



Major Industry Tax Category – Class 4

April 9th, 2018



Background

▶ Council

- ▶ Council receives an annual recommendation to review and approve the Tax Distribution Policy
- ▶ Fixed Share Method used in the Policy since 1989
- ▶ Most common method used by municipalities in BC
- ▶ Provides an equal effective tax increase for all classes
- ▶ Maintains equitable distribution for all classes

Background

- ▶ BC Assessment
 - ▶ Define classes and determine property values across BC
 - ▶ Used by taxing authorities in determining taxes
 - ▶ Special Team established to assess Class 4 (Major Industry)
 - ▶ Highly specialized expertise
 - ▶ Uniformity, consistency, coordinated application of manuals, case laws decisions, and exemptions and classification
 - ▶ Special valuation methodology for Class 4
 - ▶ Hybrid of market and replacement cost less depreciation

Current Situation

- ▶ One property owner in Class 4
 - ▶ Set the average change in assessment value
 - ▶ Reliance on one property owner for 100% revenue of an entire class
 - ▶ Tax class rates shift to meet tax requirements
 - ▶ Change in assessment \neq change in taxes
 - ▶ Tax class rates set to represent effective tax increase

Recommendation:

Continue with current distribution policy

- ▶ Any changes shifts tax burden to other classes
 - ▶ Financial impact of changes = \$257k or 0.7%
 - ▶ Tax class ratio impact of changes = Class 4 decrease of 3.59, Class 5/6 increase of 0.0152
- ▶ Different valuation methodologies, comparability
- ▶ Existing provincial tax credits (\$61k in 2017)
- ▶ Follows best practices of other BC municipalities
- ▶ Unique infrastructure costs for services



Questions?

For more information, visit kelowna.ca.