

Annexation Matters

Section 137 of the Municipal Government Act (MGA) provides that an order of annexation may include provisions dealing with assessment and taxation. What are reasonable assessment and taxation conditions to include in an order?

Annexation orders often include assessment and taxation conditions intended to address the concerns of a municipality and/or landowner. A municipality from which property is annexed, may request compensation from the annexing municipality for a certain period of time. For example, a municipality may request that it be paid a portion of the tax revenue received from the annexed properties for a certain number of years.

Assessment and taxation conditions to address concerns of landowners affected by an annexation may also be included in the order. In some cases the property will be assessed and taxed as if it were still located in the original municipality. Such a condition usually applies to agricultural properties for a certain period of time, as long as the property's use does not change.

Assessment and taxation conditions should be viewed as transitional and therefore have a clear end date. If determined necessary, a municipality may subsequently apply to extend the conditions for a longer period of time.

Section 138 of the Municipal Government Act (MGA) allows an order of the Lieutenant Governor in Council to be applied retroactive. What are some possible impacts of using section 138 to make an annexation order retroactive?

Generally this section is used to make an order effective on either January 1 or July 1 of a particular year. These two dates are recommended as January 1 mirrors the financial year and July 1 accommodates annexation applications processed mid-year.

Using a retroactive effective date can have serious problems in some situations. For example, if an annexation is retroactive to January 1 but not approved until after the properties have already been assessed and the taxes collected, the municipalities

must adjust their assessment and tax rolls. This is further complicated if tax rates differ between the two municipalities. This would require either a refund to property owners or a new levy to address the outstanding taxes. This scenario should be kept in mind when considering using a retroactive effective date.