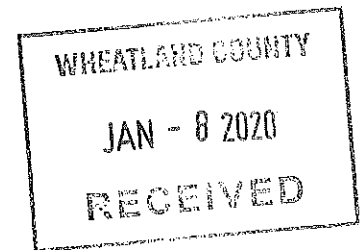




ALBERTA
MUNICIPAL AFFAIRS

*Office of the Minister
MLA, Leduc-Beaumont*



AR99379

January 2, 2020

Reeve Amber Link
Wheatland County
242006 RR243, Highway 1, RR 1
Strathmore AB T1P 1J6

Dear Reeve Link,

As you may know, the assessment models for wells, pipelines and machinery and equipment, which are used to determine the assessed values of these assets for taxation purposes, have not been updated since 2005. Over the past year, Municipal Affairs has been working on a review of the assessment models to ensure new technology is accounted for, current cost structures and industry practices are reflected, and result in a fair and transparent relative distribution of taxation.

The technical phase of the assessment model review, which included input from working groups of external subject matter experts, has now concluded. The initial results from the technical phase of the review indicate potentially significant shifts in assessment. As assessment changes can have consequential impacts to both municipalities and the oil and gas industry, I have determined additional engagement with industry and municipal associations is required before any final determinations are made.

Our aim is to ensure any changes resulting from the assessment model review do not have an adverse impact on the competitiveness of our energy sector or the viability of our rural municipalities. It is my intention this more robust stakeholder engagement be carried out in early 2020, with final decisions on the assessment model review to be made in spring. As a result, the changes to the assessment models will need to be deferred until the 2021 municipal tax year.

In the absence of new assessment models, assessment year modifiers (AYMs) need to be established for the 2020 tax year. These modifiers are similar to a consumer price index, and are used to adjust the property assessments for regulated industrial property from the base cost year in order to reflect current values. To support the budgeting process municipalities are undertaking, attached are the approved AYM's for the 2019 Assessment Year (2020 Tax Year).

...2/

In addition, a reduction in assessment for shallow gas assets will be applied for 2020 in order to continue the same magnitude of tax relief provided under the Shallow Gas Tax Relief Initiative (SGTRI) for 2019, and enable transition to the new assessment models for 2021. These wells and associated pipelines will receive a 35 per cent property assessment reduction for the 2020 tax year. It is my intention to apply the same criteria for this assessment reduction as were used to determine eligibility for tax relief under the SGTRI; there are approximately 70,000 wells and associated pipelines in Alberta meeting these criteria. As education tax credits will not be provided as they were under the SGTRI for 2019, municipalities will need to absorb the impact of this reduction in assessment.

Municipal Affairs is completing the annual updates to the Alberta Minister's Guidelines for taxation in 2020 to include the annual change to the AYMs, as well as the changes to the shallow gas assessments.

Further details on the engagement with municipal associations and industry organizations regarding the assessment model review will be provided by early January, 2020.

If you have any concerns regarding these changes, please contact Ethan Bayne, Assistant Deputy Minister, Municipal Assessment and Grants, at 780-415-1717, or ethan.bayne@gov.ab.ca.

Yours very truly,



Kaycee Madu
Minister

Attachment – Assessment Year Modifier (AYM) Tables

cc: Honourable Sonya Savage
Minister of Energy

Honourable Dale Nally
Associate Minister of Natural Gas

Paul Wynnyk
Deputy Minister, Municipal Affairs

Ethan Bayne
Assistant Deputy Minister, Municipal Assessment and Grants

Attachment – Assessment Year Modifier (AYM) Tables

Property Type	2018 Assessment Year (2019 Tax Year) AYM	2019 Assessment Year (2020 Tax Year) AYM	Percent Change
Wells	1.200	1.192	-0.67
Pipelines	1.019	1.024	0.49
Electric Power Systems	1.470	1.471	0.07
Telecommunication Carriers	1.150	1.154	0.35
Cable Distribution Undertakings	1.389	1.394	0.36
Railway	1.410	1.460	3.55
Machinery & Equipment	1.40	1.41	0.71
Farm land (Dry Arable, Dry Pasture, Woodlot)	1.00	1.00	0
Farm land (Irrigated Arable)	1.03	1.03	0