

Unpaid Oil and Gas Tax Survey – Member Briefing

In January 2021, RMA requested all members to complete a survey providing an update on their unpaid oil and gas tax burden. The survey builds on previous member input on this issue in 2020 and 2019.

This briefing is intended to provide members with an overview of the survey results, as well as advocacy options and key messages.

Survey Response Rate

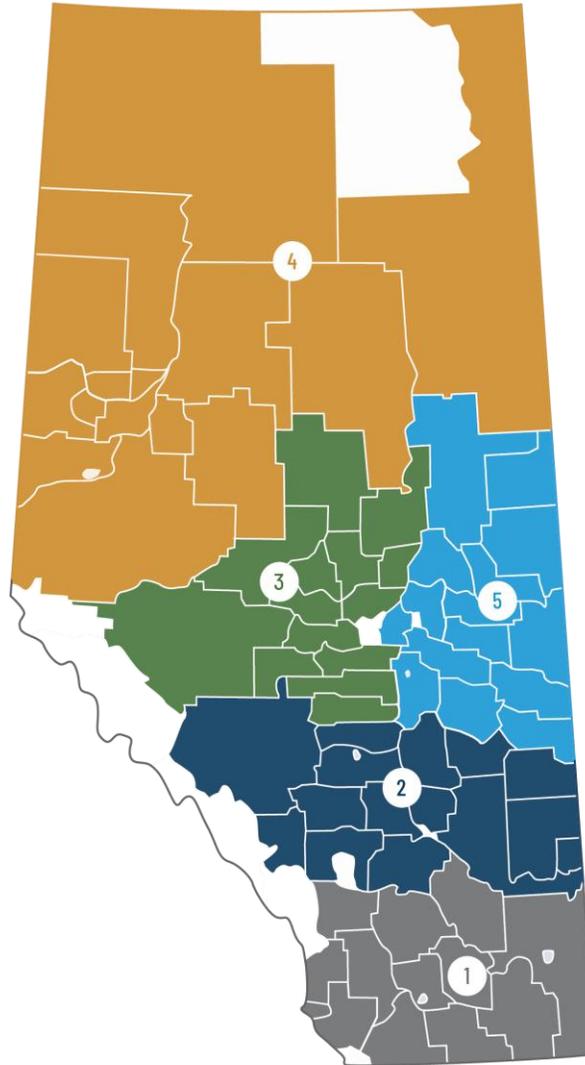
All of RMA's 69 member municipalities responded to the survey. This **unprecedented 100% response rate** speaks to the importance of this issue across the province and the accuracy of the final data collected.

Survey Results

- Rural municipalities are currently facing an overall unpaid oil and gas property tax burden of **\$245.7 million**.
- This represents a **42% increase** from the overall amount in RMA's 2020 member survey, and a **203% increase** from RMA's 2019 member survey.
- The average RMA member is facing an unpaid tax burden of **\$3,560,331** from the oil and gas industry.
- Five municipalities have unpaid tax burdens above \$10,000,000 from the oil and gas industry.
- One municipality has no unpaid tax burden from the oil and gas industry, and an additional five municipalities have an unpaid tax burden below \$100,000.
- Municipalities have written off nearly **\$123 million in unpaid taxes for Provincial Education Requisition Credit (PERC) applications** for PERC-eligible tax years (2015-2021).
- Still-operating oil and gas companies are responsible for **57% of the unpaid taxes** from the oil and gas industry.

Unpaid Oil and Gas Property Taxes by District

Unlike some issues, which only impact municipalities in some regions of the province, the issue of unpaid taxes from the oil and gas industry is truly provincewide, as shown below:



District 1: Foothills-Little Bow

\$24.6 million

District 2: Central

\$59.3 million

District 3: Pembina River

\$38.1 million

District 4: Northern

\$81.4 million

District 5: Edmonton East

\$42.3 million

RMA Advocacy

RMA and its members have continually advocated to the Government of Alberta to address the legislative and policy loopholes that allow oil and gas companies to forego paying property taxes without consequences. RMA members have endorsed several resolutions on this issue, including the following:

- **2-20F:** Blue-Ribbon Panel to Review Unpaid Taxes Owed by Oil and Gas Companies
- **1-19F:** Priority of Unpaid Property Taxes on Linear Property
- **6-19F:** Municipal Recourse for Solvent Companies Choosing Not to Pay Taxes
- **6-18F:** Securing Municipal Property Taxes in the Event of Bankruptcy or Insolvency

These resolutions propose reasonable and meaningful actions that could be taken by the Government of Alberta to help address this issue by dedicating the necessary resources to fully study and understand the issue (2-20F), amend the *Municipal Government Act* to provide municipalities with the same tax recovery powers on linear property that they have on all other property types (1-19F and 6-18F), and require the Alberta Energy Regulator to consider unpaid property taxes when approving energy licence acquisitions and transfers (6-19F).

Combined, the resolutions above provide a reasonable, common sense approach to forming a long-term government strategy to address unpaid taxes and providing municipalities and provincial regulatory agencies with the tools they require to hold oil and gas companies accountable for payment of property taxes to the same extent as all other property owners.

RMA has continually advocated to provincial decision-makers for these changes to be made, but unfortunately no action has been taken to date. As the issue escalates and the total unpaid tax amounts approach a quarter of a billion dollars, RMA is ramping up advocacy efforts even more, starting with a request already made for a joint meeting with the ministers of Municipal Affairs, Energy and Environment and Parks in the coming weeks.

Local Advocacy

In addition to RMA's continued efforts at the provincial level, members are encouraged to use the data that they have gathered for the purpose of completing this survey to inform their local MLAs of the seriousness of the issue. As RMA and its members have learned through our collective efforts during the assessment model review process in 2020, local advocacy works, and in many cases, MLAs may not be aware of an issue that is mainly being addressed at the provincial level until they learn of it from their constituent municipalities.

Although RMA is not providing members with any templates or specific guides on local advocacy on this issue, feel free to contact RMA board members or staff for advice, support and suggestions. Here are some advocacy approaches that members can consider on this issue:

Write to or schedule a meeting with your local MLA

As mentioned, in some cases MLAs are not as familiar with some issues mainly dealt with at the provincial level as one would expect. As they are primarily focused on representing their constituents, hearing about the local impacts of a provincewide issue can spur action. Approaching this issue regionally with municipal neighbours may be a good option to inform multiple MLAs.

Engage with Local Media

RMA will issue a press release on this issue in the coming days. Members are encouraged to borrow from the press release to frame their engagement with local media. Members can also use the data they provided for the survey and the key messages below to frame their position.

Write to the Minister of Municipal Affairs

Minister McIver has been made aware by RMA that unpaid taxes are the association's priority advocacy issue, and that a solution is overdue. Hearing similar concerns, along with local data, from individual municipalities across the province will further emphasize to Minister McIver the seriousness and urgency of the situation.

Write to the Minister of Energy and the Alberta Energy Regulator (AER)

RMA and its members have repeatedly pointed out that if unpaid taxes are included as a factor in the AER's Liability Management Framework, oil and gas companies would be much more inclined to pay municipal taxes, as payment would become linked to provincial approvals for energy licence acquisitions and transfers.

The AER recently completed a consultation process on [Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals](#). The draft version of Directive 067 included no reference to property tax payments, and both Alberta Energy and the AER have stated in the past that the AER is not a "collection agent" for municipalities. Including municipal taxes in Directive 067 and the Liability Management Framework would not make the AER a collection agency for municipalities any more than they are currently a collection agency for private creditors because an applicant's involvement in insolvency proceedings is included in the draft version of Directive 067. In other words, including property tax payments as a factor in licence approvals will require no collection actions on the part of the AER, and if anything will likely reduce the AER's workload as non-payment of property tax payments is often a sign of possible financial or operational risks for companies that may not be otherwise identified during the licence approval process.

Although the formal consultation for Directive 067 is now closed, members are encouraged to write to the Minister of Energy and Chair of AER urging the inclusion of property taxes in the licence approval process, and including their local unpaid tax data in any correspondence.

Key Messages

Members are encouraged to reference RMA's [Municipal Taxation and Assessment Position Statements](#) for messaging on this issue. In addition to this and RMA's press release, consider customizing some of the messages below:

- Municipalities across the province rely on property taxes to fund the services and infrastructure that the oil and gas industry utilizes daily. Our municipality manages _____ kilometres of roads and _____ bridges. Without consistent payment of property taxes, we may have no choice but to reduce service levels or close some roads and bridges.
- Municipalities have no choice but to recover every dollar not paid in property taxes by the oil and gas industry from other property taxpayers in the form of increased tax rates or reduced service levels. In our municipality, we would be forced to raise the residential property tax by _____ and the non-residential property tax rate by _____ to recover lost oil and gas tax revenues without reducing service levels.
- Municipalities are required to collect education property taxes, which they then forward to the Government of Alberta to contribute to Alberta's education system. Municipalities must forward a set amount based on property assessment regardless of whether they are able to actually collect taxes. Our municipality has forwarded \$_____ in education property taxes to the province that they were unable to collect from oil and gas companies in 2020 [or any year range for which data is available].
- In cases when oil and gas companies approach us to inform us of their challenges in paying property taxes, we are often willing to work with them on flexible payment agreements. We currently have payment agreements with _____ companies. [OPTIONAL – describe terms of agreements].
- Our municipality recognizes the challenges facing the oil and gas industry and has a long history of partnering with companies operating in the area to grow the rural economy. We are willing to work with struggling companies on solutions but cannot move forward constructively when some oil and gas companies are willing to shift their tax commitments to other property owners.