



CITY OF MERRITT POLICY AND PROCEDURE MANUAL

POLICY TITLE:	PERMISSIVE TAX EXEMPTION POLICY	Our File: 0525
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ADOPTED BY COUNCIL: June 10, 2014
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COUNCIL RESOLUTION No. 119/14

Revised:	Resolution No.
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Policy Statement: The purpose of this policy is to provide fair, consistent treatment and consideration for all applicants providing charitable, philanthropic and not for profit services for the benefit of City of Merritt Residents.

Policy Background

The *Community Charter* provides that on or before October 31 in any year, Council may by bylaw, exempt land and/or improvements from municipal property taxes for the following year. In addition to the *Community Charter* requirements, those organizations applying for exemption must comply with the guidelines set out in this policy.

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* Sections 224, 225 and 226 for non-profit, philanthropic and charitable organizations. These permissive exemptions are at the discretion of Council and are subject to the City of Merritt’s budgetary constraints. Council may also consider partial permissive municipal tax exemptions less than 100%.

Council supports, through permissive exemptions from municipal property taxes, organizations which provide services that fulfill some basic need, improve the life of Merritt residents and are compatible with or are complementary to services offered by the City of Merritt.

Due to budgetary constraints, Council has limited the City of Merritt’s support to only those organizations which meet the parameters set out in this policy.



CITY OF MERRITT POLICY AND PROCEDURE MANUAL

Council will consider applications for permissive tax exemptions annually. The opportunity to apply will be advertised in the local newspaper and on the City's web site. Applications can be picked up at City Hall, downloaded from the web site or emailed upon request. Applications must be submitted to Financial Services, using the prescribed application form by July 31st of each year. Financial Services will review the applications for completeness, and arrange contact with applicants for additional information as necessary.

Application submissions must include:

- Copy of audited financial statements for the preceding year. Where audited financial statements are not available, the applicant will supply financial statements that have been verified as correct by two signing officers from the organization
- Copy of state of title certificate or lease agreement, as applicable
- Description of programs/services/benefits delivered from the subject lands/improvements including participant numbers, volunteer hours, benefiting groups/individuals/special needs populations, fees charged for participation
- Description of any 3rd party use of the subject land/improvements including user group names, fees charged and conditions of use.

The Deputy Financial Services Manager will present a summary report of the applications, relative to the eligibility criteria, to Council.

Policy Goal:

The *Community Charter* Sections 224, 225 and 226 grants Council the discretion to provide exemptions from municipal property taxes for Churches, Private Schools, Charitable and Not-for-profit organizations in accordance with regulations set out in those sections and subject to the Merritt's budgetary constraints.

The purpose of this policy is to set the parameters under which Council will consider applications for permissive exemptions from municipal property taxes from organizations which are eligible for such exemptions under *Community Charter* Sections 224, 225 and 226. The parameters will provide fair, consistent treatment and consideration for all applicants providing charitable and not for profit services for the benefit of City of Merritt Residents.



CITY OF MERRITT POLICY AND PROCEDURE MANUAL

Policy Objectives:

1.1 General Eligibility for Permissive Exemptions

Council will only consider applications for permissive tax exemptions from charitable, philanthropic and not-for-profit organizations which are in good standing with their respective establishing and governing bodies.

Permissive tax exemptions previously granted by Council are subject to an annual review to ensure that they continue to qualify for an exemption based on the most current available information at the time of the review.

All applications must be consistent with the City of Merritt policies, plans, by-laws and regulations.

Council may designate only a portion of land/improvements as exempted where the following circumstances exist:

- a) A portion of the land/improvements is used by private sector or an organization not meeting Council's exemption criteria.
- b) The applicant already receives a grant from the municipality, provincial or federal government.
- c) The applicant meets all eligibility criteria, however Council may at its discretion grant a partial exemption.

Council may impose conditions on the exempted land/improvements with the applicant organization, including but not limited to:

- a) Registration of a covenant restricting use of the property.
- b) An agreement committing the organization to immediately disclose any substantial increase in the organizations' revenue or anticipated revenue. In circumstances where revenue increases substantially the repayment of monies equal to the foregone tax revenue could occur.

1.2 Buildings for Public Worship

Lands Used or Occupied by a Church as Tenant or Licensee

Pursuant to Community Charter Section 224(2)(g), Council may exempt the land or improvements used or occupied by a religious organization as tenant or licensee for the purpose of public worship or for the purposes of a church hall, which council considers necessary to land or improvements so used or occupied.

The City of Merritt will consider providing exemptions for the land, improvements and surrounding area used for parking for the church or church hall under this category with the following conditions:



CITY OF MERRITT POLICY AND PROCEDURE MANUAL

- Lease agreement requiring direct payment of property taxes to the City of Merritt.
- Owner to complete Statutory Declaration agreeing to Council Policy and Guidelines.

No permissive tax exemptions will be considered for sub leasing of areas within footprint and surrounding areas considered for exemption. Any areas NOT used for public worship or parking, including caretaker's accommodation, church manse, care homes, retirement homes, commercial activities, or surplus lands, will not be considered for permissive exemption.

Buildings for Public Worship

Buildings for public worship and the footprint of land on which they stand automatically receive a statutory exemption under Section 220.

Pursuant to Community Charter Section 224(2)(f) in relation to property that is exempt under Section 220, Council may exempt an area of land surrounding the exempt building; a hall that Council considers is necessary to the exempt building and the land on which the hall stands; and an area of land surrounding a hall that has been exempted.

City of Merritt will only consider exempting surrounding area used for parking for the exempted church or church hall.

- For properties less than one (1) hectare in size, all such land shall be exempt.
- For properties that exceed one (1) hectare in size, the City of Merritt will exempt land, including the mandatory exemption, equal to (1) hectare or eight (8) times the area of the church buildings and halls, whichever is greater.

Any areas NOT used for public worship or parking, including caretaker's accommodation, church manse, care homes, retirement homes, commercial activities, or surplus lands, will not be considered for permissive exemption.

1.3 **Private and Independent Schools**

Buildings owned by an incorporated institution of learning that is regularly giving instruction accepted as equivalent to that given in a public school, in actual occupation by the institution and wholly in use for the purpose of giving



CITY OF MERRITT POLICY AND PROCEDURE MANUAL

instruction together with the land on which the building stands automatically receive a statutory exemption under Section 220.

Under Section 224(2) (h) in relation to school property that is exempt under Section 220, Council may exempt any area of land surrounding the exempt school buildings.

City of Merritt will only consider exempting land surrounding private schools licensed by the Ministry of Education or ones issued a valid certificate by the inspector of Independent Schools.

- Properties listed as elementary schools shall be exempt up to maximum of five (5) acres,
- Properties listed as secondary schools shall be exempt up to a maximum of seven (7) acres.

1.4 **Not-For-Profit, Charitable Organizations and Community Halls**

Pursuant to Community Charter Section 224(2)(a)(i), Council may exempt land and/or improvements that are owned or held by a charitable, philanthropic organization or other not-for-profit organization and the Council considers are used for a purpose that is directly related to the purposes of the organization.

The City of Merritt will only consider exempting land and/or improvements that are owned or held by not-for-profit organizations which are supported in whole or in part by public funds and used exclusively for charitable or philanthropic purposes. To qualify for an exemption under this section, the applicants must demonstrate that the services of their organization are open to and used predominantly by City of Merritt residents.

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, for that portion of the property used for commercial activity.



CITY OF MERRITT POLICY AND PROCEDURE MANUAL

1.5 **Care Homes, Private Hospitals/Institutions, Daycares**

Pursuant to Community Charter Section 224(2)(a & j), Council may exempt land or improvements owned or held by a person or organization and operated as a private hospital licensed under the Hospital Act or as a licensed community care facility, or registered assisted living residence, under the Community Care and Assisted Living Act.

1.6 **Heritage**

Pursuant to Community Charter Section 225(2)(b), Council may provide a tax exemption for eligible heritage property, being property that is protected heritage property; subject to a heritage revitalization agreement under section 966 of the Local Government Act; subject to a covenant under section 219 of the Land Title Act that relates to the conservation of heritage property; or if the exempted heritage property is a building or other improvement so affixed to the land as to constitute real property, an area of land surrounding that improvement.

The City of Merritt will consider providing property tax exemptions for the revitalization of eligible heritage properties as an incentive to encourage the preservation, rehabilitation or restoration of heritage resources in the City of Merritt.

Eligible heritage properties include protected heritage properties under section 967 of the *Local Government Act*, properties included on a schedule of protected heritage property in a heritage conservation area under section 970.1(3)(b) of the *Local Government Act*, property subject to a heritage revitalization agreement under Section 966 of the *Local Government Act*, or properties subject to a covenant under section 219 of the *Land Title Act* related to the conservation of heritage property.

1.7 **Acknowledgement of Taxation Exemptions by Council**

All recipients of tax exemptions from the City are required to publicly acknowledge the exemption and send a thank you note to City of Merritt. This information is to be communicated to all beneficiaries, either in the local newspaper or through a letter, as well as, if applicable, in a prominent location in their publication. If such publication lists community and government organizations in the City, such a list should also include the City.