of course, few tax changes match the implementation of Canada's Goods and Services Tax (GST) for controversy and opposition.

or municipal property or the property of a corporation wholly owned by a province or municipality and therefore exempt from taxation. Some provinces may not contain other airfields or they may be owned by local governments. There may therefore be no exemption of other airports because the empirical case simply does not exist. The lack of exemption of non-public airports may therefore have one of two meanings: 1) there are no such uses, or 2) there are some, and they are not exempt from taxation. One would not expect property tax legislation in New Brunswick, Prince Edward Island or Quebec to address the various facets of oil exploration and equipment.

Another caveat on the comprehensiveness of this monograph needs to be added as well. Legislation reviewed consists of legislation related to property taxation and assessment, to municipal finance and governance and to other aspects of local education finance, the most noteworthy being public education finance. Many property tax exemptions are contained in private legislation. As the number of such pieces of legislation is nearly limitless, they were usually ignored. As well, the exemption provided in much private legislation is time-limited, especially in the case of exemptions for new industrial or mineral exploration facilities, and inspection will reveal that the time has expired or will expire soon.

In other cases, legislation is enabling but not determining. That is, many pieces of legislation permit exemptions. They permit a ministerial or local option, and it becomes the prerogative of a government minister or municipality to act or not act on such options. In still other cases, an exemption may be compulsory, but it may require application to activate the exemption. Farm use exemptions frequently operate in such a manner.

Chapter 4 of this monograph consists of concluding observations and findings.

Development of the Principles of Modern Property Taxation

Following early "poll taxes" or "head taxes" (*taille* in France), the modern western world's first taxes resembled what we know of in contemporary times as "property taxes." In city states in the 13th and 14th centuries — Milan, Sienna, Florence and others of present-day northern Italy — communal princes and governments first attempted to balance the books in a manner similar to contemporary municipal budgeting by levying wealth taxes (*dazio*) on the merchant class (Webber and Wildavsky, 1986, p. 199). The *dazio* were initially levied irregularly as the need for money arose. Unlike the head or poll tax, which exacted the same payment from each citizen, this direct tax embodied the concept of equity. Each person's required contribution equalled the proportion that his or her property represented of the community's total assessed wealth. These new taxes, which also incorporated the concept of appeal should the taxed feel that their assessment was inequitable, became common in England and France in the 15th through 18th centuries.

These property taxes, supplemented by the bounty of empire, underlay the modern nation state. Often challenging the loyalty of subjects and even resulting in the termination of the tenure of some monarchs, they enabled monarchs to live splendidly, harvest the fruits of increasing productivity attendant to the modern era and wage wars of national aggrandizement. The rebellion of England's 13 American colonies in the late 18th century was, of course, waged in part under the slogan of "no taxation without representation." Other leaders, monarchs and republicans alike, succumbed to the demands of their subjects for a greater say in taxation and related matters. Modern parliamentary democracy and universal suffrage — at least for males and for the propertied classes — replaced the untrammelled power

of monarchs by the mid-19th century. Sovereignty would henceforth be exercised by representative legislatures and by cabinets acting as the responsible executive committees of the legislatures. Under the new administrative arrangements, the revenues and expenditures of state budgets were increasingly required to be balanced on an annual basis. The modern era had arrived, featuring rational administration, the rule of law, annual budgets and annual revenue levies. While large portions of state revenues would be comprised of indirect taxes, such as customs and excise duties, the sale of offices, as well as the bounty of empire, modern citizens could anticipate an annual direct levy on their wealth (and sometimes income) to meet the revenue needs of the nation state or community.

The above provides a brief explanation of the principles underlying modern property taxation. The modern Canadian property tax paid by and for residents and businesses on real property assessment is a more limited tax. What began as a general tax on wealth and an equitable tax based on ability to pay — a tax on wealth and income and property — has come down to contemporary Canadians as a more limited tax levied largely on real property by municipalities and other local authorities.⁴

Modern real property taxes, however, resemble the historical property tax in at least one essential respect: Equity objectives are as frequently as not a critical feature. That is, ability to pay and wealth frequently lead to both exemptions from taxation or, alternatively, reduced or greater taxes. This monograph is about exemption from property taxes. Many of these exemptions stem from equity considerations and the ability to pay taxes.

A large number of exemptions reflect the age-old principle that the state itself — the property of government — should be exempt from taxation. The state is generally not a profit-making entity. It does not generate wealth, at least not for its own aggrandizement. Part of Canada's own tradition, embedded in Section 125 of the Constitution Act (previously the British North America Act prior to 1982) is that the Crown — both its federal and provincial arms — is exempt from taxation. The importance of exemptions likely took on major significance only in relatively contemporary times. Local government expenditure, comprised mostly of the expenditures of municipalities and local school boards, was 4.4 percent of Gross Domestic Product (GDP) in 1913, and property taxes were 4.0 percent, or 90 percent of spending (Kitchen, 1991, p. 2). Local government spending increased to 5.0 percent of GDP in 1926 and 5.7 percent in 1937, but had decreased to 4.5 percent in 1947, in large part a result of construction freezes during World War II. The local government sector increased rapidly in size after the War, as Canada's municipalities and school boards caught up with the unmet need for infrastructure and community facilities that accumulated during the Great Depression and the following war and as cities grew rapidly with the post-War baby boom and rural-urban migration.⁵ Local government expenditure increased to 5.3 percent of GDP in 1953, 7.5 percent in 1961 and 9.4 percent in 1971, double the proportion of 1947.

⁴Cf. Footnote 1 above. By the 1990s federal and provincial income taxes yielded over three times as much revenue as local and provincial property taxes. Taxes on goods and services yielded 2.4 times as much, while social security taxes yielded 1.5 times as much.

⁵Approximately 30 percent of Canada's population lived in cities of 100,000 and over in 1941. Approximately 66 percent of incremental growth from 1941-1961 occurred in large cities and their suburbs.

The Magnitude of Exemptions

There should be little doubt of the importance of exemptions, both in general and in particular for specific local jurisdictions in which large numbers of exempt properties may be located. Empirically, exemptions increase the magnitude of taxation for non-exempt properties and property owners. They may also indirectly increase reliance on other forms of taxation or on taxation by other levels of government. While there are no national data on property tax exemptions, and almost as often no easily accessible provincial data, a few examples from across Canada illustrate this point.

Over 21 percent of the value of all properties in Nova Scotia was exempt from taxation in 1994 (Nova Scotia, 1995, p. 13). Exemption rates were 23.4 percent in Halifax and 28.1 percent in Sydney. While most resource properties are located outside of municipalities and resource property values in municipalities were not significant, over 62 percent of the value of resource property located in municipalities was exempt from local taxation. Nearly 49 percent of the total value of commercial properties in cities and towns was exempt. On the other hand, only about 3 percent of the value of residential properties was exempt. Like most in Canada, Nova Scotia municipalities may receive grants-in-lieu of taxes from federal and provincial governments that mitigate the impact of exemption of state-owned (federal and provincial) properties. Grants-in-lieu of taxation from federal and provincial governments comprised 9.7 percent of the total of taxes and grants-in-lieu for all cities and towns in the province, 11.3 percent in Halifax and 16.4 percent in Sydney. Approximately 12 percent of property values was exempt from taxation and not compensated by grants-in-lieu of taxes. This total results, in some cases, from the inadequacy of grants-in-lieu relative to taxes that would be paid on the same properties if privately held and, in others, from exemptions that are not compensated by grants-in-lieu of taxes.

The magnitude of exemptions is similar in other provinces and local jurisdictions. In New Brunswick 21.4 percent of residential and 14.0 percent of non-residential property by value was exempt from property taxes in 1994 (New Brunswick, 1994, pp. 3-5). While unconditional provincial grants to municipalities, equal to nearly 29 percent of total revenue of municipalities in the province, offset these exemptions, there was nevertheless a significant impact on local taxpayers, as well as on provincial taxpayers.

In Winnipeg, in 1995, exemptions associated with grants-in-lieu of taxes were equivalent to 7.0 percent of the total of taxes and grants-in-lieu or taxes received. Those not associated with grants-in-lieu of taxes were equivalent to 11.3 percent of the total of tax and grants-in-lieu revenue, about the same magnitude as in Nova Scotia and its major municipalities (Winnipeg, 1994, p. 9).

Nearly 28 percent of the value of all properties in Regina was exempt from local and business taxation, including over 17 percent of commercial, 22 percent of industrial and over 8 percent of business tax assessment.⁶ While Regina receives federal grants-in-lieu of taxes on the same basis as other local Canadian jurisdictions, the Saskatchewan provincial government

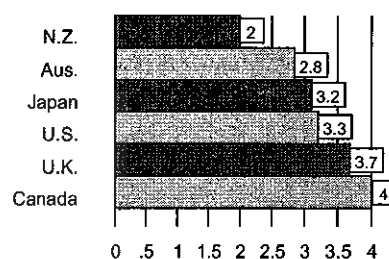
⁶ Facsimile to the author from the City of Regina Director of Taxation.

has only just recently committed to providing grants-in-lieu of taxes for provincially owned properties.⁷

Aside from significant local impacts of exemptions on property taxpayers, there are at least two additional reasons why exemptions are significant considerations for Canada's local governments. Firstly, property taxes paid by Canada's residents and businesses alike are the highest in the world; an exemption from a fairly major tax, of course, has different implications than an exemption from what might be a secondary form of taxation in another jurisdiction. Secondly, and notwithstanding that property taxes and changes in property taxes vary significantly by province, the magnitude of property taxes relative to the nation's income (Gross Domestic Product) increased substantially through the mid-1990s, following decreases in their magnitude from the mid-1970s through the late 1980s.

At 4.0 percent of GDP in 1994, the burden of property taxes was greater than in any other of the 28-member countries of the OECD. By contrast, Canada's overall burden of taxation was 18th among this elite group of industrial economies. While the Anglo-American nations have to a greater extent than other nations based their generally enviable local government democracy on local access to property taxes, Canada stands out, even among this group. Property taxes were 3.7 percent of GDP in the U.K., 3.3 percent in the U.S., 2.8 percent in Australia and 2.0 percent in New Zealand (Perry, 1996, Table 2). At 3.2 percent, Japan was the only non-Anglo-American OECD country where property taxes exceeded 3.0 percent of GDP.

Figure 1: Property Tax % GDP



This is not to belittle the extent to which local property taxes may facilitate local government as a basis for local democracy in Canada. Nearly 90 percent of all property taxes levied in Canada in 1997 were levied by local governments.⁸ Property taxes comprised approximately 86 percent of all taxes levied by local governments in 1997. By contrast, property taxes were 54 percent of all taxes in such U.S. cities as Atlanta, 33 percent in Seattle and 46 percent in Pittsburgh (Kitchen and Slack, 1993). The reliance on property taxes often shows up as a cost of doing business. Average real estate taxes associated with office rental in 1993 were \$90.73/m² in Toronto, over 3.5 times the rate in nearby Buffalo, 3.6 times the rate in Atlanta and nearly 70 percent above rates in Boston (Canadian Urban Institute, 1994, p. 11). Taxes on offices of \$60.93/m² in Vancouver were nearly 2.4 times those in Seattle in 1993.⁹ On the other hand, another study of comparative advantage in the costs of selected industrial establishments in

⁷ *Budget, 1997-98*. Assuming full implementation of the budgetary commitment to provide grants-in-lieu of taxes as part of a larger reform in municipal taxation and re-assessment across Saskatchewan, Newfoundland will soon be the sole provincial jurisdiction not providing grants-in-lieu of taxes.

⁸ In 1997 approximately 10.5 percent of property taxes were levied by provincial governments. Nearly all of these taxes were eventually destined to benefit local education services.

⁹ While the authors of the Canadian Urban Institute study concluded that overall magnitude of property taxes was chiefly responsible for these differentials, the specific incidence of property taxes on commercial properties is also an important factor. In 1993 non-residential taxes in major Canadian cities varied from 38 percent of totals in Regina to 63 percent in Calgary. They were 50 percent in Toronto and 47 percent in Vancouver (Patterson, 1996, p. 29).

Canada, the U.S. and five western European nations concluded that property taxes were 3 percent of all operating costs for selected manufacturing establishments and minimally disadvantageous for Canadian locations (KPMG, 1997, p. 5).¹⁰

Secondly, the magnitude of property taxes relative to GDP increased significantly from the late 1980s to the mid-1990s, although recent increases beyond the mid-1990s have been much smaller. As is shown in Table 1, the relative collective weight of property taxes increased from 3.7 percent of GDP in 1965-66 to 4.1 percent in 1970-71. Thereafter, a wave of new measures were introduced in several provinces that significantly reduced the overall burden of property taxes. They included homeowner and renter property tax credits and grants, and increased grants to municipalities and school boards. Property taxes were 3.3 percent of GDP in 1975-76, 3.2 percent in 1980-81, 3.3 percent in 1985-86 and 3.4 percent in 1990-91 (Perry, 1992, p. 1239). Led for the most part by increases in Ontario, the overall property tax burden increased to 3.9 percent of GDP in 1995-96, just slightly less than in 1970-71 (Canada Finance, 1997, Summary Table 8). Although conclusions with respect to very recent trends can only be tentative, it may be a positive sign that property tax increases for local governments offset only about one half of the decreases in provincial transfers of over \$1.5 billion experienced from 1995 to 1997, while non-tax revenue increases were in excess of provincial transfer reductions.¹¹

The experience varies significantly across the 10 provinces. Table 1 summarizes the relationship between total property taxes (local and provincial) and Gross Domestic Provincial Product (GDPP) in the 10 provinces for the years 1970-71, 1980-81, 1990-91 and 1995-96. Ontario, Manitoba and Quebec have led in the 1990-91 to 1995-96 proportional changes. Lesser increases were recorded in this period in most of the Atlantic provinces and in Alberta. British Columbia and Saskatchewan experienced a more or less constant relationship between property tax obligations and GDPP.¹²

Table 1: Consolidated Provincial & Local Property Taxes as a Percent of GDPP, by Province, for Selected Years, 1970-71 to 1995-96

Province	1970-71	1980-81	1990-91	1995-96
NF	1.0	1.6	1.6	1.9
PE	2.5	2.2	2.1	2.6
NS	3.4	3.2	2.5	3.1
NB	2.5	2.7	2.4	2.8
QC	3.7	3.0	3.0	3.5
ON	4.2	3.5	3.8	4.5
MB	4.1	4.2	4.1	4.7
SK	5.4	3.0	3.9	3.9
AB	4.9	2.3	3.1	3.4
BC	4.3	3.5	3.2	3.3
Canada	4.1	3.2	3.4	3.9

Sources: Perry, 1992, p. 1239; & Canada Finance, 1997, Summary Table 8.

While property taxes are often characterized as the prerogative of municipal governments, and they are certainly the main source of tax revenues for municipalities, all but the most casual observers will be aware that property taxes are paid to a variety of agencies, albeit usually related to local government. As well, municipal governments often have the obligation of collecting property taxes that may be due to other

¹⁰ As will be noted below, the absence of property taxes on manufacturing equipment in most Canadian jurisdictions mitigated any comparative disadvantage that manufacturing plants in Canada would have otherwise suffered as a result of Canada's generally high property taxes. As will also be noted, the policy of many Canadian jurisdictions is to charge business property taxes or permit variable rate taxation systems incorporating previous business property tax regimes as an alternative to specific taxes on manufacturing equipment.

¹¹ Cf. Canada, Statistics Canada, *CANSIM: Local Government Finance: Revenue and Expenditure*.

¹² Of course, it needs to be emphasized that changes in either property taxes or GDPP may change the resulting numbers. For instance, although *per capita* property taxes in Newfoundland actually decreased in the early to mid-1990s, they increased as a percent of GDPP as a result of decreases in GDPP in the relevant years.

parties. Collection of taxes for local school boards are the most common example across much of the country. Others have observed that the overall magnitude of property taxes, as well as significant short-term changes in them, are due largely to shifts in responsibility for school taxes (Perry, 1992, p. 1238; Patterson, 1996). Major decreases in total property taxation in Alberta in 1975 stemmed almost entirely from such changes. British Columbia's homeowner grants, initiated in the late 1950s, were substantially recast in the 1970s as part of an effort to cover the school tax obligations due on behalf of residential properties. Homeowners in New Brunswick are exempt from provincial school levies. By contrast, relatively high property tax obligations in Manitoba and Ontario are the result of very high school tax obligations in those provinces. Responsibilities for social service and health expenditures also played a major part in changes to total property tax obligations, especially in Ontario (Patterson, 1996, p. 7).

Definitions and Concepts

Having noted that property tax exemptions comprise a significant portion of potential property taxes, as well as the fact that both property tax obligations and recent changes in property tax payments are substantial, this subsection of the introduction is committed to defining more precisely the objective and purposes of this report.

Property Taxes

On the one hand, the definition of property taxes may seem obvious. On the other, it is important to define the limits for purposes of this report, especially as property taxes are ultimately paid to a variety of authorities, as well as to both local and provincial levels of government. The definition used herein excludes certain, usually minor, taxes that are nevertheless classified as property taxes in Canada's National Accounts maintained by Statistics Canada.

Property taxes as used herein are defined as periodic payments of general purpose taxes for the benefit of local governments.¹³ The basis for these taxes is real property. Municipalities are most often the primary beneficiaries of these taxes.

With two exceptions, taxes are usually collected by municipalities for themselves and for other authorities, local and otherwise, as well. The two exceptions are New Brunswick and Prince Edward Island, where provincial governments collect property taxes on behalf of municipalities. Prince Edward Island also collects property taxes on behalf of local school boards, while New Brunswick also simultaneously collects an education levy, based on real property assessment, that is rolled into the provincial consolidated revenue fund and provincial support for the province's schools.

In the rest of Canada, municipalities collect taxes for themselves, as well as other authorities, mostly local in nature, and frequently provincial governments as well. Local school boards are the most common, as well as the most demanding, other authority. Education levies frequently exceed municipal levies in Ontario and Saskatchewan, but taxes for school purposes are

¹³ Property taxes are increasingly collected by municipalities for provincial governments. The primary beneficiaries of these provincial property taxes are nevertheless viewed as local school boards, and the collections have in fact usually replaced direct payments to school boards of non-residential and residential property taxes in Alberta, British Columbia, Manitoba and Ontario.

approximately 35-50 percent of total property taxes in most other provinces.¹⁴ Library boards are supported in a similar manner in Alberta and Saskatchewan.¹⁵ Where upper-tier or regional municipalities exist — urban communities in Quebec, regional municipalities in Ontario and regional districts in British Columbia — taxes levied by the regional level are collected by the local municipality for transfer to the regional entity. A variety of other purposes and authorities (including hospitals, provincial assessment authorities, municipal finance agencies and transit authorities) also have their taxes paid to them by local municipalities. Perhaps countless inter-municipal authorities are also tax-supported in this way, although in most cases each municipality's obligations to the inter-municipal authority are rolled into the local municipal levy. As well, the provinces of Alberta, British Columbia and Manitoba and, beginning in 1998, Ontario, possess provincial education property tax levies that are collected by municipalities for provincial governments.¹⁶ In all four cases the purpose of these levies is to support local school boards. In 1997 the education levies of these provinces and those of New Brunswick comprised about 10.5 percent of all property taxes levied.¹⁷ Finally, it should be noted that municipalities sometimes include more than one levy for the benefit of the local municipality. For instance, Calgary levies a capital debt levy as well as a civic operations levy.

Property taxes, as used herein, include business taxes levied by many Canadian municipalities. Business levies are usually based on real property assessments or the rental value of commercial real estate. They may be flat rate taxes or graded.¹⁸ In the latter case, many different and variable rates are levied by type or size of business. As will be noted below, these taxes stem from earlier taxes on the personal property of merchants and manufacturers.¹⁹

Several categories of taxes are excluded. Special assessments, usually levies for capital works benefitting specific properties, are excluded.

While most Canadians would not include water and sewer rates under property taxes, and they are not considered as such herein, they are nevertheless often treated in statutes as taxes. If unpaid, they are often registered against the title of the tardy property owners in the same manner as unpaid property taxes. They are nevertheless service fees. Garbage collection and disposal fees are increasingly treated in a similar manner by Canadian municipalities (another recent ICURR study).

¹⁴ Prior to the initiation of a new regime in 1998 in which education taxes are collected by the provincial government to be distributed back to local school boards in accordance with provincial spending guidelines. Total local and provincial education levies may also exceed municipal levies in provinces such as Manitoba where there are two or more education levies. Newfoundland is the only province in which primary and secondary education is not currently supported by property taxes.

¹⁵ Unlike local school boards, the budgets of library boards are approved by civic councils.

¹⁶ Ontario joined this group of provinces in 1998.

¹⁷ Canada, Statistics Canada, *CANSIM*.

¹⁸ As used herein, "graded taxes" refer to variable rate taxes where the rates are usually specified in provincial legislation. The term "variable rate taxes" will generally be reserved herein for instances in which local councils have the authority to establish rates by class of property.

¹⁹ In 1876 Montreal became the first Canadian city authorized to impose a rental value business tax, modelled after similar taxes then levied in France. Quebec City followed in 1883 (Ontario, 1967, p. 36). Manitoba amended the City of Winnipeg charter in 1893 to permit the replacement of personal property taxes by graded business taxes varying by type of business. Ontario first permitted a similar replacement by local municipal option in 1890, although business taxes did not become common there until after reforms in 1904 (Ontario, 1967, pp. 36, 38 and 39).

Also not included are development levies for the capital cost of off-site services benefitting new subdivisions. These levies often comprise a significant cost to developers that is subsequently believed to be passed forward to purchasers and lessees. Provincial legislation usually defines the purposes for which development levies may be assessed and the requirements to be met by local development cost by-laws; the decision to levy such fees is usually a local decision.²⁰ Fees may sometimes be in cash or in kind. Provincial legislation, a municipality or its Development Cost Charge by-law may also specify developments against which levies may not be applied. Small developments are the most common exemptions. In other jurisdictions, particular levies may be negotiated in the context of applications for zoning or land use change. Charges levied by provincial governments, such as the parking facility charge levied for a time in Ontario, are excluded as well.

Another exclusion are special taxes on such real estate based services as hotel rooms and amusements. While paid by the owners of real estate, these taxes are usually *ad valorem* taxes not based on the value of the real estate.

Types of Exemptions Examined

Included in the analysis in this report, in addition to the absolute exemptions, are partial exemptions, as well as significant variations from the usual market or actual value assessments. Those familiar with the theory and practice of real estate appraisal will know that while practice is improving, especially with the nearly universal use of electronic processing and application of actual sales data to the stock of real estate, it remains far from perfect. Some such variations are designed to more accurately assess the wealth that public authorities are attempting to assess and tax. They are included herein on the assumption that those in one jurisdiction will want to know the practices in other jurisdictions.

Moving from complete to partial exemptions contains certain theoretical risks in a report such as this. For instance, what is the difference between a partial exemption and variable rate taxes or taxes based on graded assessments? The distinction between partial exemptions and variable rate taxes is easier to describe. Municipal and tax legislation in several provinces, notably Alberta, British Columbia, Nova Scotia, Saskatchewan and, beginning in 1998, Ontario, permit local councils discretion to establish separate tax rates for specified classes of property.²¹ In British Columbia and Ontario, non-residential rates are intended to incorporate business taxes.²² Graded assessments, the basis of local taxation in Manitoba and Ontario (to 1998), are a method of achieving the same result provincially, or locally if attached to specific municipal charters. Manitoba remains the only province to rely on graded assessments beginning in 1998.²³ Saskatchewan relies both on province-wide variable assessment factors and local variable tax

²⁰ Notwithstanding that several provinces now mandate the collection of Development Cost Charges for the benefit of educational construction programs.

²¹ In Ontario Bill 106 (1st Session, 36th Legislature, 1997), a new Section 363(3) of the *Municipal Act* provides upper-tier municipalities (otherwise known as regional municipalities) the responsibility for establishing variable rates applicable to themselves and to lower-tier municipalities within its jurisdiction.

²² These are nearly phased out in practice in British Columbia, and Ontario's Bill 106 phases them out by statute.

²³ Regulations prescribing graded assessments for approximately nine classes of use are applicable throughout the province.

rates by use for determining tax rates.²⁴ The designation of business levies as additional real property levies in New Brunswick and Prince Edward Island is akin to variable rate taxes described above except that the extra levy is prescribed for whole provinces and thus resembles a graded assessment.

Level of Exemption: Assessment vs. Taxation Exemptions

Property tax exemptions may occur at two levels. Property (or classes of property) may be exempt or partially exempt from assessment. Or it may be assessed and then exempted from taxation. In the former case and with complete exemptions, it may not be possible to calculate the amount of an exemption, since it is never reported. In most provinces, manufacturing equipment frequently falls into a class exempt from assessment. Partial exemptions from assessment are more easily calculated.

The data cited above, with respect to the proportion of total property in various municipal or provincial jurisdictions that is exempt from taxation, are drawn from assessment data and are, therefore, related to assessed property. Still further property may be exempt from assessment in the jurisdictions cited.

Grants-in-Lieu of Taxes

Section 125 of the Constitution Act, 1867 (formerly the British North America Act, 1867), provides that "No Lands or Property Belonging to Canada or any Province shall be liable to taxation." Nevertheless, and as was already indicated above, a large portion of property exempt from taxation — chiefly property owned by federal and provincial governments or Crown corporations owned by these governments — attracts grants-in-lieu of taxes. In many cases grants are paid as if the owner were a private individual or corporate entity. In others there may be limits placed on grants.

In 1950 the federal government issued the Municipal Grants Regulations (Kitchen and Vaillancourt, 1990, p. 929). These Regulations were replaced by the Municipal Grants Act in 1951. Initial payments were limited to 75 percent of the real property taxes otherwise payable on federal property value exceeding 4 percent of the combined value of federal and taxable properties in the municipality. The threshold was dropped entirely in 1957. Since 1967 services normally financed by local governments, including provincial education levies, have been eligible for grants-in-lieu of taxes, although certain classes of property remain exempt from grants. Although there are significant exceptions, most provinces also pay grants-in-lieu of taxes for most types of government-owned property.

Despite the importance of these grants in municipal finance, it was agreed between the author and ICURR, early on in this review of exemptions, that grants-in-lieu of taxes would not be included. They would make a potentially interesting monograph on their own.

²⁴ These assessment factors may also vary in the three separate statutes governing municipal taxation in urban, rural and northern municipalities.



ICURR Intergovernmental Committee on Urban
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Chapter 2: Provincial Property Tax Exemptions by Object and Issue Area

This chapter and Chapter 3, which is comprised of a large matrix detailing each of the 10 province's approach to some 29 potential classes of exemptions, are the substantive core of this monograph. As indicated above, the overwhelming objective of early property tax legislation was to tax wealth. The modern phenomenon of identifying taxes with services or benefits received, which is a prominent justification for modern property taxation as a basis for municipal services, appears to be of more recent origins. Many of the detailed characteristics, even some of the quirks and clumsiness, of the property tax in contemporary Canada may be viewed as the result of attempts to define and tax wealth. The following briefly traces early development of property tax in Canada with emphasis on connecting earlier developments to contemporary features of local property taxes.

The Development of Contemporary Property Taxes

The connection of real property to wealth, especially in earlier times, is relatively clear. Real property was one of the most prominent manifestations of wealth in these times. Personal property, which included the stock of mercantilists, the tools of crafts people, the machinery and equipment of industrialists, stocks in limited corporations, bank deposits and, in some cases, precious household goods were also manifestations of wealth that came to be taxed. Cash income was also taxed, especially income over and above that required for everyday sustenance.

Personal property has largely been abandoned as an object of taxation throughout Canada. It remains to the extent that components of personal property continue to be defined and assessed under the various pieces of property tax legislation. Business property taxes, either taxes on graded assessments of commercial and industrial uses or on the rental value of business (non-residential) assessment, were once nearly universal throughout Canada. They existed in 1998 only in Nova Scotia, Quebec and the three Prairie provinces. In New Brunswick and Prince Edward Island they have been replaced by supplementary, province-wide tax rates on non-residential assessments. In Alberta, British Columbia, Nova Scotia and Ontario they have been rolled into variable taxation regimes in which non-residential uses are generally taxed at significantly higher rates than residential assessments. British Columbia permits municipalities to apply variable taxation rates to nine classes of real property assessment. Ontario defined six classes to which municipalities may apply variable taxation rates. Alberta and Nova Scotia municipalities may apply variable taxation rates to discreet classes of real property assessment in addition to levying business taxes as well.²⁵

Business taxes had largely been substituted for taxation of personal property throughout Canada by the early part of the 20th century. This modern tax evolved only gradually. In Upper Canada (Ontario) pioneer legislation, the Assessment Act, 1793, required assessors to prepare a roll for the "real or personal property, goods or effects" belonging to residents (Ontario Committee on Taxation, Vol. II, p. 28). The inclusion of personal property in the definition of property was intended to make the property tax more equitable and to adjust taxation to

²⁵ Alberta municipalities have some latitude in determining the number of residential classes. Nova Scotia municipalities may vary rates on two classes of property: residential and non-residential.

“ability to pay.” Personal expenditures for the year (a measure of consumption) were added a year later. A new Assessment Act in 1803 replaced arbitrary brackets of property value subject to a common tax levy by arbitrary values placed on various items of personal and real property. Amendments in 1853 to Ontario’s municipal and assessment legislation introduced a broad definition of personal property that included “all goods, chattels, shares in incorporated companies, money, notes, accounts and debts at their full value” (Ontario Committee on Taxation, Vol. II, p. 33).

Personal property was finally eliminated from the definition of property to be taxed by municipalities in Ontario in 1904. Assessment until the 1970s in Ontario was local. That it was also inadequate and inconsistent was one of the primary reasons for the replacement of local assessment by provincial government bureaucracies or by independent province-wide authorities. It was even less adequate and consistent in the 19th century, and it was least consistent with respect to personal property. The Ontario Commission on Municipal Institutions reported in 1888 that “the valuation of personal property varies so much as almost to prove *prima facie* that this cannot be an equitable basis of taxation.” (Vineberg, 1912, p. 39). In 1893 the Ontario Commission on Municipal Taxation recommended that personal property taxation be replaced by either personal income taxation or a business tax based on the rental value of occupied premises (Ontario, 1967, Vol. II, p. 36). Eventual elimination of personal property assessment from the base was aided by the fact that other Canadian jurisdictions, as noted above, had already rejected personal property taxation. When it required further revenues, Montreal had opted to follow French precedent and request a rental value business tax in 1876. Quebec City and Winnipeg followed suit in 1887 and 1893, respectively. Nor was Ontario’s tax on personal property very productive. The Ontario Commission on Taxation reported in 1893 that only 12.5 percent of total property tax revenues in the previous decade in Toronto had resulted from personal property taxation — 8 percent if personal income taxation were singled out (Vineberg, 1912, p. 41). It was observed that the personal property tax had *de facto* become a tax on mercantile stock (Ontario, 1967, Vol. II, p. 37). The Ontario Legislature adopted the business assessment alternative in 1890 but, as of 1902, no municipalities had opted for the alternative (Ontario, 1967, Vol. II, p. 37). The approach to personal property taxation taken in Ontario’s Assessment Act, 1904, remained essentially intact until abolition of the business tax in 1998. The personal property tax was replaced by a graded business tax assessment weighted heavily towards selected businesses. For instance, the assessment rate was 150 percent (of real property assessment) for distillers and 75 percent for brewers and various financial institutions (Ontario, 1967, Vol. II, p. 39).

The 1904 Act set several other precedents that not only have remained in effect to this day in Canada’s largest province, but have likely been influential with other provincial legislatures. The Commission recommending the 1904 Act had recommended the concept of exempting machinery from real property assessment.

Franchise properties operating in numerous jurisdictions had already presented a major problem to municipal assessors and their piecemeal approach. Henceforth, assessment of such lands, including what is often referred to in other provinces as “linear” property, would be brought into the provincial administration for determination by some other means. Length of electrical wire by municipal jurisdiction was used initially to distribute electrical franchise tax revenues among municipalities (Ontario, 1967, Vol. II, p. 40). Beginning in 1869, the provincial government had taxed mineral lands at the same rate as agricultural lands as an incentive to

develop mining opportunities. While the Commission on Taxation recommended an end to this subsidy, as part of the 1904 reforms, the government's final legislation continued the subsidies.

The 1904 Act also continued the personal income tax provisions of the previous assessment. Effectiveness was increased by authorizing source reporting of wages and salaries and other payments. The definition used was that contained in the Dominion Income War Tax Act, introduced by the federal government as a temporary measure in 1917. The personal income tax provisions remained a part of Ontario property taxation until World War II, when the federal government "rented" the individual personal income tax field from the provinces. Municipal taxation of personal income was formally terminated in 1942. When re-established following World War II, income taxation remained the prerogative of the federal government with the provinces adding on a surtax for their own benefit. These latter provisions continue into the present day.

The 1904 legislation continued provisions introduced in 1892 with respect to farm taxation. Municipalities were expected to pass local by-laws exempting farms from taxes providing urban services when those services were not received. These were the first provisions indicating that the property tax was to be treated as a benefits tax. Listed services were specifically urban services. These provisions as well have been continued, more or less, to the present day.

Exemptions to property taxes that had remained constant since 1849 were continued in the 1904 legislation. They included Crown properties, churches, schools, charitable institutions and public libraries. These too have pretty much been continued to the present day, although the Legislature and the *Report of the Ontario Committee on Taxation, 1967*, considered amendments on numerous occasions. Although recommended by both the Committee and Legislative Select Committees, no amendments have occurred. These will be discussed further below.

The above brief history of 19th century developments with respect to property taxes is intended to put the examination of exemptions, as well as major deviations from standard evaluation procedures, into an understandable perspective. While anyone initiating or reforming property taxation in a major way on the eve of the 21st century might initiate an entirely different set of measures, those introduced made sense to legislators and taxation authorities at the time they commenced. Imperfect as they may have been, they were viewed as a way of taxing the wealth of local communities.

A Guide to Property Tax Exemptions by Province

The following sections provide a detailed context and explanation of exemption provisions for the property tax legislation of the 10 provinces. As indicated, they are keyed into the table of detailed exemption provisions (Table 2) that follows.

General

a. Provincial Legislation

The 10 provinces vary considerably in the ways in which they approach property tax exemptions. Assessment acts usually set forth the types and kinds of property to be assessed. Municipal government legislation, sometimes in a single act applicable throughout the province (but in three provinces in several acts applicable in rural and urban areas or types of municipalities), usually specifies the taxes and exemptions therefrom that may be applied by municipalities. In British Columbia, Manitoba and Newfoundland, legislation specific to larger cities sets forth property tax exemptions applicable in those cities. Non-municipal property tax

levies, including exemptions, are usually authorized in separate legislation. In some provinces the exemptions applying to municipal levies are applied to non-municipal levies as well.

b. Provincial and Federal Government Exemptions

Formally included in provincial legislation or not, Section 125 of the Constitution Act, 1867, provides no exceptions to the exemption of property owned by either the provincial or federal Crown. Somewhat problematic is the status of wholly owned corporate subsidiaries of federal and provincial governments engaged in commercial enterprise. The federal government has specified that some 12 commercial Crown corporations must pay all property taxes, including business taxes (Kitchen and Vaillancourt, 1990, p. 930).

Provinces have generally applied similar principles in their own legislation. Payments to municipalities by essentially commercial corporations may be governed by the provisions of legislation governing grants-in-lieu of taxes despite the fact that the enterprises exempted from taxation are, for all intents and purposes, commercial corporations whose shares happen to be owned by the Crown. This issue takes on further significance as well with the increased commercialization of federal and provincial government services.

Another major exemption that may increasingly prove problematic in the future, although it arises only in limited numbers of local government jurisdictions, is the exemption of Indian reserves from taxation. While the purchase or sharing of services where municipalities and Indian reserves are adjoining or approximate to one another presents a set of problems or difficulties not otherwise encountered in local government administration, even more complex problems for service users and administrators alike are presented in the case of leasehold interests in reserve lands held by non-Indians (Bish, 1987). Traditionally, property taxes have been due on the Indian reserve lands subject to leasehold interests. The Indian concern with such provisions is that tax payments potentially diminish the economic value of leaseholds without necessarily resulting in services provision. As well, the non-Indian residents of reserves have no voice in services provision, either through the neighbouring municipalities or through First Nations councils or band councils.²⁶

Implementation of self-government has introduced another level of difficulty with respect to property tax payments and the availability of urban services, especially for non-member leaseholders on Indian reserves.²⁷ The Indian Act was amended in 1988 to enable First Nations to collect taxes on reserve land leased to non-aboriginal residents or businesses. An Indian band wishing to take advantage of this amendment is required to pass a property tax by-law which must be reviewed by the Indian Taxation Advisory Board and then approved by the federal Minister of Indian Affairs and Northern Development. When approved, the new taxation and servicing regime occurs regardless of provisions to the contrary in provincial legislation.

Principal Transfer Organizations

Although the reason they were historically exempted from paying property taxes resulted from their non-profit or charitable purposes, the grouping of hospitals and post-secondary

²⁶ For instance, in B.C. taxes for rural properties not located in municipalities (which would be the case for all Indian reserves) covered only slightly more than 60 percent of the cost of supplying urban services in the mid-1980s. (Cf. Bish, 1987, p. 15.)

²⁷ Jonathan Kesselman, 1998. "Living as Leaseholders, Living Without Rights," *The Vancouver Sun*, August 14, p. A23.

educational facilities acknowledges that future policy with respect to these facilities may be influenced by the fact that both have become major institutions in receipt of provincial transfer payments.

a. Hospitals

Charitable organizations have always been dominant in the provision of hospital care in Canada. Not surprisingly, every province exempts hospitals from property taxation. Exemption is almost always limited to those facilities established in accordance with provincial hospitals legislation and/or in receipt of public health care funds. Nova Scotia is the only province to leave exemption to approval by local councils, although this is reportedly always forthcoming.

Some provinces exempt only non-profit institutions, although this includes most acute and extended care hospitals. Alberta, Quebec and Newfoundland include care homes and/or some social service facilities in the same exemption as hospitals. British Columbia is the only province to also specifically exempt land specified for a future hospital (or hospital expansion) from taxation. Western provinces seem more careful to limit the extent of land that is exempt along with hospital facilities.

Ontario's Smith Committee recommended in 1967 that the exemption of hospitals be terminated, but one of its main reasons for doing so is no longer applicable (Ontario, 1967, pp. 157-159). Hospital care costs were then a "50-50" shared-cost program between the federal and provincial governments, and the Committee reasoned that termination of the exemption would make the federal government liable for half the resulting taxes due from hospitals (p. 158).²⁸

b. Post-secondary Education

Every province except Manitoba specifies that universities and colleges are exempt from property taxation. The current taxation of colleges and universities in Manitoba commenced only with amendments to municipal and colleges and universities legislation in 1994, in conformity with recommendations from the late 1970s by the Manitoba Assessment Review Committee (Manitoba, 1979).²⁹

A major principled argument against exemption is the geographical distribution of post-secondary education institutions. The burdens of exemption usually fall on a few local jurisdictions despite recent establishment of new institutions and expansion of college systems in most provinces.³⁰

While most provincial legislation is silent on taxation of such ancillary facilities as dormitories and recreation facilities to which the public may gain access by paying a fee or purchasing a ticket, it would appear that most of these are also exempt as long as they are used for "university or college" purposes, the criteria generally stated for determining exemption.

²⁸ Shared-cost financing of health care and post-secondary was replaced by *per capita* federal grants with the proclamation of the *Established Programs Financing Act* in 1977.

²⁹ Bible and educational seminaries not generally owned directly by churches or religious organizations, or not generally in receipt of transfer payments from the provincial government, continue to be exempt from property taxation in Manitoba.

³⁰ Most provinces, but by no means all, make provision for grants-in-lieu of taxation for post-secondary institutions as a solution to the distribution issue.

Alberta exempts dormitories from taxation, although it permits local municipalities to pass a by-law to the contrary as a local option.

No provincial legislation specifically addresses the increasingly common situation of use of university facilities (dormitories, meeting rooms, etc.) for commercial conferences in inter-session periods or the semi-commercial use of university research facilities in competition with off-campus facilities. Such issues will undoubtedly become increasingly germane with increased privatization of post-secondary educational support.

Religious and Charitable Organizations

a. Religious Organizations

That churches were once seen as an extension of the state or Crown provided the original rationale for exemption of churches from property taxes. Their charitable purpose has become the contemporary justification for exemption. While Canadian governments generally do not provide direct assistance to religious organizations, the extension of indirect subsidies through property taxation exemptions is viewed as an acceptable alternative even if it means higher taxes for other properties. All places of worship are generally exempt.

Exemption usually does not apply to all church properties. Administrative and community services offices are the most frequently subjected to property taxation, although the latter may be subject to exemption on the same basis as other charitable or non-profit organizations providing welfare and community services. Housing occupied by clerics or other ordained staff is taxed in some provincial jurisdictions but not in others. To discourage the holding of extensive lands, or at least taxation exemptions, some jurisdictions limit the amount of adjoining property or land that may be exempt from taxation. The amount of hard-surfaced parking exempt from taxation may also be limited. Religious seminaries are exempt in some jurisdictions, but not in others. The exemption of related educational uses may be an extension of exemptions for places of worship, or their exemption may be a part of policy with respect to other private schools. In some jurisdictions properties used for Sunday schools or religious instruction may be exempt on the same basis as churches or as an extension of exemptions that may be offered private or religious educational institutions. The exemption of religious organizations is seldom a local option, and British Columbia is the only provincial jurisdiction that provides latitude for municipal discretion.

The issue for local and provincial governments presented by exemption is this: should religious organizations pay for services consumed, whether or not those organizations might also be taxed? Is the continued teaching of a code of morality or the active concern and constructive criticism often expressed by churches on contemporary social issues worth the cost of continued or complete exemption? The issue may be more poignant than in previous times to the extent that religiosity and membership in religious organizations appears to be decreasing. The answer to these questions has nevertheless generally been supportive of continued exemption, although not without some qualification.

Religious organizations themselves have often been careful not to put forth their own interest ahead of others. In 1960, for instance, the leaders of a Baptist conference held in Washington, D.C., concluded that there was increasing concern about the future, as churches increase in wealth and property.³¹ The closest that churches and religious organizations have

³¹ Reported in *The Winnipeg Free Press*, October 8, 1960.

come in recent history to losing complete property tax exemptions was in the 1967 *Report of Ontario's Smith Committee* (Ontario, 1967, pp. 160-162). Noting the incomplete, or at least not unambiguous, consensus of religious leaders themselves, as well as the fact that not all members of society are members of religious organizations, the Committee recommended that churches and related convents and seminaries be subjected to taxation at half the residential rate under Ontario's then graded property taxation system.³² Opposition was considerable, and subsequent reports on property taxation in Ontario in 1976 and 1978 never renewed the recommendation (Ontario, 1976, p. 71; Ontario, 1978, p. 41).³³ Implementation of such a recommendation would have been in conformity with the notion that contemporary property taxes possess both service (or benefit) and wealth components. Any recommendations on this subject in the other nine provincial jurisdictions have generally provided unconditional support for existing provisions of 100 percent exemption from property taxation for places of worship.

b. Cemeteries

Any public discussion associated with making cemeteries exempt from property taxes centres on their ownership. Every province exempts municipal and non-profit cemeteries, as well as those owned by churches and religious organizations. In accord with the notion that property tax is a wealth tax, Manitoba, Quebec and all of the Atlantic provinces do not authorize exemptions for private cemeteries intended to make a profit for their owners or shareholders. Alberta, Saskatchewan and Ontario authorize exemptions for cemeteries defined in specific legislation regarding such. British Columbia permits municipalities the option of entering into agreements for exemption with profit-oriented cemetery owners.³⁴

Several provinces address the issue of land that may be held for future interments. Alberta and British Columbia permit such exemptions with qualifications. Ontario specifies that the land must actually be dedicated and in use for interment to be exempt.

c. Charitable Organizations

At least some charitable organizations have been exempted from paying property taxes from the very beginning of property taxation in Canada. Provincial legislation varies substantially in specifying which classes of charitable organizations and which services might be exempt, and under what conditions. Alberta and Quebec are the only provinces whose municipal taxation legislation exempts leasehold interests by charitable organizations from taxation. Alberta's Community Organization 1998 Property Tax Exemption Regulation permits the exemption of leasehold interests of charitable organizations (Alberta, 1997, p. 94). The landlord or charitable organization applies to the local council in Quebec. Ownership of property is generally a condition for exemption in the other eight provinces.

³² Cf. Ontario, 1967, p. 161. It was proposed that residential properties be assessed at 70 percent of value and that religious organizations be taxed at 35 percent of actual value, taxation to be phased in over a seven year period. The Committee also recommended that the social service activities of churches be eligible for exemption on the same basis as other charitable organizations.

³³ The 1976 report made an ambiguous recommendation that was also never activated in Ontario. It recommended that municipalities be able to invoice churches for the value of municipal services actually received (Ontario, 1976, p. 42).

³⁴ The agreements are required to include a provision for repayment in the event of use conversion.

Quite a few provinces are careful to specify that establishments holding gaming or liquor licences are not exempt from taxation or that those parts of the larger property containing those facilities are not exempt. This may reflect a moral judgment by legislators, and it certainly reflects the sentiments of taxable businesses holding similar licences.

In addition to general provisions with respect to charitable or non-profit organizations and their purposes, legislation in numerous provinces specifies organizations, usually large national organizations and their branches, whose property is exempt from property taxation. Typical named organizations include Boy Scouts and Girl Guides, Army and Navy League, Canadian Mental Health Association, the Royal Canadian Legion, Ducks Unlimited and the YMCA, YWCA, YMHA and YWHA.

Most provincial legislation specifies the organizations, nature of ownership (non-profit or charitable incorporation), and types of activities that may give rise to an exemption. It should be noted that the numbers of organizations generally qualifying is considerably fewer than might have tax exempt certificates under Canada's Income Tax Act. Nova Scotia is the only province to exempt organizations holding such certificates. While the details vary considerably between provinces, delivery of services to the indigent and/or receipt of public assistance funds are frequent conditions in some provinces. As often as not, organizations apply to a provincial department or commission for exempt status. New Brunswick is the only province conveying different degrees of exemption under differing circumstances: 35, 65, 90 and 100 percent exemption. While municipalities continue to be responsible for most assessment in Quebec, a provincial commission is responsible for granting exempt status to charitable health and social service organizations.

Approval of exemptions is by municipalities in several provinces. Exemption in Alberta is granted by individual municipalities that continue to be responsible for assessment as well. The four municipalities with private legislation in Newfoundland grant exemptions, while exemptions elsewhere are granted by the municipal affairs department. While their legislation sets forth the conditions for exemption, two provinces grant municipalities wide latitude and discretion in granting exemptions to charitable organizations. A two-thirds vote of council on an annual basis is required to continue exemptions for charitable and non-profit organizations in British Columbia even after the threshold conditions specified in provincial legislation are met. Support by a simple majority of councillors is sufficient to receive ongoing property tax exemption in Manitoba.

Not surprisingly, exemptions are jealously guarded once received. Ontario's 1967 Smith Committee *Report* illustrates an unsuccessful attempt to convert tax exemptions for charitable organizations into equivalent assistance grants (pp. 163-165). Opposition was considerable. The subsequent Provincial-Local Committee noted the arguments against the previous proposal and recommended retention of the then existing exemption system in its 1978 report (Ontario, 1978, pp. 41-43).³⁵

³⁵The Smith Committee reasoned that "Elected representatives should be capable of appraising the merits of a public subsidy without embarrassment" (p. 163). The Committee noted the extensive volume of grants provided by Metropolitan Toronto and other large cities in support for its proposals. Desirable features of the system for replacing exemptions included: 1) financial assistance reflects the established cost to the community; 2) assistance is flexible; 3) the amount of assistance is determined afresh each year by local councils; 4) municipal aid through grants is more susceptible to public view; and 5) grant assistance can be adjusted to each changing condition, including reversal of public attitudes. Charitable

Ontario's taxation system also illustrates the potential effects, often unintended, that larger taxation system changes can impose on non-profit and charitable associations. Prior to 1998, Ontario municipalities imposed both real property taxes and separate business taxes on commercial uses. While charitable organizations renting premises, as in most other provinces, were not exempt from real property taxes, they were generally exempt from business property taxes. Ontario's new taxation regime under Bill 106 (1996) follows the lead of several other provinces in granting discretion to municipalities to establish separate tax rates for different classes of uses — six in the case of Ontario. Bill 106 also terminated the separate business property tax generally imposed by Ontario municipalities since 1904. While municipalities will have discretion to establish any tax rates they wish, it is anticipated that municipalities will likely incorporate the previous business tax revenues into non-residential tax rates beginning in 1998.³⁶ In addition to simplifying the property taxation system by eliminating a separate tax, one objective of the new taxation regime may have been to attract additional grants-in-lieu of taxes from the federal government.³⁷ However, another impact is to raise property taxes for those, including charitable organizations, also previously exempt from paying business property taxes. Some 30,000 non-profit and charitable groups who rent facilities may reportedly see their Ontario property taxes double as a result of the new system.³⁸

Alberta provides an example of the controversy that potentially follows more limited attempts to qualify exemptions. Its Municipal Government Act, the first comprehensive review of local government and taxation in several decades, was promulgated in 1995. As a result of numerous complaints regarding taxation of non-profit societies, a Non-profit Tax Exemption Review Committee was convened in 1997 (Alberta, 1997). A survey, in which 45 of the province's 365 municipalities participated and representing almost 49 percent of total assessment values in the province, showed that the total size of any resulting problem was small (Alberta, 1997, p. 11). Only a small portion of properties held by non-profit societies had been assessed by local assessment officials at all. Most of the non-profit societies whose properties were assessed were nevertheless not taxed by local councils. A portion of opposition arose because, while local councils were willing to exempt non-profit associations from payment of municipal taxes under Section 362 of the Municipal Government Act, they were less willing to see education taxes increase by granting them exemption from education taxes (p. 12). In other cases, non-profit associations were exempt, but were concerned about the potential of losing their exemptions under Alberta's system of relying on local councils for both assessment

organizations, as well as others whose exemptions would have been terminated by the Smith Committee's recommendations, disagreed wholeheartedly. Their arguments, which have never been successfully challenged, focused primarily on the ability of government officials to make unbiased, or value-free, judgments and on the potential for chipping away in a piecemeal fashion at the total value of property tax exemptions.

³⁶ *An Act respecting the financing of local government*. Section 366 of the Municipal Act is amended to require that tax ratios established by the upper-tier municipalities apply to lower-tier municipalities within their jurisdiction.

³⁷ Memorandum from Mayor of Richmond, B.C., to Finance and Community Safety Committee, Richmond Council, July 28, 1998, and *Speaking Notes for Minister of Public Works and Government Services Canada*, June 7, 1998. Under the Canada Municipal Grants Act, grants-in-lieu are not payable on business taxation except for Class D Crown corporations. On the other hand, and unless amended, grants are payable on variable taxes on various classes of land use under a variable tax rate system.

³⁸ André Picard, "Property Taxes Changes Hit Ontario Charities," *The Globe and Mail*, March 27, 1998.

and exemption. There was also concern stemming from uneven application of exemptions. Non-profit associations might be exempt in one municipality, while the same or similar associations might not be exempt in others.

Following review, the Committee recommended a new "Community Organization 1998 Property Tax Exemption Regulation" and clarification of previous regulations containing more definitions and more specific wording of specific provisions. The estimated impact of the new regulation will be to decrease the proportion of non-profit sports associations serving adults (golf clubs, curling rinks and the like) that are eligible for exemption, provide non-profit community associations with the same exemptions as agricultural societies, exempt arts and cultural facilities from taxation where they are held and operated by non-profit organizations, extend exemption to all non-profit child daycare centres, extend exemption to non-profit associations providing seniors housing (but not receiving other provincial subsidies), exempt ethno-cultural facilities open to the general public and extend exemptions to sheltered workshops and thrift shops, many of whom had lost their exempt status under the new legislation. The primary financial beneficiaries of approximately two-thirds of the new benefits resulting from the revised regulations would be non-profit golf courses and non-profit sports facilities (p. 77). Total general and education property taxes in the province might increase by .4 to .5 percent under the revised regulation. Municipalities would continue to be able to exempt non-profit associations from business taxation.

Local Government and Related

a. Primary and Secondary Education

Publicly supported elementary and secondary schools throughout the 10 provinces are universally exempt from property taxation. These include separate or Roman Catholic schools where there is constitutional provision for such, although lands for separate schools are almost always held by separate school boards rather than by a religious body. Quebec maintains a dual school board system throughout the province.³⁹ As in the case of many other exemptions, ownership of site and structure is also usually a condition for support. Those schools renting land or buildings from private land owners are generally not exempt.

While municipal rate payers might see their taxes reduced if school properties were not exempt, school boards would have to increase school taxes proportionately to pay the required taxes to municipalities. The main argument in favour of not exempting local schools is that of geographic incidence. Schools are often located in different jurisdictions than their students are drawn. This is more often the case with secondary schools. On the other hand, the costs of exemptions to those municipalities in which the schools are located may be offset by other tax gains from private businesses dependent on the school system or their employees. Every province has chosen to ignore these incidence shifts, which are likely not significant in any event.

The major public policy issue presented in exempting primary and secondary education is in the case of non-publicly supported schools, which are also exempt in nine of the 10 provinces. Accreditation is usually a condition for exemption of private schools. As those sending their children to private schools are also required to pay taxes to public school boards, avoidance of double taxation of those parents is one rationale for the exemption of private schools from

³⁹ Formerly divided along religious lines, these are now realigned along linguistic lines.

property taxation. The existence of private schools also reduces public education costs. Of course, principled commitment to maximizing the benefits of public education provides an argument for not extending exemptions to private schools.

A related issue for exemptions is the status of residences and dorms used by resident students. Most provincial legislation is silent on the subject. Silence usually means that such uses are taxable. Two provinces specify that residences are not exempt, while another two provide for exemptions for residences as well.

b. Municipalities

As it makes little sense for a municipality to pay itself taxes, they are thus exempt from paying property taxes everywhere in Canada. A common exception is local improvement taxes, certainly understandable in that local improvements often affect small numbers of residents or taxpayers.

This does not mean that there are no issues connected to the exemption of municipally owned property from taxation. Issues include the exemption of municipal property located in other municipalities, or the location of municipal properties owned by special purpose authorities serving more than one municipality or by upper-tier general local authorities serving multiple lower-tier municipalities; regional districts in British Columbia; regional governments in Ontario; and urban communities in Quebec. Also, there is the instance of profit-making municipal enterprises. The latter are bound to become increasingly common, with greater emphasis on self-financing of municipal services (Bird and Tsiopoulos, 1997).

The geographical distribution of properties owned by special and general purpose districts serving several municipalities or owned by lower-tier municipalities, but located in other jurisdictions, potentially raises an equity issue among the municipalities served. As is evident in Table 2, current provincial legislation almost always provides for exemption of such properties along with other municipal property. The most limiting legislation in this respect is Manitoba's, which specifies which facilities are exempted. Saskatchewan's exemption applies to properties owned by other municipalities, up to a maximum land area, and presumably reflects an actual situation or situations. Ontario's Smith Committee recommended in 1967 that such properties not be exempted.

Only two provinces make allowances for profit-making local enterprises. Alberta, where large portions of total municipal revenue earned by the larger municipalities and smaller ones alike are comprised of the net returns from municipal enterprises, does not extend the exemption of municipally owned properties to such services. This applies to airports, telecommunications, electrical generation and distribution and natural gas distribution systems. Water and sewer facilities are nevertheless exempt. Profit-making utilities (including water and sewer utilities) owned by the City of Winnipeg pay municipal taxes. Ontario's Smith Committee recommended that profit-making utilities and other enterprises pay both general property and business taxes (Ontario, 1967, p. 158). The Provincial-Local Government Committee incorporated this recommendation in its alternative tax system in 1976 (Ontario, 1976, pp. 45, 46). There appears to be little rationale for the exemption of such enterprises from either general or business taxes where they exist, and local governments might be well served by provincial direction in this respect.

c. Highways, Roads, Etc.

Highways and roads, most of which are owned by governments, are often mentioned as separate exemption classes in property taxation legislation even though they would also be exempt by reason of public ownership. Most are exempt from assessment, as well as taxation if assessed. Some legislative provisions include public squares, war memorials, properties incidental to highway and road maintenance and the like. Any issue stemming from these exemptions is generally related to the implied subsidization of road transportation.⁴⁰

d. Libraries

Public libraries across Canada are exempt from property taxation, either specifically in provincial legislation or — in the Atlantic provinces — by virtue of generally being municipal property. The specific exclusions in provinces in central and western Canada likely stem from the fact that libraries may be under the authority of boards at least nominally separate from other local government properties. Except that their budgets require approval by municipal councils, library boards constitute separate taxation authorities, much like school boards, in Alberta and Saskatchewan. While there are often separate boards in British Columbia and Ontario, their facilities are nevertheless owned by municipalities, and they are not identified as separate taxation authorities on tax bills as they are in Alberta and Saskatchewan. The exemption of libraries from property taxation in Quebec is an extension of their status as exempt charitable institutions.

e. Golf Courses

Golfing has long presented challenges to municipal and provincial taxation policies. The treatment of public golf courses is straightforward. They are owned by municipalities and are usually treated the same as other municipal properties or parklands. They represent a special use of parklands that is little different from other special, if less geographically extensive, uses.⁴¹

Golf courses at private clubs are in many respects little different than public courses. On the one hand, many folks view them as parklands. On the other hand, they represent for many the privileges of the few, especially in the case of private clubs in which membership frequently costs many thousands of dollars. Although not usually totally exempt, golf clubs enjoy tax rates that are often very favourable relative to taxes that would often be payable on other similarly large land holdings. Depending on local land markets and the exact provisions of provincial legislation, these rates may be on a par with taxes on farmland. The major differences in provincial legislation is the means used to convey special tax rates, rather than in the granting of such special rates. Municipalities in British Columbia and Ontario are granted latitude to enter into agreements on assessed values with golf course owners. In both cases savings over rate otherwise assessed by authorities are repayable with interest in the event of change of use.

⁴⁰ While federal and other publicly owned airports are also subsidized in this sense, railways and rail rights-of-way are often not. Nor is the exemption of federal airports from property taxation an apt comparison to the extent that terminals are associated with grants-in-lieu of taxes and roads and highways are not. Of course, the concern with subsidization of road users extends much further than the land occupied by local streets and lanes that provide access to other real estate. It is a concern about the large amounts of land and engineering structures frequently committed to auto-based transportation in urban areas.

⁴¹ It is only in recent years that some observers have become concerned with extensive irrigation and application of extremely toxic substances that pollute the ground and frequently pollute streams as well.

Quebec legislation establishes a maximum assessment (per hectare), while New Brunswick legislation establishes a special golf course rate. The legislated graded assessment rates in Manitoba establish a special rate for golf courses. Buildings associated with private golf clubs are normally assessed at commercial rates. Golf courses are almost always granted exemptions from business taxes where these exist.

f. Community Facilities

There are a variety of facilities not included in the above categories that nevertheless may be exempted by provincial legislation from being assessed or taxed. These exemptions are generally not extensive, although they often bring interesting questions to the fore. Saskatchewan exempts community halls as defined in the Co-operatives Act. The Winnipeg Convention Centre is exempted from property taxation in Manitoba.

g. Airports

Most major Canadian airports are owned by the federal Department of Transport and are exempt from property and business taxes as a result of Crown ownership. The ownership and operation of many of these have been turned over to private entrepreneurs in recent years, and federal policy is to continue this process. These facilities nevertheless continue to be protected from taxation as federal properties.⁴²

The three most western provinces provide for the exemption of smaller airports owned by communities or specially constituted local airport authorities. They are not assessable in Alberta, while British Columbia and Saskatchewan legislation exempt them from taxation. They are also exempt from business taxes. New Brunswick exempts these airports from provincial (educational) property taxes, but not from municipal taxes. The lack of exemption in the legislation of other provinces may only mean that community-owned airports are not a norm or that exemption is an extension of the exemption of municipal property.

Rural Uses

The current Canadian standard for property tax assessment is market value. Although this standard often causes distress to property owners in urban areas as well, it often presents a special challenge in the case of rural land uses and properties. This is especially so in areas in proximity to urban areas where the market value (for urban uses) of land may be many times its value in rural use. Taxation regimes amounting to partial or conditional exemption have been extensively used by every province in recognition of the conflict between assessment standards and the ability of property owners to pay. Concessions, or different taxation regimes in the vicinity of urban areas, also recognize that rural uses don't have or need the same level of services as urban areas.

a. Farms

Concern for the potential impact of market value property taxation on farmland conservation and the continued viability of farming has given rise in every province to special provisions governing the property taxation of farms. It is important to note, however, that special treatment originally stemmed from concern that farmland received fewer services, and thus

⁴²Municipalities typically receive grants-in-lieu of taxes for structures, but not for runways, engineering works and so forth.

considerably fewer benefits from taxation, than urban areas. Ontario's 1892 assessment legislation introduced a unique approach to the taxation of farm property. When land used for farmland in blocks of five acres and more did not receive as much benefit from specified services as other lands in the municipality, the council was expected to enact a by-law exempting such farmland from taxation for those services (Ontario, 1967, p. 34). This marked the first instance in Canada when property taxation legislation was tailored to the benefit principle.

Although the primary concern appears to be the impact of taxation on the economic viability of continued farming and the conservation of farmland rather than reduced services, farmland currently continues to receive special treatment in every province. Farm buildings and farm residences often receive separate benefits. Two provinces, British Columbia and Quebec, also tie special treatment of farms and farmland to provincial zoning legislation designed to preserve agricultural farmland. Application for many aspects of special treatment must frequently be made by farm owners. Approval may be on an annual basis and often depends on whether or not farm properties meet productivity (usually annual sales or farm income) threshold requirements. In virtually every province, use or productivity value has become the standard for taxing farmland. Farm residences and/or buildings may be exempt from taxation or from some taxation (education taxes for instance). In Manitoba, farm property and buildings, but not farm residences, are exempt from the provincial education support levy.

In addition to assessing farmlands at use rather than market value, farmland tax rates in Ontario are 25 percent of residential rates under the new municipal taxation regime implemented in 1998. Ontario has used a variety of techniques over the years, including extensive reliance on tax rebates. The new regime was intended as a significant simplification of the previous complex provisions.

Quebec is the only province whose legislation specifies a specific value for assessment of farmland — \$375/ha. — rather than agricultural use value or a portion thereof. Taxation of farm buildings is limited to 2 percent of assessed value in approved agricultural zones, although there is no limit in non-agricultural areas. Recognized farm producers are rebated 70 percent of taxes paid in agricultural zones and 40 percent elsewhere. A 1979 provision that tax benefits plus interest for five years received by farms in agricultural zones are reimbursable if farmland is converted made Quebec the largest province where tax benefits and conservation objectives were tied to one another for many years. But this measure has since been rescinded. Nova Scotia is currently the only province where an attempt is made to recapture previous tax benefits upon conversion of farms to other uses.

Provisions in the Atlantic provinces may reflect greater agricultural hardships, as well as a policy of encouraging farm production. Farmland in New Brunswick is taxed at 50 percent of the value of non-farmland, and farm buildings are exempt from general taxation. Productive farmland in Nova Scotia and Newfoundland is exempt from taxation, although farm buildings are taxable in the former.

Depending on the province and, of course, on the proportion of total value in farmland, the impact of favourable property tax treatment of farmland on taxes paid by non-farm uses may be profound indeed, although farms and farm assessments comprise only approximately 2 percent of aggregate real estate values in Canada as a whole (Canada Finance, 1997, Computation Table 29). The impact is greatest in small and rural communities and least in large urban centres. The magnitude of impact places a burden on policy makers and government

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fiscal planners to ask if the benefits accruing to the farming community justify the cost to other communities and sectors.

Canada's practices differ significantly from those in many other nations and increasingly from those of U.S. states. American states are increasingly linking the benefits of lower farmland taxes to other farmland conservation policies. While Nova Scotia is the only province that links tax benefits in agricultural zones over those in other zones to continued agricultural use, 29 of the 50 U.S. states treat special tax benefits, including the tax savings accruing from assessment of farmland at use rather than market values, as a deferred tax (Aiken, 1989, p. 4; Daniels and Bowers, 1997, p. 94). That is, should farmland be converted, previous tax benefits for a period must be repaid. The average period of deferral is three years. Some jurisdictions also require payment of interest, while others do not. Although it applies only to benefits in agricultural zones over non-agricultural zones and not to preferential assessment, Quebec has established a five-year period plus interest. In 1989 six states had further laws on restrictive agreements. In a restrictive agreement the land owner enters into an agreement with a state or local government to restrict the use to agriculture in exchange for preferential tax agreement. The consensus among land-use experts is that pure preferential assessment has reduced the tax burdens on farmers, but it has not succeeded in keeping land in agricultural use when developers offer large sums for farmland.

An issue for many agriculturalists is the preservation of large tracts of farmlands with multiple farmers and landowners. Two Canadian provinces (British Columbia and Quebec) have linked tax benefits to provincial agricultural zoning. The existence of such zoning and regulations restricting conversion can ensure that many of the benefits of favourable taxation treatment of farmland may be retained by the public and will not become a private benefit of farmers upon sale and/or conversion.⁴³

b. Agricultural Societies and Related

Every province exempts agricultural societies from both general and educational property taxation. Relevant sections of provincial legislation often make reference to organizations incorporated under Agricultural Societies legislation. Unlike in the case of charitable organizations, agricultural societies that rent facilities are also usually exempt from taxation.

c. Protected Natural Spaces

A variety of non-government and what others characterize as "quasi" government organizations are involved in the preservation of natural spaces and the establishment of areas aside from parks protected from development. Some provincial legislation also specifies that conservation lands owned by municipal or provincial government and set aside for protection or conservation are exempt from taxation, although their ownership might exempt them without further provision.

⁴³ Only two U.S. states (Hawaii and Oregon) have similarly emphasized state agricultural zoning. Of course, there remains a considerable body of thought that asserts that farmland preservation is unnecessary on economic grounds, as well as counterproductive in controlling urban sprawl, another objective of farmland preservation (Fischel, 1985, pp. 272-280). Others argue that farmland preservation is a bandwagon for environmental interests and a cover for socially exclusionary interests (Frieden, 1979; Fischel, 1985, pp. 273, 74).

In British Columbia riparian lands may be exempt from municipal taxation following agreement with owners on conservation objectives. Such agreements may go far in assisting the province to protect water wildlife and habitat and to rescue its endangered salmon fishery. In addition to all conservation, reclamation, rehabilitation and reforestation lands owned by the federal or provincial Crowns, Alberta exempts lands owned by Ducks Unlimited, as does Manitoba under private legislation. Ontario exempts conservation land, which is usually held in the name of conservation authorities. Prince Edward Island exempts real property designated under the Natural Areas Protection Act or wildlife management areas designated under the Fish and Game Protection Act.

d. Forests

Most provinces treat forestry lands and other natural resources in a different fashion than other lands or properties. Wood and forest products still constitute by far Canada's number one export, and forest lands are major provincial natural resources. Especially if remaining in the hands of the Crown, harvesting forests under permit is also a major source of provincial revenue. In other instances forests are little different than agricultural lands and, when held as woodlots in private ownership, they are often an adjunct to farms and farming. These two contexts are undoubtedly responsible for the special treatment of most forest lands in Canada.

British Columbia, Quebec and Alberta account for nearly 93 percent of forestry and timber revenues of \$2.2 billion in Canada.⁴⁴ Crown forest lands under timber licence are not taxed as property in British Columbia. Similar lands in Alberta, New Brunswick, Ontario and Quebec are not assessable. Most such lands are in unorganized areas of provinces, and property tax treatment does not have a significant impact on municipal and other local government revenues.

Promoting conservation of privately held forest lands is a priority in several provinces. Woodlots up to 10 percent of farm holdings are exempt from taxation in Ontario. Managed forest lands are taxed at the same rate as farmlands. Private timberland in New Brunswick is taxed at the lesser of use value or 80¢/acre/year where in blocks of 200 acres or more. Holdings of lesser size are taxed at use value. As is the case for farmlands, woodlands are exempt from property taxation in Newfoundland.

Residential Properties

While both businesses and residents are the main beneficiaries of municipal services, most analyses of municipal spending conclude that residents are the primary beneficiaries (Kitchen and Slack, 1993). Yet, many residents are not major generators or holders of wealth. Thus, a variety of measures have been implemented by provinces with a view towards lightening the tax burden for residences and their owners. Of course, the major measures benefitting residences are those main features of the tax systems in most provinces that result in higher taxation of non-residential properties per unit of assessment than residential ones, often by a factor of several fold. Over and beyond these features are a variety of others designed to cushion residents from changes in assessments or from changes in their own circumstances. Seniors are the beneficiaries of many of these features.

⁴⁴ Canada, Finance Canada, *op. cit.*, Summary Table 9.

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a. Residences

A number of measures have been enacted to limit residential property taxation or provide tax relief to residential taxpayers or classes of taxpayers. Much of this assistance may not constitute exemptions as otherwise discussed in this monograph because it does not reduce the tax payable on a property. It takes the form of taxpayer assistance from provincial governments. Taxing authorities suffer no reduced revenue as a result.⁴⁵ Most such measures originated in the 1970s or were augmented then and, together with increased grants by provinces to municipalities and education property tax relief, they are associated with relative decreases in property taxes from 4.0 percent of GDP in 1971 to 3.2 percent in 1981.⁴⁶ Aside from other considerations, these exemptions are usually viewed by provincial governments as being justified by reason of applying to people of modest means. Many of these measures apply to seniors and are addressed further below.

Mitigating taxes for homeowners, especially those of modest means, has been a primary objective of Canadian provincial and U.S. state governments across North America. As observed above, that property taxes are greater in North America than in other regions is perhaps the main reason for this emphasis on mitigating the tax burden on residences. Property taxes constitute a larger portion of total taxes paid and larger portions of GDP than in Europe or other industrial nations and regions. Almost all of the U.S. states have programs, and an extensive literature on the subject developed through the 1970s (Gold, 1979).

The most common form of residential property tax relief among U.S. states is known as the "circuit breaker," a form of property tax relief in which benefits depend on both income and property tax payments. It is potentially the most progressive form of property tax relief, offering the possibility of eliminating the property tax's apparent regressivity (Kitchen, 1993, chap. 3; Musgrave and Bird, 1987, p. 434).⁴⁷ Circuit breakers take one of two forms. Under the "threshold" approach, an acceptable tax burden is defined as some fixed proportion of household income, and any tax above this portion is defined as excessive and qualifies for relief. Under the "sliding-scale" approach, a fixed percentage of property tax is rebated for each eligible taxpayer within an income class. The rebate percentage decreases as income increases. By the end of the 1970s, 28 U.S. states were using one or the other of the circuit breaker approaches (Gold, 1979, p. 56). Ontario is the only Canadian province to rely entirely on this form of relief. Ontario's unique property tax relief system was established in 1973 as the first stage of what was to be a negative income tax program (Bird and Slack, 1978, chaps. 6 and 7). Property tax relief was credited against income taxes owing or refunded to the taxpayer where relief exceeded income taxes owed. Ontario is the only province, and one of the few jurisdictions in North America, to attribute tax payments to renters and include them in a

⁴⁵ Applied against provincial education property taxes, there need be no intergovernmental transfers of cash except in national and public accounts.

⁴⁶ Canada, Statistics Canada, 1994. *Public Sector Finance*. Tables 1.29, 1.30 and 1.32. Thereafter, they began increasing again and were 4.0 percent of GDP in 1995.

⁴⁷ Numerous surveys of household income and residential property taxes paid on an annual basis show taxes generally to be inversely proportional to income and thus regressive in tax incidence. On the other hand, some tax theorists argue that the proper measures of income and taxes paid are longer-term ones, much longer than one year and, possibly, over a lifetime. It is often noted that lifetime income and taxes paid are more proportionately equivalent.

property tax relief system. New Brunswick regulations suspend tax payments for owners whose household (husband-wife) income does not exceed prescribed amounts.

The most widespread form of relief for homeowners (because so many relief programs for seniors rely on it) is the "homestead exemption," which provides for exemption of a specified amount of a home's assessed value. For example, if a home's value is \$100,000 and the homestead exemption is \$10,000, the owner will pay taxes on just \$90,000. The "homestead credit" is a closely related device in which the value of a homestead credit is subtracted from gross property tax owing. The homestead exemption is usually financed by local governments, while the homestead credit is usually financed by a provincial or state government. Two provinces — British Columbia and Manitoba — finance homestead credits and exempt the initial dollars of taxes. New Brunswick and Prince Edward Island have related programs, although they are not targeted to lower income groups. The former exempts homeowners from paying education property taxes. The latter's provincial property tax rate is 10 percent less on residential than non-residential property.

Amounting to nearly \$1.8 billion in 1995-96, or 5.5 percent of total property taxes assessed, the collective value of provincial residential property tax credits financed by provincial taxpayers is not inconsiderable.⁴⁸ Mostly as a result of the education property tax exemptions, New Brunswick led the other provinces in exempting payment of over 24 percent of total property taxes. Exemption rates are 11.5 percent in British Columbia, 9.3 percent in Manitoba, 5.5 percent in Ontario, 3.1 percent in Quebec and 1.3 percent in Prince Edward Island. They are insignificant or nil in Newfoundland, Nova Scotia, Saskatchewan and Alberta. Local (municipal, education and other) taxpayers do not bear the burden of these exemptions in the way that they do in the case of other assessment and taxation exemptions.

A variety of miscellaneous exemptions for which selected homeowners are eligible are used in various provinces. Local councils in British Columbia may exempt designated heritage properties and surrounding land. British Columbia protects long-term *in situ* owners from some tax increases. Owners for 10 years or more of up to three units may apply to have their sites assessed at use value only.⁴⁹ In Manitoba, the City of Winnipeg Act allows the city council to provide renovation tax credits. These miscellaneous measures are usually financed by local, rather than provincial, governments, and most apply only to the general municipal rates and not to provincial and education and other property tax rates.

b. Seniors

The most significant exemption with respect to seniors is the exemption of seniors' subsidized housing projects in several provinces. British Columbia and Alberta exempt seniors housing built under specific programs. Homes for the aged, personal care homes and housing owned by non-profit housing societies are exempt from school property taxes in Manitoba.

Exemptions accruing specifically to seniors are generally not major. Some take the form of tax credits and are financed by provincial governments in the same manner as other property tax credits. British Columbia, Manitoba and New Brunswick have special seniors' tax credit programs in which the amount credited depends on rental or tax payments and income. Others,

⁴⁸ Canada, Department of Finance, Federal-Provincial Relations Division, October 1997. *Provincial Fiscal Equalization, Sixth Estimate, 1995-96*, Revenue Table 5.

⁴⁹ Taxes return to the market value basis upon transfer.

usually financed by municipalities, take the form of temporary exemptions that are repaid, often with interest, no later than on a subsequent transfer of the property for which the exemption was granted. In Ontario, alterations to dwellings undertaken to assist seniors in staying in their own dwellings (devices designed to overcome immobility, wheel chair ramps, etc.) are exempt from property taxation.

Natural Resources and Productive Enterprises

Both natural resources and many productive enterprises, especially public utilities, often receive special tax treatment in provincial assessment and property tax legislation. This often does not mean lower taxes. Rather, it defines jurisdictions to which taxes are due or provides a consistent basis for the taxation of enterprises doing business in a multitude of local jurisdictions.

a. Minerals

Property taxation of mining properties frequently varies from taxation of other properties. Unexplored minerals cannot usually be assessed. Encouragement of exploration activity is frequently one objective of provincial taxation policy. Mine properties might be exempt from taxes until the ore body proves itself. Exemption of mining activities from property taxes does not necessarily mean that mining activity is not subjected to other taxes of the same, or perhaps even greater, magnitude. Sub-surface minerals are frequently owned by provincial governments, in which case royalties may become due to provincial governments in the same manner as royalties on other natural resources.

The frequent exemption of mining machinery from property taxation parallels the exemption of manufacturing machinery. Mining access roads are also frequently exempted from assessment or taxation.

b. Machinery and Equipment

For provincial governments, the specific taxation of machinery and equipment presents a variety of issues related to the structure of property taxation itself. As noted earlier (pp. 13-14), such property, like stores of stock, was considered personal property in many provinces. The adoption of business property taxation regimes for non-residential property, beginning in 1876 in Montreal and culminating in the substitution of business property taxation for personal property taxation in Ontario in 1904, meant that stocks, machinery and equipment were still taxed. The new tax incorporating taxation of these items was called a "business tax" rather than a personal property tax. A property tax on machinery and equipment might be interpreted as amounting to double taxation. Most provinces are hence careful not to assess separately such machinery and equipment, thus assuring exemption of those items from general property assessment.

Virtually every province eventually adopted business property taxation, either throughout provinces or as a local option (Kitchen and Slack, 1993). While several provinces, including British Columbia, New Brunswick and Ontario, have since largely abolished business property taxation *per se*, business property tax rates have nevertheless been incorporated into variable rate taxation schemes. Other provinces, including Alberta, Saskatchewan and Nova Scotia, currently possess what might be characterized as mixed regimes with both variable rate taxation by use and business property taxation.

c. Railways

Railways, like other of what are sometimes called "linear" properties, presented especially difficult problems for municipal taxation in a time when municipalities throughout Canada were often responsible for both assessment and taxation. A major issue for railways was consistency of assessment and taxation across a province, even across the nation in different provincial jurisdictions. These problems have been mitigated in provinces where provincial governments or province-wide agencies are responsible for assessment. Advanced assessment techniques and province-wide assessment manuals also mitigate this issue with respect to linear properties in those places where municipalities continue to carry out the assessment function (large cities in Prairie provinces and in Quebec). Most provinces have enacted measures to ensure the consistent treatment of railways and other linear properties.

In addition, British Columbia exempts bridges, trestles, viaducts, etc. from definition as improvements. Railways are otherwise assessed at market value. Quebec also exempts such structures from being defined as improvements. Following the successful making of their case that railways were significantly more highly taxed in British Columbia than in most other provinces, amendments to the Municipal Act in 1995 specified maximum tax rates that could be applied to railways and similar utility property in municipalities. Alberta regulations provide for assessment based on annual rail traffic, effectively turning railway taxation into a tax on freight. Assessment of railway rights-of-way is by regulation in Ontario. In New Brunswick, rails and railway beds less than 30.48 metres (100') wide are exempted from the provincial education tax.

d. Gas Distribution Utilities

Utilities differ from railways and other linear properties in that they often involve little land at all and may run through easements. Like rails, utility lines possess their own unique cost and depreciation characteristics. Every province thus has separate legislation and regulations for taxation of natural gas utilities. These separate provisions often place the taxation of much of the linear property owned by natural gas companies and other utilities on an income basis. These provisions also often provide for uniform treatment throughout provincial jurisdictions.

Gas distribution lines in British Columbia are taxed by municipalities at 1 percent of rental value. Other properties owned by natural gas utilities are taxed on the basis of assessed value. Having adopted rural gasification as a provincial priority, rural co-operatives are exempt from taxation on lines serving rural areas, but not on those serving municipalities over 500 population and large users. Alberta municipalities are entitled to substitute taxation agreements with gas distribution companies and other owners of linear property for ordinary property taxation. Many do, and such revenues are often separately designated as such in their revenue statements.⁵⁰

Ontario's Assessment Act provides for unique treatment of gas distribution lines, while the Municipal Act establishes a separate rate class for natural gas distribution systems. Quebec's legislation substitutes an income tax of 2 percent of taxable revenue up to \$5 million and 4 percent over \$5 million.

⁵⁰ Gas distribution lines are exempt from business taxation in Alberta.

e. Telecommunication Systems

Telephone and telegraph systems were in their infancy as Canada's provincial property tax system legislation was evolving to its modern form. Most telecommunications infrastructure consists of wires along (although as standards of installation evolve, increasingly beneath) streets and lanes. As in the case of other infrastructure, it largely utilizes easements that it acquires with nil or negligible rent. Improvements are largely limited to wire and cable and related improvements, together with poles or conduits, from or in which to hold or suspend it. Easements are acquired for the most part from municipalities, although it is also not uncommon for them to go along private property lines as well. Given the profitability of most telecommunications and related companies, and the existence of physical assets through which to transmit signals, many municipalities feel that it is not unreasonable for such companies to pay property taxes on the physical assets, as well as on the value of the easements that municipalities have in many cases provided.

The provisions for such payments by telecommunications companies, however, vary considerably. As in the case of natural gas pipelines, payments are more likely to resemble income or sales tax provisions than property taxes. Provisions appear more common in western than in central and eastern Canada. The proximity of such payments to the mill rate that would be payable on assets of similar value varies considerably.

British Columbia's Municipal Act provides that telecommunications companies shall pay 1 percent of the value of rentals on lines with other properties and improvements taxed at regular rates.⁵¹ Telecommunication companies in the Prairie provinces appear to pay the highest levies, although they are generally exempt from paying business property taxes. Alberta allows municipalities to make agreements with utility companies to pay a portion of revenues in lieu of property taxes on linear properties, although they are exempt from paying business property taxes. Similar provisions apply in Saskatchewan, while the City of Winnipeg Act provides for the payment of general and educational property taxes on linear property and for exemption from business property taxes where such payments are made.

Ontario's legislation essentially denies municipalities in that province access to what is a valuable source of revenue for municipalities and other local government authorities in many other provinces. All the machinery, plant and appliances and all structures placed on, over, under or affixed to any highway are exempt from property taxation. Land and other improvements owned or occupied by such companies are taxable in the normal fashion. Quebec's legislation exempts telecommunications companies from the assessment roll, but provides for an alternative tax of 2 percent of revenue up to \$5 million and 4 percent on revenues exceeding \$5 million for cable companies, and 3.5 percent of taxable revenues up to \$35 million and 11 percent over \$35 million for other companies.

f. Hydroelectric Systems

Taxation provisions for the wires and cables of electric companies might be expected to resemble those of telecommunication companies. They do in some provinces. In others, however, they differ substantially. Hydroelectric companies, at least for the generation of

⁵¹ It is unclear if this combination of provisions approximates commercial property tax rates for all assets, but it seems less than in most other western provinces.

power, are frequently Crown corporations. Others, and more frequently the distribution system, may be owned by municipalities.

British Columbia's provisions for electric power companies are similar to those for telecommunications companies except that the Hydro and Power Authority Act exempts BC Hydro from all but education property taxes. Alberta's provisions for electrical utilities is the same as for telecommunications and other utilities. While many of Alberta's hydroelectric generation and distribution facilities are owned by municipalities, it was noted above that these are not exempt from property taxation if they are intended to provide a return on equity to their municipal owners. In Manitoba, Manitoba Hydro is exempt from taxation except for local improvements. Ontario's provisions for electric generation and distribution facilities are similar to those for telecommunications companies. Machinery and equipment and lines are exempt from property taxation, although buildings, structures and fixtures are taxable with their own rates under the province's new variable taxation system. Quebec's electric power utilities are also governed by provisions similar to telecommunications systems except that the alternative tax is a flat 3 percent.

g. Ports and Wharves

Taxation of ports and wharves resembles that for airports in that ownership by the federal Crown and the Departments of Transport (including port authorities and port commissions) and Fisheries and Oceans exempts most major facilities from property taxation. Non-federal facilities are an exception and small in number, although this will change considerably in the near future as the Department of Transport turns all but the most major facilities over to provincial and local governments.⁵²

New Brunswick currently possesses the most encompassing exemption provisions. Cargo ports, water lots and buildings are exempt from provincial education property taxes, although not from general municipal taxes. In British Columbia, dry docks of less than 20,000 tonnes capacity (and available to the public) are exempt from municipal taxes. Although water lots are not exempt legislatively, the courts have determined that water lots connected to foreshore properties as part of riparian rights cannot be taxed separately. It was held by the Supreme Court that the value of the water lot was already incorporated into the market value of the foreshore and to tax the water lot separately would be to tax doubly.⁵³

Miscellaneous and General Exemptions

Table 2 contains reference to a variety of miscellaneous exemptions not classifiable elsewhere in the array. Some of these provisions may be redundant or may reflect unique situations in various provinces.

⁵² It is anticipated that all or most of those facilities coming under the direct administration of the federal Minister of Transport will eventually be turned over to provincial and local governments. Others enumerated in Part I of the *Canada Marine Act, 1998*, will remain federal Crown properties indefinitely.

⁵³ (Reference from Dorothy Leighton)

Chapter 3: Property Tax Exemptions by Category

The following array, detailing property tax exemptions by province, contains rows corresponding to the subsection headings in Chapter 2 above and provides the details of exemptions discussed in more generic terms earlier. As indicated in the Introduction, these detailed provisions are usually designated by act and section. As the text in the table is often abbreviated, readers are advised to consult the actual legislation to pursue these individual items.



ICURR Intergovernmental Committee on Urban
and Regional Research
Comité intergouvernemental de recherches
urbaines et régionales **CIRUR**

Table 2: Property Tax Exemptions by Category (Panel 1)

CATEGORY	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
General					
Legislation	RS (1996) C. 323 <u>Municipal Act</u> City of Vancouver Charter RS (1996) C. 448 <u>Taxation (Rural Area) Act</u> RS (1996) C. Assessment <u>Act</u>	C. M-26.1 <u>Municipal Government Act</u>	C. N-5.1 <u>Northern Municipalities Act</u> C. R-26.1 <u>Rural Municipalities Act</u> C. U-11 <u>Urban Municipalities Act</u>	Updated Statutes of the <u>Prov. of Manitoba</u> C. M226 <u>Municipal Assessment Act</u> C. P250 <u>Public Schools Act</u> C. 105, 1971, <u>The City of Winnipeg Act</u>	RSO, 1996: C. A-31 <u>Assessment Act</u> C. M-45, <u>Municipal Act</u> Bill 106, <u>An Act respecting the financing of local government</u> , 1997, contains significant amendments to both of the above.
Provincial Government	C. 323 s. 339(1)(a): land, improvements vested in or held by the Provincial government.	M-26.1 s. 362(a): any interest held by the Crown in right of AB or Cda. in prop.	N-5.1 s. 226(1)(a): the interest of the Crown in any property, including property held in trust for the Crown; R-26.1 s. 331(1)(a): same as above; U-11 s. 275(1)(a): same as above.	C. M226 s. 21(a)(i) & (ii): Real property owned by or in trust for the Crown or Manitoba Properties Inc. C. M226 s. 22(1)(vii) & (viii): real property owned by the Manitoba Water Services Board and Liquor Control Commission exempt from municipal taxes except local improvements.	C. A-31 s. 3(1): Lands or property belonging to Canada or any province.

CATEGORY	QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	NEWFOUNDLAND
	General				
Legislation	<p><i>Cities and Town Act</i> (1997 ed.); R.S.Q., 1997, C. F-2.1 Municipal Taxation; Ss. 65-69 specify exclusions from tax roll; S. 204 specifies items on roll excluded from general & school taxes; Ss. 205-210 contain a compensation regime re. specific items excluded from general taxation; Ss. 211-231 specify special taxation schemes.</p>	<p>R.S.N.B., 1973: C. A-14 Assessment Act C. R-10 Residential Property Tax Relief Act (as amended in 1994).</p>	<p>R.S.N.S., 1967: C. A-18, Assessment Act; S.N.S., 1989, C-24, An Act to Amend Chap. 23 of the revised Statutes, 1989, the Assessment Act; S.N.S., 1995, An Act to incorporate the Halifax Regional Municipality.</p>	<p>RSPEI, 1988: Chap. R-4, Real Property Assessment Act Chap. R-5, Real Property Tax Act.</p>	<p>RSN, 1990: C-15-17, City of Cornerbrook Act, City of Mount Pearl Act, & City of St. John's Act; C. M-23 Municipalities Act.</p>
Provincial Government	<p>C. F-2.1, s. 204(1): Immovable belonging to the Crown in right of Quebec or a Crown corporation; S. 255: specifies grants-in-lieu of taxation equivalent to 100% of the municipal real estate and business taxes that would be eligible if such immovable were not exempt from real estate taxes.</p>		<p>C. A-18 s. 3(1)(a): All property vested in Her Majesty for Provincial purposes.</p>	<p>C. R-5 s. 3(d): Real prop. owned by the Crown, including Crown corps. and agencies, except that (i) real prop. held under lease liable for both prov. & mun. taxes and (ii) real prop. located w/ boundaries of a mun. liable to mun. real prop. tax.</p>	<p>M-23 s. 118(c): real prop. exempted by act of the Legislature; C. C-17 s. 257(1)(c): gov. bids. in St. John's subject to a 5% tax on rentable value for protection & water supply.</p>

Table 2: Property Tax Exemptions by Category (Panel 2)

CATEGORY	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Hospitals (Health & Social Services)	<p>C. 323 s. 339(1)(i), (j): a bldg. used as a hospital under the <u>Hospital Act</u> and surrounding land approved by local by-law; land & improvements held by non-prof. societies for future hospitals designated by Min. of Health; C. 323 s. 341(2)(g): on year-to-year basis & w/ 2/3 vote of Council private hospitals operated under <u>Hospital Act</u> or <u>Community Care Facility Act</u>; C. 448 s. 15(1)(k): bldgs. & land of a public hosp., care home, etc. supported by govt. grants.</p>	<p>M-26.1 s. 362(e), (g), (g1) & (h): except student dorms., prop. used in connection with hospital, health unit or regional health unit purposes, owned by a board and in receipt of govt assist. & nursing homes administered under the <u>Nursing Homes Act</u>.</p>	<p>N-5.1 s. 226(1)(f): not exceeding 4.05 ha approved under <u>Hospital Standards Act</u>; R-26.1 s. 331(1)(f): same as above (max. land area = 2.0 ha.); U-11 s. 275(1)(g): same as above.</p>	<p>C. 24 - Chap M226 s. 22(1)(c) & (e): real property to which the <u>Health Sciences Centre Act</u> applies and real property used for a hospital up to 4.047 ha.</p>	<p>C. A-31 s. 3(7) & (7)(a): Every public hospital receiving aid under the <u>Public Hospitals Act</u>; land owned and used by such hospital for farming purposes shall be deemed attached to the hospital even if separated by a highway.</p>
	Post-secondary Education	<p>Universities, colleges and institutes, bible colleges, etc. exempt under <u>Universities Act</u>, <u>College & Institute Act</u> and private acts; C. 448 s. 15(1)(k): buildings & land of a university.</p>	<p>M-26.1 s. 362(d): except dorms. prop. used for educ. purposes & owned under <u>Universities, Technical Institutes, or Colleges Acts</u>, by students associations or Governors of the Banff Centre for Continuing Education. Dorms exempt as well except when local by-law passed.</p>	<p>(Excluded as a part of the Crown.)</p>	<p>C. 323 s. 339(1)(i), (j): a bldg. used as a hospital under the <u>Hospital Act</u> and surrounding land approved by local by-law; land & improvements held by non-prof. societies for future hospitals designated by Min. of Health; C. 323 s. 341(2)(g): on year-to-year basis & w/ 2/3 vote of Council private hospitals operated under <u>Hospital Act</u> or <u>Community Care Facility Act</u>; C. 448 s. 15(1)(k): bldgs. & land of a public hosp., care home, etc. supported by govt. grants.</p>

Principal Transfer Organizations

<p>Hospitals (Health & Social Services)</p>	<p>C. F-2.1 s. 204(14): immovables belonging to a public establishment re. health & social serv., incl. a reception centre, holder of a daycare or nursery school permit per <i>Child Day Care Act</i>, 1979; C. F-2.1 s. 255: Grants-in-lieu of taxes are equal to 80% of the aggregate taxation of the municipality.</p>	<p>C. A-18 s. 3(1)(x): prop. of a hospital approved under <i>Public Hospitals Act</i> to extent that council declares it to be exempt.</p>	<p>C. R-5 s. 3(f), (i): real prop. owned by the Univ. of P.E.I., by Holland Coll. or by Maritime Christian Coll. & used for educ. purposes except real prop. made avail. to any other person or not used for educ. purposes, incl. farm prop.</p>	<p>C. M-23 s. 118(h): hospitals as defined in <i>Hospital Act</i> & land on which situated; C. C-17 s. 257(1)(a): nurses' homes, homes for the mentally disabled, homes for the aged or infirm if charitable institutions.</p>
<p>Post-secondary Education</p>	<p>C. F-2.1 s. 204(13): immovable belonging to gen. & voc. coll. or univ. establishment w/ meaning of <i>University Investments Act</i>; C. F-2.1 s. 255: Grants-in-lieu of taxes is equal to 80% of the aggregate taxation rate of the municipality.</p>	<p>C. A-18 s. 3(1)(d): the property of every college, academy, or other public institution of learning except property used for commercial, industrial, business, rental or other non-educ. purposes.</p>	<p>C. A-14 s. 4(1)(c): prop. primarily used for educ. purposes and owned by universities and affiliated colleges (repealed in 1983).</p>	<p>C. M-23 s. 118(k): universities and colleges and land on which situated, including student residences and playing fields and other rec. facilities.</p>



Table 2: Property Tax Exemptions by Category (Panel 3)

CATEGORY	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Religious Organizations	C. 323 s. 339(1)(g) & 340(1): a bldg. & necessary halls & land surrounding exempt bldgs. approved by local by-law owned by exempt society; C. 323 s. 341(2)(k): on year-to-year basis & w/ 2/3 vote of Council land, improvements leased by church & necessary halls; C. 448 s. 15(1)(d): places of public worship & land not exceeding 2.023 ha.	M-26.1 s. 362(k): prop. held by a relig. body & used for worship or educ. purposes & any held by a body & used for parking in connection with the principal purposes.	N-5.1 s. 226(1)(d): Places of public worship and land connected therewith not exceeding 0.81 ha. R-26.1 s. 331(1)(e): Same as above (max. land area = 1.2 ha.); U-11 s. 275(1)(d): Same as above (max. land area = 0.81 ha.).	C. 24 - Chap M226 s. 22(1)(f): real property owned by a religious denomination and used primarily as a church, synagogue, etc., a retreat house or for instructional purposes to a max. of 0.81 ha.	C. A-31 s. 3(3): Every place of worship and land connected therewith...; (3)(b): the exemption... does not apply to lands rented or leased... by any person other than another church or relig. org. (5): The buildings and grounds of... a seminary of learning maintained for philanthropic or religious purposes, the whole profits to which are devoted to such purposes... (6) & (6)(a): the exemption does not extend to lands used for farming purposes or to land leased to a semi-nary by a person otherwise taxable. s. 4: land owned by religious orgs. used for rec. except from school & local imp. taxes.
Cemeteries	C. 323 s. 339(1)(f): a cemetery under the Cemetery & Funeral Services Act actually used for interment or authorized by the registrar; C. 323 s. 348: subject to s. 349 & 350 municipalities may reach valuation agreements with private owners of cemeteries; C. 448 s. 15(1)(d): cemeteries not exceeding 2.023 ha.	M-26.1 s. 362(l): parcel of land to 10 ha. used as cemetery as defined in Cemetery Act, additional land conveyed for burial purposes & any related improvements.	R-26.1 s. 331(1)(g): cemeteries defined in Part II Cemetery Act; U-11 s. 275(1)(f): same as above.	C. M226 s. 22(1)(g): owned and maintained as a cemetery by a municipality or a religious denomination to a maximum of 8.09 ha.	C. A-31 s. 3(3): and every churchyard, cemetery or burying ground; (3)(a): land not immediately required not exempt until dedicated and actually used for interment.

CATEGORY	QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	NEWFOUNDLAND
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Religious and Charitable Organizations

<p>Religious Organizations</p>	<p>C. F-2.1 s. 204(8). (12): an immovable belonging to an episcopal corp., a fabrique, a relig. org. or incorp. church; C. F-2.1 s. 231.1: rectories of certain churches exempt up to value fixed by regulation of the Minister.</p>	<p>C. A-14 s. 4(1)(a): owned by a church for use as a residence for clerics, staff of Salvation Army and used for religious, educational, burial or charitable purposes.</p>	<p>C. A-18 s. 3(1)(b): every church & place of worship and land connected therewith with every churchyard and church hall used for congregational purposes (as long as revenue over and above maintenance costs is less than \$100 p.a.).</p>	<p>C. R-5 s. 3(a): every church and place of worship and the land used in connection therewith for which no net revenue in excess of \$500/year is received.</p>	<p>C. M-23 s. 118(d) - (f): churches and other places of worship together with the land on which situated; church halls used more than 50% of time for religious purposes and land; & rectory.</p>
<p>Cemeteries</p>	<p>C. F-2.1 s. 204(9): cemeteries for human remains unless operated for profit.</p>	<p>C. A-14 s. 4(1)(b): unorganized and non-profit cemetery companies.</p>	<p>C. A-18 s. 3(1)(b) & (c): every church burial ground; property of a non-profit community cemetery as defined in the <i>Cemetery and Funeral Services Act</i>.</p>	<p>C. R-5 s. 3(b): non-profit cemetery or burying ground.</p>	<p>C. M-23 s. 118(g): operated by churches and n-p organizations.</p>



Table 2: Property Tax Exemptions by Category (Panel 4)

CATEGORY	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Charitable Organizations	<p>C. 323 s. 341(2)(b), (i), (j), & (n); on year-to-year basis & w/ 2/3 vote of Council land, improvements owned by athletic or service club & used principally as public park or rec. ground, non-profit charitable org. supported by public funds & used as art gallery, museum or other cult. purposes or search & rescue society, & interest in municipal bldgs. by non-prof. orgs. & occupied as licensee or tenant of a municipality;</p> <p>C. 448 s. 15(1)(k) & (q): bldgs. & land of an orphanage, asylum, home for care of sick, infirm or persons w/ mental or physical disability if inst. is supported by public donation, private charity; bldgs. & land owned by a n-p corp. for activities that are of demonstrable benefit to all members of the community in which located.</p>	<p>M-26.1 s. 362(n): prop. owned by a municipality and held by a n-p org. on behalf of municipality; prop. owned by a n-p org. & used solely for community games, sports, athletics or recreation for the benefit of the general public; prop. used for charitable purposes for benefit of general public & owned by the Crown, by a n-p org or by a n-p org. & used for housing under <i>Alberta Housing Act</i>;</p> <p>M-26.1 s. 363(1)(c) & 365(1): prop. held by Royal Cdn. Legion, Army, Navy & Air Force Veterans exempt unless taxed under local by-law except if licensed under <i>Gaming & Liquor Act</i>;</p> <p>M-26.1 s. 364(1) & (2) & 365(1): Property held by a non-prof. org. may be exempted to any extent by local by-law except if licensed under <i>Gaming & Liquor Act</i>;</p> <p>Reg. 125/95: prescribes limits to charitable property exemptions (those w/ bus. operations competing w/ taxable businesses not exempt, etc.);</p> <p>Note: Further clarifying regs. to follow on <i>Report and Recommendations of the Non-Profit Tax Exemption Review Committee</i>, Dec. 97, in 98.</p>	<p>C. N-5.1 s. 226(1)(b.1): land & bldgs. owned by a non-profit corporation or by a community services co-operative;</p> <p>C. R-26.1 s. 331(1)(b), (k) & (l): land & improvements specially exempted by law; land and improvements of Royal Cdn. Legion, Army, Navy & Air Force Veterans; war memorials (up to 0.2 ha.);</p> <p>C. U-11 s. 275(1)(b), (m) & (q): bldgs. & lands not exceeding 1.6 ha. used in connection with & for the purpose of CNIB, YMCA, YWCA, law schools, Royal Cdn. Legion, Army, Navy & Air Force Vets., Disabled Vets. & CMHA, a community services corp. operated under the <i>Co-operative Act</i> and other lands and bldgs. operated under the <i>Non-profit Corporations Act</i> or other non-profit uses operated under other Acts.</p>	<p>C. M226 s. 21(a)(iv) & (v) & (b): Real property owned by the Manitoba Health Research Foundation and the Crime Prevention Foundation or vested in the Manitoba Cancer Treatment and Research Foundation;</p> <p>C. M226 s. 22(1)(h): is used exclusively for charitable purposes and is exempt by a municipal by-law to a max. of 0.81 ha.;</p> <p>C. M226 s. 23(1)(e): charitable organization primarily for the purpose of relief or assistance of the aged, indigent or sick persons exempt from school taxes to a max. of 0.81 ha.;</p> <p>C. M226 s. 23(1)(h): YMCAs, YWCAs, YM&WCAs, YMHAs & YWHAs exempt from school taxes.</p>	<p>C. A-31 s. 3(10)-(13), 6: Property owned, occupied and used solely and only by the Boy Scouts or The Cdn. Girl Guides Associations; land of an incorporated charitable institution organized for the relief of the poor, the Cdn. Red Cross Society, St. John's Ambulance Assoc. or similar...but only when the land is owned by the institution; the prop. of a children's aid society; industrial farms, etc. conducted on philanthropic principles: municipalities may exempt. Navy League except from school & local imp. taxes.</p>

CATEGORIES	QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	NEWFOUNDLAND
<p>Charitable Organizations</p>	<p>C. F-2.1 s. 204(10)(a),(b): an immovable used by the public w/o pecuniary gain and solely for cultural, scientific, recreational, social, or charitable purposes and recognized by the Commission; an immovable used by an institution, being a registered charity; C. F-2.1 s. 206: The Act provides for facilities-like agreement between property owners and municipalities (for rental properties).</p>	<p>C. A-14 s. 17(2)(a): land occupied by a charitable or n-p org. to be assessed at present use value; C. A-14 s. 7.1(1)-(9): charitable organizations, non-profit orgs. or municipality may apply to assessment director for assessment decrease of 35, 65, 90 or 100%.</p>	<p>C. A-18 s. 3(1)(u), (v), (w), (wb), (wc) & 25A(1) & (3) & 25B(1): property of Royal Cdn. Legion; property used exclusively for Boy Scouts or Girl Guides; property used solely for a charitable purpose of a charitable organization exempt under <i>Income Tax Act</i> if approved by council by-law; property of non-profit society if approved by by-law providing a service otherwise the responsibility of council; prop. of a fire co.; council may by by-law establish that charitable orgs. in comm. property may be taxed at a lower rate (down to re. rate); prop. >3ac shall pay rec. prop. tax of \$5/ac. Charitable and n-p orgs. also exempt from bus. occupancy tax.</p>		<p>C.C-17 s. 257(2): bldgs. held & occupied by a charitable institution (retroactive to 1933).</p>



Table 2: Property Tax Exemptions by Category (Panel 5)

CATEGORY	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Primary and Secondary Education	C. 323 s. 339(1)(k): a bldg. used for equivalent of public school educ. & surrounding land approved by local by-law; C. 323 s. 341(2)(m) & (o): on year-to-year basis & w/ 2/3 vote of Council land, improvements leased by non-prof. org. as licensee or tenant of a school board & properties occupied by non-prof. orgs.; C. 448 s. 15(1)(o): bldgs. used for instruction accepted on same basis as public educ. and necessary surrounding land as determined by Minr.	M-26.1 s. 362(c): except prop. used for a dorm., prop. owned by trustees or a school dist. or operator of a private school operated under the <i>School Act</i> and Dorms exempt except when local by-law passed.	N-5.1 s. 226(1)(e): prop. owned and occupied by a school div./dist. Except any part of such bldgs. used as a dwelling and the land used therewith; R-26.1 s. 331(1)(c)&(d): land and improvements owned and operated by an independent school defined in the <i>Education Act</i> (area may be further circumscribed) or by a school division (max. land areas specified); U-11 s. 275(1)(e): land & improvements operated by a school division and consisting of office bldgs., bldgs. used for storage and maintenance and bldgs. used for purposes of a school.	C. 24 Chap M226 s. 22(1)(d): land used for a public school to a maximum of 4.047 ha.	C. A-31 s. 3(4): The buildings and grounds of and attached to or otherwise used in connection with and for the purposes of a...high school, public or separate school, whether vested in a trustee or otherwise, so long as...are actually used and occupied by the institution; (4)(a): the exemption does not apply to lands rented or leased to...other than by another such institution or a person already exempt from taxation...
	Municipalities	C. 323 s. 339(1)(a): land, improvements vested in or held by the municipality; C. 323 s. 341(2)(a), (e), (f): land, bldgs. used as park or for rec., for water purposes, for an airport or seaplane base & owned by another municipality; C. 348 s. 15(b), (r) & (s): land, improvements owned by a municipality; sewage treatment plants & land & improvements used for non-comm. pollution abatement.	M-26.1 s. 298(1) (a), (b): No assessment for facilities for sanitary sewage, storm sewer drainage owned by a municipality, distribution or supply of water owned by a corporation or individual for domestic water or owned by a municipality. M-26.1 s. 362(b): prop. owned by a municipality except prop. that earns revenue & is not for public benefit, prop. where revenue exceeds operating costs, elec. power system, a telecommunication system, or nat. gas system.	N-5.1 s. 226(1)(g): all property belonging to the northern municipality; R-26.1 s. 331(1)(h)&(i): all lands & improvements owned by a municipality or another municipality or urban municipality and used for public purposes; U-11 s. 275(1)(j) & (n): land and buildings owned by a rural municipality up to 0.2 ha. except residences; lands and improvements of the urban municipality.	C. M226 s. 21(c)-(g): Specifies land owned by specific municipalities (Rosser, Comwallis, Neepawa, Saskatchewan, & Morris) located in other municipalities. C. M226 s. 22(1)(a)(i): Real property owned by a municipality is exempt from municipal taxes except for local improvements; C. M226 s. 23(1)(i): real prop. owned by a municipality, community halls, service clubs, community rec. areas, community centres and community links exempt from school taxes.

Local Government and Related

CATEGORIES	QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	LIBRARIES
Primary and Secondary Education	<p>C. F-2.1 s. 204(13): an immovable belonging to a school board;</p> <p>C. F-2.1 s. 204(15), (16): an immovable belonging to a non-prof. corp. holding a gen. educ. permit; also belonging to a priv. educ. institution or recognized to receive grants;</p> <p>C. F-2.1 s. 255: Grants-in-lieu of taxes equal to 25% of aggregate taxation of the municipality.</p>	<p>C. A-14 s. 4(1)(c): Private schools providing elementary or secondary education (repealed in 1983).</p>	<p>C. A-18 s. 3(1)(e) & (f): Every public school house; all school lands.</p>	<p>C. R-5 s. 3(h): real prop. owned or used by the province or a municipality as a public institution of learning.</p>	<p>C. M-23 s. 118(i) & (j): public schools & colleges as defined in <i>Schools Act</i>, including student residences and owned recreation facilities and playing fields; real prop. belonging to a school tax authority under <i>Local Schools Tax Act</i>.</p>
	Municipalities	<p>C. F-2.1 s. 63(5): water-works, sewer systems and plants or equipment for water or garbage excluded from roll;</p> <p>C. F-2.1 s. 204(3)-(5): immovable belonging to a municipal corporation and situated inside or outside its territory or belonging to a community, county or municipal corp. otherwise untaxable;</p> <p>C. F-2.1 s. 205: Grants-in-lieu compensation for some services is provided.</p>		<p>C. A-18 s. 3(1)(h): the property of every city, town or municipality.</p>	<p>C. R-5 s. 3(e): Buildings or structures being part of a purification system.</p>

Local Government and Related

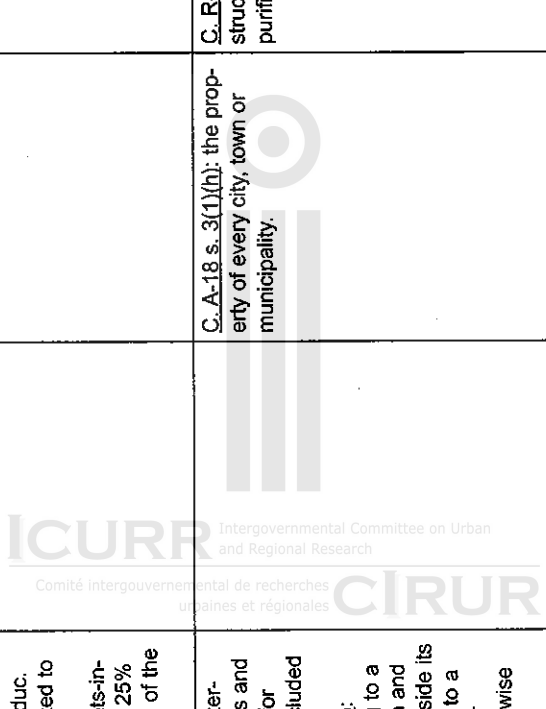


Table 2: Property Tax Exemptions by Category (Panel 6)

CATEGORY	ALBERTA			SASKATCHEWAN		MANITOBA		ONTARIO	
	BRITISH COLUMBIA								
Exceptions/ Municipalities					N-5.1 s. 226(1)(h): except where occupied as residence or non-municipal use except where on agricultural land.				
Highways, Roads, Etc.	C. 448 s. 15(1)(c): public roads, highways & public squares.	M-26.1 s. 298(1)(i): roads, but not incl. r-o-ws not for roads, not assessable; weigh scales, inspection stations, etc. necessary for road maintenance.			N-5.1 s. 226(1)(i): every highway, lane and other public way; U-11 s. 275(1)(h): every street, public square and park and war memorial and land used in connection with it.				C. A-31 s. 3(8): Every highway, lane or other public communication and every public square, but not when occupied by a tenant or lessee other than a public commission.
Libraries	C. 323 s. 339(1)(g): land, improvements of a public library under <i>Library Act</i> .	M-26.1 s. 362(i): prop. used for library purposes & owned by a board under the <i>Libraries Act</i> .			N-5.1 s. 226(1)(j): property of libraries established under <i>Public Libraries Act</i> ; U-11 s. 275(1)(i): same as above.				C. A-31 s. 3(14): the prop. of every public library and other public institution, literary or scientific...
Golf Courses	C. 323 s. 348: subject to s. 349 & 350 municipality may reach valuation agreement re. golf courses for 10 years.								C. A-31 s. 23 & 23(6): Municipality may enter into an agreement providing for fixed assessment of land, but not bldgs.; savings to be repaid w/ interest should use change.
Community Facilities					R-26.1 s. 331(1)(n): community halls defined in <i>Co-operatives Act</i> .				C. A-31 s. 3(15), (16): Land...by reason of its being the site of any battle fought in any war...and kept open to the public...; the land of every company formed for erection of exhibition bldgs...w/ municipal consent.
									C. M226 s. 21(a)(III): Convention Centre Corporation (Winnipeg) C. 24 - Cap. M226 s. 22(1)(k): licenced non-profit daycare centre

CATEGORIES		QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	LIBRARIES
Exceptions/ Municipalities				C.A-18 s. 3(1)(h) & 3A(1): Property owned, operated or managed by a city, etc. either directly or through a board or commission for the purposes of producing, transmitting or delivering or furnishing water, electricity or water shall be taxed, except council may exempting water utilities by by-law.		
Highways, Roads, Etc.	C. F-2.1 s. 63(1): Public roads and works excluded from roll.				C. R-4 s. 1(m)(iii): public rights of way excluded from assessment; C. R-5 s. 3(d): Real property designated and used by a municipality or the province as a public square or park except a portion used by a tenant or lessee.	
Libraries	(excluded as cultural institutions in C. F-2.1 s. 204.)			(excluded as municipal property.)		
Golf Courses	C. F-2.1 s. 211-213: Taxable value of a golf course may not exceed an amount per ha. Computed in accordance with a calculation on the basis of the average unit rate for lands.		C. A-14 s. 5(2)(e) & 17.1(1): excluded from business taxes; to be assessed at real & true value as golf courses if present use confirmed by Minister.			
Community Facilities						

Table 2: Property Tax Exemptions by Category (Panel 7)

CATEGORIES	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Airports	C. 323 s. 346: Community airports per regulations.	M-26.1 s. 298(1)(x): selected improvements (generally grantable under fed. legislation) owned or leased by regional airports under <i>Regional Airports Authorities Act</i> not assessable; M-26.1 s. 362(o): prop. owned by a municipality & used for operation of an airport not taxable; M-26.1 s. 375(b): airports operated by regional airport authority exempt from business taxes.	R-26.1 s. 331(1)(m): airports & landing fields owned by urban municipalities.		
Farms	C. 323 s. 339(1)(l)-(n), (p): fruit trees; improvements used to operate farms up to \$50,000; & removable fixtures, machinery used for farm operations; manure storage facilities, effluent reservoirs, lagoons, deodorizing equip., & dust & particulate matter eliminators; C. 448 s. 15(1)(e), (f): fruit trees on farmland; bldgs., fixtures, things, incl. res., used for agric., etc. Farm residences subject to taxation under <i>Schools Act</i> . Farm land classified under <i>Assessment Act</i> and land in <i>Agricultural Land Reserve</i> under <i>Agricultural Land Commission Act</i> taxed at 50% of value.	M-26.1 s. 298(1)(q), (w) & (y): linear prop. used for farming and growing crops and farm bldgs., except to extent prescribed in regs., not assessable; M-26.1 s. 361: residences & farm bldgs. exempt except to extent prescribed in regs.; Reg. 365/94 under M-26.1: parcels used for farming to be assessed at use value (reg. defines conditions for being considered farm usage).	N-5.1 s. 226(1) (k-n): buildings used in connection with agricultural operations; also residences where agriculture is chief source of income; R-26.1 s. 284(1), (4): Land is to be assessed at fair value; assessor to be guided by present use; R-26.1 s. 331(1)(p) & (q): improvements used in connection with agricultural operations and dwellings (max. value = land value); N-5.1, R-26.1 & U-11.1 regs.: rangeland assess. factor = 50%; farmland factor = 70%.	C. M226 s. 22(2): abandoned farm buildings exempt from municipal taxes except local improvements; C. M226 s. 23(2): Farm prop. (not incl. res.) exempt from payment of education support levy under <i>Public Schools Act</i> .	C. A-31 s. 3(17): All machinery & equip. used for...farming purposes; C. A-31 s. 19(5.2): Farmland assessed at current value; C. M-45 s. 363(1), (13): Tax ratio for farm residences is established as 1.00; ratio for farmlands is established at .25.

Rural Uses

CATEGORIES		QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	NEWFOUNDLAND
Airports			C. A-14 s. 4(9): no prov. taxes on airport land, paving, bldgs., but not incl. heliports or airports w/ unpaved runways.			
Rural Uses						
Farms	R.S.Q. C. M-14, Ss 36.1-36.14: Farmlands entered on roll at actual value except except for school bld. Taxation, when the value is \$357/ha other than agricultural use value or portion thereof. Farm buildings fully taxed on assessed value in approved agricultural zones. No limits in non-agric. zones. Recognized farm producers admissible to tax rebate program where admissible taxes is less than or equal to \$300, the rebate is less or equal to this amount. Where taxes = or < \$300, rebate is equal to \$300 + 70% of taxes over \$300. If taxes <\$300 and land value < than value/ha. Fixed in statute, rebate = 70% of taxes for farm bldgs. For educ. And general purposes, 70% of the value of general taxes imputed to farmlands x ratio of assessment/ha. Fixed in statute	C. A-14 s. 16(1): real property in actual & bona fide use as farmland to be assessed at true value as farmland; otherwise to be assessed at real & true value; Reg. 364/88, M-26.1: farmland assessments 50% of value % prescribed for non-farmlands & improvements; Reg. 367/94, M-26.1: farm buildings in cities, towns, villages & summer villages assessable at 50%; Reg. 368/94, M-26.1: farm residences exempt to value of \$61,540.	C. A-18 s. 40A(1) & (14): all land, excluding any bldgs. or structures thereon, classified as farm property shall be exempt from taxation; tax on land changing from farm use within 7 yrs. following transfer to other than specified relatives shall be repaid for 7 years.	C. R-4 s. 4(1): Land occupied by farm enterprises and bona fide farmers to be assessed for farm purposes.	C. M-23 s. 118(l): productive farmland and woodland and bldgs. on and used in connection w/ farm and wood production from land.	

Table 2: Property Tax Exemptions by Category (Panel 8)


CATEGORIES	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Agricultural Societies and Related	C. 323 s. 341(2)(d): on year-to-year basis & w/ 2/3 vote of Council land & improvements owned & used exclusively by a horticultural or agricultural society; C. 448 s. 15(1)(i): bldgs. w/ land up to 8.094 ha. used exclusively for agricultural and horticultural purposes.	M-26.1 s. 362(i): prop. held by and used in connection with a society as defined in the <i>Agricultural Societies Act</i> .	R-26.1 s. 331(1)(i): land and improvements of societies under <i>Agricultural Societies Act</i> , U-11 s. 275(1)(i): same as above.	C. M226 s. 23(1)(c): real property owned by an incorporated agricultural or horticultural society exempt from school taxes.	C. A-31 s. 3(14) & (14)(a): the prop. of... every agricultural or horticultural society or assoc.; also applies where the prop. is rented.
Protected Natural Spaces	Not taxed if owned by Prov. gov., including lands acquired under <i>Islands Trust Act</i> , or a municipality; C. 323 s. 343.1: riparian properties may be exempt following agreement w/ owners re. conservation. Same provisions in <i>Vancouver Charter</i> . Private acts exempt Creston Valley Wildlife Management Authority, Skagit Environmental Commission, & Okanagan Valley Fruit Tree Authority.	M-26.1 s. 298(1)(e), (k), (l): no assessment for flood-gates, drains, tunnels, bridges, culverts, etc. used for conservation or flood control; provincial or federal park, excl. residences therein, or property owned by Alberta or Canada Crown for conservation, reclamation, rehabilitation or reforestation. M-26.1 s. 363(1)(b): prop. held by Ducks Unlimited except as otherwise by local by-law.	C. M-11.1 s. 75(1), (2) <i>Meewasin Valley Authority Act</i> : land & improvements owned by Meewasin Valley Authority, except where not being used for authority purposes; C. E-0.01 <i>Ecological Reserves Act</i> : Assiniboine Slopes, Buffalo Grass Prov. Ecological Reserve & Qu Appelle Coulee Prov. Ecological Reserve.	C. M226 s. 22(1)(a)(ii): real property owned by the board of a conservation district exempt from municipal taxes except local improvements.	C. A-31 s. 3(25): Land that is conservation land.
Forests	C. 323 s. 352: forest lands must be assessed as forest lands; C. 448 s. 15(1)(j): Crown land held under a tree farm licence under the <i>Forest Act</i> and with a management plan.	M-26.1 s. 298(1)(m), (n), (o): property not accessible by road and used for forestry tower and any interest under a timber disposition under the <i>Forests Act</i> or authorized for grazing of stock not assessable.			C. A-31 s. 3(19): 1 ac. used for forestry purposes for every 10 ac. of the farm, but not more than 20 ac. total per owner; s. 5: said forests may become taxable if farm use is discontinued; s. 18(3): timber licence lands not assessable; C. M-45 s. 363(13): Tax ratio for managed forests established as 0.25.

CATEGORIES	QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	NEWFOUNDLAND
Agricultural Societies and Related	C. F-2.1 s. 204(11): an immovable owned by an agric. or horticultural society and used for exhibition.	C. A-14 s. 4(1)(f): owned & occupied by agricultural societies, agricultural exhibit. assoc. or women s institutes; C. A-14 s. 2(1)-(9): agric. fair assoc., racing assoc. may apply for a 90% reduction for racetracks, etc.	C. A-18 s. 3(1)(l): property of an agricultural society organized under Section 7 of the <i>Agriculture and Marketing Act</i> except where used mainly for commercial or industrial purposes.		
Protected Natural Spaces	C. F-2.1 s. 63(2)-(4), (8): Works used for protection of wildlife or the forest.	C. F-2.1 s. 204(6)(b): lands for protection of forests & fauna in unorganized territories.		C. R-5 s. 3(k), (l): real prop. designated under the <i>Natural Areas Protection Act</i> or as a wildlife mgmt. area under <i>Fish & Game Protection Act</i> .	
Forests	C. F-2.1 s. 63(2)-(4), (8): land in timber limits, township reserves, Crown forests, special forest reserves, or experimental or demonstration forests, including structures erected thereon and access roads excluded from roll; C. F-2.1 s. 220.3: commercial foresters may apply for tax refund from province.	C. A-14 s. 16(2) & 17(2)-(4): real prop. classed by minister as timberland or woodland to be assessed at true value for that purpose; tax of 80¢/ac./yr. where in blocks of 200 ac. & more; blocks less than 200 ac. to be assessed at real & true value as woodlots if taxes less than 80¢/ac.	C. A-18 s. 40B (1), (3), (6) & (9): Property used or intended to be used for forestry purposes exempt; tax of \$.25 (res.) or \$.40/ac. (comm.) to be paid in lieu; tax of 20% of value due on use conversion for period of up to 3 yrs. except for 1 lot for owner or specified relatives.		C. M-23 s. 118(l): productive... and woodland & bldgs. on and used in connection w/ wood production from that land.

Table 2: Property Tax Exemptions by Category (Panel 9)

CATEGORIES		BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Residential Properties						
Residences	C. 323 s. 342(3), (4): heritage properties and designated surrounding land by 2/3 vote of Council; C. s. 19(1), (8) & (9): owners for 10 years of residences w/ 3 or fewer units subject only to use value of land subject to application.	M-26.1 s. 362(m)(ii): prop. held by a mgmt. body as defined in the <i>Alberta Housing Act</i> ; M-26.1 s. 363(1)(d): student dorms exempt except that they may be taxed by local by-law.	R-5.1, R-26.1 & U-11.1 Regs.: Assessment factor = 70% for seasonal, 75% for residential and 85% for multi-family residential.	C. 15, 1994, s. 138(1): authorizes by-law re. home renovation tax credits in City of Wpg.	C. A-31 s. 3(22): alterations for facilitating continued residence of seniors and the disabled without which they might require inst. care upon approval of Minister; C. M-45 s. 373(1)(a), (b): Municipalities may defer assessment-related tax increases for low-income seniors and persons w/ disabilities; interest not to exceed market rate.	
Seniors	C. 323 s. 339(1)(h): non-prof. housing built from 1947-1974 & surrounding land authorized by local by-law; C. 323 s. 341(2)(h): on year-to-year basis & w/ 2/3 vote of Council seniors housing built after 1974; C. 448 s. 15(1)(p): seniors residence provided by a n-p corp. & surrounding land.	M-26.1 s. 362(m)(i): prop. held by a foundation under <i>Senior Citizens Housing Act</i> before 01/07/94.		C. M226 s. 23(1)(a) & (b): homes for the aged and infirm funded by Minister of Health & personal care homes as defined in <i>Health Services Insurance Act</i> & non-profit seniors housing exempt from school taxes to 0.81 ha.	C. A-31 s. 3(22): see above; C. M-45 s. 373(1)(a): see above.	
Natural Resources and Productive Enterprises						
Minerals	C. 448 s. 15(1)(m), (n) & (u) & (2): mine improvements used for exploration and proving of ore; tunnels & related of a mine (exemption ceases when ore is mined or won); land held under lease or licensed under <i>Coal Act</i> .	M-26.1 s. 298(1)(v): minerals not assessable.	U-11 s. 275(1)(k): minerals as defined in <i>Minerals Taxation Act</i> .			

Residential Properties

Residences	C. R-10 s. 2: allowances prescribed in a schedule for payments of taxes and arrears whose income or income of husband & wife does not exceed amounts prescribed by reg.	C. A-18 s. 3(1)(k), 41(2), (10) & 45(1): property belonging to & occupied by infant children except portion occupied by widow or widower; taxes on an additional residential occupancy assessment of 20% due for personal taxes unless local by-law exempts; C. 3(1995) s. 80(1) & 81(1): local by-law may exempt or postpone taxes for low income owner-occupants.	C. R-5 s. 4(1): prov. property tax on residential prop. 10¢/100 of assessment less than prov. rate.	
Seniors	C. F-2.1 s. 204(1.2): property of Corporation <i>d'hébergement du Québec</i> (seniors lodging).		C. R-5 s. 14: recipients of federal Guaranteed Income Supplement may have taxes deferred; taxes and interest due at death or at transfer.	

Natural Resources and Productive Enterprises

Minerals	C. F-2.1 s. 65(3)-(5), (8): ore in <i>Mineral Act</i> , tunnels, etc. or equip. of underground or open mines, incl. access roads excluded from roll.		C. R-4 s. 1(m)(2): mines excluded from assessment.	
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Table 2: Property Tax Exemptions by Category (Panel 10)

CATEGORIES	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Equipment		M-26.1 s. 298(1)(p), (z): wheel loaders, wheel trucks & haulers, crawler type shovels, hoes & dozers and machinery & equipment except to extent prescribed in regs. not assessable; M-26.1 s. 376(1): exempt from business tax if taxed as prop.			C. A-31 s. 3(17): All machinery & equip. used for mfg... purposes, incl. foundations, but not incl. machinery used for lighting, heating or bldg. purposes, for transp., construction purposes or for conducting steam, gas, oil & electricity.
Railways	C. s. 22: bridges, trestles, viaducts, etc. may be exempt by reg. from def. of improvements.	Reg. 365/94, M-26.1: Defines valuation standards for railways based on factors incorporating average annual traffic.	R-26.1 s. 284(8) & (9): schedule of rates for roadway maintained by Sask. Assess. Mgmt. Agency; other railway properties assessed at fair value.	C. M226 s. 31(1): spurs & railway sidings assessed as personal property.	C. A-31 s. 30(2)(a): Establishes that assessment of railway r.o.w.s is prescribed by regulation.
Gas Distribution	C. 323 s. 353(2): lines taxed at 1% of gross rentals; other land & improvements taxed at assessed value.	M-26.1 s. 298(1)(p): linear prop. part of rural gas distribution system where system is owned by a rural gas co-op. under <i>Rural Utilities Act</i> or <i>Rural Gas Act</i> , but not incl. delivery to large users or municipalities over 500 pop.; M-26.1 s. 360(1): municipalities may substitute agreements for portion of revenues for normal property taxes on linear property; M-26.1 s. 376(1): exempt from business tax.	Pipeline assessment factor = 70%; Taxed on the basis of schedules submitted to Sask. Assessment Management Agency.	C. M226 s. 31(1): incl. oil, natural gas and salt production equipment, assessed as personal property.	C. A-31 s. 2(2)(d): Provides for the assessment and depreciation of pipelines; C. M-45 s. 7(2): Pipelines est. as separate property tax rate class (range of permissible rates subject to regulation).
Telecommunication System	C. 323 s. 353(2): taxed at 1% of gross rentals for lines; other lands, improvements taxed at assessed value.	M-26.1 s. 360(1): municipalities may substitute agreements for portion of revenues for normal property taxes on linear property; M-26.1 s. 376(1): exempt from business tax.		C. 52 s. 6(3), Schedule D: Utilities paying taxes on linear prop. exempt from City of Winnipeg business taxes.	C. A-31 s. 3(21): All the mach., plant and appliances & all structures placed on, over, under or affixed to any highway used by any telephone co.

CATEGORIES		QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	NEWFOUNDLAND
Equipment	C. F-2.1 s. 65(1),(2): Machines used mainly for purposes of industrial production or farming operations; mobile equip. used for industrial or transport purposes excluded from roll.	C. A-18 s. 3(1)(i) & 43A(1) & (2): land and buildings housing fire-fighting equipment not owned by a municipality; schedule for phasing out tax on equipment by year 2004.				
Railways	C. F-2.1 s. 65(6): Bridges, tunnels, fences and other works intended for railway operations except the bed and a structure sheltering people or things excluded from roll. C. F-2.1 s. 66: Immovables forming part of a gas distribution system excluded from roll; C. F-2.1 s. 221(1): income tax of 2% of taxable rev. not exceeding \$5 million, plus 4% of that part exceeding \$5 million.	C. A-14 s. 4(5): prov. taxes not to be levied on railway beds & rails, but not incl. bldgs., where r.o.w. does not exceed 30.48 m. and is used for movement of people & goods.	C. A-18 s. 3(1)(s): the road, rolling stock, bed, track, wharves, station houses, buildings and plant used exclusively for purposes of any railway under authority of any Act of Cda. or N.S.			
Gas Distribution	C. F-2.1 s. 67: Structures forming part of a telecommunications system other than a TV or radio system excluded from roll.					
Telecommunication System	C. F-2.1 s. 221(2): tax of 2% of taxable revenue up to \$5 million + 8% of revenue exceeding \$5 million for cablevision companies; 3.5% of revenue up to \$35 million, + 11% of portion exceeding \$35 million for other telecommunications companies.					

Table 2: Property Tax Exemptions by Category (Panel 11)

CATEGORY	BRITISH COLUMBIA	ALBERTA	SASKATCHEWAN	MANITOBA	ONTARIO
Hydroelectric System	C. 323 s. 353(2): private cos. taxed at 1% of gross rentals for lines, etc.; other lands, bldgs. taxed at assessed value; BC Hydro taxable only for school purposes under <i>Hydro & Power Authority Act</i> .	M-26.1 s. 360(1): municipalities may substitute agreements for portion of revenues for normal property taxes on linear property; M-26.1 s. 376(1): exempt from business tax.	C. P-19 <i>Power Corp. Act</i> : Sask Power property exempt.	C. 24 - M226 s. 22(1)(a)(v): Manitoba Hydro exempt from municipal taxes except local improvements.	C. A-31 s. 3(18): All mach. & equip., incl. foundations for producing elec. power, but not incl. bldgs., structures, fixtures.
Miscellaneous	C. 323 s. 339(1)(d), (o), (p)-(r): land, improvements of an Indian owned under letters patent; improvements used for emergency protection (includes homeless shelters) under <i>Emergency Program Act</i> ; sewage treatment plants; land & improvements used for non-commercial pollution abatement; public drydocks w/ <20,000 tonne capacity; C. 323 s. 342(3) & (4): heritage properties and surrounding land by 2/3 vote of Council; <i>Tourist Accommodation (Assessment Relief) Act</i> . s. 2(1) reduces assessment to lesser of 50% of value or \$150,000 less 15% of amount by which value exceeds \$2 million.	M-26.1 s. 298(1)(c), (d), (g), (h): irrigation works as defined in the <i>Irrigation Act</i> ; canals, dams, dikes, etc.; water or sewer facility operated in connection with a mfg. or processing plant designed to have water or sewage meet municipal standards (other water & sewer works assessable); M-26.1 s. 298(1)(aa): mobile units in inventory or intended for vacation use & licensed & equipped to travel on highway not assessable; M-26.1 s. 362(p): two-thirds of improvements for a municipal seed cleaning plant under <i>Agricultural Service Board Act</i> is exempt; M-26.1 s. 363(1)(b): prop. held by selected hostel associations exempt unless local by-law passed.	<p>g. N-5.1 s. 226(2): Any other property or business on an annual basis;</p> <p>c. R-26.1 s. 331(3): any designated land, improvement or business on annual basis;</p> <p>c. R-26.1 s. 331(4): councils may enter into 5 yr. agreement to exempt any land, improvement or business;</p> <p>c. U-11 s. 275(2): land, improvements or bldgs. designated annually;</p> <p>R-26.1 s. 286(1): grain elevators assessed according to a schedule re. capacity.</p>	<p>C. M226 s. 22(1)(n): Dauphin s Veterans Assoc.;</p> <p>C. M226 s. 23(1)(f): an association used for the benefit of soldiers under <i>Soldiers Taxation Relief Act</i> not used as a licensed premises exempt from school taxes;</p> <p>C. M226 s. 23(1)(g): used for a missionary purpose or other charitable or educational purpose in connection with Indian missions to a max. of 0.81 ha.;</p> <p>C. M226 s. 23(1)(j): private museums that are owned by charitable organizations exempt from school taxes;</p> <p>C. M226 s. 30: political, friendly, trade, professional or labour orgs. not operated for profit exempt from business tax;</p> <p>C. 105, 1971 s. 166: City of Wpg. Has business tax provisions separate and different from those applicable under C. M226 in remainder of province.</p>	C. A-31 s. 3(23): roller coasters & other amusement devices.

CATEGORIES		QUEBEC	NEW BRUNSWICK	NOVA SCOTIA	PRINCE EDWARD IS.	NEWFOUNDLAND
Hydroelectric System		C. F-2.1 s. 68: Structures re. production, transmission or distribution of electric power excluded from roll: C. F-2.1 s. 221(1): alternative tax of 3% of taxable revenues.	C. A-14 s. 4(8): prov. taxes not levied on cargo ports, water lots & bldgs.	C. A-18 s. 3(1)(g): All public landings, breakwaters & wharves.		
Ports & Wharves						
Miscellaneous						
Miscellaneous	C. F-2.1 s. 63(6): Metro as contemplated in Div. V, Title II, <i>Montreal Urban Community Act</i> , 1969 excluded from roll; C. F-2.1 s. 204(2) & (2.1): Immovables belonging to <i>Régie des installations olympiques</i> and <i>Société de la Place Des Arts de Montréal</i> or Quebec Provincial Police. Grants-in-lieu = 100% for facilities owned by <i>Régie des installations olympiques</i> ; C. F-2.1 s. 210: Quebec has option to declare immovables owned by a foreign gov. exempt. Grants-in-lieu = 100% of aggregate municipal taxes exempt.	C. A-14 s. 4(1)(g): real property in the name of a woman up to \$4,000 & .5 ha. where all her assessed prop. does not exceed \$25,000, her annual income does not exceed \$3,000 and she is not supported by a husband; C. A-14 s. 4(1)(h): occupied by rural volunteer fire assoc. or a prov. park where there is an agreement w/ a municipality; C. A-14 s. 4(1)(i): hockey or figure skating rink, but not a curling rink.	C. A-14 s. 4(1)(g): literary and historical societies, inst. and assoc. For the advancement of science and art; C. A-14 s. 4(1)(g): real prop. in the name of a woman up to \$4,000 & .5 ha. where all her assessed prop. does not exceed \$25,000, her annual income does not exceed \$3,000 and she is not supported by a husband; C. A-14 s. 4(1)(h): occupied by rural volunteer fire assoc. or a prov. park where there is an agreement w/ a municipality; C. A-14 s. 4(1)(i): hockey or figure skating rink, but not a curling rink.			C M-23 s. 118(m): other real property may be exempted for up to 10 years under s. 135 (s. 158 of City of Cornerbrook Act, s. 157 of City of Mount Pearl Act, & s. 258 of City of St. John's Act) by local councils.

Chapter 4: Summary and Conclusions

The property tax in contemporary Canada possesses a dual tradition. On the one hand, it is a local tax levied for the purpose of providing local services. Specific features often underscore this benefits orientation. On the other hand, the property tax also has its roots as a tax in equity. The first property taxes in Europe were levied on the basis of the wealth and the ability to pay by the citizens being taxed. Despite evolution, contemporary Canadian property taxes often resemble these early taxes. Their incidence is often based on ability to pay and equity principles. While property taxes are often approximately proportional to values for a given class of property, the differentials in tax liability by class or use generally result in vastly different taxes among classes and uses. The pattern of property tax exemptions is best viewed in the context of differential tax incidence and principles of tax equity.

While personal property is seldom ever included in the contemporary property tax base in Canadian jurisdictions, the business property of manufacturers, retailers and many professionals is theoretically incorporated into modern business property taxes. Comprehensive variable property tax rates on different classes of property, which is practiced in increasing numbers of provinces, may reflect previous business property tax levies where these have been formally discontinued.

Whether these variable tax rates are equitable continues to be discussed (Kitchen and Slack, 1993). Non-residential properties pay from 45 to over 60 percent of property taxes, depending on provincial and local jurisdiction (Patterson, 1996, Annex Table 15). Depending on assumptions, benefits received by the non-residential sector are usually concluded to be under 40 percent of the total benefits of municipal services. The differential between the incidence of property taxation and the benefits from municipal services may well be justified by considerations of equity and ability to pay, rather than by benefits received.

Major Differentials and Issues Regarding Property Tax Exemptions

The following represent some of the more significant conclusions with respect to differentials in provincial treatment of full and partial exemptions.

Full and Partial Farm Tax Exemptions and Public Policy Objectives

Some of the first partial property tax exemptions of farmlands had their origins in the notion that most property taxes were applied towards services from which farms derived few or no benefits. There are two overwhelming objectives of contemporary farmland property tax relief: 1) providing tax relief to a particularly needy economic sector; and 2) promoting farmland conservation. Current provisions are often not significantly related to either of these objectives. Only two provinces (British Columbia and Quebec) possess a farm zoning and planning framework governing benefits from favourable treatment. Only one province (Quebec) has provisions that attempt to capture the value of previous favourable treatment conveyed upon farm conversion.

Treatment of Linear Property

It was noted that there are significant differences in the treatment of what is called linear property, most of which represents property of utility companies. Although their practices vary, and there are some exceptions in the case of Crown or municipally owned corporations

providing such services, the three Prairie provinces seem to attempt to capture the potential taxation value of "linear property" belonging to telecommunications, natural gas distribution and hydro companies. Treatment and tax rates nevertheless vary considerably between provinces. Much of the variation seems to depend on whether local jurisdictions are permitted to, or try to, obtain taxes on the value of public easements provided.

Treatment of Charitable and Selected Non-profit Institutions

Although their exemption generally represents only a small proportion of the total value of property tax exemptions, few issues are more controversial at the local level than the exemption of charitable and non-profit organizations. Those with exemptions strive to retain them, while other organizations are constantly attempting to qualify on similar grounds to organizations that are already exempt.

The provinces differ substantially in their approach to exemption of charitable organizations. Some permit a degree of local autonomy on exemption. British Columbia appears to have gone furthest down this route, requiring two-thirds concurrence of local councils on an annual basis for continued exemption.

The comprehensiveness of exemptions varies quite significantly. Some exempt a wide range of non-profit societies. Some exempt non-profit societies providing specific services or types of services. Many exemptions apply only to organizations named in provincial statutes or to those meeting quite specific and limiting criteria. New Brunswick's approach, which permits the application of several levels of exemption up to 100 percent, is unique. As indicated, only two provinces apply exemptions to organizations renting facilities from private landlords.

Municipally Owned Utilities

The exemption of many municipal and other local government properties is largely without controversy. Except when in a different jurisdiction, including when a senior local government (regional government) with owned facilities in several jurisdictions, the taxpayer in any one municipality is generally neither better nor worse off as a result of the exemption. The exemption of properties owned by upper-tier and regional governments is therefore an issue, to the extent that the distribution of owned properties does not match that of the distribution of assessment.

Another issue with respect to municipal property tax exemptions is the status of municipally owned utilities and municipal services with connected user charges. Exemptions usually apply to these properties as well. However, with an increasing emphasis on the self-financing of many municipal services, the taxation of the same services and the inclusion of taxes in the cost of the services for which taxes are levied would be consistent with the user-charge principle. This reasoning definitely applies to those where complete recovery is a municipal objective. Solid waste disposal facilities, sewage treatment plants and water works, as well as hydro and telecommunications utility properties where services are provided by municipalities, provide some of the clearest and commonest examples. Only one province currently specifies that those services for which user charges and other revenues exceed costs shall not be exempt from property taxation, although other provinces have not exempted the properties of selected local utilities.

Residential/Subsidized Housing

One province totally exempts social housing from taxation. Exemption — sometimes only from school taxes — is more common in the case of housing targeted to the needs of senior citizens. Property tax exemption has the effect of transferring a portion of the subsidy from senior governments to local ratepayers. Participation of local ratepayers in subsidies may be seen as an argument in favour of exemption.

Golf Courses

Special taxation arrangements, sometimes periodically renewable, are often permitted for taxation of golf courses. As many are run on an entrepreneurial basis or associated with fairly steep membership costs, it is surprising that provisions for the recapture of tax advantages on conversion are not more common.

Municipal golf courses often compete with those owned privately, although the respective courses are often targeted to separate markets or groups. On the other hand, golf courses are no different than other municipal recreation facilities that may be used by a small group of taxpayers.

Urban Transportation

It is useful to group the various modes of transportation together for purposes of summarizing the major issues associated with taxing transportation.

Airports are often exempt from taxation by virtue of Crown or municipal ownership. Privatization of federal airports and their emergence as major profit centres raises the issue of continued exemption.

Many of the same issues attendant to airports also apply to ports. Many are owned by the federal government and exempt from property taxation. A new Canada Marine Act, 1998, extends the process of privatization and devolution to provincial jurisdiction of smaller ports. Some provincial legislation also exempts non-federal dock facilities or selected related facilities from taxation.

In part because they were initially developed by private entrepreneurs, as well as because rails and related facilities do possess a land base, rail transportation has always been subjected to property taxation. It is virtually the only mode of transportation that is. The main tax policy issues posed, as in the case of linear properties and public utilities, are assessment and taxation variations among jurisdictions.

The remaining modes of transport are those serving urban areas: urban transit, urban highways and arterial roads. Exemption is based on public ownership of streets, roads and lanes and of urban transit systems. The role of local streets has historically been to provide access to property, and increases in value stemming from access are generally recovered in taxes on the properties. Similarly to publicly owned local utilities, the question of taxation may arise as facilities are expected to generate revenue for governments or be financed on a user-cost basis. There is often also a distribution question. As well, differentials in the taxation of commuter rail and highway facilities raise an equity question.

Provincial and municipal governments in Canada and elsewhere are increasingly seeking revenues other than property taxes that can specifically be applied to paying the cost of urban transportation systems. British Columbia and Quebec have become the first provinces to designate non-property taxes as sources of revenue for urban transportation, and the former is

the first province to designate maintenance of arterial and commuter roads as beneficiaries of these other tax sources. Provinces and municipalities should probably resolve the issue of taxation of urban transportation facilities as they implement new arrangements for its finance.

Public and Private Schools

The exemption of public schools applicable in every province where they exist has the same basis as the exemption of municipal properties. School boards in the five provinces that continue to finance a portion of school costs with local property tax levies could only add levies to existing levies to generate the revenue to pay taxes.¹ An issue of distribution of exempt properties may arise in the case of the secondary portion of the system.

The major exemption issue associated with primary and secondary education is the exemption of private schools. In most provinces, but not all, exemption is based on meeting the curriculum requirements of provincial departments of education.

Colleges and Universities

All but one province exempts universities from property taxation. The increased privatization of benefits from university research and the increased resort to full (or fuller) pricing of selected college and university programs may increasingly raise the issue of appropriateness of exemption. University dorms and meeting facilities that compete with off-campus facilities also raise an equity issue.

Religious Organizations (Places of Worship)

While the exemption of places of worship from property taxation is potentially liable to abuse, limiting the exemption to places in which people congregate for worship has generally resolved the difficulty. Provincial legislation varies in the treatment of some ancillary uses, especially the taxation of associated residential uses, rectories and so forth, and the amount of land that may be exempted.

Cemeteries

The exemption of cemeteries is also generally quite limited. Only those owned by religious organizations are exempt in several provinces. Others include cemeteries owned by non-profit societies. The issue of taxation of lands intended for future burial is addressed in some provincial legislation.

Mining and Forestry

Mining and forestry operations, especially those taking place on Crown lands with provincial licences and permits, are generally exempted by provincial governments from assessment or from property taxation. The loss of revenue by local authorities might be significant except that most such operations almost everywhere in Canada take place outside of municipal jurisdictions.

¹ Local school taxes continue to be levied by boards in Alberta (residential properties), Saskatchewan, Manitoba, Quebec and Nova Scotia. Uniform provincial property tax levies are used in British Columbia, Ontario, New Brunswick and Prince Edward Island to finance varying portions of local school costs. Non-residential provincial levies are uniform across Alberta.

Miscellaneous Exemptions

Miscellaneous exemptions include sports facilities, convention centres and related uses. Municipalities in Saskatchewan are given general authority to negotiate exemptions with non-residential taxpayers on either an annual basis or for periods up to five years. Many such uses become exempt from property taxes, or at least from the municipal portion, as a result of private legislation at the provincial level. While no attempt was made to track such legislation as part of this review, numerous examples came to light, most frequently in the Atlantic provinces.

The taxation of major sports facilities has become an issue in some jurisdictions. The president of the National Hockey League (NHL) testified before a House of Commons committee in early 1998 that Canadian cities might be at a disadvantage in attracting or retaining NHL franchises if exemptions were not granted for the sports venues in which events are held. It was claimed that most U.S. cities were including such exemptions in their franchise proposals. The same may apply to other professional sports leagues with franchises across North America. Unlike almost all Canadian local authorities, U.S. cities often have access to local income or sales taxes and can generate revenues from hosting professional sports franchises from other than property taxes.

The same situation often exists with respect to large conferences and conventions. Canadian cities might be competing with U.S. centres in addition to Canadian cities. Provinces will likely have to cope with increasing demands to make it possible for their venues to succeed in such competition. Favourable property tax treatment or exemption is of course one of the ways in which provinces and their municipalities can respond. Favourable tax treatment of other industries may become an increasing demand in a more competitive milieu as well.

Conclusion

The magnitude of local government grew from slightly over 4.0 percent of GDP to over 9.4 percent during the course of the first seven decades of the 20th century (Kitchen, 1991, p. 2). Local property taxes, which are practically the only tax to which local governments have access in Canada, increased very little relative to GDP. They were 4.0 percent of GDP in 1913 and 3.7 percent in 1971, having peaked at 4.7 percent of GDP in 1937. Grants from senior governments, including grants-in-lieu of taxes for an increasing portion of the value of federal and provincial properties exempt from property taxes, permitted this growth in services without a parallel growth in property taxation. Grants increased from 3.7 percent of local government revenues in 1913 to 54.8 percent in 1971. Local government revenues comprised 8.1 percent of GDP in 1991, while grants from senior governments had decreased to 48.5 percent.²

Undoubtedly motivated, at least in part, by reductions in their own transfer payments from the federal government, provincial governments have further reduced support for local governments since 1991 and, especially, since 1995. Provincial government transfers to local governments decreased by over \$1.5 billion from 1995 to 1997.³ The interest of both provinces

² Events in Ontario, especially grants to local school boards, appear to have been responsible for most of these changes in the late 1980s. There was also significantly decreased assistance from provincial governments to school boards in Nova Scotia, Quebec, Manitoba and Alberta. Total assistance across Canada to school boards decreased from 67 to 62 percent from 1986 to 1991 as grants failed to keep pace with growth in costs.

³ Source: CANSIM: Matrix 2712, Item 459294. There was an increase in transfers to school boards and decreases in transfers to other local governments, most likely municipalities, of over \$2 billion. Although

and local governments in accounting for the wisdom of each exemption, and in formulating policies to mitigate the total value and impact of exemptions, is heightened in such times. One lesson from the collective government budgetary turbulence of the 1990s is that each level of government will undoubtedly strive to become more self-reliant and less dependent on transfers.

While municipalities are generally limited to property taxation in paying for local services, they have often generated funds in a variety of ways. Primary among these is the substitution of specific service levies and charges for services financed from general taxes.⁴ The importance of substituting specific service charges for taxes as a means of financing critical municipal services in the context of property tax exemptions is that such charges are usually payable by exempt properties in the same manner as by non-exempt properties. Thus, up to 25 percent of the cost of municipal services is financed by specific charges. While there are many services for which user charges are generally not considered appropriate, they are appropriate for many others, both on the basis of economic efficiency and as a viable and equitable revenue strategy. Numerous studies have shown that such non-tax sources are seldom utilized to the extent desirable on an economic efficiency basis. A 1991 Ontario study of the relationship between user charges and the cost of services showed, for instance, that such charges only indemnified 73 percent of the costs of parking services, 74 percent of waterworks costs, 72 percent of garbage collection and disposal costs, 17 percent of the cost of planning permits and zoning change applications and 30 percent of parks and recreation services (Tassonyi, 1993, Table 3).

Progress in limiting the impact of property tax exemptions on the finances of municipalities and other government services financed by property taxes can only result from a two-pronged effort aimed both at rationalizing exemptions and making them consistent with public policy objectives and charging of user charges for those services for which this method of revenue generation is appropriate.



not confirmed, several specific events may account for a major part of the decrease: reduction in social assistance caseloads and in assistance rates in Ontario; other decreases in municipal transfers to Ontario municipalities following the 1995 general election, substitution of new revenue sources for provincial transit subsidies in Quebec and decreases in unconditional grants to municipalities in British Columbia by about 40 percent in the second quarter of 1997. Increases in taxes of over \$700 million and of \$1.7 billion in non-tax local government revenues allowed the local government sector to cope with reduced transfers from senior governments.

⁴ Empirically, such substitutions have occurred through time, although there is little evidence that revenue from non-tax sources has increased substantially in the early 1990s. The most significant increase in non-tax revenues took place in the 1970s. Income from sales of services increased from 6.0 to 10.6 percent of total local government revenues from 1971 to 1981. The substitution of service charges for taxes to support local water and sewer systems first began to occur in this period (Tate, 1990; Tate and Lacelle, 1991). Revenues from permits and levies increased from 0.5 to 1.0 percent of total revenues in the same period. Both sources of revenues have remained relatively constant through the early 1990s. In 1993, sales of goods and services and revenue from permits and levies were 11.3 and 1.1 percent, respectively, of total local government revenues.

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