



Policy Issue

The City of Calgary is reviewing its current business tax exemption rules. The recommended changes to the rules will have business tax implications for certain types of nonprofit organizations starting in 2010.

Timing and Status

Recommendations from the City of Calgary's administration were on the Standing Policy Committee on Finance and Corporate Services (SPC) September 10, 2008 meeting agenda. At that meeting, a motion was made to move the item to the agenda of the SPC meeting on November 12, 2008.

Current Policy

Currently, the City's business tax bylaw creates and exempts classes of businesses from paying business tax. However, the current rules are based on the Municipal Taxation Act that was repealed 13 years ago. The current exemption is worded as follows:

Any Business which would not have been subject to the imposition of taxes under the former Municipal Taxation Act (MTA).

The City believes that it would be easier for businesses to assess if they are exempt if the bylaw did not refer to the MTA.

Tax Policy Alternatives Presented to City Council

The following alternatives were presented to the SPC on Finance and Corporate Services by City administration. To see the full report from the City of Calgary, visit:

<http://publicaccess.calgary.ca/lldm01/livelink.exe?func=ccpa.general&msgID=MKsysesAcH&msgAction=Download>

1. Continue to exempt businesses with reference to MTA
2. Council create and exempt its own classes of business
3. Exempt all not for profits
4. Follow property- *Alternative recommended by the Administration*

Further Explanation of Alternatives and Issues They Raise

1. Continue to exempt businesses with reference to MTA

Administration states that an issue raised by exempting all not for profit organizations is that "many of them compete with other businesses," and this raises issues of equity.

Further, many of the organizations currently exempt under the MTA have restricted membership and do not provide benefit for all Calgarians. (i.e. professional associations, unions and private clubs)

2. Council create and exempt its own classes of business

This option is not seen as viable as it is unwieldy and would create two standards, one for property and one for business tax.

3. Exempt all not for profits

This option would create a new classification for not for profits and exempt this class in the Business Tax Bylaw. No organizations would lose their exemption if this alternative was chosen.

But, this would create an inequity where they compete with for profit businesses. And, many organization do not benefit all Calgarians, for example because of restrictive membership.

It would also create a discrepancy for those who qualify for business tax exemption, but not property tax exemption- i.e. professional associations, unions and private clubs

Finally, it would open the “possibility of organizations structuring themselves as not for profit merely to avoid tax liability.”

4. Follow Property- **Recommended approach**

If a premise occupied by a business is exempt from property tax (as per the *Municipal Government Act Community Organization Property Tax Exemption Regulation* at http://www.qp.gov.ab.ca/documents/Regs/1998_281.cfm?frm_isbn=0779745299) it would also be exempt from business tax.

The result of this change is that over 200 not for profits would lose their business tax exemption including:

- 85 associations (trade associations, agricultural associations, professional associations)
- 6 bingos
- 30 private clubs or groups
- 46 unions
- 15 non exempt training/research
- 10 did not provide enough information to categorize, and
- 12 other

Another 90 organizations have not provided the information needed to assess if they will be exempt or not.

If approved, this bylaw would determine tax exemption starting in 2009 tax year, but all businesses exempt as of December 31 2008 would be grandfathered until the 2010 tax year.

Related Policy Issue: Review of the Municipal Government Act Community Organization Property Tax Exemption Regulation

The proposed City of Calgary Business Tax Exemption Bylaw bases its exemptions on the provincial [Municipal Government Act Community Organization Property Tax Exemption Regulation](#) (AR283/2003). However, this regulation is set to expire in October, 2008 and the provincial government is in the final stages of reviewing the regulation. Any changes that are recommended will be released before the expiration of October 31, 2008. We are tracking this policy review and once the recommendations are released, we will assess the implications for the City of Calgary's proposed tax bylaw.

CCVO's Next Steps

CCVO is assessing the proposed amendment to the City of Calgary's bylaw and the impact on Calgary's nonprofit organizations. We are meeting with City Administration, and if needed, with members of City Council, to assess the implications of this change and share our concerns.

Please contact CCVO's Policy Analyst Kim Mustard at 403-261-6655 extension 228, or kmustard@calgarycvo.org if you think your organization will lose its Business Tax Exemption if this bylaw change is approved, or if you have other information related to this issue that will be valuable in our assessment.