**regulated industrial property assessment minister’s GUIDElines**

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TABLE OF CONTENTS

1. Definitions
2. Purpose
3. Interpretation

**Part 1  
Reporting Requirements**

1. Definitions
2. Reporting of information
3. Reporting of total project costs
4. Labour reporting
5. Reporting projects under construction
6. Inadequate reporting and estimates

**Part 2  
Determination of Included cost**

1. Estimates
2. Annually included cost
3. Carry forward rule

**Part 3  
 Labour and Transportation Costs Determination**

**Division 1**

**Labour Costs Determination**

1. Definitions
2. Labour costs during construction

**Division 2**

**Transportation Costs Determination**

1. Definitions
2. Application
3. Property located in the Edmonton area
4. The Edmonton area principle

**Part 4  
Determination of Excluded Costs**

**Division 1**

**General Rules**

1. Responsibility for determination of excluded costs
2. General rule

**Division 2**

**Excluded Costs**

1. Definitions
2. List of excluded costs
3. Costs which must not be excluded

**Part 5  
Removals**

1. Definitions
2. Removal of assessed property

**Part 6  
Effective date**

1. Coming into force

**Definitions**

**1**(1) In these Guidelines,

1. “Act” means the *Municipal Government Act*;
2. “alteration” means any change from the previous state of the assessed property,
   1. including work to improve the operational capacity or efficiency of the assessed property, to extend the life of the assessed property, and any additions, upgrades, modifications, replacements, reconditioning and retrofits of the assessed property;
   2. but not a removal under Part 5;
3. “assessment year” means the year prior to the year for which the assessment is prepared;
4. “construction” means building, installation, edification, of all-new assessed property;
5. “contractor” means the person or firm designated by contract as responsible for the construction of the assessed property;
6. “direct costs” means the costs for labour, materials, and installation which can be directly related to the project work being carried out at the assessed property;
7. “Edmonton area” means the City of Edmonton and the surrounding area within 50 kilometres of the city limits;
8. “included cost” is the cost determined in accordance with section 11;
9. “indirect costs” means costs incurred away from the site of the assessed property or are costs that relate to the project but not directly;
10. “labour” means all types of work performed by natural persons, including physical and mental work, either by an employee or a contractor, and includes work in any type of occupation described in the National Occupation Classification;
11. “labour costs” means the cost for labour associated with the project.
12. “materials” means all things of a physical nature used in the project, including
    1. raw materials, components, but not tools, vehicles or equipment that will not form part of the assessed property after it is operational,
    2. disposable things of a physical nature consumed during the course of the project, and
    3. electronic technology and software that is part of the assessed property or required to operate the assessed property according to its intended purpose;
13. “Minister’s Guidelines” means any other guideline adopted by the Minister under section 322(2) of the Act;
14. “National Occupation Classification” means the *National Occupation Classification, 2011*, published by Statistics Canada, as updated by the *National Occupation Classification, 2016*, and as otherwise amended or replaced by Statistics Canada from time to time;
15. “operational” has the meaning prescribed in section xx(yy) of the Regulation;
16. “project” means the construction or alteration of assessed property;
17. “report” means an assessed person’s response to a request for information sent under section 5(1);
18. “Regulation” means the *Matters Relating to Assessment and Taxation Regulation, Alberta Regulation 220/2004*;
19. “total project costs” means all costs incurred over a project’s duration by the assessed person and any agents, contractors, or other persons contributing to the project from the beginning of front end planning, including all onsite and offsite costs, as well all direct and indirect labor costs, costs for materials, transportation costs and other costs.

(2) Except where this Guideline contains a different definition, the definitions in section 284 of the Act apply.

(3) The text in shaded boxes does not form part of this Guideline but is provided for information purposes.

**Purpose**

**2** This Guideline is used for the calculation of included cost for property assessed under the A*lberta Linear Property Assessment Minister’s Guidelines* and the *Alberta Machinery and Equipment Assessment Minister’s Guidelines* where an included cost must be prepared.

**Interpretation**

**3** This Guideline must be interpreted in manner consistent with

1. ensuring the transparency and accuracy of assessment information required to prepare assessments for linear property and machinery and equipment;
2. ensuring the transfer of information during construction as well as alterations during the life of the assessed property; and
3. achieving consistency in regulated industrial assessment through consistent application of the Regulation and Minister’s Guidelines.

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| As the intent of regulated assessment is standardization, the principles applied in this Guideline will be used to prepare the regulated rates Schedule A of the *Alberta Linear Property Assessment Minister’s Guidelines* and the *Alberta Machinery and Equipment Assessment Minister’s Guidelines*. |

**Part 1**

**Reporting Requirements**

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| **Background: An Assessor’s Authority to Request Information**  **and Each Assessed Person’s Duty to Respond**  Assessors request information for the purposes of preparing assessments or determining if a property is to be assessed.  Every assessed person has a statutory duty to provide information to the assessor about the assessed person’s property.  An assessed person who does not provide the information requested by an assessor in a request for information, within the statutory time frame, gives up the right to file a complaint in respect of the assessed property.  Further, where an assessed person does not provide information requested, an assessor can make application to the Court of Queen’s Bench for an order requiring an assessed person to produce the information requested.  All information reported to or obtained by the assessor may be used for assessment purposes under Parts 9-12 of the *Municipal Government Act*.  The information in the assessor’s possession is subject to access and confidentiality provisions. The information also may be subject to the *Freedom of Information and Protection of Privacy Act.*  For details, refer to sections 294-301.1 of the *Municipal Government Act*. |

**Definitions**

**4** In this Part,

1. “RFI” means any request for information made by the assessor to the assessed person to provide information required to prepare the assessment under sections 294 and 295 of the Act;
2. “incurred”, with respect to a direct cost, means a cost for labour that was performed or for materials that was provided or otherwise acquired during the assessment year;
3. “supporting documentation” means any documentary information that substantiates a project activity cost and includes, but is not limited to, copies of feasibility studies, quantity adjusted budgets, design basis memorandums, authorizations for expenditure, engineering design specifications, plot plans, process flow diagrams, change orders, project close out reports, wage rate breakdowns, and invoices.

**Reporting of information**

**5**(1) The assessor must send an RFI requesting total project costs in respect of the assessed property, in writing, to the assessed person after a project has begun, and annually thereafter.

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| Projects assessed using these guidelines vary in scope and scale. The assessor may require subsequent detail or clarification of submitted information in order to prepare the assessment. RFI refers to the initial and any subsequent request for information made by the assessor to the assessed person for information on the property in question. |

(2) The assessed person must provide a report to the assessor prepared in accordance with this Part.

(3) The report by the assessed person must be in a form and format acceptable to the assessor, with sufficient detail that ensures the accurate level of detail for the purposes of ascertaining total project costs.

(4) Where the assessed person is a corporation, a report sent to the assessor by any person on behalf of the corporation, must indicate that the person has been duly authorized to provide the report.

(5) A report provided in accordance with subsection (4) is deemed to have been provided to the assessor by a person duly authorized by the corporation.

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| While accounting rules separate operating and capital costs, regulated assessment rules are different. Some of the costs that accounting rules consider to be operating costs are assessable according to regulated assessment rules, while some of the costs that accounting rules consider to be capital costs are not assessable according to regulated assessment rules. Since an assessor must analyze each cost according to these Guidelines, reporting of all costs relating to a project, be it a construction or alteration project, is required. |

**Reporting total project costs**

**6**(1) Total project costs must be reported on an annual basis reflective of the year in which the cost was incurred.

(2) The assessed person must provide supporting documentation for total project costs provided in the report.

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| In case of doubt about whether costs should be considered to be part of the total project costs, a cost of a type referred to in this Guideline, which may be included or excluded, must be reported. |

(3) For the purposes of preparing a report, the assessed person may separate costs reported under this part into the following categories:

1. land,
2. buildings and structures,
3. machinery and equipment, and
4. linear property.

(4) Indirect costs relating to a project

1. must indicate an allocation with respect to land, buildings and structures, and either machinery and equipment or linear property, as the case may be,
2. must be allocated on the basis of the proportion of labour, materials, transportation*,* and other costs incurred by the assessed person and associated with the project, and
3. must be labelled as ‘indirect costs’ on the report.

**Labour reporting**

**7** The assessed person’s report must include the following information about labour

1. the total costs of labour performed on the project;
2. a classification of labour working on the project, according to the National Occupation Classification; and
3. the hours worked on the project, by labour classification.

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| Although some labour and transportation costs may be not be used in the calculation of the total project costs, assessed persons are still required to report all actual transportation costs. |

**Reporting projects under construction**

**8** Where an assessed property is under construction, whether or not it is operational for the purposes of the Act, the assessed person must provide in a report the total project costs incurred for each year in which the project is under underway, in accordance with this part.

**Inadequate reporting and estimates**

**9**(1) Where an actual cost of a portion of work, materials, transportation, or other activity performed, supplied or delivered, in respect of a project is not available, the assessed person may provide a project specific engineering estimate of that cost to the assessor.

(2)Where the assessor disagrees with an estimate provided under subsection (1) or determines that an RFI response does not meet the requirements of this part, the assessor may

1. send a written description of deficiencies to the assessed person,
2. use engineering estimates to split costs by the different categories for the purposes of this Guideline, where costs are reported in a consolidated form that does not segregate the different types of costs referred to in this Guideline, and
3. impute total project costs on the basis of the best information available to the assessor, including estimates for the construction of the project either with the agreement of the assessed person or without.

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| Industry cost reporting averages or standards are not acceptable substitutes for project specific engineering estimates, and must not be used for the purposes of preparing included cost under this Guideline. |

**Part 2**

**Determination of Included cost**

**Estimates**

**10**(1) Where actual costs are not available for a project activity, estimates provided or made under section 9 are deemed to be costs for the purposes of determining total project costs,

(2) Where the actual costs for a project activity become available, after an estimate was deemed to be a cost under subsection (1), the total project costs must be amended to reflect the costs incurred.

**Annually included cost**

**11**(1) in this section,

1. “excluded costs” are determined in accordance with Part 4;
2. “total labour costs” are determined in accordance with section 14
3. “other costs” are equal to total project costs minus excluded costs;
4. “transportation costs” are determined in accordance with Part 3, division 2;
5. “removal costs” are determined in accordance with Part 5.

(2) Included cost for an assessed property are to be determined for each year in which a project-related activity occurs.

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| Where an assessed property has included cost for multiple years, each year’s included cost should be multiplied by the appropriate cost factor in Schedule A. The sum of all included cost x cost factors should be used as the Schedule A amount. |

(3) The included cost for 2018 and any subsequent year is to be calculated in accordance with the following formula:

Included cost = total labour costs + transportation costs + other costs – removal costs

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| The included cost calculation has four main factors: labour costs, transportation costs, other costs, and removal costs.  Labour and transportation costs are subject to special calculation rules under Part 4.  Other costs is a residual category for other project activities that consists of total costs minus excluded costs (which also subtracts labour and transportation costs), determined under Part 3.  Removal costs, determined under Part 5, are usually incurred long after original construction, and apply to parts of assessed property that removed, including by alteration. |

(4) Subject to subsection (5), the included cost for 2017 and any prior year is to be determined in accordance with the *2005* *Construction Cost Reporting Guide.*

(5) Where an assessed property becomes operational in 2018 or a subsequent year, included cost for years prior to the year in which the assessed property became operational are to be calculated in accordance with the formula in subsection (3).

**Carry forward rule**

**12** Despite section 11(3-5), the included cost, determined in the process of preparing the prior year’s assessment, for each year prior to the year for which the assessment is prepared must be used without modification, except if any of the following apply

1. an included cost was based on an estimate made under section 9, and actual project costs which were the subject of an estimate become available, the assessment must reflect those actual project costs in accordance with section 10(2),
2. the assessed property was not operational in a prior year (as no assessment was prepared for the assessed property), and
3. Part 5 requires that a portion of the included cost be removed to reflect the costs of former assessed property (removals, including removals for alterations).

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| Section 10(2) contains a grandfathering rule, where the included cost used to calculate past years assessments must be carried forward unless the exceptions listed in clauses (a) to (c) apply. This approach avoids the need to   1. report on past years; 2. re-do work for past years. |

**Part 3**

**Labour and Transportation Costs Determination**

**Division 1**

**Labour Costs Determination**

**Definitions**

**13** In this division,

1. “Alberta Wage and Salary Survey” means the wages and salary information prepared by the Government of Alberta’s Ministry of Labour, as updated from time to time, and includes any successor wage-information program operated by the Government of Alberta.
2. “rate” means the overall median wage, per hour, determined by the Alberta Wage and Salary Survey for a National Occupancy Classification,
   1. where Edmonton region data is available, for the Edmonton region,
   2. where Edmonton region data is unavailable, for the Alberta region.
3. “excluded costs” means only the costs listed in section 22(2).

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| As of spring 2017, the Government of Alberta’s Ministry of Labour Learning Information Service wage information is contained on the “OCCinfo” website, located online at www.occinfo.alis.alberta.ca/occinfopreview/info/browse-wages.html |

**Labour costs during construction**

**14** (1) The portion of included cost that reflects labour costs for a project for a year must be determined only in accordance with this section.

(2) Where an assessed person reports labour costs for a classification on the basis of

(a) the classification, according to the *National Occupation Classification*, and

(b) classification hours worked,

the labour costs for the classification must be determined according to rate by the classification’s hours worked.

(3) Where the assessed person’s report does not include complete information with respect to a labour classification according to the *National Occupation Classification* or hours worked, the labour costs for the classification must be determined according to the actual labour costs incurred for that classification.

(4) Total labour costs must be determined as the sum of 14(2) and 14(3) less any excluded costs.

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| Some RFI response reports may contain complete information for some National Occupancy Classifications and incomplete information about other National Occupancy Classifications. It is appropriate to determine labour costs on the basis of the most complete information available, using actual costs for some labour, and NOC-calculated costs for other labour. All of the labour costs (both actual and NOC-calculated) are added together to determine raw labour costs. |

**Division 2**

**Transportation Costs Determination**

**Definitions**

**15** In this division, “transportation costs” means the costs of transportation of materials to the assessed property’s location, from wherever the materials originated, except for

1. the costs of transportation of materials from the place the materials originated, to the extent that those costs of transportation are built into the materials’ consolidated purchase price.
2. the cost to load and unload materials, and
3. the cost of moving materials at, on, and around the location of the assessed property.

**Application**

**16** The transportation costs for a project in a year consist of the sum of each transportation cost determined in accordance with this division.

**Property located in the Edmonton area**

**17** Where materials are transported to an assessed property in the Edmonton area, the actual costs of transporting those materials are a transportation cost.

**The Edmonton area principle**

**18** Where materials are transported to an assessed property located somewhere other than the Edmonton area, the transportation cost must be determined as follows:

(a) if the materials originated at a place further away from the location of the assessed property than the Edmonton area, and

(i) if the actual costs of transportation of those materials to the City of Edmonton from their point of origin can be ascertained,

(A) the transportation cost is the actual cost of transporting the materials to the City of Edmonton from their point of origin, which may be determined on a pro-rated basis, and

(B) any other actual costs of transporting the materials past the City of Edmonton, which may be determined on a pro-rated basis, is not a transportation cost for the purposes of this section; or

(ii) if the actual costs of transportation of those materials to the Edmonton area from their point of origin cannot be ascertained, or the materials did not travel through the Edmonton area,

(A) the transportation cost must be estimated on the basis of transportation of those materials from the point of origin to the City of Edmonton, and

(B) the actual costs of transportation of those materials are not a transportation cost for the purposes of this section;  or

(b) if the materials originated at a place closer to the location of the assessed property than the Edmonton area, the estimated cost of transporting the materials to the City of Edmonton is the transportation cost.

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| The transportation costs determination is designed to treat all assessed property as if it is located in the Edmonton area. By treating it as if it is in the same location, this allows transportation costs to be standardized.  If a transportation cost is built into the purchase price of a material, then there is no transportation cost to be determined for the purposes of section 18. There is only the price of the material, which is not to be adjusted for transportation costs. If, however, the vendor has shipped the material, and charged a separate shipping cost, then the shipping cost may be standardized according to section 18. |

**Part 4**

**Determination of Excluded Costs**

**Division 1 – General Rules**

**Responsibility for determination of excluded costs**

**19** The assessor determines excluded costs in accordance with this Guideline.

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| The assessed person or the company representative may communicate disagreement with the assessor’s determined excluded cost and cite the appropriate section of this Guideline, providing a full written explanation of the disagreement and including supporting documents.  Any proposal which does not meet the criteria in the definition for excluded cost must be rejected by the assessor. |

**General rule**

**20** Costs may only be subtracted from total project costs as excluded costs where

1. the costs expressly qualify as excluded costs under section 23; and
2. the costs are not costs that must not be excluded under section 23.

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| All costs are included cost, unless the cost qualifies as an excluded cost. Therefore, the list of potential included cost is non-exhaustive, while the list of excluded costs is a complete list. |

**Division 2 – Excluded Costs**

**Definitions**

**21 I**n this Division,

“standby equipment” means costs for equipment intended to maintain continuous operation of a particular function in the event of peak loading or failure at the site when it is not feasible to shutdown operation to replace a faulty piece of equipment;

**List of excluded costs**

**22**(1)Costs must not be considered as excluded costs where

1. there is factual ambiguity as to whether or not costs qualify as excluded costs under subsection (2), or
2. there is inadequate detail provided in a report to the assessor to determine whether a cost is entirely an excluded cost.

(2) Subject to section 23, the following costs must be treated as excluded costs:

**Remediation costs**

1. where remediation work is required, costs incurred to bring the land on which the assessed property is located up to the quality of raw land in the vicinity prior to construction so the project may begin, except to the extent that section 23(1)(g) (site finishing) applies;

**Cancellation charges**

1. where a contract is cancelled, costs in the form of payments made to a contractor for damages, including liquidated damages;

**Regulatory Fees**

1. costs in the form of legally imposed regulatory license and approval fees and charges associated with the project;

**GST, HST, and PST**

1. costs in the form of excise taxes, including goods and services taxes, harmonized taxes, and provincial sales tax paid on materials and labour;

**Import duties**

1. to the extent that the costs are not built into the purchase price of materials, costs in the form of
   1. federally imposed import charges, including duties and tariffs, but not charges under the *Special Import Measures Act* (Canada), and
   2. brokerage fees levied on imported materials,

to the extent that these duties and fees increase the cost of imported materials over comparable materials made in Canada;

**Property and business tax**

1. costs in the form of property and business taxes;

**Intellectual Property Fees**

1. costs in the form of fees for the use of intellectual property, including patent fees and royalties, but not software licenses;

**Interest costs**

1. costs in the form of interest to finance the project or part of it, and interest owed on payments to third parties;

**Living allowances**

1. costs associated with living allowances, to the extent they are provided, including
   1. meal allowances,
   2. work camps, and
   3. lodging and meal reimbursements;

**Computer costs**

1. except to the extent described in section 23(1)(b) (computer costs), costs associated with computer hardware and software used to support corporate business activities on the assessed property but not related to the project, such as accounting, management, payroll, and human resources;

**Spare equipment**

1. costs associated with equipment and other machinery that is not in use but is stored on site and not designated as standby equipment;

**Work slowdown, work stoppage or strike**

1. non-labour costs associated with work stoppages resulting from a situation where,
   1. an unauthorized work stoppage occurs, or
   2. work stoppage that occurs as a consequence of an unforeseen catastrophic event;

**Catastrophic events**

1. costs directly associated with unforeseen catastrophic events event such as a fire, explosion, flood or natural disaster, including
   1. mitigation of an unforeseen catastrophic events, and
   2. repair and reconstruction necessitated by the unforeseen catastrophic event;

**Interference costs**

1. costs associated with ensuring the structural integrity of existing buildings, and the re-location of existing utilities and lines including the rerouting of piping, electrical lines, or telecommunications lines;

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| Interference costs are typically incurred when working in close proximity to an existing facility or structure. Costs are associated with safety considerations, such as the cost of pilings, earthworks, and scaffolding to protect nearby existing structures, lines, and operations. |

**Debottlenecking**

1. during construction, costs arising as a result of the need to modify or alter parts of the assessed property which unexpectedly limited or prevented operation of the assessed property, or prevented the assessed property from reaching its designed capacity;

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| Debottlenecking is intended to exclude the costs of design-based do-overs that occur during construction. While included cost are intended to broadly reflect a standardized cost of construction, the cost is not intended to reflect work done two or more times due to design changes. However, costs excluded from de-bottlenecking should not reflect costs associated with do-overs due to construction errors and faulty installations. |

**Removal costs**

1. as part of an alteration, costs directly related to the removal of or decommissioning assessed property when replaced by new assessed property, but does not include the costs to construct the new assessed property;

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| The costs of removing assessed property during an alteration are not assessable. See also Part 5, removal of former assessed property. |

**Commissioning costs (testing, pre-production, start-up)**

1. costs associated with operating the operational processing or manufacturing systems in the assessed property, including:
   1. testing, analyzing, and verifying the operation of the systems,
   2. adjustments to installed devices to produce a product to design specifications,
   3. the initial process run to produce product to design specifications, and
   4. training of staff for the purposes of operating the assessed property.

**Reclamation costs**

1. costs incurred to restore any site in the vicinity of the assessed property to the quality of neighbouring raw land after construction is complete, if reclamation work is required as a result of the project;

**Bonuses**

1. costs in the form of bonus payments for completion of the project or portion of the project prior to a stipulated deadline; and

**Property not assessed under these Guidelines**

1. costs of land, buildings, and structures, and other property that does not form part of the assessed property.

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| Project costs that relate to property that is not assessed property under this guideline are excluded from the included cost calculation. For example, some project costs may relate partially to the construction of machinery and equipment (or linear property) and partially to buildings and structures. Costs attributable to property that is not assessed by using this guideline are excluded. |

(3) The following costs must also be treated as excluded costs:

**Labour**

(a) costs of labour as determined by section 14,

**Transportation**

(b) transportation costs as determined in Part 3, division 2.

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| Labour costs and transportation costs are treated separately from other costs, and are therefore excluded costs for the purposes of this section. However, labour and transportation costs are ‘added back in’ after separate calculations in Part 4.  Additionally, the excluded costs list in section 22(2) applies to Part 4. To avoid a circularity, labour costs are excluded in the subsequent subsection. |

(4) The excluded costs stipulated in section 22(2) and (3) is exhaustive.

**Costs which must not be excluded**

**23**(1) The following costs must not be treated as excluded costs in a determination of excluded costs under section 22(2):

1. costs relating to communications systems for internal and monitoring purposes, including supervisory control and data acquisition systems;
2. costs relating to electronic technology, including computing hardware and software used to monitor and control construction of the assessed property, the operation of the assessed property, including a production process, or a portion thereof;
3. costs relating to equipment maintenance, including but not limited to maintenance, repair, replacements, turnarounds, and winterization;
4. costs associated with the installation of assessed property before, after or resulting from commissioning, pre-production runs, and start-ups;
5. costs relating to the acquisition of materials used for construction of the assessed property;
6. costs associated with monitoring, control and management project work or construction;
7. costs relating to site finishing;
8. costs relating to clean-up after a project, including the, removal of rubbish;
9. cost relating to security, including camera systems, alarms, and exterior lighting,
10. costs relating to fire protection including housings, hydrants, fire lines, and suppression systems;
11. costs relating to site preparation, including clearing, leveling and finishing the site to standards typical of land which has been stripped and graded to the standards typical for industrial land in the municipality prior to the field installation of any structures, buildings, (machinery and equipment or linear property) in the municipality where the assessed property is located;
12. costs relating to having equipment ready on a stand-by basis;
13. costs relating to testing operational systems during construction, including construction equipment, scaffolding, pumps, tools, and consumable supplies;
14. costs relating to delays, schedule slippage, and unproductive labour, except for work stoppages, debottlenecking and removals.

**Part 5**

**Removals**

**Definitions**

**24**(1)In thissection, “former assessed property” means a portion of property that was assessed property in a prior year, but

1. was removed,
2. ceased to be operational,
3. otherwise became non-assessable

but a remaining portion of the assessed property continues to be in place, operational or otherwise assessable.

**Removal of assessed property**

**25** (1) Where the assessed property’s included cost from a prior year includes costs attributable to former assessed property, the included cost of the assessed property must be adjusted in accordance with this section.

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| Where property is replaced, the original included cost for the property that is removed should be removed from the year(s) in which that property was first assessed, and new included cost should be added on the basis of the year of the alteration.  If the first operational date of the property that is subsequently removed is prior to January 1, 2018 then the determination of that cost which will be removed should be in accordance with the 2005 Construction Cost Reporting Guide |

(2) The assessor must determine, on the best available evidence, or where no evidence is available by estimate, the included cost for the former assessed property.

(3) The included cost for former assessed property may be removed from the included cost of the assessed property on a year-by-year basis or as a multi-year amount, based on whichever approach is more appropriate in the circumstances, according to the discretion of the assessor.

(4) This section applies to alteration projects where former assessed property is removed and replaced with new assessed property.

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| The installation of any material that improves operational capacity, efficiency, or life expectancy of the facility after the facility becomes operational is assessable. This includes any additions, modifications, replacements, reconditioning, and retrofits. The assessed person must annually report any additions and modifications made to the facility. |

**Part 6**

**Effective date**

**Coming into force**

**25** This Guideline comes into effect on January 1, 2018.