canadian energy pipeline association | association canadienne de pipelines d'énergie

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July 18, 2013

Honorable Jim Reiter
Minister of Government Relations
Room 348, Legislative Building
2405 Legislative Drive
Regina SK S4S 0B3

Dear Minister Reiter:

Re: Municipal Tax Tools

The Canadian Energy Pipeline Association (CEPA) represents Canada's transmission pipeline companies. Through an extensive network of pipeline systems, our members transport 97 percent of the total crude oil and natural gas produced in Canada. This includes delivering two thirds of all the energy consumed in Canada each day. In Saskatchewan this includes operating 23,000 kilometers of pipelines, contributing $46 million in property taxes and $40 million in corporate taxes.

CEPA compliments your department on the great work done on the in depth analysis and presentation of information in the report entitled "Review and Analysis of Municipal Tax Tools" (March 2012). We appreciate the approach you have taken to engage stakeholders to comment on taxation policies.

As a follow up to our letter of October 4, 2012 (attached) and your letter of June 14, 2013 requesting input on the review of all property tax tools (minimum tax, base tax, mill rate factors, subclasses, phase-in) we are pleased to offer comments in support of your "government's interest in economic growth and property tax fairness".

CEPA would first like to comment on the November 6, 2012 news release titled "Maintaining Growth Through Property Tax Fairness". We would specifically like to address the change in property tax class percentage of value (POV) from 75% to 100%. Our members are now anticipating significant tax increases throughout Saskatchewan, with approximately 30% increases in pipeline assessment rates. We were surprised by this change in percentage of value. Some of our member companies attended meetings held in June 2012 with your department staff; where they were led to believe no change to POV would be forthcoming and advised that it is under review. On November 6, 2012 we were concerned to learn of the increase in assessable value by 33%; our members have not realized the impact this change will have as they await their 2013 tax notices. We believe this tax policy change conflicts with the Government's interest in seeking "property tax fairness".

We offer the following comments on the current property tax tools:

Minimum Tax
We concur that a minimum tax should continue to be allowed as a means to generate revenue from low value properties; this tool has a minimum impact on our member companies.

Base Tax
In our view, base tax has no place in the Property Tax as it is not based on any concept of Ad Valorem taxation it is simply a levy on a property regardless of the value of the property and in our view should be eliminated.

Subclasses
As mentioned, now that pipeline is assessed at 100% of its assessable value we are of the opinion that all properties be assessed at 100% of their value and allow the municipalities the ability to shift the tax burden through the VMRF with limitations or caps as recommended below.

Phase-in
It is our understanding that Phase-ins are not used currently by any municipalities and therefore should be reviewed to determine if it is a necessary tool to continue offering.

Mill Rate Factors
As we stated in our previous letter, we have concerns with certain municipalities' use of Mill Rate Factors. Most of the municipalities where our member companies operations are located appear to be fair and balanced. However, as you are aware, there are two rural municipalities that are mistreating the intent of the tax tools, specifically the Variable Mill Rate Factor (VMRF).

One of the underlying tenets of the introduction of the tax tools can be found in the "Review and Analysis of Municipal Property Tax Tools" document that was created by Saskatchewan Municipal Affairs. It states:

> *Mill rate factors can be used to:*
> *• manage the tax shifts among the local property classes; and*
> *• control the distribution of taxes among property classes within the municipality.*
>
> *Currently, there are no limitations on the actual mill rate factors set by a municipality. Provincial limits on mill rate factors that may be set by municipal councils could be prescribed in regulations but have not been. For example, mill rate factors set by municipal councils could be limited to a range of 0.75 to 1.25; no mill rate factor could be lower than 0.75 or higher than 1.25 for any given property class.*

CEPA members are significant tax payers in the province. We strongly suggest that in order to maintain a taxation system that is fair and equitable for all tax payers and continues to encourage investment that consideration is given to placing limits on the differential between the lowest and highest VMRF in a municipality. As the Review and Municipal Analysis report states 85% of VMRF are less than a multiple of 2.0 of the uniform mill rate therefore we strongly recommend a limit of 2.0 be set for all municipalities. We also recommend that "mill rate bylaws" should be a statutory requirement similar to bylaws required for Base Tax, Minimum Tax and VMRF.

Thank you for the opportunity to provide our comments on Municipal Tax Tools. We look forward to meeting with you in the near future to discuss our comments further. If you require additional information please do not hesitate to contact Amanda Affonso, Director, Regulatory & Financial at 403-221-8756.

Sincerely,

Brenda Kenny

President & CEO

Encl. October 4, 2012 Letter from CEPA