Research

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Property Tax Fairness in BC[1]

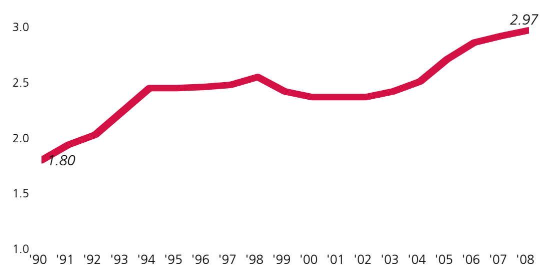
Heather Tilley, Policy Analyst, BC

With few exceptions, municipal tax rates on commercial property are higher than they are on residential property in British Columbia. In addition, small business owners are often required to pay more for municipal services, allowing residents to receive services at a discount. The resulting tax structure is one where business owners subsidize the services received by residents, leading to the over-provision of local government services. This inequity is growing and there is no government structure to control it.

Introduction

Businesses in BC pay on average three times more property taxes than an equivalently valued residential property – but, in some municipalities, businesses pay five, six or even seven times more than residents. For example, businesses pay over 7.27 times the municipal taxes in North Saanich than a resident on the same value property and in Kimberly, businesses pay 6.60 times more than a resident. These ratios represent not only the worst in BC, but also the worst in the country. This is referred to as the "property tax gap", a calculation that measures the magnitude of property tax levied on a business property relative to a residential property in a municipality. Figure 1 shows the growth in the average property tax gap in BC has grown substantially over the past two decades. In 1990, the average municipal property tax gap was 1.8. In 2003, the year of CFIB's first report on property taxes, the gap was 2.42. In 2008, it has risen to 2.97.

Figure 1: Growing Inequality: Business vs. Residential Rates in BC 1990-2008



Source: BC Government published property tax rates 1990 – 2008.

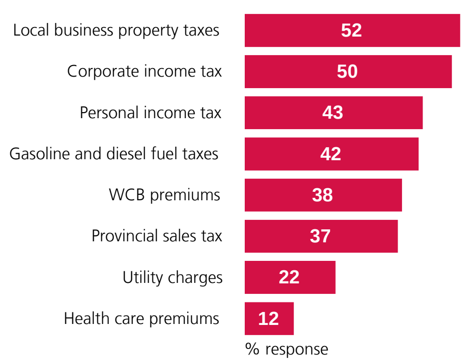
This additional tax load is not benign – there is significant added financial stress on small businesses, most of which operate on very slim margins.

[1] This is CFIB's third property tax report in BC, the first issued in 2003 and the second in 2007.

Only 3 municipalities in BC levy the same municipal tax rate on businesses and residents: Anmore, Bowen Island, and Warfield. The other 157 BC municipalities charge businesses a greater amount than residents on the same value property. What is worse, since 2003, all but these same 3 municipalities have increasingly depended on businesses for municipal revenues. Their property tax gaps have worsened. This is a very worrying trend. Tax rates for the past three years show a steep increase after 11 years of relative stability.

At the municipal level, there is no bigger issue for small businesses than property taxes. Local business property taxes now top the list of small business' most harmful taxes and charges (see Figure 2). This is not surprising given that this profit-insensitive tax must be paid regardless of whether or not a business makes a profit. The property tax gap further exacerbates small business owners' frustration and struggles with paying property taxes. See Box 1 for an illustration of the frustration small business owners have over their high level of property taxes relative to their neighbours.

Figure 2:Most Harmful Taxes and Charges



Source: Focus on British Columbia survey, CFIB, Dec. 2007.

One small business owner expressed his concerns with an unexpectedly large year-over-year property assessment increase and a 45 per cent property tax increase:

> *"We will be paying for the increase by laying off a first year apprentice, but just so you know, another 45 per cent increase next year, will probably mean the end of this business. We cannot generate enough money to continue paying these ridiculously high property taxes."*

This report explains how the property tax system works in BC, examines the inequities between residential and business rates in municipalities across the province, explains why higher relative rates for business are unjustified, and recommends some solutions to the problem. The report addresses the following questions:

- How does the property tax system work? (Page 3)
- What are the views of small and medium-sized enterprises on the current property tax system? (Page 5)
- What are the current property tax rates in BC? (Page 8)
- What do these property tax rates tell us? (Page 18)
- Why are property tax inequalities growing? (Page 19)
- Why are property tax bills growing? (Page 20)
- What would a fair property tax system look like, and why is this important? (Page 24)

While many property tax calculations will be found within the body of the text, the appendices contain the full list of municipalities and property tax gaps.

How does the property tax system work?

History

Property taxation is one of the oldest forms of taxation in Canada. Before the advent of income and sales taxes, municipal and provincial governments relied almost exclusively on the revenues provided by property-based taxation. Even today, Canada is more dependent on property taxes than the majority of the industrialized world[2]. As the primary source of revenue for municipal governments, property taxes account for approximately 9.8 per cent of total taxation in Canada[3]. Property tax is the main source of revenue for British Columbia municipalities, accounting for approximately 48 per cent of total municipal revenues.[4]

Property-based taxes are often the least understood form of taxation. Currently, most property assessments throughout Canada are based on market value, with assessments done every year. Property taxation was first brought to Western Canada through the Municipal Ordinance of the Northwest Territories Act in 1882, and allowed the taxation of real property, land and buildings. Under this system, reassessments were infrequent – up to every eight years – and valuations of properties were based on rates and formulas set by the provincial government[5].

Until 1983, the BC provincial government took a leading role regulating the ratios between the rates paid by residential properties and other property classes.[6] These provincially-set rates resulted in property tax gaps between 2.6 and 3.5, depending on the property class. Since 1984, the province has granted BC municipalities more property tax discretion than any other province in Canada.[7] The current average BC property tax gap of 3 has increased since 1990 levels. Today, there is no

Box 1: A tax comparison between John and Paul

John and Paul are neighbours in Kamloops. They both live in homes which have an assessed value of $500,000. In 2008, both John and Paul paid $2,450.00 in municipal property taxes and $1,563.20 in other taxes, including $1,232.35 in school taxes – a total of $4,013.20.

Table 1:
A tax comparison between John and Paul

	Value	*Municipal Tax*	*Other Tax*	*Total Tax*
Paul's House	$500,000	$2,450	$1,563	$4,013
John's House	$500,000	$2,450	$1,563	$4,013
John's Shop	$500,000	$8,175	$4,232	$12,407
John's Total Tax		$10,625	$5,795	$16,420

Source: CFIB, own calculations based on 2008 property tax data provided by Government of BC.

John's property taxes don't end there, however. In 2008 he paid an additional $12,407.25 in property taxes, for a total of $16,420.45. The reason? John earns his living as a tradesman and needs a workshop. His workshop, located across town, is in the non-residential property class, and it too has an assessed value of $500,000. While John doesn't take issue with having to paying taxes on his shop, he does object to having to pay almost three and a half times the amount of municipal property taxes and 2.76 times the amount of education taxes as he does on his house (see Table 1). The municipality and the province are, in effect, overtaxing John to subsidize services provided to Paul. While this example is set in Kamloops, this situation exists in the overwhelming majority of municipalities in British Columbia.

[2] Organisation for Economic Co-operation and Development, *Revenue Statistics: 1965-2004*, Paris, OECD, 2005.
[3] Ibid. As a point of comparison, the unweighted average across all OECD countries is six per cent.
[4] BC Government, Ministry of Community Development. For a complete examination of municipal spending and revenue trends in BC, see CFIB Research, BC Municipal Spending Watch, http://www.cfib.ca/research/reports/rr3061.asp.
[5] Government of Alberta, Municipal Affairs, *Guide to Property Assessment and Taxation in Alberta.*
[6] MMK, January 5, 2007.
[7] Bish, 2004.

provincial oversight to keep this gap in check. As a result, some BC communities now have property tax gaps of 5, 6 or 7.

Property Tax Components

The term 'property tax' generally refers to a tax assessed on real estate by the local government. The tax is usually based on the assessed value of property (including both land and improvements). The various property tax components levied on properties include:

- **Municipal** – the largest component of the total property tax levy, set individually by each municipal government to pay for municipal services.
- **School** – set by the provincial government, the second largest component of the total property tax levy. Property taxes fund approximately 33 per cent of public education costs (13 per cent paid by residents and 20 per cent by businesses).
- **Regional Distric**t – set by the province. All municipalities in BC belong to regional districts, which provide certain shared services such as electoral area planning, water and sewer treatment, and solid waste management planning.
- **Hospital** - set by the provincial government to generate revenue for the health authorities, often shared among a number of municipalities. In the GVRD, hospitals are funded directly by the provincial government.
- **Regional Transportation Levies** – some regional districts include a levy to fund public transportation and infrastructure. The Capital Regional District surrounding Victoria charges a BC Transit levy, and the GVRD imposes a TransLink levy.
- **Other tax** – the 'other' component of the property tax is set by the province and generates revenue to fund BC Assessment and the Municipal Financing Authority (MFA).

Many BC small businesses are located in rural electoral areas and are assessed property taxes at a rural property tax rate set by the provincial government. However, it is not within the scope of this report to do a comprehensive review of the much more complex rural property tax. Future reports may address this issue.

BC Assessments

Property taxes in British Columbia are levied on the total market value of both residential and non-residential properties as determined by BC Assessments. BC Assessments is the provincial assessment body responsible for determining the market value of properties using standard appraisal methods. While BC's assessment system is centralized, in some jurisdictions including Alberta local governments administer assessments. The advantage of BC's centralized system is greater consistency in assessments and assessment appeals, as well as an arm's length relationship between the assessment authority and local governments. All property classes are based on 100 per cent of market value in BC, thus making the effect of different tax rates between the property classes more visible.

BC Assessments issues property assessments on December 31st each year reflecting the property's value on July 1 of that year. Municipal leaders take their assessment roll and adjust their property tax levies based on the average property assessment of their municipality that year and their budgetary requirements. Municipal tax rate bylaws are required to be adopted before May 15th of each year. Tax rate files and tax burden files are available in July of that same year, and property taxes are due by July 2nd.

Most municipalities assess each property class with a different rate of taxation. In BC the property classes include:

- Residential (Class 1)
- Utilities (Class 2)
- Major Industry (Class 4)
- Light Industry (Class 5)
- Business (Class 6)
- Managed Forest Land (Class 7)
- Recreation Non-Profit (Class 8)
- Farm (Class 9)

The comparison of business and residential categories is the focus of this report because the majority of small businesses fall within the 'business' category.

Most local governments calculate taxes using the variable tax rate system where tax rates are based on a dollar figure per $1,000 dollars of assessed property value (i.e. $1.02/$1,000). Using this example, the property taxes payable on a $300,000 property would be $306. Municipalities set their annual tax rates based on the revenue needs set out in their financial plan. If BC Assessments determined that residential property values increased by an average 20 per cent from 2007 to 2008, the municipal tax levy on residential properties would have to drop by 20 per cent in order to obtain the same amount in revenue as the previous year.

One common frustration expressed by small business owners is that the window of 31 days to appeal a property tax assessment notice in January is simply too short. Furthermore, the time that elapses (6 months) between the date assessments land in the mail and property tax bills land in the mail blurs the direct connection between property assessments and property taxes. Unfortunately, small businesses who find themselves with a higher than their municipality's average property assessment increase in January will often find themselves with a significant property tax increase in July. They have no recourse on their property tax bill. Although they may have disagreed with the increase in their property assessment in January, because the taxation consequences are not felt until July, they may not have taken action. Thus, not only is the property tax gap harmful to small businesses, but the absolute levels of property taxes and the assessment appeal process itself are also burdens.

What are the views of small and medium-sized enterprises on the current property tax system?

In BC, the impact of high property taxes on small businesses is not given much attention by the public and policy makers, and is often discounted all together. Take, for example, the following statement by Vancouver City Council's appointed Property Tax Policy Review Commission in 2007:

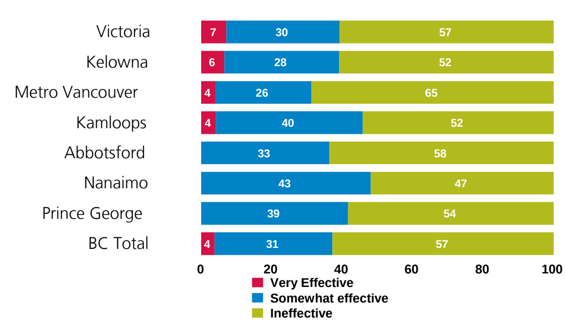
> *"There is little evidence to suggest that property taxes had had a negative impact on business investment or the demand for commercial space…While we find little evidence that a major problem exists, we do conclude that taxes on the business class in Vancouver are at the high end of what might be considered a reasonable range for the class."*

The commission's findings contradict the widespread feelings expressed by small businesses about the inherent unfairness in Vancouver's property tax system. In contrast to the commission's conclusion, consider the assessment of the New Brunswick government's recent review of the provinces tax system, including the provincial property tax levy:

> *"Property taxes can influence where businesses are established and homes are built, and they play a role in the investment decisions that influence the growth of the economy. Property taxes are of particular concern for businesses, as they represent a tax on capital, investment and growth."*[8]

Responses to CFIB's 2007 Point of View on Tax Competitiveness Survey confirmed that small business owners are genuinely concerned with property taxes. According to the survey, 47 per cent of small- and medium-sized businesses (SMEs) said that property taxes affect the growth of their business[9].

Figure 3: How effective is your local government when it comes to creating a system of fair taxation?



Source: CFIB, Point of View on Tax Competitiveness, August 2007.

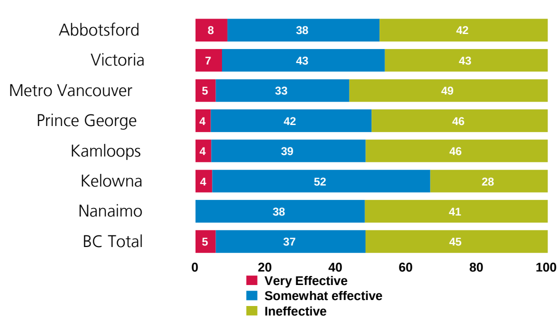
[8] The NB government is considering eliminating the provincial tax gap between residential and non-residential properties. Given that the provincial property tax gap in NB is relatively small (1.50), BC policy makers should take note of the effort they are placing on improving fairness in the tax system.

[9] Conducted in August 2007, the *Point of View on Tax Competitiveness Survey* generated 808 responses in BC.

The survey also asked small business owners to rate the effectiveness of their local government, and the responses illustrate how disappointed SMEs are with the state of municipal finances. Just four per cent of BC's small- and medium-sized business owners rate their local government as very effective at providing a system of fair taxation. In Metro Vancouver, only four per cent rated their city government as very effective, while in Victoria this figure was seven per cent (see Figure 3). A majority of SME owners in the province (57 per cent) feel their municipal government is ineffective at providing a system of fair taxation.

When it comes to the value-for-money of public services they receive, small business owners' opinions towards local government are just as unfavourable. Ninety-five per cent of BC's SME owners believe that their municipal government is not very effective at providing value-for-money (see Figure 4). In Metro Vancouver, 49 per cent of SME owners believe the government is ineffective at providing value-for-money, and in Victoria, this figure is 43 per cent.

Figure 4: How do you rate your local government at providing value-for-money for the services you receive?



Source: CFIB, Point of View on Tax Competitiveness, August 2007.

Table 2:

Should the BC government introduce legislation requiring municipalities to gradually reduce the gap between residential and business property tax rates?	*Yes*	*60%*
	No	*21%*
	Undecided	*17%*
	No interest	*2%*
	Source: CFIB, Mandate 213 Survey, February 2004	

All taxpayers deserve to have a municipal tax system that they feel is effective and provides value-for-money. The vast majority of BC's small business owners do not feel as though their municipal governments have achieved these outcomes. As introduced in the preceding pages, measuring and working to reduce the property tax gap is one way to ensure fairness in municipal property taxes. Small business owners support the provincial government passing laws requiring municipalities to gradually reduce the property tax gap (see Table 2). This is one measure that could address SMEs' observation that municipal governments have not created a system of fair taxation and value-for-money.

Is there justification for the comparatively high taxation of businesses?

Many people believe that businesses should face higher property taxes than residents and that the tax gap is in fact warranted. It has been argued that businesses are more reliant on municipal services than residents; therefore, higher taxes on business are justified. It is also a commonly held view that businesses should pay more because they have a greater ability to pay and are able to deduct property taxes from income taxes. However, these ideas are misconceptions and it is important to set the record straight.

Misconception 1 – Businesses consume more public services

Businesses, especially small ones, actually use *fewer* services than homeowners. A study done by MMK Consulting for the City of Vancouver showed that non-residential taxpayers paid 55 per cent of property-based taxes but consumed 24 per cent of local tax-supported services[10] (see Box 2 - Vancouver's Value for Money Analysis). While residential properties pay $0.56 in property taxes for every dollar of tax-supported services consumed, non-residential properties pay approximately $2.42 in taxes for each dollar of service.

For example, the report's analysis on the consumption of municipal services showed that residential properties consumed 73 per cent of police services (such as the work of the traffic, patrol and major crimes divisions) while businesses consumed 27 per cent of police services. Recall that businesses pay 55 per cent of Vancouver's property taxes.

Misconception 2 – Businesses have a greater capacity to pay

A lasting, but inaccurate justification for imposing higher property taxes on businesses has been that they are better able to afford it. In reality, however, the business sector is not so easily characterized. Most BC businesses are small businesses: 98 per cent of all BC businesses are small businesses (fewer than 50 employees) and 83 per cent of small businesses employ fewer than five people. Many small firms operate on very tight profit margins and when high property taxes squeeze these margins further, they have fewer resources to put back in the business. As a result, firms may have to forgo opportunities for expansion and job creation. Highlighting the importance of the SME sector to BC's economy is the fact that 57 per cent of British Columbians working in the private sector worked for small- and medium-sized enterprises in 2006[11].

Misconception 3 – Businesses benefit from the tax deductibility of property taxes, therefore they can absorb higher rates

This argument presumes that all businesses are able to benefit from tax deductions. Businesses that are struggling, just breaking even, or losing money don't receive a deductibility "benefit." Even if we assume that the ability to deduct property tax expenses gives business properties an advantage, the ability to deduct property tax still does not account for the inequity between residential and business properties.

For example, consider John's business property located in Kamloops described in Box 1. For every $100,000 of assessed value, the business property paid $2,481.45 in total property taxes for 2008, or $12,407.25 on a $500,000 property. Assuming John's business had net income of less than $400,000 for the year (which most small businesses do), the effective income tax rate on this amount would be 15.50 per cent[12]. The tax deduction on the $12,407.25 total property taxes payable would be $1,923.12. Subtracting this from the property tax payable, we are left with $10,484.13. A residential property in Kamloops, Paul's property, without access to this deduction, pays $4,013.20 for a $500,000 property. However, Paul may be eligible for the basic homeowner's grant of $570 in 2008, reducing this tax bill to $3443.20. When both of these tax deductions are taken into account, the business property is still paying 3.04 times more in total property tax than the residential property, compared to a total property tax gap of 3.09 if the deductions are not taken into account.

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[10] MMK Consulting, *Consumption of Tax-Supported Municipal Services*, January 2007.

[11] Statistics Canada, *Employment, Earnings, and Hours*, January 2007, 2006 annual data.

[12] Tax rate based on the BC small business rate of 4.5 per cent and the federal small business rate of 11 per cent as of January 2008.

Box 2: Vancouver's Value for Money and Municipal Auditor General Proposal

One could define value for money as a correlation between taxes paid and services used. However, no case can be made that Vancouver businesses use over 5 times the services that residents use. As outlined in a recent study commissioned by the City of Vancouver, businesses consume 24 per cent of the services while paying 55 per cent of the property-based taxes.

While there has been some effort to control property tax increases in recent years, user fees have often been used to make up budgetary expenditure increases. Although in principle SME owners support user fees – paying directly for services consumed – user fees are disproportionately paid by businesses. Considering the extreme property tax gap, there is little appetite for further taxes – or fees – paid by SMEs.

All municipalities in BC are required to have a financial audit and report this information publicly. Recently, in response to CFIB's *Municipal Spending Report*, Mayor Sam Sullivan has promoted the idea of Vancouver re-instating a Municipal Auditor General to do regular comprehensive value for money audits of municipal spending. In 2007, the Vancouver operating budget was $848 million and the capital budget was $222 million. Given this level of spending, an arms-length, independent review of municipal programs, grants, policies and services, with the objective of ensuring value-for-money, would go a long way to addressing small business' concerns that they are not receiving value for money for their property tax dollars.

What are the current property tax inequities in BC?

The larger the gap between residential and non-residential tax rates within a particular municipality, the more distorted and unfair the property tax system. To cast light on the situation, CFIB conducted a province-wide review of property tax rates, with particular emphasis on the property tax gap between residential and non-residential taxpayers.

Why measure the gap, and not the actual rates?

By measuring the property tax gap, and not the rates themselves, this report measures the extent to which the tax burden has been shifted to the business community over time. It can be difficult to compare the actual tax rates of different municipalities because different municipalities offer different services and provide different value for money. Furthermore, tax rates are adjusted by the municipality each year to compensate for changes in property assessments. The tax gap is a fairer measure of the inequity between the rates charged to businesses versus residents because the gap measures each municipality relative to themselves.

The tax gap for each municipality is calculated by dividing the tax rate on commercial property by the tax rate on the residential property. The larger the tax gap, the larger is the distortion or unfairness in the property tax system.[13] A tax gap of one indicates equal treatment for commercial and residential property. When the tax gap is greater than one, the tax system favours residential property, and a tax gap less than one indicates preferential treatment for commercial
property.

For example, in 2008 a business in Vancouver would pay total property taxes (including the municipal, school, and regional tax levies) at the rate: $2,014.08 per $100,000 of assessed value, while a resident would pay $410.78 per $100,000 of assessed value. To calculate the ***total property tax gap:***

$2,014.08/$410.78 = 4.90

This means that a business in Vancouver pays property taxes at 4.90 times the rate of a resident based on an equivalently valued property.

[13] This assumes the tax gap is greater than one, which is the case for almost all BC municipalities. When the tax gap is less than one, then the smaller the tax gap, the larger are the distortional effects of the property tax system, but in favour of the non-residential property class.

The following analysis provides an examination of the differences in municipal tax rates between residential and commercial property across the province based on 2008 data, which BC's Ministry of Community Development collects on an annual basis. For a historical summary of tax gaps between 2003 and 2008, see Appendix 1.

To make it easier to compare the largest population centres in the province, the body of this report will examine the property tax gaps of municipalities in the 11 largest regional districts. The remaining 17 regional districts are covered in Appendix 3. As well, a ranking of all the municipal property tax gaps are listed in Appendix 2.

Regional districts provide a range of services for the property taxes they levy, which include planning, recreation and libraries, fire protection, solid waste disposal, and water supply and distribution. For comparison purposes, the analysis of the property tax gaps has been divided according to regional districts because municipalities compare themselves first to their neighbours. This information also allows local government officials to compare themselves – and compete for small businesses – based on the friendliness of the property tax policies relative to their neighbours.

The regional district table contains data on:

1 – The amount per $100,000 of assessment that a business property pays in municipal taxes.

2 – The amount per $100,000 of assessment that a residential property pays in municipal taxes.

3 – The municipal tax gap – a calculation of the order of magnitude between the business municipal tax rate and the residential municipal tax rate.

4 – The total tax gap - a calculation of the order of magnitude between the total business municipal tax rate and the total residential tax rate. The total tax rate includes municipal, school, regional district, hospital, and any other property tax levies.

5 - An assessment of whether the municipal tax gap has worsened (+), improved (-), or stayed the same (=) between 2003 and 2008-09.

6 – A ranking of municipalities of the highest to lowest 2008 municipal property tax gap from 1 to 159 (1 indicating the highest or worst property tax gap)[14]. Any number that contains a "*" indicates that there is more than one municipality with that property tax gap.

In addition to the table data, the municipal tax on commercial property per $100,000 of assessed value for each regional district is graphically illustrated. This visual representation illustrates the level of magnitude in property taxes amongst municipalities. The vast differences in these numbers show that municipalities need to not only be concerned with the relatives property tax gap but also the absolute property tax numbers.

For larger municipalities, a graphical illustration of the amount of total property taxes that a resident and a business of average value would pay is also included in the following analysis. The average property value varies by municipality (2007 data).

The following eleven groups of municipalities have been highlighted based on their large population. All remaining regions are reported on in the appendices.

Cariboo Area (Page 10):

- Fraser-Fort George (4 municipalities)

Thompson/ Okanagan Area (Page 10):

- Central Okanagan (3 municipalities)
- North Okanagan (6 municipalities)
- Okanagan-Similkameen (6 municipalities)
- Thompson-Nicola (8 municipalities)

Vancouver and Metropolitan Area (Page 13):

- Greater Vancouver (21 municipalities)
- Fraser Valley (6 municipalities)

Vancouver Island & Coastal Area (Page 15):

- Capital Regional District (13 municipalities)
- Comox Strathcona (8 municipalities)

[14] Kitimat is excluded from this ranking as they have a municipal property tax rate of 0 for residential properties.

- Cowichan Valley (4 municipalities)
- Nanaimo (4 municipalities)

Cariboo

Fraser-Fort George

When it comes to the equity of tax rates between residential and commercial property in the Fraser-Fort George Regional District, McBride was the worst offender in 2008. However, it is below provincial average. The property tax gap in McBride was 2.50, indicating that the amount of municipal taxes paid by a commercial property owner were 2.50 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 2.42. In Prince George, the largest population in the Fraser-Fort George Regional District, businesses paid 2.28 times the property taxes than residents. This is an increase since 2003, when the gap was only 1.54 on municipal property taxes. All municipalities increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008.

Table 3: Breakdown of the property tax gap in Fraser – Fort George

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
McBride	1500	600	2.50 (2.42)	2.40 (2.21)	+	97
Mackenzie	1463	626	2.34 (2.31)	1.89 (1.89)	+	119
Prince George	1497	657	2.28 (2.26)	1.54 (1.65)	+	122
Valemount	690	406	1.70 (2.09)	1.60 (1.88)	+	152

* tied in provincial rank + gap worsened – gap improved = gap same

In and around the Fraser-Fort George Regional District, the level of municipal tax on commercial properties ranged from a high of $1,500 per $100,000 of assessed value in McBride to a low of $689 per $100,000 of assessed value in Valemount. Prince George had the second highest level of taxes in the region, at $1,496 per $100,000 of assessed value.

Figure 5: Prince George: Business vs. Residential Property Tax on a representative $166,404 property

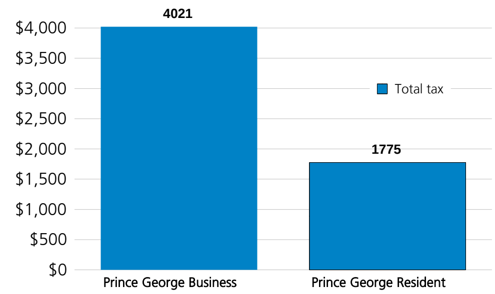
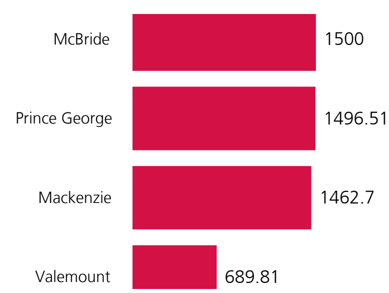


Figure 6: Fraser Fort-George, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Thompson/ Okanagan

Central Okanagan

When it comes to the equity of tax rates between residential and commercial property in the Central Okanagan, Lake Country was the worst offender in 2008. The property tax gap in Lake Country was 3.53, indicating that the amount of municipal taxes paid by a commercial property owner were 3.53 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.42.

Table 4: Breakdown of the property tax gap in Central Okanagan

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Lake Country	913	259	3.53 (3.42)	3.37 (2.99)	+	35
Westside	613	250	2.45 (2.87)	n/a	n/a	101
Kelowna	867	397	2.18 (2.62)	2.04 (2.26)	-	131*
Peachland	523	262	2.00 (2.64)	2.00 (2.24)	=	139*

* tied in provincial rank + gap worsened – gap improved = gap same

In Kelowna, the largest population in the Central Okanagan, businesses paid 2.18 times the municipal property taxes than residents, with the total property tax gap at 2.62. This is an increase since 2003, when the municipal gap was only 2.04 on municipal property taxes. The District of Westside was incorporated on December 6, 2007, and is included in the tax analysis for the first time in 2008. Lakeside increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008, while Peachland maintained its municipal tax gap and Kelowna decreased it.

In and around the Central Okanagan, the level of municipal tax on commercial properties ranged from a high of $913 per $100,000 of assessed value in Lake Country to a low of $523 per $100,000 of assessed value in Peachland. Kelowna had the second highest level of taxes in the region, at $866 per $100,000 of assessed value.

Figure 7: Central Okanagan, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

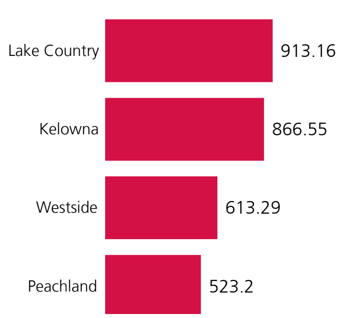
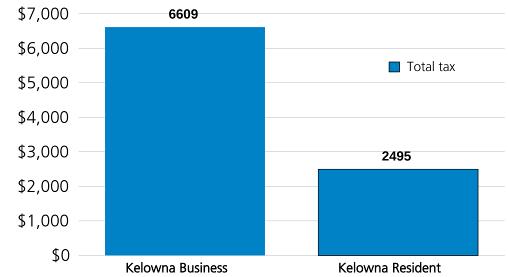


Figure 8: Kelowna: Business vs. Residential Property Tax on a representative $387,378 property



North Okanagan

When it comes to the equity of tax rates between residential and commercial property in the North Okanagan, Armstrong was the worst offender in 2008. The property tax gap in Armstrong was 3.24, indicating that the amount of municipal taxes paid by a commercial property owner were 3.24 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.11. In Vernon, the largest population in the North Okanagan, businesses paid 3.09 times the property taxes than residents. This is an increase since 2003, when the gap was only 2.22 on municipal property taxes. All municipalities except Spallumcheen increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008. Enderby maintained its tax gap.

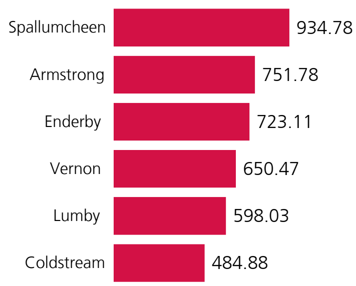
Table 5: Breakdown of the property tax gap in North Okanagan

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Armstrong	752	232	3.24 (3.11)	2.78 (2.45)	+	60
Spallumcheen	935	302	3.10 (3.05)	3.26 (2.67)	-	65*
Vernon	650	210	3.09 (2.93)	2.22 (2.29)	+	67
Coldstream	485	181	2.67 (2.77)	1.90 (2.22)	+	90*
Enderby	723	295	2.45 (2.69)	2.45 (2.31)	=	101*
Lumby	598	271	2.21 (2.58)	1.40 (2.03)	+	127

* tied in provincial rank + gap worsened – gap improved = gap same

In and around the North Okanagan, the level of municipal tax on commercial properties ranged from a high of $934 per $100,000 of assessed value in Spallumcheen to a low of $484 per $100,000 of assessed value in Coldstream. Vernon had a rate of $650 per $100,000 of assessed value.

Figure 9: North Okanagan Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Okanagan-Similkameen

When it comes to the equity of tax rates between residential and commercial property in the Okanagan–Similkameen Regional District, Princeton was the worst offender in 2008, as it has been consistently since 2003. The property tax gap in Princeton was 4.33, indicating that the amount of municipal taxes paid by a commercial property owner were 4.33 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.35. In Penticton, the largest population in the Okanagan–Similkameen Regional District, businesses paid 2.01 times the property taxes than residents. This is an increase since 2003, when the gap was only 1.50 on municipal property taxes. All municipalities increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008. Keremeos maintained its municipal tax gap.

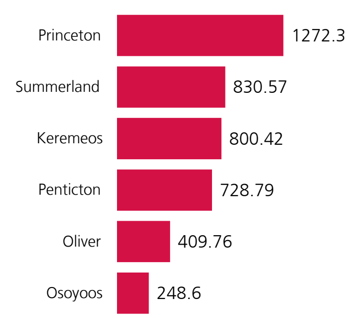
Table 6: Breakdown of the property tax gap in Okanagan - Similkameen

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
Princeton	1272	294	4.33 (3.35)	2.97 (2.42)	+	11
Summerland	831	247	3.36 (3.21)	2.08 (2.19)	+	46
Oliver	410	141	2.90 (2.78)	2.41 (2.20)	+	80*
Keremeos	800	339	2.36 (2.52)	2.36 (2.20)	=	118
Penticton	729	363	2.01 (2.44)	1.50 (1.82)	+	138
Osoyoos	249	156	1.59 (2.30)	1.30 (1.71)	+	153

* tied in provincial rank + gap worsened – gap improved = gap same

In and around the Okanagan–Similkameen Regional District, the level of municipal tax on commercial properties ranged from a high of $1,272 per $100,000 of assessed value in Princeton to a low of $248 per $100,000 of assessed value in Osoyoos. Penticton had $728 per $100,000 of assessed value.

Figure 10: Okanagan-Similkameen Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Thompson-Nicola

When it comes to the equity of tax rates between residential and commercial property in the Thompson-Nicola Regional District, Logan Lake was the worst offender in 2008. The property tax gap in Logan Lake was 4.28, indicating that the amount of municipal taxes paid by a commercial property owner were 4.28 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.66. In Kamloops, the largest population in the Thompson-Nicola Regional District, businesses paid 3.34 times the property taxes than residents. This is a dramatic increase since 2003, when the gap was only 2.21 on municipal property taxes. All municipalities increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008. Clearwater and Barriere were incorporated in 2007.

Table 7: Breakdown of the property tax gap in Thompson – Nicola

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Logan Lake	1103	258	4.28 (3.66)	3.17 (2.71)	+	12
Ashcroft	1502	412	3.65 (2.76)	3.30 (2.48)	+	32
Merritt	1390	415	3.35 (2.91)	2.40 (2.16)	+	47*
Kamloops	1635	490	3.34 (3.09)	2.21 (2.18)	+	50
Chase	1115	342	3.26 (2.92)	1.70 (1.94)	+	55*
Clearwater	1068	329	3.25 (2.88)	n/a	n/a	57*
Barriere	714	291	2.45 (2.56)	n/a	n/a	101*
Lytton	1725	717	2.40 (2.27)	2.18 (2.02)	+	117
Clinton	1648	723	2.28 (2.20)	2.00 (1.93)	+	122*
Cache Creek	395	181	2.18 (2.10)	1.74 (1.82)	+	131*

* tied in provincial rank + gap worsened – gap improved = gap same

In and around the Thompson-Nicola Regional District, the level of municipal tax on commercial properties ranged from a high of $1,724 per $100,000 of assessed value in Lytton to a low of $394 per $100,000 of assessed value in Cache Creek. Kamloops had the third highest level of taxes in the region, at $1,635 per $100,000 of assessed value.

Figure 11: Thompson-Nicole Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

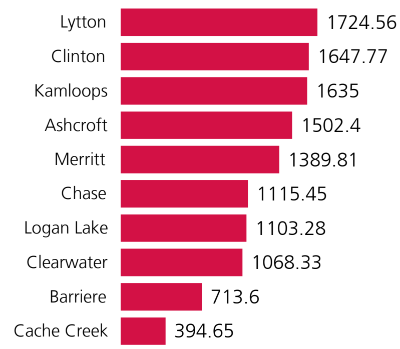
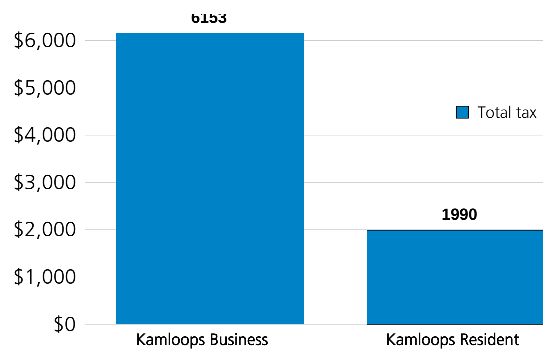


Figure 12: Kamloops: Business vs. Residential Property Tax on a representative $247,997 property



Vancouver and Metropolitan Area

Greater Vancouver

When it comes to the equity of tax rates between residential and commercial property in the Greater Vancouver Regional District, or Metro Vancouver, Vancouver was the worst offender in 2008, as it has been consistently since 2003. The property tax gap in Vancouver was 5.08, indicating that the amount of municipal taxes paid by a commercial property owner were 5.08 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 4.90. In Surrey, the second largest population in the Greater Vancouver Regional District, businesses paid 3.23 times the property taxes than residents. All municipalities except Vancouver and Lion's Bay increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008. Belcarra

Anmore, and Bowen Island maintained their municipal property tax gaps.

Table 8: Breakdown of the property tax gap in Greater Vancouver

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
Vancouver	1082	213	5.08 (4.90)	5.16 (3.05)	-	7
Coquitlam	1360	273	4.99 (4.58)	4.59 (3.90)	+	8
North Vancouver – City	936	228	4.11 (4.33)	3.13 (3.35)	+	26
Burnaby	942	237	3.98 (4.11)	3.62 (3.49)	+	18
New Westminster	1318	349	3.78 (3.82)	3.28 (3.17)	+	24
Pitt Meadows	1148	312	3.67 (3.72)	2.94 (2.93)	+	26
North Vancouver – District	860	235	3.67 (4.09)	3.37 (3.49)	+	15
Port Coquitlam	1162	324	3.59 (3.80)	3.06 (3.10)	+	34
Lions Bay	525	150	3.50 (4.51)	4.44 (4.34)	-	36*
Richmond	793	227	3.49 (3.81)	3.01 (3.11)	+	41
Port Moody	959	286	3.35 (3.68)	3.06 (3.11)	+	47*
Maple Ridge	1112	338	3.29 (3.49)	2.83 (2.87)	+	54
Delta	991	305	3.25 (3.59)	2.94 (3.05)	+	57*
Surrey	686	212	3.23 (3.67)	2.75 (2.94)	+	61
Langley – District	862	275	3.14 (3.47)	2.92 (2.94)	+	63
White Rock	887	325	2.73 (3.28)	2.00 (2.43)	+	85*
Belcarra	355	145	2.45 (3.40)	2.45 (2.93)	=	101*
West Vancouver	474	204	2.32 (3.73)	1.88 (2.96)	+	120
Langley – City	791	345	2.30 (2.94)	2.15 (2.49)	+	121
Anmore	95	95	1.00 (3.15)	1.00 (2.44)	=	157*
Bowen Island	181	181	1.00 (3.13)	1.00 (2.52)	=	157*

* tied in provincial rank + gap worsened – gap improved = gap same

In and around the Greater Vancouver Regional District, the level of municipal tax on commercial properties ranged from a high of $1,359 per $100,000 of assessed value in Coquitlam to a low of $94 per $100,000 of assessed value in Anmore. However, note that the property values vary dramatically throughout the region. Vancouver had the fifth highest level of taxes in the region, at $1,227 per $100,000 of assessed value.

Figure 13: Vancouver: Business vs. Residential Property Tax on a representative $824,644 property

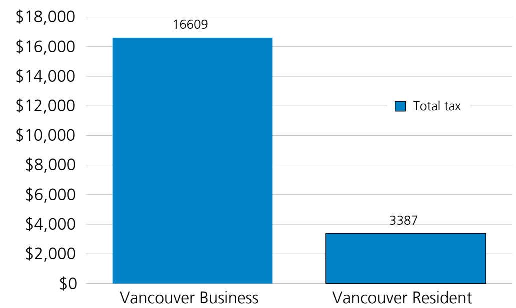
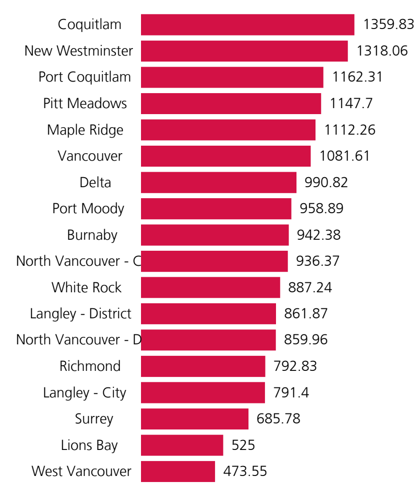


Figure 14: Greater Vancouver Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Vancouver's municipal and total property tax gaps are not only among the worst in the province but one of the worst inequalities in the country. Vancouver's small businesses are at a significant competitive disadvantage to other western cities, most notably Calgary and Edmonton (see figure 16).

Figure 15: Surrey: Business vs. Residential Property Tax on a representative $497,387 property

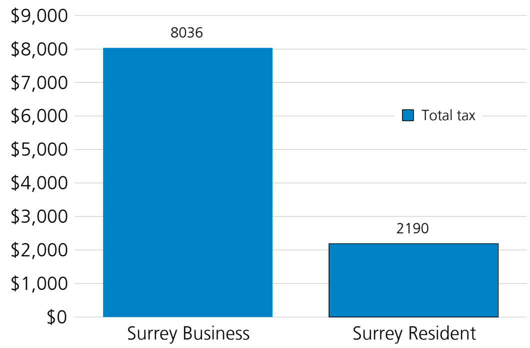
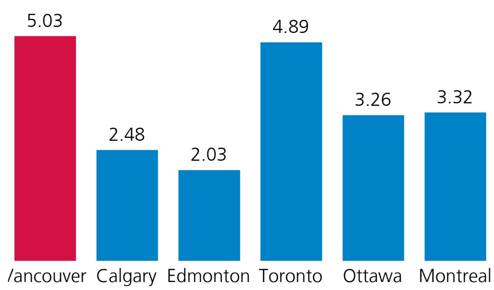


Figure 16: Major Canadian Cities' Property Tax Gap, 2006



Source: Real Property Association of Canada, http://www.realpac.ca/s_195.asp

Fraser Valley

When it comes to the equity of tax rates between residential and commercial property in the Fraser Valley, Mission was the worst offender in 2008, as it has been consistently since 2003. The property tax gap in Mission was 3.45, indicating that the amount of municipal taxes paid by a commercial property owner were 3.45 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.35. In Abbotsford, the largest population in the Fraser Valley, businesses paid 2.91 times the property taxes than residents. This is an increase since 2003, when the gap was 2.54 on municipal property taxes. All municipalities increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008.

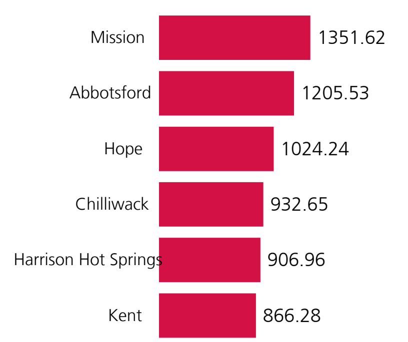
Table 9: Breakdown of the property tax gap in Fraser Valley

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
Mission	1352	392	3.45 (3.35)	2.67 (2.61)	+	43*
Kent	866	263	3.29 (2.92)	2.07 (2.03)	+	53
Harrison Hot Springs	907	293	3.10 (2.83)	2.26 (2.15)	+	65*
Hope	1024	378	2.71 (2.56)	2.00 (2.00)	+	87
Chilliwack	933	377	2.48 (2.62)	2.25 (2.25)	+	99
Abbotsford	1206	415	2.91 (2.92)	2.54 (2.49)	+	78*

* tied in provincial rank   + gap worsened   – gap improved   = gap same

In and around the Fraser Valley, the level of municipal tax on commercial properties ranged from a high of $1,351 per $100,000 of assessed value in Mission to a low of $866 per $100,000 of assessed value in Kent. Abbotsford had the second highest level of taxes in the region, at $1,205 per $100,000 of assessed value.

Figure 17: Fraser Valley, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Vancouver Island and Coast

Capital Regional District

When it comes to the equity of tax rates between residential and commercial property in the Capital Regional District, North Saanich was the worst offender in 2008, as it has been consistently since 2003.

Table 10: Breakdown of the property tax gap in Capital Regional District

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
North Saanich	1041	143	7.27 (5.47)	7.38 (4.82)	+	1
Metchosin	743	168	4.42 (3.81)	3.81 (3.17)	+	9
View Royal	815	204	4.00 (3.90)	3.32 (3.16)	+	16*
Saanich	1186	310	3.82 (3.81)	2.85 (2.92)	+	23
Highlands	828	224	3.70 (3.55)	3.50 (3.11)	+	25
Victoria	1228	334	3.67 (3.71)	2.63 (2.78)	+	26*
Colwood	854	234	3.66 (3.20)	3.45 (2.96)	+	30*
Sooke	842	240	3.50 (3.52)	2.84 (2.80)	+	36*
Langford	675	221	3.06 (3.24)	2.60 (2.66)	+	69*
Esquimalt	1315	444	2.97 (3.21)	2.98 (2.99)	-	75*
Sidney	727	251	2.89 (3.32)	2.50 (2.78)	+	82
Central Saanich	614	254	2.41 (3.03)	2.20 (2.64)	+	116
Oak Bay	484	270	1.79 (2.59)	1.50 (2.13)	+	149

* tied in provincial rank + gap worsened – gap improved = gap same

The property tax gap in North Saanich was 7.27, indicating that the amount of municipal taxes paid by a commercial property owner were 7.27 times higher than that paid by the owner of a residential property of equal value. This is the highest municipal tax gap in the province. On the total tax bill, the tax gap was 5.47. In Victoria, businesses paid 3.67 times the property taxes than residents. This is a dramatic increase since 2003, when the gap was only 2.63 on municipal property taxes. In Saanich, the largest population in the Capital Regional District, businesses paid 3.82 times the property taxes than residents. In 2003, this gap was 2.85. All municipalities except Esquimalt increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008.

In and around the Capital Regional District, the level of municipal tax on commercial properties ranged from a high of $1,315 per $100,000 of assessed value in Esquimalt to a low of $484 per $100,000 of assessed value in Oak Bay. Victoria had the second highest level of taxes in the region, at $1,227 per $100,000 of assessed value.

Figure 18: Capital Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

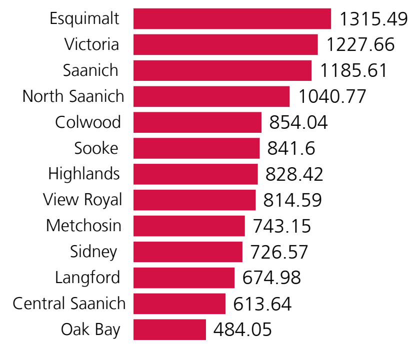


Figure 19: Saanich: Business vs. Residential Property Tax on a representative $517,539 property

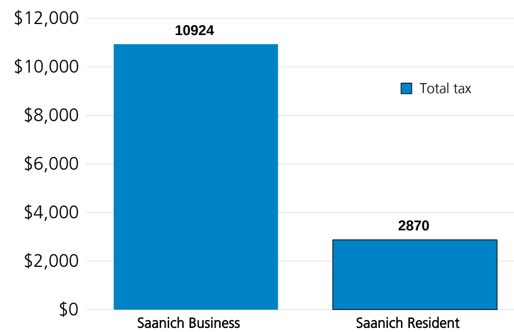
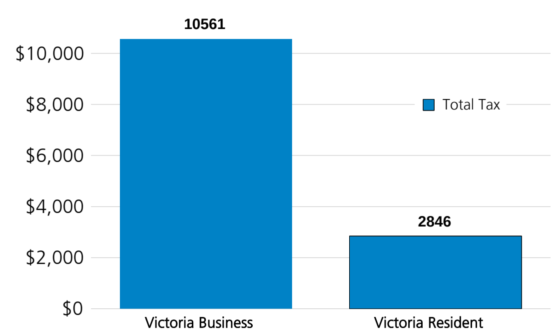


Figure 20: Victoria: Business vs. Residential Property Tax on a representative $479,174 property



Comox Strathcona

When it comes to the equity of tax rates between residential and commercial property in the Comox Strathcona region, Comox was the worst offender in 2008, as it has been consistently since 2003. The property tax gap in Comox was 4.20, indicating that the amount of municipal taxes paid by a commercial property owner were 4.20 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.62. All municipalities increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008.

In Campbell River, the largest population in the Comox Strathcona Regional District, businesses paid 3.26 times the property taxes than residents. This is an increase since 2003, when the gap was only 2.65 on municipal property taxes.

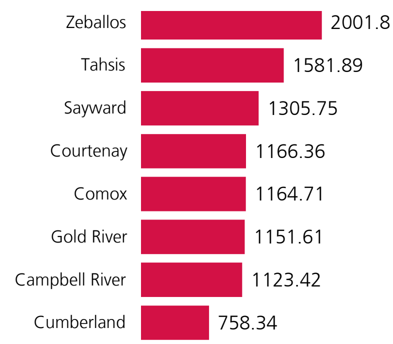
Table 11: Breakdown of the property tax gap in Comox Strathcona

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Comox	1165	278	4.20 (3.62)	3.15 (2.69)	+	14
Courtenay	1166	348	3.35 (3.18)	2.90 (2.63)	+	47*
Campbell River	1123	345	3.26 (3.06)	2.65 (2.45)	+	55*
Zeballos	2002	817	2.45 (2.16)	2.44 (1.81)	+	101*
Sayward	1306	533	2.45 (2.57)	2.13 (2.15)	+	101*
Gold River	1152	506	2.27 (1.98)	1.30 (1.24)	+	124
Tahsis	1582	726	2.18 (1.97)	0.82 (0.97)	+	131*
Cumberland	758	392	1.94 (2.32)	1.60 (1.84)	+	146

* tied in provincial rank   + gap worsened   – gap improved   = gap same

In and around the Comox Strathcona Regional District, the level of municipal tax on commercial properties ranged from a high of $2,001 per $100,000 of assessed value in Zeballos to a low of $758 per $100,000 of assessed value in Cumberland. Campbell River had the second to lowest level of taxes in the region, at $1,123 per $100,000 of assessed value.

Figure 21: Comox Strathcona Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Cowichan Valley

When it comes to the equity of tax rates between residential and commercial property in the Cowichan Valley, North Cowichan, the largest population in the region, was the worst offender in 2008, as it has been consistently since 2003. The property tax gap in North Cowichan was 4.21, indicating that the amount of municipal taxes paid by a commercial property owner were 4.21 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.42. All municipalities increased property tax fairness to small business by decreasing the municipal tax gap from 2003 to 2008.

Table 12: Breakdown of the property tax gap in Cowichan Valley

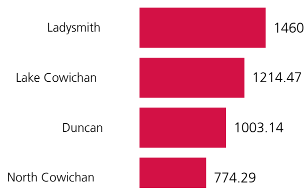
	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
North Cowichan	774	184	4.21 (3.42)	3.48 (2.70)	+	13
Ladysmith	1460	368	3.96 (3.48)	3.03 (2.67)	+	19
Lake Cowichan	1214	352	3.45 (3.12)	2.50 (2.43)	+	43*
Duncan	1003	291	3.44 (3.11)	2.68 (2.50)	+	45

* tied in provincial rank   + gap worsened   – gap improved   = gap same

In and around the Cowichan Valley, the level of municipal tax on commercial properties ranged from a high of $1,460 per $100,000 of assessed value in

Ladysmith to a low of $774 per $100,000 of assessed value in North Cowichan.

Figure 22: Cowichan Valley, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Nanaimo

When it comes to the equity of tax rates between residential and commercial property in the Nanaimo Regional District, Lantzville was the worst offender in 2008. The property tax gap in Lantzville was 4.00, indicating that the amount of municipal taxes paid by a commercial property owner were 4.00 times higher than that paid by the owner of a residential property of equal value. On the total tax bill, the tax gap was 3.30. In Nanaimo, the largest population in the Regional District, businesses paid 2.98 times the property taxes than residents. This is an increase since 2003, when the gap was only 2.27 on municipal property taxes. All municipalities increased property tax unfairness to small business by increasing the municipal tax gap from 2003 to 2008. Lantzville was not incorporated until 2003, but data does not exist for this year.

Table 13: Breakdown of the property tax gap in Nanaimo

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
Lantzville	698	175	4.00 (3.30)	n/a	n/a	16*
Qualicum Beach	873	284	3.07 (3.13)	2.45 (2.46)	+	68
Nanaimo	1410	473	2.98 (2.96)	2.27 (2.27)	+	74
Parksville	961	367	2.62 (2.81)	1.79 (2.02)	+	93

* tied in provincial rank + gap worsened – gap improved = gap same

In and around the Nanaimo Regional District, the level of municipal tax on commercial properties ranged from a high of $1,410 per $100,000 of assessed value in Nanaimo to a low of $698 per $100,000 of assessed value in Lantzville. Parksville had the second highest level of taxes in the region, at $961 per $100,000 of assessed value.

Figure 23: Nanaimo Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

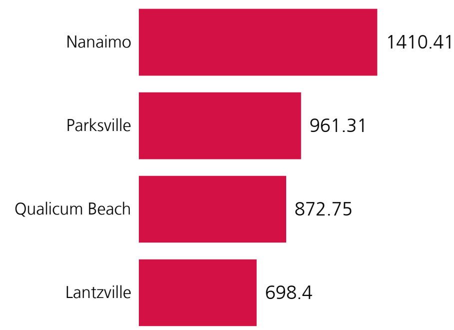
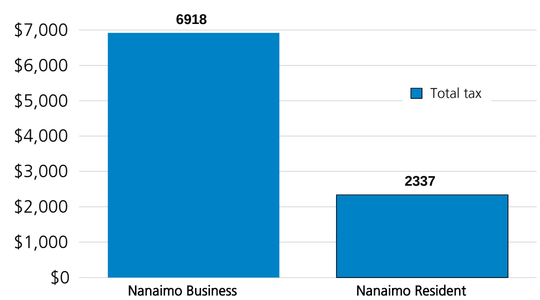


Figure 24: Nanaimo: Business vs. Residential Property Tax on a representative $295,422 property



What do these property tax rates tell us?

Municipal financing is a very complex realm of public policy involving multiple levels of government. Municipal leaders are very vocal expressing why the current property tax model cannot provide sufficient resources to meet the expenditure pressures they face. There may be legitimate arguments there that deserve serious attention from senior levels of government. However, the temporary solution to the inadequacies of the property tax system cannot be to increase the property tax burden on small businesses.

The analysis and ranking of the 2008 property tax rates in BC municipalities raise 2 key questions:

1 – Why are property tax inequities growing?

2 – Why are property tax bills growing?

Why are property tax inequalities growing?

When small business owners try to answer the question as to why property tax inequities are growing, they come up with three answers.

1 – Business owners are not allowed to vote in municipal elections, and therefore do not have a direct say on their municipal representatives if they live in a different municipality from where they own their business. The municipal vote for corporations in BC was completely eliminated in 1993.

2 – Taxes, by their very nature, impact business decisions and performance. However, because municipalities impose essentially a tax on wealth rather than income, they do not have the same incentive as provincial and federal government to be concerned with the health of their small business sector. Although some municipal leaders advocate for a more diverse mix of taxation sources, including income-based, currently property taxes form the majority of a municipality's revenue. From a municipal standpoint, this is a very stable source of income, and they have little financial incentive to disrupt their access to this revenue source. Small businesses are opposed to new sources of revenue if existing sources do not decrease in corresponding magnitude,

3 – The procedure in setting municipal budgets seems a bit backwards to most small business owners. First, a municipality determines what its spending will be for the upcoming year due to balanced budget laws. Then, it determines what the property tax rates are required to maintain this level of spending. Often, automatic property tax increase, such as for inflation, is included in all tax rates. Again, this procedure is disconnected from normal budgeting procedures that must first income-test the ability to pay based on economic performance over the past year.

Why are property tax inequalities growing? Not only is it *how* tax rates are set *across all* property classes, but it is how tax rates are set *among* property classes that can be a source of small businesses frustration with the unfairness with the property tax system.

The Distributional, or "Fixed Burden" Approach

Some municipalities, including the City of Vancouver, use a distributional approach to determining the municipal tax rates for each of the assessment classes. Irrespective of the number of properties within a class or the changes in the assessed values of these property classes, the tax rate is set based on the pre-determined fixed burden. When the proportion of the total tax bill paid is fixed, shifts within those proportions each year may offset efforts to improve the property tax inequality. For example, as the number of residential properties increase, the number of residences sharing the property tax burden increases – and their overall tax bill decreases. Similarly, if the number of businesses falls, those businesses are still left to make up the total share. Therefore, a potential tax shift is not guaranteed to have a meaningful impact on the final property tax bills because there is no guarantee of the number of properties in each assessment category year over year.

One criticism of using the property tax gap to analyse the tax system is that it doesn't take into account the relative assessed values of the residential and business properties and how the assessment classes of property have varied over time. The fixed burden analysis incorporates assessed values. However, when using this line of argument to assess fairness in the tax system, the conclusion is the same: business properties are paying more than their fair share of the property tax bill. Table 14 below examines the distribution of property taxes paid by the business class in a given municipality relative to the total assessed value of the business property class.

Assessing the fairness of the property tax system using the distributional approach and the property tax gap calculation yields the same conclusion – business properties are paying more than their fair share of the property tax bill. In BC's 25 most populous municipalities, only Victoria and Mission managed to achieve a ratio below 2 to 1 measuring what the business class paid as a percentage of the municipal tax revenue relative to the total assessed value of the business class.

Table 14: Property tax gap analysis using the "fixed burden" approach

Municipality	Municipal Tax Gap (2007)	Business % of total municipal tax revenue (2007)	Business % of total assessments (2007)	Ratio of what Businesses Paid to what Businesses are Assessed
Vancouver	5.51	49	16	2.60
Surrey	3.44	26	10	2.47
Burnaby	4.32	42	17	2.32
Richmond	3.73	44	19	2.33
Abbotsford	3.05	28	12	3.45
Coquitlam	5.30	38	11	2.83
Saanich	3.95	17	6	2.15
Kelowna	2.59	28	13	2.31
Delta	3.42	30	13	2.50
Langley District	3.33	30	12	3.00
North Vancouver District	3.76	18	6	2.15
Kamloops	3.03	28	13	2.42
Nanaimo	3.30	29	12	2.22
Victoria	3.70	51	23	1.47
Prince George	2.15	25	17	3.00
Maple Ridge	3.44	18	6	2.10
Chilliwack	2.53	21	10	2.73
Port Coquitlam	3.82	30	11	2.73
New Westminster	4.06	30	11	2.44
North Vancouver City	3.96	39	16	2.33
West Vancouver	2.32	7	3	2.21
Vernon	2.75	31	14	2.71
Mission	3.32	19	7	1.71
Penticton	1.94	24	14	2.00
Campbell River	3.68	20	10	2.60

Vancouver city council appointed a *Property Tax Policy Review Commission* in 2007 to recommend a "fair tax target distribution target". They recommended a tax levy distribution of 48 per cent non-residential and 52 per cent residential. In 2007, business properties (Class 6) paid 49 per cent of the municipal tax bill, residents paid 48 per cent of the tax bill, and other properties (including light and heavy industrial and utilities) paid the remaining 3 per cent. In order to achieve this target distribution, $23.8 million in property tax revenue would be shifted from non-resident properties to residential properties. The Vancouver Fair Tax coalition has successfully advocated a 1 per cent shift in the tax levy in 2006, 2007 and 2008 tax years and is currently working on a property tax topography to take into account the different services consumed by each property class.

According to Vancouver city council's staff report on the Commission's recommendations, it has been council policy since 1982 to use the distributional approach to analysing tax fairness rather than the property tax gap. For example, in 1984 residents were paying 39.7 per cent of the total property tax levy, and businesses were paying 54.7 per cent. The resulting tax gap was 3.7. In 1999, business properties paid 55 per cent of the taxes but were 20.4 per cent of the total assessed value. This resulted in a distributional gap of 2.70, higher than in 2007. The property tax gap in 1999 had increased to 5.17. While in theory the distributional approach may be appropriate and effective tool to ensuring that business properties are not unfairly subsidizing residential properties, this does not appear to have been the long term outcome of using this approach in practice in Vancouver. One possible reason as to why is hasn't ensured fairness in the system is the tremendous increase in the total number of residential properties in Vancouver available to share the "fixed burden" of property taxes on the entire residential property class.

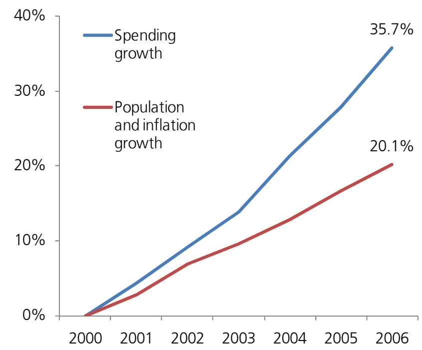
Why are property tax bills growing?

Not only are small business owners concerned about the relative property tax burden they face when compared to residential properties, they are also concerned about ever increasing property tax bills.

Municipal Spending

In light of this worrying trend on increasing property tax burdens on businesses, CFIB has delved deeper into what is driving property tax increases. With few exceptions, operating spending at the local level in BC has grown at rates that greatly exceed population and inflation growth since 2000, a target increase generally accepted by small business owners as reasonable and sustainable. These spending increases have been financed through substantial growth in property taxes, user fees, and transfers from senior levels of government.

Figure 25: Aggregate BC municipal operating spending growth and population and inflation growth, 2000-2006



Source: CFIB, BC Municipal Spending Watch, June 2008

As shown in Figure 25, from 2000 to 2006, population and inflation growth in BC was 20.1 per cent, while aggregate operating spending at the municipal level grew by 35.7 per cent. In other words, the growth in spending at the municipal level was 1.8 times higher than population and inflation growth during that period. CFIB has defined this as the "fiscal responsibility gap", a measure of the magnitude of the actual level of spending growth over the expected spending growth held to population and inflation. For example, a fiscal responsibility gap of 2 indicates that actual spending growth was double what it would be if spending was held to population and inflation growth. Just 3.8 per cent of BC residents live in a municipality that was able to keep spending growth below population and inflation growth between 2000 and 2006.

As shown in Table 15, when the fiscal responsibility gap is compared beside the property tax gap, the impact on small businesses is clear – increases in municipal spending greater than inflation and population growth is financially harmful to small businesses because they bear the brunt of the tax increases. It comes as no surprise to small business owners that municipalities with a high municipal property tax gap also have a high fiscal responsibility gap.

Table 15: Property tax gap compared to the Fiscal Responsibility Gap

Municipality	Fiscal Responsibility Gap	Municipal Property Tax Gap 2008
West Vancouver	3.94	2.32
North Vancouver (District)	2.81	3.67
Prince George	2.6	2.28
Port Coquitlam	2.54	3.59
Vernon	2.42	3.09
North Vancouver (City)	2.33	4.11
Victoria	2.19	3.67
Chilliwack	2.19	2.48
Penticton	2.13	2.01
Vancouver	2.05	5.08
Richmond	2.03	3.49
Saanich	1.96	3.82
Coquitlam	1.93	4.99
Surrey	1.87	3.23
Kelowna	1.83	2.18
Langley (District)	1.7	3.14
Burnaby	1.67	3.98
Campbell River	1.66	3.26
Kamloops	1.66	3.34
Maple Ridge	1.63	3.29
New Westminster	1.59	3.78
Langley (City)	1.57	2.30
North Cowichan	1.5	4.21
Abbotsford	1.49	2.91
Delta	1.47	3.25
Mission	1.28	3.45
Nanaimo	1.21	2.98
Port Moody	1.12	3.35

When tax rates between business and residential properties are not equitable, cross-subsidization is the result. This means that if businesses are paying for more than their share of services consumed, they are subsidizing residential property owners. Cross-subsidization is a concern for a number of reasons, including its tendency to undermine accountability and lead to overspending. Access to cross-subsidization gives municipal governments the ability to allocate greater spending and services to voting residents at the expense of non-voting businesses. Local governments have little incentive to be accountable to businesses; increasing business property tax rates to increase services to voting residents carries little political consequence for municipalities.

The lack of accountability also translates into a lack of financial transparency, leading to an inability for businesses to determine the true cost of the services they consume. This results in inefficient location choices, and sometimes even reduced productivity.

When CFIB released its *BC Municipal Spending Watch Report* in June 2008, many municipal leaders responded to the heightened levels of municipal spending that were observed by claiming that residents were demanding these levels of service. However, the results of this report suggest that municipalities do not believe that residents do not value the services enough to bear the full cost of the municipal services they consume. If they truly believed this to be the case, they would be setting property tax rates such that residents would be paying their fair share.

Municipalities often source downloading of services as the primary reason why property taxes continue to grow. They argue that municipalities are increasingly required to fund services that were once partially or fully funded by other levels of government, thus putting added pressure on municipal financial and human resources. Furthermore, municipalities are also required to develop and maintain the infrastructure to provide new services as well as dealing with increased complexity of delivering core services. Recently, Vancouver city staff issued a report to council on the "municipal fiscal imbalance" and has recommended that City Council recommend to the Union of BC Municipalities that it appoint an independent commission to formally address the municipal fiscal imbalance issue.

Examples of downloaded or new services cited by mayors to CFIB include water and sewer systems, roads and other infrastructure projects, social housing, child care, mental illness programs, and public safety. For example, the provincial government may provide financial assistance to build social housing, but requires the partnering municipality to provide land and forgo property tax revenues for that property. In another instance, a municipality with RCMP-contracted services receives 10-30 per cent in funding due to an acknowledgement that some of the costs of providing policing is for the enforcement of federal laws and regulations. However, no such funding is available for municipalities with their own local police force.

Although these are legitimate and concerning examples of downloading and expose systematic problems in how senior levels of government transfer funds to municipal governments, small business owners should not bear the brunt of these insufficiencies through an increasingly unfair property tax system.

Provincial Government Role

The main focus of this report is on the municipal portion of the property tax bill, as it is the largest component and the most visible for small businesses. However, the provincial government can also provide some much needed tax relief for small businesses when it comes to the provincial components of the total property tax levy.

The province also plays an important monitoring role in providing financial oversight and other policy services to municipalities. The province passed legislation in the 2004 Community Charter declaring municipalities in BC "as an order of government within their jurisdiction that is democratically elected, autonomous, responsible and accountable". As a result, municipalities have greater authority to provide any service the community feels is needed, without having these responsibilities exclusively determined by the province. However, the provincial government can help institute performance measures and value-for-money analyses of municipal spending. See the recommendations section for further details on what this could look like.

School Taxes

The province currently uses a formula developed in 1991 to set the residential rates for each school district. School tax rates for residential properties are set for each school district, and vary year to year based on the number of residential properties in the school district and the residential assessed value. The province sets one rate for all business properties, regardless of the circumstances of the school district, and year over year increases are limited to inflation plus new construction. In 2008, the business school tax rate was $6.80 per $1,000 in assessed value, regardless of where the business was located or the particular circumstances of the school district they are located in. By charging such a high school property tax rate, the province may be crowding out some of the total property tax room that municipalities could use for municipal services.

The provincial government raises approximately one third of its education funding through property taxes – residents pay 13 per cent of the total, and nonresidents pay 20 per cent (Agricultural Land Reserve (ALR) properties as well as Eligible Hydroelectric Power Producers are exempt). As a result of the disproportionate reliance on non-resident properties to pay for schools, there also exists a "school property tax gap" in BC.

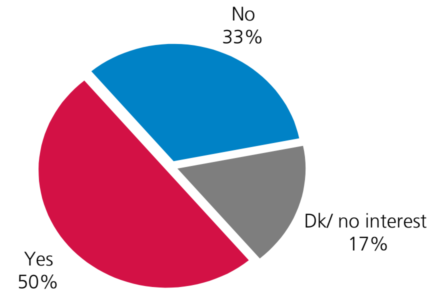
Recognising the burden of school property taxes, in the 2008 Provincial Budget the school property tax rate for industrial properties was reduced to the business class tax rate, providing $12 million in much needed relief in 2008 for the export-oriented sectors. The premier's October 2008 10-point economic stimulus plan offered an additional $115 million over 3 years in school tax relief for light and heavy industry properties.

In Ontario, the provincial government recognised the burden that school property taxes were having on all businesses. In the 2007 Budget, the Ontario government provided $540 million in Business Education Tax (BET) tax relief over seven years, benefiting more than 500,000 businesses in 321 municipalities across the province. The 2008 Budget accelerated the tax relief for northern businesses for an estimated savings of $70 million. This was much welcomed tax relief for Ontario small businesses. The BC government should consider a similar relief package.

Legislation and Oversight

As provincial legislation provides the basis for determining municipal governments' sources of revenues, they have some responsibility to ensure that these sources are adequate. At the same time, the province has the ability to prescribe limits on tax rates. The majority of small business members support the provincial government setting a limit on municipal spending in order to prevent municipal spending from growing at an unsustainable pace and to ensure that spending was directed at high priority issues (see Figure 26).

Figure 26: Should British Columbia municipal governments be subject to legislated spending limits?



Source: CFIB, Mandate 230, April 2008.

Another area where the province could play a role to ensure better value for money in the property tax system is through developing a system of municipal performance measurements overseen by a municipal auditor general. Ontario has adopted a municipal performance measurement program to evaluate the efficiency or effectiveness of a given objective for each municipal service area. Municipalities are required to report on 54 performance measures in twelve core municipal service areas. For example, on the service area of paved roads, the municipality's objective is the efficient maintenance of paved roads, and it would be measured by the operating costs of paved roads per lane kilometre. While standard measurements cannot always take into account local conditions and circumstances, they do allow straightforward measurements and a basis for comparing service delivery and improvements or deteriorations in service over time. The BC government may want to look at Ontario's experience in provincial municipal oversight and financing as an example. For more information on the municipal auditor general proposal, please see the Case Study on Vancouver (Box 2).

Box 3: TransLink

TransLink has the authority to use the property tax system to raise revenues for its operations. TransLink cannot alter the distribution of revenues from residential and business classes. For the year ending December 31, 2006, TransLink collected 55 per cent ($132 million) of revenues from residents, and 38 per cent ($91 million) of revenues from businesses. However, from the perspective of small business owners, it is the rate at which the TransLink is levied that is much more meaningful. In 2007, the transit levy on a small business was 5.1 times what an equivalently valued residential property would pay. In addition to this significant disparity, the much-hated parking tax, in place in 2006 and 2007, was levied only on businesses. There was no equivalent "driveway tax" on residents.

TransLink's revenue from property taxes has increased significantly in recent years. From 2005 to 2006, revenues from property taxes increased by 11.0 per cent, the majority of which is a reflection of increased assessments, and some of which is a result of new residential housing. This increase is much greater than revenues generated by other sources: fares increased 5.6 per cent, and motor fuel tax by 3.8 per cent. In recent years, most of TransLink's revenue increases were from property taxes and businesses disproportionately bear the cost of these increases.

CFIB members support (82 per cent) TransLink's efforts to find other non-tax revenue sources. More recently, TransLink announced that it would be examining ways to raise additional funding through new property developments along current and future SkyTrain lines. However, similar to the concerns of mayors looking for additional revenue sources, TransLink has a limited mix of sources from which it can raise additional funds. Considering the $14 billion transit expansion plan, $2.8 billion of which remains unfunded, small business owners worry about the property tax increases to fund this program, as well as increased usage of tolls and user fees.

What would a fair property tax system look like, and why is this important?

Conclusions and policy recommendations

While it is true that Canadian municipalities rely very heavily on property taxes as a revenue source, and that many mayors are expressing a desire to expand their taxing options, new forms of taxation or revenue sources should not be considered without first addressing the gross inequities that exist in the current property tax system. Both local and provincial governments have a role to play in fixing the problem. Following are some suggestions for how to rectify the inequities in the current property tax system.

1) "Cap the Gap" – Governments should cap the difference between property tax rates on residential and commercial properties

Because the property tax gap continues to grow without much concern by municipalities or the provincial government, someone must step in and show leadership. It should be noted that in Ontario, legislation was introduced that protects property classes that historically have been taxed unfairly high. Ontario's "range of fairness" dictates that the commercial property tax rate must be 0.6 to 1.1 times the residential rate. If a municipality's ratio is outside this range, the municipality can adjust rates to bring the ratio closer to the range, but not farther away. Without a target, municipalities in need of additional revenue will continue to go to the property class least able to protest.

2) Municipalities should "cap the gap" at 2. For the 138 BC municipalities currently with a gap above 2, begin to reduce the tax gap through savings generated from cost restraint, increased contracting out, and ensuring public sector wages stay in line with annual inflation

CFIB believes that creating a fair taxation regime can be a major element of an economic development strategy at the municipal level. Recent spending growth by municipalities has far exceeded levels necessary to keep pace with population and inflation growth. Instead of continuous talk of needing to increase revenues, municipalities should actively seek ways to deliver cost savings in the provision of municipal services. Capping the gap at 2 would send a strong signal to small business that the municipality recognises that property taxes are a significant financial burden for small businesses often operating on very tight margins. A cap sends a strong message to small business that the municipality is business-friendly and focused on the community's economic prosperity and sustainability.

3) Help businesses to support education by eliminating the differential between commercial and residential education property tax rates

The provincial government should lead by example and remove the differential in education property tax rates. Recent trends in provincial funding for education have seen a greater reliance on funding from general revenues. Equality could easily be achieved by freezing residential rates at their current levels, while continuing to reduce the rates charged on commercial properties. Businesses, like government and general public, have a vested interest in having a well-educated workforce. However, business should not bear a disproportionate share of the social cost for public education.

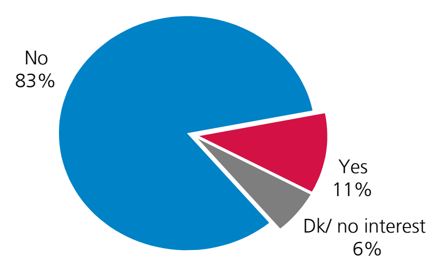
4) Municipalities should adopt a "user pay" philosophy

User fees provide consumers with a choice to pay for a particular service, and involve a direct relationship between the consumption of and value placed on a good. While certain goods like police and fire protection are unsuited to be provided through the use of user fees, many municipal services such as garbage collection would be ideally provided through user fees. Any user-fee arrangements should be met with a commensurate reduction in general tax rates, developing a more equitable tax system in the process. Making those who consume services directly responsible for paying for those services will eliminate inefficient cross-subsidization by one property class in favour of another property class.

5) The province should reject any proposal that would provide increased taxation powers to municipalities

In the minds of business owners, many local politicians have not been able to use the property tax system fairly, so there is little trust that they could reasonably administer any additional taxes. When small business owners are asked directly whether municipalities should have the authority to raise new taxes, an overwhelming 89 per cent said that they should not be given this additional power (see Figure 27). As illustrated in Box 3's analysis of TransLink, BC small businesses have reached their upper limit in paying for other public services on top of municipal taxes.

Figure 27: Should local governments be given authority to impose new taxes such as a parking or fuel tax?



Source: CFIB, Mandate 224, December 2006

6) The province must take a leadership role through legislation and oversight of municipal spending

The province should play a role to ensure better value for money in the property tax system by developing a system of municipal performance measurements overseen by a value-for-money municipal auditor general. Ontario has adopted a municipal performance measurement program to evaluate the efficiency or effectiveness of a given objective for each municipal service area.

In conclusion, without question, BC businesses pay more in property taxes than residents. This differential between the two property classes cannot be justified on any practical grounds – there is no relationship between the rate of taxes paid by business properties and the services received. The current discrimination of business class properties in the property taxation system is cause for concern. Market distortion, inefficient use of resources and the high tax burden resulting from tax inequities are all factors that harm small businesses future economic success. We urge governments to find ways to better balance the property tax system so that small businesses can continue to grow and thrive, creating jobs and long-term prosperity for their local communities.

Recall the example of John and Paul from Kamloops featured in Box 1. John takes great pride that his small business generates economic activity for his community and his family. He wants to grow his business but is saddled by the increasing tax and regulatory burden from all levels of government. All that he's looking for from his municipal and provincial leaders is a fair and equitable property tax system. In order to achieve this, he urges government leaders to "cap the gap". This will instil confidence in him that his personal investment in his small business will yield a positive return.

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Appendix 1

Table 1: Historical Total and Municipal Property Tax Gaps

	2008		2007		2003	
	Total Tax Gap	Municipal Tax Gap	Total Tax Gap	Municipal Tax Gap	Total Tax Gap	Municipal Tax Gap
100 Mile House	2.23	2.18	2.02	1.84	1.83	1.61
Abbotsford	2.92	2.91	3.06	3.05	2.49	2.54
Alert Bay	2.34	2.45	2.34	2.45	1.82	1.80
Anmore	3.15	1.00	3.15	1.00	2.44	1.00
Armstrong	3.11	3.24	3.03	3.12	2.45	2.78
Ashcroft	2.76	3.65	2.68	3.47	2.48	3.30
Barriere	2.56	2.45	n/a	n/a	n/a	n/a
Belcarra	3.40	2.45	2.84	1.00	2.93	2.45
Bowen Island	3.13	1.00	3.08	1.00	2.52	1.00
Burnaby	4.11	3.98	4.29	4.32	3.49	3.62
Burns Lake	2.09	2.24	2.08	2.24	2.04	2.31
Cache Creek	2.10	2.18	2.04	1.96	1.82	1.74
Campbell River	3.06	3.26	3.33	3.68	2.45	2.65
Canal Flats	2.59	2.20	2.60	2.20	n/a	n/a
Castlegar	3.47	5.48	3.11	4.45	2.46	3.37
Central Saanich	3.03	2.41	3.17	2.41	2.64	2.20
Chase	2.92	3.26	2.86	3.14	1.94	1.70
Chetwynd	2.63	3.32	2.40	2.72	1.97	2.56
Chilliwack	2.62	2.48	2.68	2.53	2.25	2.25
Clearwater	2.88	3.25	n/a	n/a	n/a	n/a
Clinton	2.20	2.28	2.19	2.28	1.93	2.00
Coldstream	2.77	2.67	2.76	2.62	2.22	1.90
Colwood	3.20	3.66	3.56	4.49	3.05	3.45
Comox	3.62	4.20	3.77	4.42	2.69	3.15
Coquitlam	4.58	4.99	4.72	5.30	3.90	4.59
Courtenay	3.18	3.35	3.23	3.35	2.63	2.90
Cranbrook	3.09	3.30	2.82	2.97	2.24	2.35
Creston	2.33	2.00	2.24	1.80	1.86	1.51
Cumberland	2.32	1.94	2.35	1.90	1.84	1.60
Dawson Creek	3.15	4.36	3.29	4.74	2.76	4.32
Delta	3.59	3.25	3.69	3.42	3.05	2.94
Duncan	3.11	3.44	3.14	3.44	2.50	2.68
Elkford	2.63	2.60	2.49	2.45	2.31	2.45
Enderby	2.69	2.45	2.67	2.45	2.31	2.45
Esquimalt	3.21	2.97	3.38	3.09	2.99	2.98
Fernie	2.41	2.23	2.26	2.04	1.89	1.79
Fort Nelson	2.67	3.50	2.40	2.45	2.17	2.45
Fort St. James	2.27	2.78	2.25	2.75	2.05	2.48
Fort St. John	2.71	2.97	3.09	3.67	2.88	3.84
Fraser Lake	2.37	2.91	2.14	2.39	2.05	2.41
Fruitvale	2.34	2.20	2.28	2.20	2.13	2.25
Gibsons	3.36	3.92	3.50	4.26	2.72	2.84
Gold River	1.98	2.27	1.73	1.79	1.24	1.30
Golden	2.92	2.85	2.99	2.95	2.59	2.80
Grand Forks	3.01	3.84	2.87	3.44	2.23	2.39
Granisle	2.32	2.45	2.33	2.45	2.17	2.29
Greenwood	2.27	2.05	2.23	2.05	2.25	2.40
Harrison Hot Springs	2.83	3.10	2.76	2.95	2.15	2.26
Hazelton	2.21	2.45	2.18	2.45	2.15	2.45
Highlands	3.55	3.70	3.44	3.26	3.11	3.50
Hope	2.56	2.71	2.54	2.50	2.00	2.00
Houston	2.59	2.93	2.45	2.72	2.20	2.44
Hudson's Hope	2.97	3.67	2.73	3.00	2.38	3.00
Invermere	3.11	3.25	3.24	3.50	2.47	2.60
Kamloops	3.09	3.34	2.89	3.03	2.18	2.21
Kaslo	2.64	2.70	2.64	2.70	2.33	2.70
Kelowna	2.62	2.18	2.94	2.59	2.26	2.04
Kent	2.92	3.29	2.81	3.03	2.03	2.07
Keremeos	2.52	2.36	2.52	2.36	2.20	2.36
Kimberley	4.42	6.22	4.59	6.55	4.04	6.44
Kitimat	4.38	n/a	3.98	n/a	3.63	n/a
Ladysmith	3.48	3.96	3.68	4.22	2.67	3.03
Lake Country	3.42	3.53	3.37	3.37	2.99	3.37
Lake Cowichan	3.12	3.45	3.19	3.50	2.43	2.50
Langford	3.24	3.06	3.33	3.06	2.66	2.60
Langley - City	2.94	2.30	2.97	2.36	2.49	2.15
Langley - District	3.47	3.14	3.56	3.33	2.94	2.92
Lantzville	3.30	4.00	3.38	4.00	n/a	n/a
Lillooet	2.29	2.55	2.12	2.20	1.94	2.00
Lions Bay	4.51	3.50	4.96	4.56	4.34	4.44
Logan Lake	3.66	4.28	3.47	4.00	2.71	3.17
Lumby	2.58	2.21	2.51	2.05	2.03	1.40
Lytton	2.27	2.40	2.22	2.34	2.02	2.18
Mackenzie	2.31	2.34	2.28	2.34	1.89	1.89
Maple Ridge	3.49	3.29	3.56	3.44	2.87	2.83
Masset	2.03	2.45	2.06	2.45	2.06	2.45
McBride	2.42	2.50	2.39	2.50	2.21	2.40
Merritt	2.91	3.35	2.79	3.11	2.16	2.40
Metchosin	3.81	4.42	3.80	4.11	3.17	3.81
Midway	2.37	2.10	2.35	2.11	1.83	1.61
Mission	3.35	3.45	3.29	3.32	2.61	2.67
Montrose	2.36	2.00	2.27	2.00	2.14	2.45
Nakusp	2.59	2.73	2.52	2.73	2.31	2.73
Nanaimo	2.96	2.98	3.23	3.32	2.27	2.27
Nelson	2.60	2.61	2.53	2.48	2.05	2.00
New Denver	2.31	2.00	2.23	2.00	1.97	2.00
New Hazelton	2.25	2.45	2.21	2.45	2.20	2.45
New Westminster	3.82	3.78	3.98	4.06	3.17	3.28
North Cowichan	3.42	4.21	3.49	4.38	2.70	3.48
North Saanich	5.47	7.27	5.64	7.53	4.82	7.38

	2008		2007		2003	
	Total Tax Gap	Municipal Tax Gap	Total Tax Gap	Municipal Tax Gap	Total Tax Gap	Municipal Tax Gap
North Vancouver - District	4.33	4.11	4.23	3.96	3.35	3.13
North Vancouver – City	4.09	3.67	4.14	3.76	3.49	3.37
Oak Bay	2.59	1.79	2.76	1.86	2.13	1.50
Oliver	2.78	2.90	2.78	2.87	2.20	2.41
Osoyoos	2.30	1.59	2.22	1.50	1.71	1.30
Parksville	2.81	2.62	3.06	2.89	2.02	1.79
Peachland	2.64	2.00	2.66	2.00	2.24	2.00
Pemberton	2.97	2.45	3.05	2.26	3.09	2.45
Penticton	2.44	2.01	2.41	1.94	1.82	1.50
Pitt Meadows	3.72	3.67	3.72	3.73	2.93	2.94
Port Alberni	2.92	3.06	3.24	3.53	2.49	2.74
Port Alice	2.00	1.84	2.00	1.84	1.84	1.84
Port Clements	1.76	2.00	1.78	2.00	1.77	2.00
Port Coquitlam	3.80	3.59	3.92	3.82	3.10	3.06
Port Edward	2.22	2.50	2.37	2.80	2.08	2.60
Port Hardy	2.87	3.61	2.63	3.10	2.39	3.12
Port McNeill	1.88	1.50	1.85	1.43	1.75	1.45
Port Moody	3.68	3.35	3.87	3.72	3.11	3.06
Pouce Coupe	2.21	2.45	2.54	3.20	2.13	3.06
Powell River	4.13	5.69	4.03	5.56	2.74	3.78
Prince George	2.26	2.28	2.16	2.15	1.65	1.54
Prince Rupert	2.93	3.50	3.13	3.79	2.50	3.01
Princeton	3.35	4.33	3.27	4.12	2.42	2.97
Qualicum Beach	3.13	3.07	3.40	3.38	2.46	2.45
Queen Charlotte	2.04	3.00	2.07	3.00	n/a	n/a
Quesnel	2.25	2.69	2.17	2.54	1.96	2.31
Radium Hot Springs	2.88	2.66	2.88	2.66	2.47	2.66
Revelstoke	4.93	6.60	3.92	4.98	2.37	2.94
Richmond	3.81	3.49	3.91	3.73	3.11	3.01
Rossland	2.09	1.71	2.05	1.71	2.05	2.00
Saanich	3.81	3.82	3.97	3.95	2.92	2.85
Salmo	2.43	2.20	2.36	2.00	2.22	2.33
Salmon Arm	3.01	3.01	2.90	2.85	2.14	2.12
Sayward	2.57	2.45	2.61	2.45	2.15	2.13
Sechelt	2.68	2.05	2.78	2.15	2.49	2.32
Sechelt Indian Government	2.86	2.45	3.14	3.00	2.56	2.45
Sicamous	2.66	2.45	2.65	2.45	2.32	2.45
Sidney	3.32	2.89	3.48	2.96	2.78	2.50
Silverton	2.21	1.78	2.10	1.72	1.83	1.57
Slocan	2.18	1.54	2.35	1.99	2.12	2.20
Smithers	2.84	3.66	2.76	3.50	2.58	3.34
Sooke	3.52	3.50	3.66	3.59	2.80	2.84
Spallumcheen	3.05	3.10	3.05	3.11	2.67	3.26
Sparwood	3.08	3.48	2.73	2.89	2.23	2.45
Squamish	3.07	2.67	3.06	2.47	2.88	2.49
Stewart	1.75	1.74	1.74	1.74	1.74	1.74
Summerland	3.21	3.36	2.93	2.77	2.19	2.08
Surrey	3.67	3.23	3.75	3.44	2.94	2.75
Tahsis	1.97	2.18	1.90	2.07	0.97	0.82
Taylor	1.97	1.39	2.20	1.86	1.76	1.48
Telkwa	2.31	2.47	2.03	1.93	1.95	1.91
Terrace	2.93	3.85	2.73	3.50	2.48	3.06
Tofino	3.17	3.12	3.35	3.36	2.21	1.75
Trail	2.29	1.92	2.09	1.50	1.98	1.72
Tumbler Ridge	3.66	5.41	3.77	5.73	1.68	1.80
Ucluelet	2.89	3.17	2.98	3.07	2.35	2.64
Valemount	2.09	1.70	1.98	1.53	1.88	1.60
Vancouver	4.90	5.08	5.03	5.51	3.05	5.16
Vanderhoof	2.34	3.03	2.33	3.03	2.24	3.03
Vernon	2.93	3.09	2.80	2.75	2.29	2.22
Victoria	3.71	3.67	3.81	3.70	2.78	2.63
View Royal	3.90	4.00	4.01	4.00	3.16	3.32
Warfield	1.98	1.00	1.90	1.00	1.72	1.00
Wells	2.29	2.90	2.23	2.90	2.05	2.80
West Vancouver	3.73	2.32	3.69	2.32	2.96	1.88
Westside	2.87	2.45	n/a	n/a	n/a	
Whistler	3.70	3.50	3.76	3.26	3.74	3.72
White Rock	3.28	2.73	3.26	2.71	2.43	2.00
Williams Lake	2.14	1.96	2.03	1.80	1.84	1.73
Zeballos	2.16	2.45	2.15	2.45	1.81	2.44

Appendix 2

Table 2: Ranking of BC Municipalities based on 2008 Municipal Tax Gaps

	Municipal Tax Gap 2008	Rank
North Saanich	7.27	1
Revelstoke	6.6	2
Kimberley	6.22	3
Powell River	5.69	4
Castlegar	5.48	5
Tumbler Ridge	5.41	6
Vancouver	5.08	7
Coquitlam	4.99	8
Metchosin	4.42	9
Dawson Creek	4.36	10
Princeton	4.33	11
Logan Lake	4.28	12
North Cowichan	4.21	13
Comox	4.2	14
North Vancouver	4.11	15
Lantzville	4	16
View Royal	4	16
Burnaby	3.98	18
Ladysmith	3.96	19
Gibsons	3.92	20
Terrace	3.85	21
Grand Forks	3.84	22
Saanich	3.82	23
New Westminster	3.78	24
Highlands	3.7	25
Hudson's Hope	3.67	26
North Vancouver	3.67	26
Pitt Meadows	3.67	26
Victoria	3.67	26
Colwood	3.66	30
Smithers	3.66	30
Ashcroft	3.65	32
Port Hardy	3.61	33
Port Coquitlam	3.59	34
Lake Country	3.53	35
Fort Nelson	3.5	36
Lions Bay	3.5	36
Prince Rupert	3.5	36
Sooke	3.5	36
Whistler	3.5	36
Richmond	3.49	41
Sparwood	3.48	42
Lake Cowichan	3.45	43
Mission	3.45	43
Duncan	3.44	45
Summerland	3.36	46
Courtenay	3.35	47
Merritt	3.35	47
Port Moody	3.35	47
Kamloops	3.34	50
Chetwynd	3.32	51
Cranbrook	3.3	52
Kent	3.29	53
Maple Ridge	3.29	54
Campbell River	3.26	55
Chase	3.26	55
Clearwater	3.25	57
Delta	3.25	57
Invermere	3.25	57
Armstrong	3.24	60
Surrey	3.23	61
Ucluelet	3.17	62
Langley	3.14	63
Tofino	3.12	64
Harrison Hot Springs	3.1	65
Spallumcheen	3.1	65
Vernon	3.09	67
Qualicum Beach	3.07	68
Langford	3.06	69
Port Alberni	3.06	69
Vanderhoof	3.03	71
Salmon Arm	3.01	72
Queen Charlotte	3	73
Nanaimo	2.98	74
Esquimalt	2.97	75
Fort St. John	2.97	75
Houston	2.93	77
Abbotsford	2.91	78
Fraser Lake	2.91	78
Oliver	2.9	80
Wells	2.9	80
Sidney	2.89	82
Golden	2.85	83
Fort St. James	2.78	84
Nakusp	2.73	85
White Rock	2.73	85
Hope	2.71	87
Kaslo	2.7	88
Quesnel	2.69	89
Coldstream	2.67	90
Squamish	2.67	90
Radium Hot Springs	2.66	92
Parksville	2.62	93
Nelson	2.61	94
Elkford	2.6	95
Lillooet	2.55	96
McBride	2.5	97
Port Edward	2.5	97
Chilliwack	2.48	99
Telkwa	2.47	100
Alert Bay	2.45	101
Barriere	2.45	101
Belcarra	2.45	101
Enderby	2.45	101
Granisle	2.45	101
Hazelton	2.45	101
Masset	2.45	101
New Hazelton	2.45	101
Pemberton	2.45	101
Pouce Coupe	2.45	101
Sayward	2.45	101
Sechelt Indian Government	2.45	101
Sicamous	2.45	101
Westside	2.45	101
Zeballos	2.45	101
Central Saanich	2.41	116
Lytton	2.4	117
Keremeos	2.36	118
Mackenzie	2.34	119
West Vancouver	2.32	120
Langley	2.3	121
Clinton	2.28	122
Prince George	2.28	122
Gold River	2.27	124
Burns Lake	2.24	125
Fernie	2.23	126
Lumby	2.21	127
Canal Flats	2.2	128
Fruitvale	2.2	128
Salmo	2.2	128
100 Mile House	2.18	131
Cache Creek	2.18	131
Kelowna	2.18	131
Tahsis	2.18	131
Midway	2.1	135
Greenwood	2.05	136
Sechelt	2.05	136
Penticton	2.01	138
Creston	2	139
Montrose	2	139
New Denver	2	139
Peachland	2	139
Port Clements	2	139
Williams Lake	1.96	144
Cumberland	1.94	145
Trail	1.92	146
Port Alice	1.84	147
Oak Bay	1.79	148
Silverton	1.78	149
Stewart	1.74	150
Rossland	1.71	151
Valemount	1.7	152
Osoyoos	1.59	153
Slocan	1.54	154
Port McNeill	1.5	155
Taylor	1.39	156
Anmore	1	157
Bowen Island	1	157
Warfield	1	157

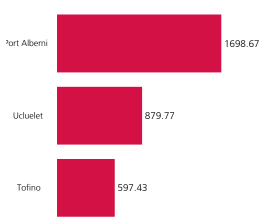
Appendix 3

Alberni-Clayoquot

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Ucluelet	879	277	3.17 (2.89)	2.64 (2.35)	+	62
Tofino	597	191	3.12 (3.17)	1.75 (2.21)	+	64
Port Alberni	1698	554	3.06 (2.92)	2.74 (2.49)	+	69*

* tied in provincial rank + gap worsened - gap improved = gap same

Alberni-Clayoquot, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

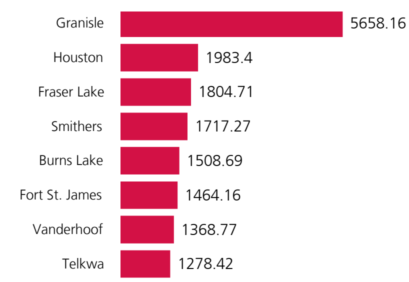


Bulkley-Nechako

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Smithers	1717	469	3.66 (2.84)	3.34 (2.58)	+	30*
Vanderhoof	1368	451	3.03 (2.34)	3.03 (2.24)	=	71
Houston	1983	677	2.93 (2.59)	2.44 (2.20)	+	77
Fraser Lake	1804	620	2.91 (2.37)	2.41 (2.05)	+	78*
Fort St. James	1464	526	2.78 (2.27)	2.48 (2.05)	+	84
Telkwa	1278	516	2.47 (2.31)	1.91 (1.95)	+	100
Granisle	5658	2309	2.45 (2.32)	2.29 (2.17)	+	101*
Burns Lake	1508	674	2.24 (2.09)	2.31 (2.04)	-	125

* tied in provincial rank + gap worsened – gap improved = gap same

Bulkley-Nechako, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

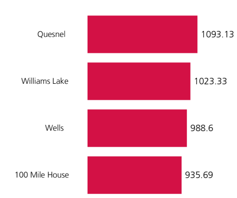


Cariboo

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Wells	988	340	2.90 (2.29)	2.80 (2.05)	+	80*
Quesnel	1093	406	2.69 (2.25)	2.31 (1.96)	+	89
100 Mile House	935	428	2.18 (2.23)	1.61 (1.83)	+	131*
Williams Lake	1023	521	1.96 (2.14)	1.73 (1.84)	+	145

* tied in provincial ran + gap worsened – gap improved = gap same

Cariboo Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

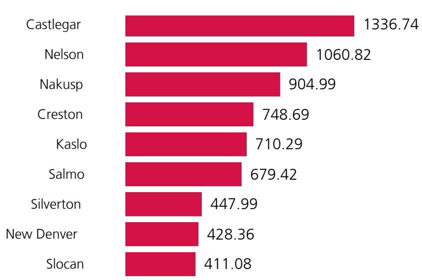


Central Kootenay

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Castlegar	1336	243	5.48 (3.47)	3.37 (2.46)	+	5
Nakusp	904	331	2.73 (2.59)	2.73 (2.31)	=	85*
Kaslo	710	263	2.70 (2.64)	2.70 (2.33)	=	88
Nelson	1060	407	2.61 (2.60)	2.00 (2.05)	+	94
Salmo	679	308	2.20 (2.43)	2.33 (2.22)	-	128*
Creston	748	374	2.00 (2.33)	1.51 (1.86)	+	139*
New Denver	428	214	2.00 (2.31)	2.00 (1.97)	=	139*
Silverton	447	251	1.78 (2.21)	1.57 (1.83)	+	149
Slocan	411	266	1.54 (2.18)	2.20 (2.12)	-	154

* tied in provincial rank + gap worsened – gap improved = gap same

Central Kootenay Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

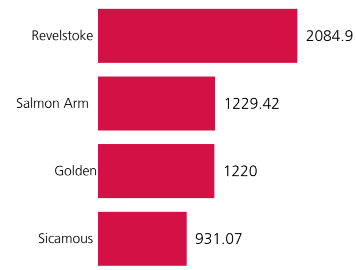


Columbia Shuswap

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Revelstoke	2084	315	6.60 (4.93)	2.94 (2.37)	+	2
Salmon Arm	1229	408	3.01 (3.01)	2.12 (2.14)	+	72
Golden	1220	428	2.85 (2.92)	2.80 (2.59)	+	83
Sicamous	931	380	2.45 (2.66)	2.45 (2.32)	=	101*

* tied in provincial rank + gap worsened – gap improved = gap same

Columbia Shuswap Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

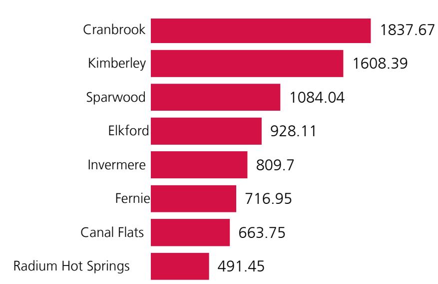


East Kootenay

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Kimberley	1608	258	6.22 (4.42)	6.44 (4.04)	-	3
Sparwood	1084	311	3.48 (3.08)	2.45 (2.23)	+	42
Cranbrook	1837	556	3.30 (3.09)	2.35 (2.24)	+	52
Invermere	809	249	3.25 (3.11)	2.60 (2.47)	+	57*
Radium Hot Springs	491	184	2.66 (2.88)	2.66 (2.47)	=	92
Elkford	928	356	2.60 (2.63)	2.45 (2.31)	+	95
Fernie	716	321	2.23 (2.41)	1.79 (1.89)	+	126
Canal Flats	663	301	2.20 (2.59)	n/a	n/a	128*

* tied in provincial rank + gap worsened – gap improved = gap same

East Kootenay Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

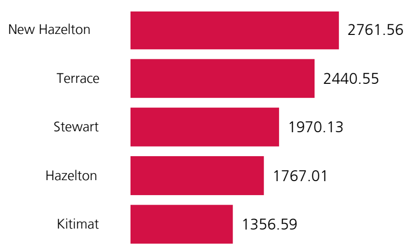


Kitimat-Stikine

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Kitimat	1356	n/a	n/a (4.38)	n/a (3.63)	=	n/a
Terrace	2440	633	3.85 (2.93)	3.06 (2.48)	+	21
Hazelton	1767	721	2.45 (2.21)	2.45 (2.15)	=	101*
New Hazelton	2761	1127	2.45 (2.25)	2.45 (2.20)	=	101*
Stewart	1970	1134	1.74 (1.75)	1.74 (1.74)	=	150

* tied in provincial rank + gap worsened – gap improved = gap same

Kitimat-Stikine Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

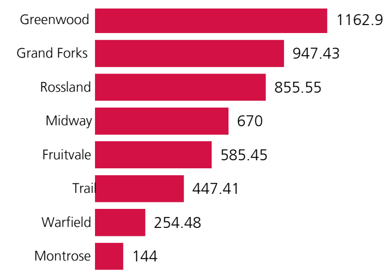


Kootenay-Boundary

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Grand Forks	947	246	3.84 (3.01)	2.39 (2.23)	+	22
Fruitvale	585	266	2.20 (2.34)	2.25 (2.13)	-	128*
Midway	670	319	2.10 (2.37)	1.61 (1.83)	+	135
Greenwood	1162	567	2.05 (2.27)	2.40 (2.25)	-	136*
Montrose	144	72	2.00 (2.36)	2.45 (2.14)	-	139*
Trail	447	232	1.92 (2.29)	1.72 (1.98)	+	146
Rossland	855	500	1.71 (2.09)	2.00 (2.05)	-	151
Warfield	254	254	1.00 (1.98)	1.00 (1.72)	=	157*

* tied in provincial rank + gap worsened – gap improved = gap same

Kootenay-Boundary Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

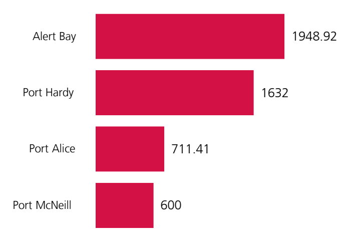


Mount Waddington

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Port Hardy	1632	451	3.61 (2.87)	3.12 (2.39)	+	33
Alert Bay	1948	795	2.45 (2.34)	1.80 (1.82)	+	101*
Port Alice	711	386	1.84 (2.00)	1.84 (1.84)	=	147
Port McNeill	600	400	1.50 (1.88)	1.45 (1.75)	+	155

* tied in provincial rank + gap worsened – gap improved = gap same

Mount Waddington Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Northern Rockies

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 **(Total Gap)**	08-03	Provincial Rank
Fort Nelson	1024	292	3.50 (2.67)	2.45 (2.17)	+	36*

* tied in provincial rank + gap worsened – gap improved = gap same

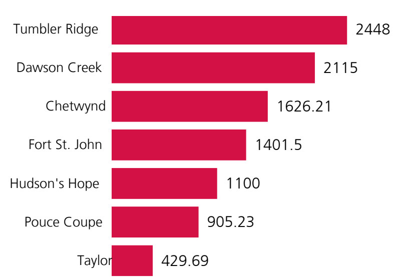
Northern Rockies Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

Peace River

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
Tumbler Ridge	2448	452	5.41 (3.66)	1.80 (1.68)	+	6
Dawson Creek	2115	485	4.36 (3.15)	4.32 (2.76)	+	10
Hudson's Hope	1100	300	3.67 (2.97)	3.00 (2.38)	+	26*
Chetwynd	1626	489	3.32 (2.63)	2.56 (1.97)	+	51
Fort St. John	1401	472.20	2.97 (2.71)	3.84 (2.88)	-	75*
Pouce Coupe	905	369.48	2.45 (2.21)	3.06 (2.13)	-	101*
Taylor	429	309.92	1.39 (1.97)	1.48 (1.76)	-	156

* tied in provincial ran   + gap worsened   – gap improved   = gap same

Peace River Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Powell River

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
Powell River	1796	315	5.69 (4.13)	3.78 (2.74)	+	4

* tied in provincial rank   + gap worsened   – gap improved   = gap same

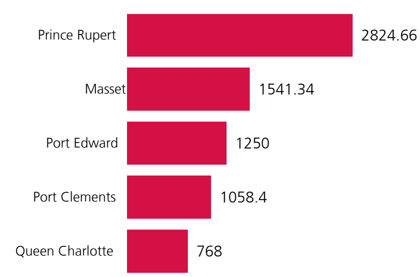
Powell River Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

Skeena-Queen Charlotte

	Municipal business taxes per $100,000	*Municipal residential taxes per $100,000*	*Municipal Gap '08 (Total Gap)*	*Municipal Gap '03 (Total Gap)*	*08-03*	*Provincial Rank*
Prince Rupert	2824	807	3.50 (2.93)	3.01 (2.50)	+	36*
Queen Charlotte	768	255	3.00 (2.04)	n/a	n/a	73
Port Edward	1250	500	2.50 (2.22)	2.60 (2.08)	-	98
Masset	1541	629	2.45 (2.03)	2.45 (2.06)	=	101*
Port Clements	1058	529	2.00 (1.76)	2.00 (1.77)	=	139*

* tied in provincial ran   + gap worsened   – gap improved   = gap same

Skeena-Queen Charlotte Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)

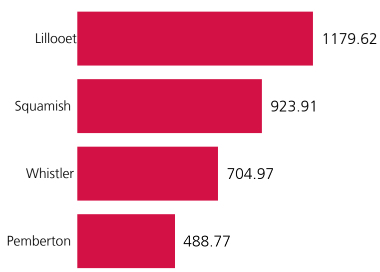


Squamish-Lillooet

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Whistler	704	201	3.50 (3.70)	3.72 (3.74)	-	36*
Squamish	923	345	2.67 (3.07)	2.49 (2.88)	+	90*
Lillooet	1179	462	2.55 (2.29)	2.00 (1.94)	+	96
Pemberton	488	199	2.45 (2.97)	2.45 (3.09)	=	101*

* tied in provincial rank + gap worsened – gap improved = gap same

Squamish-Lillooet Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)



Sunshine Coast

	Municipal business taxes per $100,000	Municipal residential taxes per $100,000	Municipal Gap '08 (Total Gap)	Municipal Gap '03 (Total Gap)	08-03	Provincial Rank
Gibsons	668	170	3.92 (3.36)	2.84 (2.72)	+	20
Sechelt Indian Government	615	251	2.45 (2.86)	2.45 (2.56)	n/a	101*
Sechelt	508	247	2.05 (2.68)	2.32 (2.49)	-	136*

* tied in provincial rank + gap worsened – gap improved = gap same

Sunshine Coast Regional District, municipal taxes on commercial property per $100,000 of assessed value, 2008 ($)