

Title of resolution: Education Property Tax Collection

Moved by: Town of Drayton Valley

Seconded by: TBA

WHEREAS currently municipalities are responsible to collect the Education Property Tax on behalf of the Government of Alberta as laid out in the *Municipal Government Act* and *School Act*;

WHEREAS the Government of Alberta is the taxing authority that sets the Education Property Tax Rate on an annual basis, which is then collected by municipalities on the Province's behalf;

WHEREAS education funding is the responsibility of the Government of Alberta and education has an impact on all residents of the Province of Alberta;

WHEREAS the collection of the Education Property Tax can have a significant impact on municipalities as it creates an additional encumbrance and uncertainty in planning a municipality's budget due to the fluctuating education mill rate;

WHEREAS the collection of many government taxes, fees and charges are completed online and customer service expectations in a post-COVID-19 environment will be that more government services can be delivered electronically moving forward;

WHEREAS municipalities are required to submit payments of the Education Property Tax before full collection is completed at a local level and a default of Education Property Tax payments might result in municipalities losing their ability to receive grant funding;

IT IS THEREFORE RESOLVED THAT the AUMA advocate for relieving Alberta's municipalities from the task of collecting Education Property Tax, and instead the Government of Alberta takes on the responsibility of collecting the Education Property Tax on a provincial level.

BACKGROUND:

Over the last decades, the collection of Educational Property Tax by municipalities on behalf of the Province has been a concern for municipalities and, therefore, has been brought forward previously by the AUMA as well as the RMA for consideration. However, as times and governments move forward, it seems timely to draw attention to this concern of so many Alberta municipalities once more.

The Alberta School Foundation Fund (ASFF) which ensures that the Education Property Tax is accounted for separately from other revenue was established by the Government of Alberta in

1994. The Municipal Government Act (MGA) and Education Act provide the legislation for the Education Property Tax.

Based on equalized assessment value, the province calculates each year what amount a municipality must contribute. Municipalities are responsible to calculate the amount that each resident has to pay based on their assessed property value. Municipalities must collect the tax from each ratepayer and forward it on to the Province by submitting the contribution to ASFF.

However, using municipalities as agents in collecting the tax is an antiquated system with the technology that is available these days. The COVID-19 pandemic has proven that Albertans are adaptable and will expect more automation of government services moving forward. The Province has an excellent opportunity to utilize technology to collect education taxes on their own behalf, which will also provide taxpayers with a direct line of sight where their tax dollars are spent provincially versus municipally.

Furthermore, it is an encumbrance for municipalities in regards to municipal budget planning as the fluctuation in the education mill rate might force municipalities to adjust their yearly budget to keep taxes at an affordable level – taking into consideration what impact the Education Property Tax has on each ratepayer and at the same time seeking to keep up the level of services.

It should also be noted that the current system blurs the lines of accountability and transparency and leads to a misconception amongst taxpayers in regards to municipal government taxation. Often, it is not clear to residents that approximately 30 per cent of their property tax goes to the province and not to the municipality that taxes them. As a result, municipalities are being criticized many times of raising taxes in an unduly manner.

In case a resident is unable to pay taxes partial or in full or in any arrear of paying taxes, the municipality is still required to make the quarterly payments to the Province. This means that the municipality might be fronting money that could be allocated towards other municipal programs or services.

Finally, with limited revenue options in the first place, it is a concern for municipalities that any default in Education Property Tax payments results in municipalities losing their ability to receive grant funding from the Government of Alberta until such payments are made.

In order to address above noted concerns, it is recommended to pursue necessary changes to the MGA and Education Act.