

**TOPIC:** Permissive Tax Exemption

**REASON:** The Permissive Tax Exemption Policy is intended to set the parameters under which Council will consider applications for permissive tax exemptions from property taxes for organizations which are eligible for such exemptions under *Community Charter Section 224*. The parameters will provide fair, consistent treatment and consideration for all applicants providing charitable and not-for-profit services for the benefit of the residents of the City of Salmon Arm.

The Council of the City of Salmon Arm recognizes the value to the community of local clubs, groups, non-profit organizations and charities maintaining a local office, and that exemption from taxation by Council may effectively promote enhanced community services.

**BACKGROUND:**

Statutory property tax exemptions are provided under *Community Charter Section 220* for properties such as schools, public hospitals, buildings set apart for public worship and provincial and municipally owned public buildings and land. Council does not have any authority over these statutory exemptions.

Permissive property tax exemptions are provided under *Community Charter Section 224* for properties used by a variety of non-profit or charitable organizations that provide services which Council considers directly related to the purposes of the organization. It also provides for permissive tax exemptions for some properties which are additional to statutory exemptions provided under *Section 220*, such as ancillary buildings or land surrounding places for public worship and privately run schools.

*Community Charter Section 224* provides for exemption from municipal property taxes; however the City is still responsible for payment of exempted taxes levied by other governments.

Permissive tax exemptions provided under *Community Charter Section 224* are at the discretion of Council. There is no obligation to give an exemption.

**POLICY:**

**Section 1 - Eligibility Criteria**

- 1.1 To be eligible for a permissive tax exemption, an organization must comply with all of the eligibility criteria outlined below. The application forms and supporting documentation are an integral part of this process.

The applicant(s):

1. Qualifies for an exemption under the provisions of the *Community Charter Section 224*;

Exemptions are based on the use of the property or building(s), not on the non-profit or charitable services of the organization as a whole.

Principal use of property refers to the use related directly to the principal purpose of the organization owning or leasing the property.

2. Is a Non-Profit Organization;

Tax exemptions will only be granted to a Registered Charity or Non-Profit organization. The intent of this requirement is to ensure that municipal support is not used to further activities of an organization or individual that, if not for its not-for-profit status, would otherwise be considered business.

Only that part of the property used for non-profit activities will be considered for exemption. Non-profit organizations conducting retail and/or commercial activity and charging rates or fees at market value are considered to be in competition with for-profit businesses and will not be eligible for tax exemption.

3. Must provide services or programs that are compatible or complementary to those offered by the City of Salmon Arm. These services should fulfill some basic need, or otherwise improve the quality of life for the residents of Salmon Arm.

4. Must provide benefits and accessibility to the residents of the City of Salmon Arm;

City of Salmon Arm residents must be the primary beneficiaries of the organizations' services. The services on the property must be accessible to the public;

5. Must present proof of financial responsibility and accountability by providing any financial and supporting information requested and, at a minimum, provide the previous years' financial statements, signed by the organizations' Auditors or Treasurer, together with a financial budget for the ensuing year;

6. Must be seen to be working towards self-sufficiency by seeking funding from other sources, including grants from other levels of Government; and

7. Must be in compliance with all municipal policies, plans, bylaws and other applicable regulations.

- 1.2 Council may, at its discretion, consider the relative size and/or scale of the non-profit organization.



**Section 2 – Applications**

- 2.1 The application form supplied by the municipality must be utilized by all applicants for tax exemption. The application form requires organizations to:
  - Provide a full description of the organization, its purposes and programs;
  - Provide all necessary documentation, including financial information, to support the status they claim; and
  - Declare that the information provided is true and accurate.
  
- 2.2 Applications must be submitted on or before **July 31<sup>st</sup>** of the year preceding the year of tax exemption. Applications received after the deadline will only be considered if they meet the criteria under Section 2.3.
  
- 2.3 Subject to the provisions of the *Community Charter*, requests for exemption by Council which are received after the deadline will only be accepted and considered if they meet the following conditions:
  - The application complies with the eligibility criteria as outlined in Section 1 of this policy;
  - The requirement for exemption was not reasonably foreseeable at the date of the deadline for exemptions for the current period;
  - Adequate justification is provided for not meeting the deadline for application for exemption for the current period;
  - An application form is completed; and
  - The associated permissive tax exemption bylaw for the ensuing year has not been considered and/or adopted by Council and the required Public Notice has not taken place.

**Section 3 – Process**

- 3.1 Council will consider permissive tax exemption applications for a period of three (3) years. New applicants are permitted to apply in any year prior to **July 31<sup>st</sup>** of the year preceding the year of tax exemption. If approved within the current three (3) year cycle, the newly approved exemption will be in effect for the number of years remaining in the cycle.

For Example:

Application Period	Number of Years Exempt	Application Deadline
2020 – 2022	3 Years	July 31, 2019
2021 – 2022	2 Years	July 31, 2020
2022	1 Year	July 31, 2021

- 3.2 All permissive tax exemptions must be renewed by application every three (3) years.
  
- 3.3 Applications are reviewed for completeness by the Finance Department and applicants are contacted for additional information if necessary.
  
- 3.4 Public notice will be given pursuant to *Section 94 and 227 of the Community Charter* prior to adoption of a taxation exemption bylaw.

- 3.5 Pursuant to the *Community Charter*, a permissive tax exemption bylaw will be presented to Council for consideration, approval and adoption prior to **October 31<sup>st</sup>**, as required.
- 3.6 Permissive tax exemptions previously granted by Council are subject to annual eligibility reviews to ensure that they continue to qualify for an exemption based on the most current available information at the time of the review.
- 3.7 Council may request a presentation from the Applicant.

**Section 4 - Extent, Conditions and Penalties**

- 4.1 Council may, at its discretion, reject any or all applications brought forward for consideration in any given year.
- 4.2 Permissive tax exemptions are subject to the City’s budgetary constraints.
- 4.3 The following activities and circumstances will not be considered as eligible for exemption:
  - Land/improvements used by private sector and/or organizations not meeting the eligibility criteria as outlined in Section 1 of this policy; and
  - Land/improvements used for commercial or for-profit activities by the non-profit organization.
- 4.4 It is the responsibility of any approved exempted organization to notify the City if significant changes occur with respect to the organization, ownership or principal use of property. An updated application may be required.
- 4.5 Council may impose penalties on an exempted organization for knowingly breaching conditions of exemption, including but not limited to:
  - Revoking exemption without notice;
  - Disqualifying any future application for exemption for specific time period; or
  - Requiring repayment of monies equal to the foregone tax revenue.

Prepared by: Treasurer	Date: September 5, 1989
Approved by: Council	Date: June 8, 1992
Amendment - Prepared by Director of Finance	
Approved by: Council	Date: August 28, 1995
Amended	Date: September 2, 1997
Replaced – Approved by Council	Date: December 8, 1998
Replaced – Approved by Council	Date: February 25, 2019