

## Crown corporations told to pay fair taxes to municipalities

Federal Court judge says bureaucrats cannot arbitrarily decide how much to give

Elizabeth Thompson, with files from Derrick Penner

CanWest News Service; with files from Vancouver Sun

*Friday, August 31, 2007*

OTTAWA -- In landmark decisions that could have repercussions for cities and towns across the country, a Federal Court judge has ruled that the federal government and its Crown corporations have a duty to pay their fair share to municipalities for the properties they own.

In three cases that pitted the City of Montreal against the federal government and two of its Crown corporations, Justice Luc Martineau ruled that federal officials cannot arbitrarily decide how much they will pay the city, and overturned decisions by bureaucrats to pay the city considerably less than the city would have received from a private property owner.

In British Columbia, municipal officials welcomed word of the decision as potentially good news that will help municipalities resolve disputes with the federal government over payments to municipalities in lieu of property taxes.

"Maybe it will set some sort of precedent and [give municipalities] some leverage," Richard Taylor, executive director of the Union of B.C. Municipalities, said.

For Montreal, Martineau's three rulings could result in the federal government paying the city an additional \$18 million, if his decision is upheld.

"These judgments are important for Montrealers because it means in the future we'll be able to collect more taxes and that's always good for projects and for the overall quality of life for residents of the city," said Patricia Lowe, spokeswoman for the city.

Lowe and lawyer Luc Lamarre who represented the City of Montreal, say the rulings are important ones because they mark the first time the city has tested the laws that govern the complicated relationship between cities and the federal government when it comes to property taxes.

"It's also important for the government of Canada because it is the first time that the constitutional immunity of the tax laws has been really questioned or brought before the courts so the courts could interpret that article," said Lowe.

Lowe said the rulings could have a significant impact for other cities across the country and for other federally owned properties.

In theory, the federal and provincial governments and their Crown corporations are not subject to municipal property taxes because they are higher levels of government.

Instead, Ottawa and the provinces -- who together own billions of dollars of property -- pay grants in lieu of those taxes to municipalities across the country.

However, disagreements sometimes arise over what the value of those grants should be.

In B.C., the provincial property assessment authority sets the value of all commercial and residential properties in the province. Municipalities then set tax rates that are applied to assessment-authority values to calculate property taxes.

"The federal government has never accepted [B.C. Assessment Authority] values," Isabel Gordon, director of finance at the City of North Vancouver said in an interview.

"They always set their own valuations, and their valuations are different, usually smaller than what the assessment authority establishes."

Gordon added that North Vancouver's biggest problem has been a recent provincial government decision that resulted in a big reduction in port property taxes, so she found it "quite interesting" the federal court would find that the Montreal port wasn't meeting its obligations as a Crown corporation.

"This may make some difference to us, but without seeing the ruling I don't know," Gordon said.

© The Vancouver Sun 2007

CLOSE WINDOW

---

Copyright © 2007 CanWest Interactive, a division of CanWest MediaWorks Publications, Inc. All rights reserved.