



Restoring Tax Accountability Fact Sheet

Municipalities and oil and gas companies

The problem

A small number of oil and gas companies operating in Alberta have not paid property taxes to the municipalities in which they operate. The Rural Municipalities of Alberta estimates that a number of oil and gas firms owe approximately \$245 million in unpaid taxes to approximately 69 municipalities, mostly in rural Alberta¹. Municipalities have little recourse to recover this revenue, especially when other, secured creditors have priority for collecting unpaid debts. And because municipalities are required to balance their budgets, unpaid taxes mean higher taxes for everyone else or cuts to services.

What is changing

The *Municipal Government Act* (MGA) is being updated to restore and clarify a special lien for unpaid property taxes on linear property and machinery and equipment. This lien will give municipalities priority over other creditors to receive taxes owed, with exception of the Crown and environmental regulatory obligations. The proposed amendments to the MGA will:

- Hold the owner of the linear property and the operator of oil and gas machinery and equipment liable for paying property taxes. The owner and the operator may be different, depending on corporate structure.
- Establish a 120-day redemption period between the time the taxes are due and the enforcement of the special lien process, which will protect financially vulnerable companies by enabling negotiation of payment arrangements.
- Make special liens applicable to all the debtor's assessable property within the municipality.
- Make special liens applicable to any unpaid taxes owing when the amendment comes into force and afterward.

What municipalities need to know

The MGA has always included provisions to allow municipalities to apply for special liens against property owners that have not paid property taxes. But in 2019 the Alberta Court of Appeal ruled that special liens did not apply to oil and gas companies.

The proposed amendments to the MGA will restore the process used prior to 2019, whereby:

- The owner is also liable for the taxes.
- There is a 120-day redemption period to enable negotiation of payment arrangements.
- The special lien will apply to all the debtor's assessable property within the municipality.
- The special lien applies to any unpaid taxes on linear property and oil and gas machinery and equipment currently owed including past years, and any future unpaid taxes.

What industry needs to know

The majority of oil and gas companies operating in Alberta pay their municipal property taxes. Companies that pay their taxes are not impacted by this change. Companies that are not able to pay their taxes should contact their local municipality to discuss the special lien and what it means for their business relationship.

When the change takes place

The change is effective when the amendments are proclaimed at a date to be determined.

Resources available to assist

Municipalities should contact a municipal advisor at 780-427-2225 (toll-free 310-0000) if they have questions about the special lien process.

Provincial Education Requisition Credit

What is changing

The Provincial Education Requisition Credit (PERC) program was established in 2017 to provide municipalities with an education property tax credit equal to the uncollectable education property taxes on delinquent oil and gas properties. Currently, PERC is set to expire after the 2021/22 program intake (reflecting the 2015-2021 municipal tax years). The program has been extended for an additional two years up to the 2023/24 program intake, which will include the 2015-2023 municipal tax years. Municipalities will also be able to apply for education property tax credits prior to writing off uncollected property taxes.

What municipalities need to know

- Municipalities are no longer required to write off uncollectable property taxes as bad debt in order to apply for PERC credits. The municipality's obligation to remit the education property tax requisition will not be affected by applying for PERC.
- Some minor changes to the PERC reporting requirements and supporting documents have been made for the 2021 tax year. These changes will be available in the coming weeks.
- The application deadline is January 15, 2022.

When the change takes place

The changes take effect immediately and will be incorporated into the current application intake set for January 15, 2022.

Resources available to assist

Updated guidelines and information about how to apply will be available in the coming weeks at alberta.ca/provincial-education-requisition-credit.

Questions can be addressed to a program advisor at 780-422-7125 (toll-free 310-0000), or email: TaxProgramDelivery@gov.ab.ca

ⁱ <https://rmlberta.com/news/rural-municipalities-continue-to-struggle-as-unpaid-tax-amounts-owed-by-oil-and-gas-companies-increase/>