

July 27, 2016



Hon. Jim Reiter, Minister of Government Relations
Government of Saskatchewan
Room 348, Legislative Building
2405 Legislative Drive
Regina, SK, Canada S4S 0B3

Dear Minister Reiter:

Re: 2017 Property Revaluation and Tax Policy

Thank you for including the Saskatchewan Chamber of Commerce in the 2017 Property Revaluations and Tax Policy consultations. As the voice of Saskatchewan's business community, representing businesses from across the province, the Saskatchewan Chamber has long had an active interest in the province's competitive tax position, and in particular the property tax system.

Property taxes exact a portion of the value of the property against which they are levied. Thus property tax is a capital tax. Capital taxes are particularly difficult for a business to manage because, unlike profit taxes, royalties, or even sales taxes, they have no relation to income or behaviour. Other things being equal, capital therefore migrates to wherever assets can best be preserved and grown. As such, property taxes have a significant impact on Saskatchewan's business success and economic growth.

The Saskatchewan Chamber has long recommended that the province address the inequitable treatment of non-residential property owners (excluding agriculture), who pay more tax on a property of equal value when compared to residential property owners. During this revaluation, perhaps more than any other, businesses simply cannot afford to subsidize residential owners. The fragile nature of the economy and overall market conditions, coupled with increasing utility rates, the upcoming CPP cost increases, and an indexed minimum wage, have pushed many businesses, especially those outside of urban centers, to the brink. They simply do not have the financial resources to pay more property tax.

Eliminating the use of percentage of value is one of our organization's long-standing recommendations. We believe other tax tools, although they are out of the provincial government's control, are sufficient for ensuring a balancing of the interests related to property tax collection at the municipal level. Municipalities are already altering percentage of value intentions by applying different mill rates to each property class and the application of both tax tools just complicates the system.

The Saskatchewan Chamber of Commerce recommends that the government aim to bring all property classifications to 100% percentage of value. We realize that due to the shift onto agriculture this year's reassessment brings, it may not be feasible to immediately implement 100% for all categories. After reviewing the numbers, we understand that this year's reassessment presents two stories. First, in urban centers, there is a shift from residential to commercial/industrial properties, and second, in rural centers there is a shift from energy/resource property to agricultural lands. As such, we propose two solutions. First, we recommend moving residential property to 100% percentage of value. Since municipalities already readjust how much property tax each classification pays through their tax tools, it is not necessary to have two levels of government involved. Further to this, it is past time that the inequality in property tax be addressed, and as our organization has stated many times, we believe a 1.43 differential between residential and commercial/industrial properties is appropriate. Moving residential property to 100% percentage of value will help clarify, for all stakeholders, where inequitable taxation is occurring at the municipal level.

Second, the Saskatchewan Chamber recommends harmonizing pasture and cultivated agriculture lands and moving to a 50% percentage of value for this classification. The BSE crisis which justified splitting pasture and cultivated land in the past is over, and with many operators having both pasture and cultivated land, the movement between classes can be fluid based on operator decisions. It is an unnecessary over-complication to treat them differently in the property tax system. Moving harmonized agricultural lands to a 50% percentage of value will lessen the tax shift cultivated land would have seen under the status quo option while still allowing oil and gas, pipelines and mines to receive most of their tax shift benefit. We recognize that under this scenario, pasture lands will be picking up an additional burden, but believe it is time to end the "temporary relief" offered in 2005.

The Saskatchewan Chamber understands the complexities of having some property tax burden shift onto agriculture lands, but we urge the government to refrain from protecting agriculture land to the significant detriment of the energy/resource sector. The energy/resources sector is struggling to preserve the jobs and economic diversification these sectors offer to our province and it is simply impractical to ask them to offset another industry's tax burden.

In summary, the Saskatchewan Chamber of Commerce would like to submit the following recommendations to be considered for the 2017 Property Revaluation and Tax Policy:

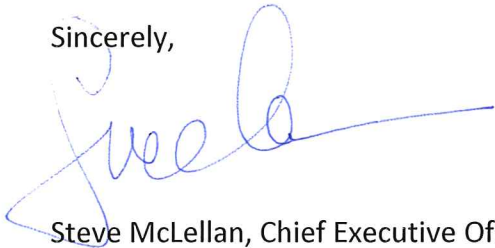
1. Move residential percentage of value to 100%.
2. Harmonize pasture and cultivated agriculture land percentage of value.
3. Move agriculture land to 50% percentage of value.
4. Publically set a goal to move all classifications to 100% percentage of value.

Overall, the provincial Chamber and businesses across the province would like to see much more transparency and clarity brought to the property tax system. Decades of incremental changes, which have in part improved the system, have also added a level of complexity that is beyond the understanding of most participants. In addition to eliminating the use of percentage of value, we ask that mill rates, mill rate factors, tiered mill rates, base tax, and minimum tax be

replaced with an effective rate of tax to be calculated for each classification of property. We were very encouraged to hear that the Ministry has undertake a review of Industry Contributions to RMs, Rural Road Infrastructure and RM Accountability looking at the use of local tax tools and we offer any assistance we may provide to these proceedings.

As always, the Saskatchewan Chamber continues to advocate for more frequent reassessment to ensure the property tax burden is fairly shared and to prevent shift shocks. Thank you again for the opportunity to provide input, and we look forward to continuing to work with your Ministry on this important issue.

Sincerely,



Steve McLellan, Chief Executive Officer

Cc: John Edwards, Executive Director, Ministry of Government Relations