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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

MUNICIPAL AFFAIRS

31 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON MUNICIPAL AFFAIRS
Monday, 24 January, 1983

TIME — 10:00 a.m.

LOCATION — Souris, Manitoba

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM — 6

Members of the Committee present:

Hon. Messrs. Adam, Bucklaschuk, Kostyra and Plohman

Messrs. Anstett, Ashton, Banman, Blake, Carroll, Driedger and Gourlay

APPEARING: Mr. Gerry Forrest, Deputy Minister, Department of Municipal Affairs

Mr. Bob Brown, Co-ordinator of Research, Department of Municipal Affairs

Mr. Bob Clarkson, former Secretary of the Manitoba Assessment Review Committee

Mr. Jake Reimer, Provincial Municipal Assessor, Department of Municipal Affairs

WITNESSES: Mr. Dennis H. Heeney, Private Citizen, Rural Municipality of Elton

Mr. Sid Ransom, Private Citizen

Mr. Bill Rolston, Private Citizen

Mr. Donald J. Alexander, Reeve, Rural Municipality of Thompson

Mr. W. G. Goodwill, Private Citizen

Messrs. John Whitaker and Lyle Ross, National Farmers Union, Local 516

Mr. Ivan Stocks, Reeve, Rural Municipality of Roland

MATTERS UNDER DISCUSSION:

Report of the Manitoba Assessment Review Committee (MARC - Weir Report).

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MR. CHAIRMAN: Committee come to order please. Gentlemen, we have a quorum. Ladies and gentlemen, on behalf of the committee, I would like to welcome you all here to our committee meeting - the Standing Committee on Municipal Affairs.

As most of you know, the purpose of this committee is to hear representations with regard to a resolution passed by the Legislative Assembly at the last Session. That resolution reads as follows:

WHEREAS the Report of the Manitoba Assessment Review Committee has made certain recommendations to the Government of Manitoba, and;

WHEREAS the Government of Manitoba wishes to hear the views of the citizens of Manitoba with respect to the report;

THEREFORE BE IT RESOLVED that the Standing Committee on Municipal Affairs be authorized to elicit

the views of the citizens of Manitoba with respect to the report by holding such public hearings as may be deemed advisable, and;

THEREFORE BE IT FURTHER RESOLVED that the committee report at the next Session of the Legislature.

The format for the meeting today will include brief presentations by staff for the benefit of those here. These presentations will be geared to a brief outline of the Weir Report Recommendations and a review of the methodology used by the Department of Municipal Affairs staff of the report and the impact of the report.

I will be calling on the Minister in a moment to introduce his staff, but first of all I'd like to introduce the members of the committee. Seated immediately beside me is the Honourable Pete Adam, Minister of Municipal Affairs and Member for Ste. Rose; beside Mr. Adam, the Deputy Minister of Municipal Affairs, Mr. Gerry Forrest; taking his seat now, Mr. Steve Ashton, the Member for Thompson; beside Steve, Mr. Henry Carroll, the Member for Brandon West; the Honourable John Plohman next to him, the Minister of Government Services and Member for Dauphin; the Honourable Eugene Kostyra, the Minister of Urban Affairs and Member for Seven Oaks in Winnipeg; the Honourable John Bucklaschuk, the Minister of Consumer Affairs and Member for Gimli.

At the far end on the other side, Mr. Don Orchard, the Member for Pembina; beside Don, Mr. Bob Banman, the Member for La Verendrye; Mr. Doug Gourlay, the Member for Swan River; beside him - you may have trouble recognizing him - but that's Dave Blake, the Member for Minnedosa; and beside him, Mr. Albert Driedger, the Member for Emerson.

Ladies and gentlemen, those are the members of your committee. My name is Andy Anstett. I am the chairman of the committee and the Member for Springfield.

I'd now like to call on the Minister to introduce his staff and the staff presentations. Following the staff presentations there will be a brief question and answer period for members of the public to ask questions of staff regarding either the technical information in the report itself or on the analysis that has been done by staff.

After that presentation and the question and answer period, we will then hear briefs, and I know that's why many of you are here to make presentations to the committee and those will commence as soon as those short presentations are over.

If anyone is here to make a presentation to the committee and has not registered with the Clerk, the Clerk of Committees is on my right. You can slip over here and give the Clerk your name so that it will appear on the list. We'll have a better idea, then, of how many presentations we're going to have. So far we just have, I believe, seven or eight on the list and there appears to be a lot more people than that here.

So with no further ado, Mr. Adam.

HON. A. ADAM: Thank you very much, Mr. Chairman, members of the Standing Committee, and ladies and gentlemen.

In April of this year, I was pleased to receive the final report of the Manitoba Assessment Review Committee. This committee was chaired by Mr. Walter Weir, who was appointed by Order-in-Council on July 25, 1979. The committee was directed to inquire into and report on all aspects of real property assessment in Manitoba. The committee's report entitled "A Fair Way to Share" provides some 164 recommendations and suggested improvements to the assessment system in Manitoba. The volume of material contained in this final report is indicative of both the amount of work put into the study by Mr. Weir's committee and on the scale of problems facing the assessment system in Manitoba.

In my opinion, two categories of action are required before decisions can be made regarding implementation of any of the Assessment Committee's recommendations. First of all, there has to be an evaluation of the impact on the property owner of any major changes proposed in the assessment system. Accordingly, upon receipt of the report, I immediately instructed my staff to determine a method of testing the impact of major recommendations and to report their findings to myself as soon as possible. At the same time, I approached my Cabinet colleagues and requested that they name a staff individual to join with a representative of my department on an Interdepartmental Task Force to ensure that our evaluation of the assessment recommendations included the expertise from all affected government agencies.

In this latter regard, I might mention in particular, the obvious connection that must exist between the review of education financing that is being carried out within the Department of Education and our own evaluation of assessment system upon which much of education financing is based. I believe we are now at a point in time where our first course of action, that of the technical evaluation of the impact of the recommendations, has reached a stage where we can commence the second course of action, that of a public consultation.

I recently forwarded to all municipalities and school divisions and to all those individuals who have made submissions to the Assessment Review Committee a copy of a staff document providing a statistical analysis of the impact of implementing several of the major Review Committee's recommendations. I have additional copies of this document here today for those who did not receive one.

Sometime ago I promised that I would be asking my fellow members of the Municipal Affairs Committee of the Legislature to take part in public meetings where we could receive your opinions on the Assessment Report. I am looking forward to hearing your views today and to reading your submissions on the report of the Manitoba Assessment Review Committee. I can assure you that your views will be given serious consideration, and that as our research continues, we will continue to welcome further advice on the subject.

Now, before I introduce my staff, I would like to emphasize and give you an overview of the terms of reference of this committee, and there are two issues involved. I know, to yourselves, there are two issues. The one issue that this committee has, the terms of reference apply, is the dealing with the report that was prepared by the Weir Committee. There are two issues

involved. On one side there are the problems that exist within the assessment system, and the other side is the issue of property taxes. They are two distinct issues while they are closely interrelated. Why we are here today is to deal with the recommendations of the Weir Committee, and the green paper that we have distributed to you is to assist you in addressing the recommendations in the Weir Report. So with that understanding, we know that there will be some brief today that deals with the taxation side of the issue, but this committee does not have the terms of reference to deal with that. This is not a court of revision; it is a committee that is set up to try and address the problems that have developed over many many years into the assessment side of the issue.

At this time, Mr. Chairman, I would like to introduce to you several of my staff who are here with us today. I have on my immediate left the Deputy Minister of Municipal Affairs, Gerry Forrest; and back at the other table is Jake Reimer, Provincial Assessor; and Mr. Bob Brown, the co-ordinator of the research that was done by staff, he is at the centre of the table on the side. In addition to my staff, I am pleased to introduce Mr. Bob Clarkson; he's the gentleman at this end of the table. Mr. Clarkson served as secretary to the Manitoba Assessment Review Committee and is here today as a representative of that committee. Thank you very much.

MR. CHAIRMAN: Thank you very much, Mr. Minister. I would now like to call on Mr. Bob Clarkson, secretary of the Manitoba Assessment Review Committee, the Weir Committee, to make a presentation on the committee's recommendations.

Mr. Clarkson.

MR. B. CLARKSON: Thank you, Mr. Chairman. Members of the committee, ladies and gentlemen. First, I would like to describe briefly the terms of reference which provided the mandate for the activities of the Assessment Review Committee. The committee was directed to inquire into and report on all aspects of real property assessment in Manitoba, including the level at which real property should be assessed in Manitoba, the question of exemptions from real property assessment, the administrative organization for carrying out real property assessment, such other matters related to the problem that might be referred to the Commissioners by the Lieutenant-Governor-in-Council, and the question of personal property assessment in Manitoba.

I wish, like the Minister did, to emphasize that the task assigned to the committee did not include any mention of taxes. The committee's task was not to find new sources of tax revenues or to comment on the appropriateness of existing taxes or tax levels, but rather to recommend an assessment base which could be used in an appropriate manner to share and collect the taxes required.

The initial research and activities of the Assessment Review Committee were undertaken to accomplish two things: First, to analyze the existing assessment levels, the existing legislation and the results that would occur if the assessment was brought up-to-date in accordance with existing legislative requirements. This analysis

showed that an updating of the assessment would result in dramatic shifts in the share of total assessment the various types of property would carry and would therefore result in a significant change in tax distribution.

Updating of assessment in the province would result in a 63 percent increase in taxes paid by the farm category; a 5.6 percent increase for single family residential property; a 41.2 percent decrease for multiple residential property; and a 12.2 decrease for commercial and industrial property.

The committee's analysis also indicated that considerable discrepancy existed within each class of property. An analysis of the relationship between the selling price of residential property in the period from June to December, 1979, indicated that the assessment of homes in various price ranges varied significantly from district to district in the province and from area to area in Winnipeg. In rural Manitoba, the assessment of higher priced homes was a greater portion of the value than of lower priced homes. In the City of Winnipeg, the opposite was true. Lower priced homes in the Inner City of Winnipeg also carried a higher assessment than similar priced homes in suburban areas.

The second matter, that it was hoped would be accomplished by the initial research and activities of the committee, was to obtain suggestions and statements of concerns from others. It came forcibly to the attention of the Assessment Review Committee as a result that very few people had any understanding of the assessment process or even in fact as to how their own property was assessed. The 164 recommendations made by the Review Committee all relate to a concept and basic principle adopted by the committee as a result of their many meetings with provincial officials in Manitoba, with municipal councillors, as well as meetings with officials in Alberta, British Columbia, Saskatchewan and Ontario, and submissions received at public hearings. These discussions and submissions convinced the committee that the assessment process must, if it is to be fair and acceptable, become a system which the public understands and into which the public can have a significant input in order to ensure its accuracy.

It is the opinion of the Assessment Review Committee that the assessment system must involve, first, the valuation of all property in the province, valuation that is maintained in such a manner as to be understood by the public, and subject to a knowledgeable public scrutiny and review.

Second, the classification of that property, to ensure that all property, regardless of where it is situated in the province, is identified and classified in accordance with its use.

Third, the setting of an assessed value using various portions of the valuation of all property in the province that would generate an assessment that results in an acceptable and fair distribution of property taxes between the various classes of property.

This concept reflects the basic view of the committee, that unless you know what your tax base is worth and what the property is being used for, you cannot make rational decisions in respect to the fair sharing of the tax load and the capacity of that tax base to provide the taxes required.

In addition to this three-phase approach of valuation, classification and assessment, the committee based their recommendations on a number of basic principles which are listed on Pages 22 and 23 of the committee's report. One of the statements that was put forward many times in discussion with the committee was that a house is a house is a house. That is to say, it doesn't matter where they are located or what form they take, if they are providing residential accommodation, they should all be subject to the same treatment for assessment purposes. If the accommodation is worth, say, \$50,000, where it sits, in the form it is built, it should not matter whether it is on a farm, in a village, town or city, or whether it is a single-detached, semi-detached, or part of a high-rise complex, it should be assessed the same.

This doesn't mean that the same design, style and quality of a home will have the same value in the city as on a farm, but rather that, say, a two-bedroom bungalow worth \$50,000 in the city and a four-bedroom, split-level farm home, also worth \$50,000 because of its location, should be assessed at the same amount. That same four-bedroom, split-level farm home, if located in the city, may be worth \$100,000, and should in the city be assessed accordingly.

Present assessment legislation provides that land should be assessed at its value and buildings at two-thirds of their value. This, in effect, means that an exemption of one-third of their value is to be provided for all assessed buildings. The committee's review of assessment history indicated that this one-third exemption was introduced and it appears was related to the full exemption of all farm buildings from assessment and taxation. This exemption of farm buildings has, because of changes in farming methods and practices, resulted in some of the greatest inequities within the assessment system, not inequities between urban residents and farm residents, but among the farm residents themselves.

The farmer that makes a good living off a farm at present doesn't have to pay taxes on his farm home. The farmer who must supplement his income with off-farm employment must, if he earns income in excess of his farm income, pay taxes on his home. A farmer with large landholdings and relatively few buildings pays full taxes on his major investment in land; whereas a farmer with small landholdings and a large investment in buildings quite possibly with a total investment equal to or in excess of the investment of the farmer with large landholdings presently pays taxes only on his small landholdings.

These inequities, plus the impossible task of requiring an assessor to ascertain who was in fact a farmer, a fact that could and often did change from year to year, led to the committee's recommendations to remove the exemption of farm homes and to exempt farm outbuildings only to the extent of the value of the parcel of land on which they were situated. At the same time, the one-third exemption to which all other buildings are entitled should be removed. These recommendations were not designed to transfer any tax load onto the farm classification from the residential and the commercial industrial classifications, but rather to remove existing inequities within each class.

The majority of the 164 recommendations of the committee relate to how the valuation process should

be done to ensure public understanding, the appeal process and the mechanism required to ensure public input and acceptance and how those valuations can then be used to provide the desired level of assessment for each class of property. The process envisioned by the recommendations is designed to provide the flexibility required to meet changing economic conditions with the expectations that this system would improve and get better with age rather than deteriorate with age. If the existing system had not deteriorated, we would not be here today.

There are two other recommendations that I believe warrant specific mention at this time. The first recommendation No. III-C-7, it stated provision should be made for the sharing of that portion of the Education Support Program Levy that is required to be raised from commercial and industrial class of property in such a manner as to reduce the amount to be raised on a portion of the valuation of all such properties. The levy should be increased on the balance of the valuation in order not to reduce the total funds raised in the commercial and industrial classification.

In the report, examples were provided showing the effect of applying the Education Support Levy at the residential rate on the first \$50,000 of value of all commercial and industrial property. The rate on values in excess of \$50,000 was then increased to ensure that the same total funds would be raised from this class of property. As the Education Support Program is raised from property over the whole province, the benefits to small businesses would be shared by large businesses throughout the province. While reductions of close to 50 percent could occur as a result in the Education Support Program Levy on small businesses, the increase applicable to, for example, a \$5 million business premise would amount to only 6.5 percent. This calculation is contained in Schedule 4 of the Assessment Review Committee Report. The figures are based on the 1981 Education Support Program Levy.

The final matter that I would like to bring to your attention is the recommendations of the Assessment Review Committee contained in Chapter 5 concerning the administrative organization for carrying out real property assessments. The committee recommends that a single independent assessment authority be established to assume responsibility for the assessment of all property in the province. In the committee's opinion, the establishment of a single independent authority would revitalize the assessment system, ensure a better atmosphere for uniformity and evaluation of property, and would in the long run prove to be the most cost-effective way of providing up-to-date valuation system required.

One of the major challenges that must be faced is that equity within the assessment system can no longer be permitted to be limited by municipal boundaries. Equity must exist within municipal boundaries, but it must also exist within the boundaries of a school division and, in fact, within the boundaries of the whole province. As a provincial average, 50 percent of the current Real Property Tax Bill ignores municipal boundaries. The Manitoba Assessment Review Committee considered it to be essential that the system introduced must create a fair way to share, a way that would not only be fair but would appear to be fair to the vast majority of Manitobans. Nobody likes to pay taxes, but it's a little

easier to accept if you know you're only carrying your fair share.

Thank you.

MR. CHAIRMAN: Thank you very much, Mr. Clarkson. There will be an opportunity to ask questions of Mr. Clarkson with regard to the Manitoba Assessment Review Committee Report immediately after we hear from Mr. Bob Brown.

I'd now like to call on Mr. Bob Brown of the Department of Municipal Affairs to present an overview of the methodology used in the presentation of the green booklet that the Minister referred to, which is called "A Statistical Analysis of the Impact of Selected MARC or Weir Recommendations."

Before I ask Mr. Brown to start, the department has brought along sufficient copies of this report so that those who are interested in having a copy for their own perusal can obtain them from the Clerk of the Committees at the table on my right.

Mr. Brown.

MR. B. BROWN: Thank you, Mr. Chairman.

Good morning. As the Chairman indicated, I'm here to run through the methodology employed in the statistical analysis. This green book was prepared to assist in understanding the Weir Report and the possible impact of implementing some of the major recommendations.

The Weir Report has 164 recommendations, the majority of which deal with detail which we will not go into today in discussing the green book. There are several major recommendations, however, that we think have an impact on all Manitoba ratepayers, and those we have singled out for study and to review the impact of putting them into place.

First, I would like to mention the recommendations that we have incorporated into the green book. The first one is the principle of valuation. The Weir Report has stated that moving to market level of value for property is the first step in reaching equity within the assessment system and it is also the first major step in making the system understandable to the public. By placing a value on real property that relates to its present market value, the ratepayer can appreciate the accuracy of the information in the way that is not possible under today's system.

The second item we incorporated into our study is the concept of portioning. Again, the report has indicated that simply moving to market value would result in major shifts between property classes and the assessment base. It has been suggested, therefore, that only a portion of the market level of each property class be used for taxation purposes.

The third major recommendation that is in the green book has to do with removal of exemptions on farm residences and farm outbuildings. The report indicated that all residences should become taxable, regardless of the owner's form of making a living.

It was also recommended that farm outbuildings should basically become taxable, subject to a minor exemption based on the value of the parcel of land upon which those outbuildings sit.

The fourth major recommendation incorporated into our exercise has to do with a recommendation regarding

taxation levels on commercial properties. It has been recommended that the first \$50,000 of building value be taxed for education support purposes at the residential rate, with the balance of value being taxed at the commercial rate.

I should mention at this time that the information available to really test that recommendation is not in the detail to give a totally accurate picture of its impact. The statistics you will see in the green book, therefore, regarding this recommendation can be considered the most accurate for the impact on small businesses. The impact on larger businesses has tended to exaggerate the increase in taxes because of the limitations on the information available.

The process we used, combined working with the local assessment offices, using the computer facilities available to the department, and the various branches within our department. We picked four sample areas to look at - four school divisions - the Hanover School Division, the Antler River School Division, the Intermountain School Division and the St. James-Assiniboia School Division.

I should also indicate that the Intermountain School Division, the data wasn't available at the time we published the green book. We have that information here today and I believe the Clerk of the committee has it on her table over here, so anyone who wishes the statistics on the Intermountain School Division can pick one up during the course of the day.

The choices of our sample areas were based on two factors. No. 1, we felt that they were indicative of the variety of land-use patterns that occur across Manitoba. They range from the fragmented land use with the high livestock-intensive farms of the Hanover School Division area to the grain farming area of Antler River, to the Parkland Region of Intermountain School Division and to the urban school division of St. James-Assiniboia.

The second reason had to do again with the availability of data. To fairly test the recommendations, we had to be able to determine the value of farm residences that have previously been exempt and the farm outbuildings. The Assessment Branch had this sort of information available, in particular for the Hanover School Division, and that was the area we selected first. In the Antler River and Intermountain, we had the field assessors go out and incorporate this information for our use.

With that as background, I would like to just run through the methodology employed and hopefully it will help in looking at the tables within the green book to measure the impact of the recommendations. The methodology is quite straightforward, I believe - it just requires quite a few man-hours of work. The starting point is to get a roll produced that states the 1982 existing assessment for any of the sample school divisions.

Step 2 in the exercise is to add on to that existing assessment roll the Weir Report recommendations that affect the type of properties that will be assessed. Basically, this affected the rural school divisions and consisted of adding on the values of the farm residences that would be coming on to the assessment rolls for the first time and also to bring the farm outbuildings on. The exemption that was recommended for the outbuildings has also been incorporated into the model at that point.

Step 3 in the process was to update all the assessment levels to the 1979-80 levels of value - this is the valuation concept. In accordance with the recommendation of the report, it involved using two years of past sales data and factors developed by the assessors to bring these properties up to full value.

Step 4 in the exercise consisted of applying the portions as recommended in the Assessment Review Committee's Report to determine the part of the total value of property that would be subject to assessment. The report indicated that in the first instance it would probably be desirable to try to maintain the existing ratios of assessment between the various classes of property - farm, residential, and other. By the report's estimates, it was calculated that 8 percent of the total value of farm property, 15 percent of the total value of residential property and 16 percent of the total value of the other, which is primarily commercial property, would result in the same sort of relationship between those property classes as currently exist.

Therefore, we simply applied an 8 percent of the total value, for instance, of farm property, and that would be the new assessment subject to taxation, 15 percent for residential and so on.

Step 5 in the study included looking at the 1982 budgets of the municipalities, the school division, and the Education Support Program. By looking at the municipal budgets, it is possible to determine the revenue requirements of the municipality for 1982, the same for the school division budget, the portion that would be raised under the special levy. By looking at our new total assessments for each municipality, compared to the new total for the province, we were able to calculate the local requirement for the Education Support Levy.

With the revenue requirements on hand and the new assessment totals for the sample areas, it was then simply a matter of calculating the appropriate mill rate to be applied for each of those three purposes locally.

Those mill rates could then be applied to the — (Inaudible)— and produced the taxes for any given property. The final step then was simply the selection of sample properties within the areas chosen. The properties indicated are individual roll numbers only. In the cases of farm units, for instance, it is not the entire farm unit that is showing up in the statistics, it is simply the roll number, and in most cases therefore, a quarter section, 160 acres.

The sample properties range from what is described as vacant farmland which simply means farmland that has no residence or outbuildings on it. It can well be cultivated, developed land for farming purposes.

The ones that are identified as mixed farm or grain farm or hog farm, dairy farm, is a roll number that may well be 160 acres, but it includes the home residence and the outbuildings or the dairy operation, whatever may be the case.

Residences are strictly residential properties, either in the rural municipalities or in the incorporated centres, and the commercial properties come from within those same sample areas.

In closing, I might just mention that I think the trends indicated in the statistics are accurate in understanding the impact of implementing the Weir Report as written. In any given property, there are so many variables that you probably should not consider it the end-all and

be-all for the property listed. However, in looking at all the farm property, all of the residential, all of the commercial, I think the trends indicated are accurate and should be useful in understanding the major report.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you very much, Mr. Brown. Now, I'd like to call Mr. Clarkson to the table as well. Perhaps, Mr. Ashton, you could move over just a bit and we can make room for both of our staff so the public can ask questions. If you have a question, I'd like you to please come forward and sit at the table so that the recorder can get both your question and the answer, so that will appear in the transcript. The purpose of this question and answer period is so that we can provide an opportunity for factual information both on the report and on the analysis. So if there are any questions about the Weir Report or about the analysis, please feel free to come forward now.

Who's going to be first?

Mr. Gourlay.

MR. D. GOURLAY: Yes, I wonder if Mr. Brown might make some clarifications with respect to the earlier overview that Mr. Clarkson had given, and on Page 5 of Mr. Clarkson's presentation, he said these recommendations were not designed to transfer any load onto the farm classification from the residential and other classifications, but rather to remove existing inequities within the classifications. But then when you go to the green book, the summary indicates that the rural municipalities, towns and villages included in the modelling exercise realized an increase in farm property taxes and a decrease in residential and small commercial property taxes. The urban municipalities sampled, on the other hand, experienced an increase in residential property taxes and a decrease in other property taxes.

I wonder if Mr. Brown might just clarify the comments in the green book in reference to what Mr. Clarkson had said to be no inequity.

MR. B. BROWN: Yes, Mr. Gourlay, there are several reasons, I think, that can occur. The Manitoba Assessment Review Committee's choice of portions comes into the question to one extent. The information available to the Review Committee and to ourselves at this time is not perfect in terms of calculating the total assessment. The entire province would have to be reassessed to get the exact figures. Therefore, the choices of the exact portions, the 8, 15 and 16 are not going to be the exact amounts required to produce that total equity among the ratio that exists now as to what would exist in the future. The information, for instance, of the 8 percent on the farm property could not take into account the total residential assessment of the farm property that was going to be brought onto the tax rolls nor was the information available to get the total amount of farm outbuildings that would come on in the province. Therefore, I don't think that the 8 percent can be considered the exact figure required to make sure that there is no shift onto farm property. It may well have to be 7.5 or 7.75 percent that would do the job. I think that is a large part of the answer to that question.

MR. D. GOURLAY: In other words, what you're saying is that there's no intent to shift the burden to other classifications but to remove the inequities that now exist.

MR. B. BROWN: The report recommends, and that's all the model was designed to test, that there be no shift for the time being between property classes. The green book indicates that there may have to be some refinement in the choice of the portions used if you want to produce that effect. The additional point to be made, I think for the sake of fairness, is that the distinction between property class and property owner is not emphasized or particularly noted in either the Weir Report or in the green book of technical explanation. To maintain total equity between classes is one thing, but the farm resident obviously falls within both categories of residential and farm. So the onus, the property tax on the individual resident, is going to be a composite of residential tax plus farm tax and neither in the portion nor does the report indicate that the tax burden on any individual will be maintained in the exact way it is right now.

MR. D. GOURLAY: Thank you, Mr. Chairman, I just wanted that clarified.

MR. CHAIRMAN: Thank you, Mr. Gourlay. Any questions from the audience or other members of the committee?

Yes, sir, could I ask you to identify yourself, please, just for the record?

MR. B. RANSOM: My name is Bill Ransom and I'd like to ask Mr. Clarkson to explain the statement when he said that it didn't make any difference where a house was located as to the valuation of that house. Now, it would seem to me that would make a tremendous difference from the standpoint of resale value, particularly when you consider the accessibility to that house depending on where it is located on a particular quarter section. I would be very disappointed if there was no consideration taken to the placement of that farm residence.

MR. CHAIRMAN: Mr. Clarkson.

MR. B. CLARKSON: Mr. Chairman, Mr. Ransom, I think you've misinterpreted what I have said. I hope I can clarify it. What I'm saying is, if the house is worth \$50,000 where it sits, that takes into consideration its location, then it should be assessed the same as another house worth \$50,000 where it sits in another location. I made a point of saying that you might have a house, for instance, a two-bedroom home in the city worth \$50,000 where it sits. You might have a four-bedroom, split-level modern home on a farm which, because of its location, is worth \$50,000.00. Two entirely different homes, but it is worth \$50,000 because that is where it is situated. That same house, if situated in the city, could well be worth over \$100,000; and, if it was in the city, it would be assessed as though it was worth \$100,000.00. On the farm it would be assessed as though it was worth \$50,000 because location has affected the value of that house.

MR. B. RANSOM: How long do you think it would take to build up enough evidence to show value of residences on the farms then, because I don't think there are that many residences on farms sold by themselves? It would seem that it would take a considerable period of time to build up any amount of statistical figures to be able to base the value of that house, and are you going to go by the actual cost of the house or are you going to take it on a depreciated value? As you well know, there are many residences in the country that because someone else has bought the adjoining land the residence has become vacant, so in effect it has no value.

MR. B. CLARKSON: I agree wholeheartedly with you. It has no value and they have to be recognized as having no value.

MR. B. RANSOM: You think this will be the case, that it will be recognized as having no value in those instances.

MR. B. CLARKSON: If it has no value then that has to be recognized; there's no question about it. The assessor now in all those cases where an individual earns more income off the farm than he does on the farm is saddled with the responsibility of assessing that home at its value. That is the existing problem. It's not a new problem for an assessor and I think that we have a quality of assessors in Manitoba that they can properly value the home. One of the difficulties with the system at the moment is that your comparables within the legislation has to be limited to within a municipal boundary. That is not, in our opinion, desirable. We think that has to be expanded to enable both an assessor and an individual in appealing his assessment to use comparables from beyond his municipal boundaries, because it is just as important that the value be comparable to other property in other places in the province as it is within the municipality. That larger base will create a better data bank from which to make your calculations.

MR. CHAIRMAN: Thank you very much, Mr. Ransom and Mr. Clarkson. Any further questions? If there are no further questions, we can commence. Yes, sir.

MR. B. MORNINGSTAR: My name is Bill Morningstar, I'm from the R.M. of Brenda, and it's in regard to granaries on farmland. In most times and at least in recent times in order to become efficient with your granaries, most of them are placed on one quarter section, and in order to get around the taxes as you're talking about them now in your farm outbuildings in regards to granaries, if you put all of your granaries on one quarter that makes them taxable, I believe, providing that you've got a larger amount of assessed granaries than your land is. This doesn't take long when you're dealing with aeration bins and dryer bins and this type of thing and I'm wondering if there has been any provisions made for the farmer who puts all of his granaries in one quarter section rather than arranging two granaries or three granaries on each quarter section all around the farm - maybe he's got eight or ten quarters.

MR. CHAIRMAN: Is this to Mr. Brown or Mr. Clarkson?

MR. B. MORNINGSTAR: Whichever.

MR. CHAIRMAN: Mr. Clarkson.

MR. B. CLARKSON: Thank you, Mr. Chairman. Mr. Morningside, the recommendations of the committee are that the exemption be related strictly to the parcel on which the granaries are situated and that could create some assessment, but remember the exemption would still be there and the amount of assessment would be related only to the value of the granaries that are in excess of the value of the parcel of land. I think it then has to become a matter of management and judgment on behalf of the farmer and I think they're quite capable of making that judgment - which is the most cost efficient for them - a small amount of taxes on the excess amount of valuation of those granaries or extra transportation costs in moving grain from one quarter to another quarter. I think that has to be a judgment that would be made by each individual farmer depending on his own situation.

MR. CHAIRMAN: Mr. Morningstar.

MR. B. MORNINGSTAR: It's that, but it's also the fact that if you have granaries in out-of-the-way locations in quarter sections that are five or six or seven miles from home, which many farmers have quarter sections that are that far away any more, there's also the business of having your granary —(Inaudible)— and this kind of thing, you know, like it's efficient for the modern day farmer, at least for most of them, to have their granaries located in one area, so when it comes time to haul your grain out your snow plow cleans one row of granaries out and you're all set, rather than having to plow a mile or three miles or four miles of roads to get to the grain.

I am wondering if there are any provisions can be made for this to allow the farmer to become more efficient and put all his granaries in one area where they can be looked at and looked after better.

MR. B. CLARKSON: I would suggest that, as you have just suggested, the extra cost of separating the granaries and scattering them will be far more than the small amount of taxation that will result on the value of those granaries in excess of the value of the land. Remember, first of all, you're dealing with a portioning situation, and if the portions in the report are accurate enough, approximately 8 percent of the excess value would become the assessment. Then you apply your local mill rate to that, you will find that the actual tax dollars that are charged against that excess granary value would be comparatively small, a very small part of the operating costs of that farm.

MR. B. MORNINGSTAR: But it still will be an added expense that you wouldn't have had . . .

MR. B. CLARKSON: It is still an added expense.

MR. B. MORNINGSTAR: . . . if you had spread your granaries all over the farm and had the same amount of granaries, but they will be taxable.

MR. B. CLARKSON: But I would suggest it's a much smaller expense than the cost of spreading them around would be to that farmer.

MR. CHAIRMAN: Thank you, Mr. Morningstar.
Are there any further questions from the audience? Yes, sir.

MR. HOWARD NIXON: I would just like to address a question that has to deal with the percentage rate for agriculture and for residence. Now, I understand that when the farm residence is assessed that the residential rate of 15 percent will be used, and I would question this because I think the farm residence has more to do with the business of farming than a residence that is used in part with a commercial type business.

I would point out two reasons for this. No. 1 is that for a residence that is going to be assessed and then the 15 percent rate used on it, if it was a small farm I would think this could nearly double his taxes and could be the final nail perhaps in the coffin of the small farmer. The other thing would be the inequities, because the large farmer could perhaps, according to the schedule, save a few dollars on the assessment of a quarter section with no buildings, so he has a chance to equalize this where the small farmer wouldn't.

The other one is the use of the farm residence used in the business of farming. Your records, your bookwork is all used through your residence. In the wintertime, I know myself, if I have a spray left over I put it in the basement so it won't freeze, and I think that perhaps, in my opinion, the 8 percent rate should be used on the farm residence.

I'll address that to Mr. Brown, perhaps.

MR. CHAIRMAN: Mr. Brown.

MR. B. BROWN: Yes, sir. Without commenting as to what might be right or wrong in the way to do it, I would point out the technical complication in doing it in the manner you have suggested. One of the difficulties that the Weir Committee Report tried to overcome had to do with determining what is a farmer. The business of determining it by income has, as you are probably well aware, been a major problem. The difficulty would remain that way if you try to determine what is a farm home. If you sought to apply the 8 percent, for instance, to a farm home but 15 percent to a non-farm home, you are thence back with the question of determining what is a legitimate farm home as compared to a part-time farmer. You then have to determine whether a farm home is one in which the farmer gets 100 percent of his income from farming or 90 percent, or 75, or 50, so it was felt in applying it that we had to, as Mr. Clarkson indicated, to become taxable for the first time, it shouldn't be done through the assessment process, it would have to be done through another process.— (Interjection)— I still feel that in a fully bona fide farmer that perhaps he is entitled to an 8 percent rate on his residence rather than 15. Thank you.

MR. CHAIRMAN: Thank you, Mr. Nixon. I would like to caution persons asking questions that the purpose of the question and answer is particularly for questions. If you have a presentation to make to argue for a

particular position, I would appreciate it if we could keep the arguing presentation form of the meeting to the point where we get to that. We're looking for questions to clarify the technical information or the reports recommendations on that. I think that will be of some value. Next?

MR. B. ROLSTON: My name is Rolston, I live in the RM of Winchester and I'm here as a private individual today. I would like to address this to Mr. Reimer. The assessment in the Antler River Division was done in the Winchester Municipality, anyway, in 1980. When was the last assessment done in St. James-Assiniboia and in Hanover?

MR. CHAIRMAN: Mr. Reimer, could you come forward please?

MR. J. REIMER: The assessment in the St. James School Division is part of the City of Winnipeg and that assessment, of course, dates back quite a few years. The City of Winnipeg carried out their reassessment beginning on or about 1958-59, thereabouts. That was completed in 1962 or '63. So somewhere within that time period the St. James area of the City of Winnipeg was reassessed. The Rural Municipality of Hanover was reassessed fairly recently, I would say within the last 5 or 6 years but I don't have the exact year with me.— (Interjection)— I am told that it is within the last three years that the RM of Hanover was reassessed, so that is the time frame for each of these.

MR. B. ROLSTON: For purposes of the report, how do we arrive at fair value in the recommendations if the assessment is that much out of date? How do we get the 1982 figures for St. James-Assiniboia?

MR. CHAIRMAN: Mr. Brown, I think should answer that, since he was responsible for developing those valuations.

MR. B. BROWN: Yes, Mr. Chairman, those figures are obtained by working with the local assessment offices, the ones in question being the Steinbach Assessment Office and the Souris Assessment Office under the Department of Municipal Affairs and the City of Winnipeg Assessment Office. The assessors in those offices provided us with factors which would be applied against any individual property within those sample areas. The factors, in their opinion, were those that were required to bring the existing assessment, regardless of when it was made, up to the 1979-80 level of value. So an assessment that was 25 years out of date might have a different factor than that which was 10 years out of date, but there would be quite a number of variables that went into that. In the opinion of the assessors, those were the factors required to bring everyone to the same level of measure and there was that level of measure that was incorporated into the green book.

MR. B. ROLSTON: It would be your opinion then that the factors shown on Page 11 of the report are an arbitrary factor and could vary.

MR. B. BROWN: Those factors would definitely vary across the province and by municipality and, in some

cases, within a municipality. I'm in no position to question the factors. I believe those are the best estimates of the assessors and those I feel are as accurate as are obtainable.

MR. B. ROLSTON: I thank you very much.

MR. CHAIRMAN: Thank you, sir. Further questions?

MR. J. MITCHELL: Mr. Mitchell from the RM of Rosburn. I have some questions for Mr. Brown.

On Page 6 of the report it reads, according to the MARC recommendations, only an amount of land as is reasonably required for use in the farm residence is to be classified as residential land. This is leading up to the question. Then we go back to Page 5, a basic exemption on outbuildings equivalent to the value of land contained within a parcel on which the buildings are situated was granted. Who states the basis of the land that buildings are situated on if they are outbuildings or residence? I go back to a couple of questioners ago regarding farm granaries, and a questioner before of the farm residence. I wonder, is the owner going to have any input onto the land base that go under those or can your farm storage be situated on an acre-and-a-half and be assessed. It was mentioned here a moment or two ago that there would be a small value to these. I'm just wondering how we would come to a land base.

I will have further comments as was stated before, maybe later on.

MR. CHAIRMAN: Mr. Mitchell, just one comment before Mr. Brown answers. Mr. Brown can't answer your question as to how it would be done in the future because those decisions aren't made, but he can tell you how the calculations were done for the purpose of this report. Okay?

Mr. Brown.

MR. B. BROWN: Yes, Mr. Chairman. The report indicated, as you mentioned, that a reasonable amount of land be assigned to the farm residence. We discussed what might be considered a reasonable amount of land. A number had to be picked in order to measure the impact of that recommendation; we picked the figure of one acre. The primary reason was that the portions used by picking a small unit of land, it was to the benefit of the ratepayer in that the balance of the parcel would be using the portion of the 8 percent, which is the lower amount, obviously. So the 15 percent for residential would only apply to the smallest piece of land, an acre, so the amount of taxation would be minimized in that regard. It is not really a recommendation of ours that one acre or any particular number be employed as the end result. It's simply for the test purposes, an acre was chosen.

At the same time we utilized for their purposes of calculating the outbuilding exemption, the total acreage of that parcel. If it was 160 acres, if it was a quarter section, we would have assigned one acre of it to the residents to calculate the residential tax, but we would have used the whole 160 acres to calculate the exemption for farm outbuildings. Again, that's not a recommendation; that's simply the manner in which it was used for this test purpose.

MR. CHAIRMAN: Mr. Mitchell.

MR. J. MITCHELL: I still wonder why we - and I mean we as the committee - as Mr. Brown has stated, they can take an amount of land for test purposes and they can portion for test purposes, but once it becomes written it is hard to change; so I will have further comments probably later on if this is the question period.

MR. CHAIRMAN: Thank you, Mr. Mitchell. Any further questions? Thank you very much, ladies and gentlemen, for your questions.

Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, just for further clarification with regard to some of the points that were made, I think with regard to what Mr. Gourlay was questioning earlier on, it is my understanding that Mr. Clarkson could substantiate this, that it was not the intent of the Weir Commission or the Weir Committee as recommendations insofar as valuation is concerned or full assessment at full market value that there would be a shift between classifications of property, between classifications in terms of taxation, that there would not be a substantial shift between classifications as compared to now, the present state. Is that correct, that it was not the intent that recommendations would result in a shift between classifications of property?

MR. CHAIRMAN: Mr. Clarkson.

MR. B. CLARKSON: That is correct. The Weir recommendation is very specific that initially in the introduction of the report - the implementation of it - that there be no shift between classes of property over the province as a whole. Now that does not mean to say that there would not be shifts within individual municipalities, because there is no such thing as an average typical municipality. Every municipality's makeup of assessment varies; so while the recommendation is that there be no shift over the province as a whole between classes of property in the removal of the existing inequities that are in the system, I think you will find that there would be some shifting within individual municipalities.

Now if, in implementing the portions that are suggested in the report, those portions were suggested as being those that would be applicable based on 1979 taxes and 1979 values, if at the time of implementing the report it's found that those portions do result in a transfer of taxes from one class of property to another, then that can be adjusted very quickly and very easily by altering the portions to obtain the distribution of taxes at exactly the same level over the province as a whole as it was before, or making whatever adjustment is desired at that time.

HON. J. PLOHMAN: Yes, Mr. Chairman, that is my understanding then that through portioning or only taking a small portion of the assessment for taxation purposes, the inequities or, pardon me, the shifts could be eliminated or could be forestalled. You could prevent shifts between classifications by using portioning, which is using only a certain percentage, and you

recommended or at least the Green Report recommends 8 percent for farm property, 15 percent for residential and 16 percent for other commercial property to affect that, and you're saying that those figures can be used, based on 1979 assessments, but they could conceivably be not correct to prevent shifts between classifications at this present time.

MR. B. CLARKSON: That is correct. They may need some adjustment to achieve the desired distribution.

HON. J. PLOHMAN: And, in fact, when you look at the Intermountain situation - the analysis that was done - it would actually be a tremendous shift. In the Town of Grandview, for example, I note that all of the classifications under portioning would be less and they would be paying less tax, that's residential and commercial, and the hog farm, grain farm and so on would be paying more. So there would be a shift in the classification using that portioning formula in the analysis that was done by the department. What, I guess, I would like to ask, can portioning be fine tuned enough to eliminate this completely? Was that the thought when the Weir Commission recommended portioning to eliminate this, that it in fact could be fine tuned to the point where there would be no shifts between classifications and certainly would it have gone as far, to say that there wouldn't be a shift even within classifications by using portioning? In other words, applying different formulas so that there would not be any shifts for individuals, or are we admitting that basically there could be tremendous shifts for individuals under this system?

MR. CHAIRMAN: Before I ask Mr. Clarkson to answer, I would point out, Mr. Plohman, that you suggest that the green report recommends using 8, 15 and 16. That's just a carry-over from the Weir Committee. The green report makes no recommendations; it's strictly an analysis.

HON. J. PLOHMAN: So those figures are used by the Weir Commission.

MR. CHAIRMAN: And the departmental analysis used the Weir material to do the analysis.
Mr. Clarkson.

MR. B. CLARKSON: Well, the recommendations of the committee would result in no shifts of taxation or assessment totals between classes of property over the province as a whole. It would still result in some shift within individual school divisions and within individual municipalities. When you look at the existing situation, in some locations you have to multiply the land assessment by 10 to get to existing values; in other locations you have to multiply that land assessment by 5 and in a few cases that goes to 20.

Now, when you've got that much variances in the existing assessment and its recognition of value, you cannot correct those inequities that are there now without creating some shifting of the tax load within the individual jurisdiction. The committee does recommend, however, that where there is any increase in tax load as a result of the new system that it be

phased in over a five-year period. Any increases to be phased in over a five-year period, but decreases be put in immediately. Those are contained in the recommendations of the committee.

HON. J. PLOHMAN: Basically then, Mr. Chairman, the recommendations could result and would, in fact, result in certain municipalities, substantial shifts within classifications, certainly.

MR. B. CLARKSON: I would like to say that is not a case of the committee's recommendations creating inequities, but of the committee's recommendations removing inequities that presently exist.

HON. J. PLOHMAN: Yes, I would tend to agree with you, but on the other hand the perception by the public is that the status quo is there as it exists today, obviously, and that these may be obvious inequities but they do not seem inequitable to the people involved at this particular time, especially those who have a lower taxation at this time. What it tends to do then, of course, is create in the minds of many of the public more inequities.

MR. B. CLARKSON: The status quo has everything going for it. People are familiar with it and it has, in some cases, become acceptable in the local circumstances and to change it is going to create what may be perceived as inequities, but which I would suggest are only a correction of inequities.

MR. CHAIRMAN: Thank you very much. If there are no further questions, I would like to thank both Mr. Brown and Mr. Clarkson on behalf of the committee and the members of the public here for taking this opportunity to answer questions on the technical aspects of both the report and the analysis. Thank you very much.

Now, move to the briefs and presentations side of our meeting. I have a list of individuals who had indicated to the Clerk that they wish to make presentations today in the order in which they have been received by the Clerk. I'll read them out.

Mr. Dennis Heeney, Reeve, Rural Municipality of Elton; Mr. S. E. Ransom, private citizen; Mr. Bill Rolston, private citizen; Mr. Donald J. Alexander, Rural Municipality of Thompson; Mr. W. G. Goodwill, private citizen; Mr. John Whitaker, National Farmers Union, Local 516; Mr. Ivan Stocks, Rural Municipality of Roland; Mr. Herman Arason, private citizen; Mr. Brian Gibson, Reeve of Cartwright; Mr. Tony Riley, private citizen; Mr. John Mitchell, private citizen.

Are there any further individuals who've not registered with the Clerk who wish to make presentations today? If so, would you please come forward and give your name so that we can add your name to the list.

It has been the committee's practice in the past, if there are no others, to hear those from out of town first, those coming from the furthest distance away, so that their travel arrangements can be accommodated in case we run late in the day. However, it appears to me that just about everyone is from out of town. I don't think anyone is dramatically further away than anyone else, so unless there is any suggestion to the contrary,

we'll hear the briefs in the order in which the requests have been made. Is that agreed, members of the committee? (Agreed)

I call on Mr. Dennis Heeney, please, Reeve of the RM of Elton.

MR. D. HEENEY: Thank you, Mr. Chairman, Mr. Minister and members of the committee. Would you wish me to read it through or would you prefer me to just summarize? I've presented the committee with an additional page this morning due to a meeting held on the 27th of January called by the Union of Manitoba Municipalities, which I thought might be useful, to both myself and to this committee.

MR. CHAIRMAN: Mr. Heeney, since members of the committee have received a copy of your submission in writing, it might - to expedite the business of the committee - be appropriate to have you summarize those recommendations certainly for the benefit of the public here. As well, you may wish to summarize the additional material you provided to the committee this morning.

MR. D. HEENEY: Thank you, Mr. Chairman, then on the first part of our . . .

MR. CHAIRMAN: Order please.
Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, I would suggest that the brief be read into the record by the individual so that everyone can hear exactly what is in the brief and also that it's on the record.

MR. CHAIRMAN: Some members were suggesting summary and we've had a suggestion that we have the complete brief read into the record. Is that agreed? Hearing no opposition, my apologies, Mr. Heeney, would you please read your complete submission into the record?

Mr. Banman.

MR. R. BANMAN: I think it has been the practice here that if you wish to have it recorded in Hansard the brief could be entered in Hansard and submitted by the individual and possibly, I must say from looking at the list before us, I think to expedite matters of the committee, if the individual is ready to make a summary of it, I think that is what I would like to see happen.

MR. CHAIRMAN: We have several suggestions. Order please.— (Interjection)— The sound system is at its highest volume now. What I'll have to do is ask all members and delegates making presentations to pull the mikes up as close as possible so that we can get full value for the sound system. Your point is well taken, sir.

If anyone has difficulty hearing during the proceedings, would you just raise your hand and wave it a little and I'll direct whoever is speaking to pull the mike in a little closer.

We have several suggestions here. One is that we have a summary of the presentations with the actual text being appended to Hansard and we also have the

suggestion that we have the complete presentation read into the record. What is your will and pleasure?

Mr. Plohman.

HON. J. PLOHMAN: Mr. Chairman, I would agree to that. I think that however on certain cases, certain members may or people who are making presentations may want to read and I think we should have that flexibility. However, if they are in agreement to just make a summary, I would agree with that.

MR. CHAIRMAN: Mr. Plohman is suggesting we go along with a summary and print the text of the brief as an appendix to Hansard. Is there any further comment? Agreed? —(Interjection)— We may have some time constraints because of the four meetings that are scheduled over the next four days by the committee. I would point out for members of the public that because the full proceedings of the committee for all four days are being recorded and transcribed, anyone who wishes a complete transcript of the full meeting, including the presentations, the question and answer period and the delegation presentations, will be able to obtain those by writing to the Clerk of Committees and requesting copies. So there is that additional facility because we are doing a transcription.

In addition, any members of the public who do not wish to make presentations today but have comments after hearing the other presentations and the question and answer period, please feel free to put your thoughts in writing and forward them to me as Chairman of the Committee at the Legislative Building in Winnipeg and I will see to it that they are distributed to all members of the committee. So you don't have to make an oral presentation today if you're not so prepared. You can put your thoughts down in writing and send them in.

Mr. Mitchell, I expect that most people will be making full presentations. I think what we should do now that we've agreed to append some of the prepared material to the transcript, we should proceed with Mr. Heeney. He's waiting patiently to be heard here.

Mr. Heeney, would you proceed please?

MR. D. HEENEY: I'm not too clear, Mr. Chairman, on how you wish me to proceed.

MR. CHAIRMAN: It's been agreed that we will attach your full presentation as an appendix to the transcript and you may proceed with as brief or as lengthy a summary of your prepared text as you wish.

MR. D. HEENEY: Thank you, Mr. Chairman, then I will go through it. I haven't summarized it previously, so I will try and go through it without reading it word for word and perhaps speed up the process.

I will begin by saying that it's most imperative that we discuss this problem in the proper context as the Minister referred to earlier, and that is that we have to discuss, and discuss separately, assessment and taxation. I think that maybe this morning we have got back into the old rut of discussing taxation and probably a little more emphasis on it than on assessment. Inevitably they will be linked together, but if we fail to separate them initially, I think that to try and correct these inequities, we're bound to fail.

At the present time there are several inequities and, if we have a reassessment, we would hope that all the land would be assessed equal to all other land and all buildings equal to other buildings. I think it's been clarified to some extent by the questions and answers this morning.

The Weir Report, I think, has one particularly good recommendation which permits flexibility in the system which previously did not exist, and that was to increase classifications of property from two, which was under that old Public Schools Act, to six and reducing the total authority for having jurisdiction over assessment from two to one and reducing the number of exemptions. I think that is the gist of the report, at least from the point of view, if I see an improvement.

The present system is very inflexible that inequities cannot be adjusted because of the restriction of classification. It could be much more flexible when we do have these additional classifications and with one authority and with the City of Winnipeg and rural Manitoba, I think that we would also have a much better opportunity for standardization. We would prefer to see a total elimination of all exemptions; however, we realize that exemptions are necessary in some instances.

I think our basic concern is not so much with the total report but we do have reservations about the method of evaluating farmland. We believe that farmland cannot be based on 100 percent market value and be realistic and be workable. I will just read this part on farmland, word for word, if you don't mind.

We assess farmland on the basis of productive capability up to 75 percent of the total. The balance should be made up of such things as market value, topography, drainage, availability of markets, frost-free days, etc. The reasons for this are that Canada Land Inventory, the Manitoba Crop Insurance Corporation, Provincial Assessors and their procedures, plus the Canadian Wheat Board Permit Books provide 25 years or more of documented evidence of all farmland in Manitoba, their potential and their real productive capability.

Now, while there would be some room for argument in the results of using this method, it would be based on fact. It would be based on past documentation, and I think that farm people in general would much better understand it than trying to put a speculative market value on farm property. I think that it's already evident in the report that the '79 values in some cases have been quite dramatically changed since 1979, so I see some difficulty in retaining current values and difficulty in assessing where the boundaries are going to be between \$1,500 an acre land and \$300 an acre land. When Canada Land Inventory and the Crop Insurance Corporation in their records indicate that "C" type of land in a certain risk area has the same potential for productive capabilities, therefore, deriving the same revenue, it would seem then to go to market value could make the inequities that presently exist, especially as it applies to education tax, much worse than they presently are. In other words, there are areas now where some farmers are paying two to, I believe, three times as much education tax per quarter as in other areas. I think that would increase to five times as much in some areas for education tax if we were dealing on a 100 percent market value.

We think residential properties would be a good deal of merit in assessing it on the basis of replacement

costs to at least 50 percent of the total, I think, rather than market value.— (Interjection)—

MR. CHAIRMAN: Order please. Mr. Heeney, some people are having a little difficulty hearing you. Maybe you can speak up a little louder. I know you're close to the mike, but just raise your voice and pretend you haven't got a mike. It isn't working too well.

MR. D. HEENEY: Mr. Chairman, I shall try then. I can see some difficulty, again, in market value assessment for residences, and while there would be a necessity of having market value as a portion of the total, I think it should not be the total. I think that replacement costs, again, because of a speculative aspect, should be used for a good portion of the total assessment.

If I might then refer to the last papers from our meeting at Portage, there was a meeting called on short notice and there were from 75 to 100 municipal officials at that meeting. We discussed the green book, which I think is practically and totally irrelevant to assessment, because it deals with the application of a tax against that assessment and the decision as you have suggested has not yet been made in that regard. So I think it probably confuses the issue more than anything else; however, it does point out what could happen "if." I would suggest though that any one of us could write that book and supplement any figures we wish and say, "what if." Therefore, I think that there is some doubt as to the value of that green book. There was doubt expressed at the meeting at Portage, although there was no vote taken on any of these, and these are my interpretations of what was said. There was doubt expressed that 100 percent market value would work due to the reasons that I've mentioned. It was suggested that a common flat rate be used for farm building and small building exemptions instead of the proposed two methods.

The one method referred to was a \$50,000 flat exemption for commercial property and the other one was an exemption of farm buildings up to the value of a quarter. It was suggested that this could cause some problems and it would be fair if there was a flat rate for both. Also, that all exemptions should be regarded as temporary measures requiring legislative review on a fixed basis, perhaps two years, in which case if they were not reinstated by legislation they would automatically cease. The proposed farm building exemption in a great many of our own opinions will conflict with the intent of the present Provincial Land Use Committee policies and The Planning Act. We have been educated over the past few years as municipal planners that we should make the best use of agricultural land and, indeed, all land. With this exemption, I would fear that there would be an opportunity and a good possibility that we would be encouraging poor land use in order to take advantage of an exemption, and I think this should be discouraged. It was pointed out at this meeting that an individual farm partnership or family who had a son wishing to get into the farm business might wish to - or for purposes of getting a loan - have to create a subdivision for his buildings in order to obtain the loan on his father's land and if the planners agreed to that, then he would not be able to take advantage of the

exemption which again is, I think, creating an unfair situation.

It was also reemphasized, which it does at every municipal gathering, that the education on property tax should be abolished. Now, there's always some concern about whether that is totally acceptable because of the need to maintain autonomy at the local level for school boards. However, the education tax as it is applied to property now is probably the greatest single cause of all our assessment problems. We don't have, generally speaking, assessment problems within the municipality. We have assessment problems because of the education tax as it applies broadly across the province.

The main concerns, I think, at our meeting were that these inequities are both in assessment and the related taxes, and while MARC recommendations could well correct many of these, there remains a skepticism on the part of municipal officials based on past experience that Provincial Governments, regardless of what party they happen to be, will not take all the steps necessary to correct these inequities. The result of this skepticism is that the members of the UMM are reluctant to give a blanket endorsement to the MARC Report. In our opinion then it would seem more reasonable to agree to the implementation of the MARC Report excluding that portion of the report which refers to the application of taxes, tax shifts resulting from evaluation and reclassifications and the phasing-in process which would result from these shifts.

Basically, that is included on Pages 109 and 124 of the report where it says, as Mr. Clarkson pointed out, that initially there would be the same proportionment of taxes on the new assessment and the new classifications of property, but taxes are - if no shift can occur, then what's the point of the whole exercise? So that when the shifts do occur, it seems to me that there's going to be some other inequities which this system under the recommendations of MARC would permit and would permit them to be distributed more expertly than they are at present.

So it is our opinion, and I would say this is my opinion, that we should proceed and exclude the last portion, and prior to implementation of the total report up and to that present time we would be operating under the present system, but prior to implementation of the total we would have a further series of meetings to be held with the public and municipal officials. The purpose of these meetings would be to determine the application of a tax liability on this new assessment and at this time both the public and all other interested parties could discuss and have input in determining the types of service charges and the amounts of these taxes which would apply to the various new classes of property and their corresponding new valuations.

It is our opinion that this proposed method of implementing much needed assessment and tax reforms would then have a greater chance for success. We can see that in most of their discussions that we have when we discuss assessment. We inevitably end up discussing taxation and we're always making suppositions - what if - and I think as long as we do that we're never going to get anywhere. We simply have to put aside, as the Minister suggested, the thoughts of what is going to happen with the taxes - let's deal with assessment, let's get it right - then we'll discuss

the application of taxes, but if we as municipal people or citizens give the committee or the government a blank cheque as it were to go ahead and implement the total recommendations, then we feel we may get left out of this when the tax comes about and that is the most important part, so we would like to get in on the discussions. Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Heeneey. Do the members of the committee have any questions for Mr. Heeneey with regard to clarification or interpretation of his presentation?

Mr. Adam.

HON. A. ADAM: Thank you, Mr. Chairman. Mr. Heeneey, the report I think highlights the problem that I dealt with in my opening remarks is that there are two parts to the question and they are distinct from one against the other. There's a line in between the two and I think what the Weir Committee is trying to do is to address the inequities in the assessment by bringing values up to or near market value. In their opinion that would remove the inequities, most of the inequities, that exist in the assessment that we're dealing with today, assessment of property. Are you in favour of that or did you say that bringing up the evaluation could create more problems than we have now? That's one of my questions.

The other one, I believe you recommended that we remove exemptions as much as possible as is recommended by the report. I want to say, Mr. Chairman, we're not here to condemn the report, neither are we here to praise it. We are here to try and interpret it to what they're saying and get your views on it, so we can come up with an assessment system that will stand the test of time.

As you've mentioned, we don't want to create problems, we want to try and eliminate them but perhaps you could address those two questions that I asked you.

MR. D. HEENEY: Mr. Chairman, Mr. Minister, we're not so sure that there are that many present inequities in assessment. We feel that the last time that we had a reassessment in our municipality that they've corrected many of the inequities that were there before. Certainly there are inequities between types of property, but I think that the greatest inequity is the application of any tax on any assessment, so that it's necessary to get an assessment within each class; that is, building for building, land for land, that is equitable. Then the application of that tax, whether or not the tax on that property is equitable, has to be argued at the time that tax is applied.

I'm not sure of your question on exemptions.

HON. A. ADAM: Well, I believe you did recommend that the exemptions be removed as much as possible. Did you not say that in your presentation?

MR. D. HEENEY: That is correct. Mr. Chairman, we would prefer, I think if possible, to have - if you're going to assess all residences and some buildings, then let's assess all buildings and all houses and all property. Let's put them down, classify them and have the system

of assessment as equitable as we can and then, the tax, we'll have to argue about after.

MR. CHAIRMAN: Thank you, Mr. Heeney.
Mr. Minister.

HON. A. ADAM: Yes, the one part of your presentation where you indicate that you would not - you were reluctant to give a blanket endorsement of the MARC Report and it would seem more reasonable to the implementation of the MARC Report excluding that portion of the report which refers to the application of taxes and shifts resulting from revaluation and reclassification than the phasing in process - referring to that, how do we remove the inequities if there are any in the assessment side? We're not dealing with taxation now. We'll deal with that after we try to come up with a good assessment package. How do we remove the inequities if we don't change the evaluation as recommended by the Weir Report which we're not supporting or condemning. We're just saying that's what they have said - you know. How can we address that?

MR. D. HEENEY: Mr. Chairman, Mr. Minister, perhaps it's a little confusing there. It's not intended that we don't reclassify or reevaluate property. It simply says that we exclude that portion which deals with putting a tax on that revalued property. The Weir Report suggests ways in which we should evaluate property and classify it. Then there is a section which says that initially there shall be no change in the tax dollars derived from that property, but it says "initially" which means that it's understood that there will likely be changes, so that "initially" may drag on for many years. We don't know how long it's going to take and we're a little concerned about that. What we're saying is up until that point we have got a reevaluation; whether we agree with it or not we've got it and a court of revision will determine whether the people agree with that. We have got reclassification, we have gotten one authority, we've got the mechanism to eliminate the inequities, then we apply the tax, but we're saying the taxes are going to be applied to that new evaluation and that may be where more inequities occur. But I think that if we simply went ahead with a reassessment according to the recommendations of the Manitoba Assessment Review Committee, then we would know whether or now we've got it right, then we talk about the taxes.

HON. A. ADAM: Fine. Thank you.

MR. CHAIRMAN: Thank you, Mr. Adam. Mr. Driedger.

MR. A. DRIEDGER: Mr. Heeney, you indicated that the Green Report, which was added after the MARC Report came out, sort of created more confusion than actually assistance maybe. The Weir Committee met with most municipalities a few times prior to the releasing of the report. Would you feel that it would have been more beneficial if the Weir Committee had come back to the municipalities after releasing the report and discussing it once more with the municipal people?

MR. D. HEENEY: Well, Mr. Chairman, I really think that we've had about all that can come out of the discussions

as has come out. I think it's time now to get down to the nitty gritty and do the reassessment and then we'll know what we're talking about, because we're talking about figures based on somebody's opinion and they're not figures that apply to my municipality or my farm. They're only spot checks, sort of. I think when we look at the total after reassessment, then we'll all know where we stand, and then that is why I've suggested that we simply get on with the assessment but not the taxation against that assessment.

MR. A. DRIEDGER: Thank you.

MR. CHAIRMAN: Mr. Banman.

MR. R. BANMAN: Just for clarification, Mr. Heeney, with regard to the statement that you didn't want to see any major tax shifts, I think we're all in agreement with that.

The other concern that you expressed was the report saying that there should be no increases in taxation. I guess the one concern that many of us have with the implementation of a new system is that we don't have the same thing happen when metric was introduced. In other words, that the prices of certain goods went up because the system of measurement changed, and I guess the concern, I guess the way I read the report is that just because we did have a change in assessment that we did not have substantial increases in taxation at that particular time - that's the way I read that - and I would, I guess, ask you at this time whether or not you would see that as a difficulty?

In other words, you know what happens when we have a tendency of changing something - we throw a few extra things in to bring in a few more dollars - and I guess the concern is that one would want to keep that at a level that everybody could relate to and that we didn't see additional costs thrown in at a time when we were going to change a particular assessment.

MR. CHAIRMAN: Mr. Heeney.

MR. D. HEENEY: Mr. Chairman, Mr. Banman, if I said that I didn't think tax shifts would or should occur - I don't think that's correct - because I think tax shifts will occur and I would hope they would occur, because we feel in the farm community that we are being unfairly taxed, especially in regard to education tax, and as a municipal corporation and Union of Manitoba Municipalities, we've been asking for some property tax relief in the area of education tax for the last at least 10 years and we have not been successful. We think that the possibility of implementing MARC recommendations would now give us a mechanism that would permit that kind of flexibility to occur, but we are not suggesting that we give - as I said, we were a little reluctant - any government a blank cheque to go ahead and change the assessment procedures and the tax shifts that would occur against those. So we would hope there would be some shifts but we want to have our opportunity to present our case for those shifts at that time.

MR. CHAIRMAN: Thank you, Mr. Heeney.
Mr. Blake.

MR. D. BLAKE: Yes, Mr. Chairman, I have one question. Mr. Heeneey, you've mentioned in your remarks that you were concerned with the evaluation of property. The MARC Report recommends that property would be evaluated, let the market place determine the value on property. Do you feel that would be a fair way of evaluating the property or do you have another method to suggest in a way of placing a value on the property?

MR. D. HEENEY: Well, Mr. Chairman, and Mr. Blake, I don't think that a 100 percent market value for farmland is the most desirable method of doing it in the long term because of the volatility of the market, because of the fact that probably less than 5 percent of lands is trading and that 5 percent is establishing that the value for the other 95 percent - and there's a good deal of speculative value in there not related to the productivity, not related to the ability of that land to generate revenue to pay those taxes and give - the evidence is already there - and the fact that there are a good many bankruptcies in farms, so obviously somebody paid too much. So I would think and we have suggested that market value could be used up to 50 percent. We would prefer it because of the documentation that already exists - to use productive capability - which I think in the long term, because of historic background and the fact that the documentation is there, would be fair and more realistic method of determining the actual value of that property for now and in the future, and is a lot more stable and I think more acceptable and understandable by the farm community who are being assessed.

MR. D. BLAKE: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Blake. Any further questions from members of the committee for Mr. Heeneey?

Mr. Heeneey, just one brief question for the record, are you speaking on behalf of the Rural Municipality of Elton or is this a personal presentation you are making today?

MR. D. HEENEY: Mr. Chairman, the first part of it will be as representative of the Municipality of Elton because we have made our brief to the committee and this is a similar kind of a brief. The last part that dealt with the meeting at Portage is my own opinion because I was the only one there and we haven't discussed it at council.

MR. CHAIRMAN: Thank you very much, Mr. Heeneey, and on behalf of the committee I'd like to thank you for being here today.

The next presentation is from Mr. S.E. Ransom. Mr. Ransom.

MR. S. RANSOM: Mr. Chairman, Honourable Minister, members of the staff, members of the hearing, ladies and gentlemen.

My name is Sid Ransom, I come from Morton Municipality and I live 13 miles southwest of Boissevain. I am not really representing anyone more than myself or certain members of my family. My concern over the problems of assessment and taxation force me to

appear before you today and we do appreciate this opportunity of, shall I say, giving of bits of wisdom.

I subscribe to the principle of keeping the taxation assessment system as simple and equitable as possible and that the tax be as close to the revenue as possible, or to the source of revenue. I am one that cannot subscribe completely to the recommendations of the Weir Commission and perhaps I may go outside of the area to which we're supposed to confine ourselves today, if so, you'll tell me, please.

I believe that if the recommendations of the Weir Commission, as now made, are carried out by government that we're going to face a great deal of friction and provocation in the rural area to the extent that we have not seen before. I believe that if these recommendations are carried out that there will be damage to the rural area such as we have not seen before and I'll enlarge on this as I go along.

I would like to read one short paragraph from the recommendations of the the Michener Commission Report, Mr. Chairman.

"Costs of education are so much at the root of the problem of local government that if these costs could by some magic be made to vanish there would seem to be no serious problems of local government left for your commission and several other commissions which are working on these questions in other provinces. Unfortunately, no magic formula has been found. Costs must be paid from taxation of some kind."

I believe, Mr. Chairman, that if the educational tax could be looked at, I suggest in a different way than is contemplated, to some extent we would get that simplicity in the taxation field that I'm sure we're all searching for.

When the Weir Commission was holding hearings, we did make representation to them and with your permission I would like to read a short part of the submission we made at that time, because I feel very strongly that the arguments put forth there are just as valid today, even after the commission's report.

"To find sources of revenue for taxation has always been a problem, but more so than ever as the demands of the public continue to multiply at what we consider to be a very alarming rate. Immediately after World War I our first Income Tax Act was introduced and passed as a temporary measure to raise funds to supplement the Federal Treasury. We're all aware of how permanent this form of taxation has become and justly so. However, those charged with responsibility for assessment and taxation must never lose sight of that all-important line between demands of the people and the ability of the tax system to provide for same.

"We can only agree with the Fisher Municipal Inquiry Commission, 1963, when we noted in their report, Page 18, 'Government at all levels obtains revenue by differing means and in varying amounts, but directly or indirectly, always from the same source; namely, its citizens.'

"The first recommendation of the Fisher Report on Page 17, in part, states: 'As far as possible, municipalities should be financially responsible for and administer services benefiting property, and the province for services benefiting people. We believe this to be basically sound and it must be recognized that such a plan does not necessarily offer tax escape, rather, in our opinion, it should provide a more equitable tax system.'

"The report points out further that the property and business tax do not necessarily bear much relation to income. Though we recognize the dangers of politics and bureaucracy, we subscribe in principle to the above in searching for better methods of taxation, thereby finding ourselves immediately in conflict with present allocation of school tax responsibility."

The Morden municipality, with land in three different school divisions, 47.13 percent of our tax revenue, derived mostly from real property, goes for education. Keeping in mind that tax revenue can come only from people, would not a tax placed directly on their income be easier to assess as opposed to assessing their property?

We all know that as far as any dwelling goes, and I don't care whether it's in Brandon, Winnipeg, Boissevain or out on the farm, a house as such does not create any revenue. Its only value to be considered might be its rental value. So in essence the tax that we place on that dwelling has to come from a person's savings or from their salary. There's no other source. We're not objecting to assessing property for services to property, but I cannot for the life of me understand why we have to pick people's residences for the purpose of taxation for educational purposes. It seems it has got out of all proportion and it would appear to us to make more sense to go directly to the source of revenue, rather than go the roundabout way through the house, so to speak.

MR. CHAIRMAN: Mr. Ransom, you asked me to caution you if I felt you were wandering too far into the taxation field and not staying enough in the area of assessment. I think perhaps you would acknowledge that such a caution is warranted at this point.

I would ask you to direct your remarks more to the Weir Report and the analysis of its impact, because the areas you are into now relate more to taxation questions, which really is not this committee's responsibility. We're not able to make recommendations in that area.

MR. S. RANSOM: Well, Mr. Chairman, I would certainly wish to abide by your decision, but in all honesty, I would have to say that I think we're discussing matters a way up here when we should get down to the nitty gritty - to the basics. You know I cannot understand why we talk in terms of discussing assessment when we don't talk about taxation. I guess as a practical farmer, this does not make sense to me.

However, I . . .

MR. CHAIRMAN: Mr. Adam.

HON. A. ADAM: Yes, Mr. Ransom, I know that you are expressing your concerns in regard to the taxation side. We hope that we can deal with the assessment side. Nevertheless, your address is primarily dealing with the taxation side. We appreciate your concerns that we can't deal with them directly, but we are pleased to have them and want to advise you that at the present time my colleague, the Minister of Education, Maureen Hemphill, has a Mr. Nichol going around dealing with that very question that you raise here, so it is being looked at at the present time - the matter of educational finance in the Province of Manitoba.

MR. CHAIRMAN: Mr. Ransom, proceed.

MR. S. RANSOM: Mr. Chairman, I accept your ruling, but I feel that I am talking about assessment.

MR. CHAIRMAN: Mr. Ransom, I'm not making a ruling. I'm just making a suggestion that you had asked that I caution you if your remarks dealt more with taxation than assessment. I am taking your suggestion and suggesting to you that we deal more directly with assessment if possible.

MR. S. RANSOM: Well I'm sorry, Mr. Chairman, I guess my presentation is finished. I would like the people to have heard further what I had to say, but this is not the time or the place and I accept that.

MR. CHAIRMAN: Well, if you have comments on assessment, we're quite prepared to hear them, sir, and the Members of the Committee may have questions for you about your remarks, so please don't leave until we've given them a chance to question you.

MR. S. RANSOM: I would say, Mr. Chairman, that my remarks are primarily centered around those matters that I started out to discuss and I'm not prepared to go into the nitty gritty of the whole assessment system, because I think, first of all, we have to decide what we're going to tax and how we're going to tax it and then we deal with assessment.

MR. CHAIRMAN: Do the members of the committee have any questions for Mr. Ransom? Hearing none, thank you very much, Mr. Ransom.

The next individual on our list is Mr. Bill Rolston. Mr. Rolston.

Mr. Rolston, before you begin, I'd like to point out to members of the public that we will adjourn at 12:30 and since it's obvious that we won't complete by 12:30 we will reconvene at 2:00 p.m. In terms of members of the public who have been trying to schedule the balance of their day in terms of having lunch, etc., we'll adjourn at 12:30 or thereabouts and reconvene at 2:00 p.m. this afternoon.

Please proceed, Mr. Rolston.

MR. B. ROLSTON: Mr. Chairman, Members of the Committee, Ladies and Gentlemen, my name is Bill Rolston, I live on a quarter section in the R.M. of Winchester and I submit this report as a concerned individual.

First, I would like to acknowledge that I fully support the intention of the Weir Report, which I understand to be to make property taxes, particularly school taxes, more equitable throughout the province.

I believe for the most part the recommendations contained in the report would accomplish this end in all parts of the province except the City of Winnipeg. I am aware that St. James-Assiniboia is supposed to be representative of Greater Winnipeg as a test area for the report. However, because the last full reassessment of Greater Winnipeg is over 25 years old and because much of St. James-Assiniboia has been built during the past 25 years and would therefore have a more current assessment than older parts of the city,

I cannot believe that St. James-Assiniboia is truly representative of the Greater Winnipeg area. It is on this basis that I feel the Weir Report Recommendations must be revised before they can be totally acceptable to residents of rural Manitoba.

If you take the sample residences on Page 30 for Brenda and on Page 33 for St. James-Assiniboia, each with a taxable assessment of \$7,180 and \$7,210 respectively, you may compare the implications of the recommendations of the Weir Report which appear most favourable to the Brenda residences. If, however, you take any residence situated in an older part of the city and compare it with the same residence in Brenda, there may be somewhat different results.

The implications contained in the Weir Report are very clear and they show that rural Manitoba is presently paying far too large a share of the overall tax load. I would like to make the point that municipal taxes are not of concern in this submission. These taxes can be controlled locally. It is the school taxes which must be considered, as they are beyond the control of local municipal governments.

Special school division levies and education support levies, because they are based on assessment and calculated divisionally and provincially respectively, must be calculated from a province-wide, up-to-date assessment. In rural Manitoba, for the most part, school taxes are greater than municipal taxes, while in St. James-Assiniboia the opposite is true. Municipal levies provide direct benefits to the properties generating those taxes and in the urban areas there are far more amenities, consequently higher municipal taxes. No one can take exception to this levy as it is equal throughout the municipality if all assessments are current.

However, school taxes are calculated on a very involved formula. Therefore, it is most important that all properties are assessed equally throughout the province and this end can only be achieved with a current reassessment province-wide. I cannot understand why the City of Winnipeg, which unlike the balance of the province, has its own assessment department and has not had a more recent assessment than 1957 or '58. I can only surmise it is a matter of political suicide for any government to implement such a long overdue undertaking. However, without such a current reassessment, it is unlikely that any report such as the Weir Report that we are discussing here today can truly equalize school taxes throughout the province.

I note on Page 2, Item 3 of the Weir Report that the committee has tried to apportion property valuation by using various percentages; for example, farm, 8 percent; residential, 15 percent; and other, being commercial, 16 percent. These percentages can only be valid if all assessments in the entire province are current. I would like to repeat that I fully support the intention of the Weir Report and congratulate the members of the commission on their endeavours so far. I believe you're on the right track.

Thank you, gentlemen.

MR. CHAIRMAN: Thank you, Mr. Rolston. Are there any questions from members of the committee? Hearing none, Mr. Rolston, on behalf of the committee, I'd like to thank you for appearing today.

MR. B. ROLSTON: My pleasure.

MR. CHAIRMAN: The next presentation is by Mr. Donald J. Alexander, Reeve of the Rural Municipality of Thompson.

Mr. Alexander.

The Clerk has copies of Mr. Alexander's brief which he is distributing now. Perhaps you could wait just a moment, sir, until members have copies in front of them.

Please proceed, Mr. Thompson.

A DELEGATE: Mr. Alexander.

MR. CHAIRMAN: I'm sorry, RM of Thompson.
Mr. Alexander, right?

MR. D. ALEXANDER: Mr. Chairman and members of the Standing Committee on Municipal Affairs, the Council of the Rural Municipality of Thompson welcomes this opportunity to present you with its views . . .

MR. CHAIRMAN: Could you speak up just a little louder please?

MR. D. ALEXANDER: . . . okay, on the Manitoba Assessment Review Committee Report. We have long held the view that the system presently in use for determining liability to real property taxation creates many ridiculous situations, and hence, incredible inequities from one property owner to another.

However, before addressing this statistical analysis and the MARC Report, allow me to describe the physical characteristics of our municipality. It consists of five-and-a-half townships, 971 people in the rural area and 400 people in the UVD of Miami. The Pembina escarpment runs through the western third of the municipality in a northwesterly direction creating a mixed farming environment to the west and a grain farming environment on the flat plains to the east.

The bulk of the recommendations in the MARC Report are simply common sense and should have been implemented long ago. For instance, recommendation IV-1-2 states that assessment notices should clearly indicate the difference in valuation that exists between arable lands and adjoining wildlife habitat which has been left in its natural state. Council, because of the presence of the escarpment in our municipality, heartily endorses this procedure because we view the wildlife area as a means of reducing the rate of spring snow melt and hence, reduced water erosion, plus the fact that these areas help considerably in the recharge of our aquifers. Unfortunately, the recommendation, in our opinion, is approximately 36 years too late. Now, if you're wondering why we said 36 years, that's when the bulldozer first made its appearance on the scene.

The statistical analysis prepared by the Department of Municipal Affairs incorporates the four major recommendations of the MARC Report; namely, (a) that all farm residences become taxable; (b) farm outbuildings exceeding the value of the land on which they stand become taxable; (c) the first \$50,000 of commercial industrial assessment be at the residential rate for school purposes; (d) designating one acre as sufficient for farm residential.

Council concurs with the removal of farm residences from the exempt to the taxable status which in turn will eliminate a difficult and often absurd problem that

is ever increasing in our courts of revision. Correspondingly, we also agree with the fact that farm outbuildings, too, will be removed from the exempt category, simply because the farmer who is livestock intensive is not contributing his fair share of real property tax for services rendered compared to the farmer who is land intensive. However, specialized livestock buildings should be exempt when vacant for a period of time. Council, however, does have difficulty with the exemptions suggested. For instance, an exemption on a parcel of class 6 land would not be nearly as great as on a parcel of class 1 land of the same size. We feel that in the interests of preferred land use that it would be more desirable to provide a fixed exemption for everyone; for example, \$75,000.00.

Council endorsed the suggestion that the first \$50,000 of commercial/industrial assessment be taxed at the residential rate. It is becoming increasingly difficult for small businesses in rural communities, as well as large urban areas, to remain competitive when the foundation levy is so high. Therefore, if we want these businesses to remain viable and to continue to offer a valuable service to our communities, we must offer this concession.

Council has no argument with one acre being allocated for farm residential as long as it applies only to farm residences. Rural residential people who have bought more than one acre of land should be taxed on the residential assessment of the entire parcel. After all, they have removed from agriculture a larger parcel than was necessary and in all probability will come in conflict with agriculture from time to time.

Council endorses the realization that fair market value of real property is a much better method of arriving at an assessment base, particularly with regard to shared services beyond municipal boundaries. In other words, it will eliminate the sleight of hand known as equalized assessment. However, everyone must realize that when we assess real property, that is, land and buildings, we are comparing apples and oranges. Land is an asset that is limited in availability as far as type, as far as location, are concerned, whereas buildings can be reasonably easily fabricated in any size, at any location, in any shape, or any function at any time. Hence, the value of the land base will appreciate at a much faster rate than the value of buildings due to these individual characteristics. Herein lies the problem with regard to educational financing. The farm community has maintained for years that it was carrying an unfair burden of the education financing.

The Council of the Rural Municipality of Thompson feel more strongly than ever that if the assumptions that are applied in the statistical analysis become policy that the farm community would be saddled with an even greater share of the education costs. Granted, the paper wealth of the farm community is large when compared to other sectors of society in terms of real property; however, one must bear in mind the return on investment, when compared to other sectors of society, is very small. In other words, we must not fall into the trap that assessment reflects the ability to pay.

The MARC Report states that there should be no shift in taxes realized between classes and the statistical analysis appears to indicate that this is true when applying the valuation figures of 8, 15 and 16 percent for assessment purposes. However, there is clearly a

shift between ratepayers in a class primarily due to the fact that farm residences are being taxed, and also the fact that they are being placed in the residential class which means that the farm community will be contributing to two different classes instead of one.

We would agree that if a case can be made for taxing real property to raise funds for education, that the mill rate for the foundation program on the farm class of property be at a much lower rate than it is for residential. A system that reflects justice and equity will admittedly attract its fair share of criticism, except that the complainants are devoid of facts on which to base their case.

Council feels that assessment to determine liability to real property taxation of urban property is grossly unfair, since older buildings have a relatively low value compared to a new building and yet the services are equal. We feel that a system of collecting taxes on urban property should include a number of factors; for example, assessment could account for 50 percent, square feet of floor space 25 percent, and lot frontage 25 percent. Such a system would encourage people to improve their existing buildings without the penalty of substantial property taxes, as well as an incentive to new builders in older towns.

We also feel that the Property Tax Credit Program currently in use should be scrapped, primarily because it only adds to the present disparity in real property taxation. If governments feel that there is a segment of society that requires financial help due to real property taxation, we feel that the adjustments can be more appropriately made on the cost of living section of the Manitoba portion of the income tax form. Furthermore, money to provide the credit for the program originates in the government's share of the Education Foundation Program which never does get spent on education; hence, school divisions have to make up that deficit by increasing the special levy accordingly.

Thank you for the opportunity to express the views of the RM of Thompson Council on this report. I trust that you will give serious consideration to our proposals.

MR. CHAIRMAN: Thank you very much, Mr. Alexander. Are there any questions for Mr. Alexander from members of the committee? Hearing none, thank you very much, Mr. Alexander.

MR. D. ALEXANDER: Thank you, Mr. Chairman.

MR. CHAIRMAN: The next presentation is by Mr. W.G. Goodwill.

Mr. Goodwill.

MR. W. GOODWILL: I'm Bill Goodwill. I live eight miles south of Brandon, Rural Municipality of Oakland, on a half-section which has 30 acres of water on it. I would like to have The Municipal Act changed to have fish farming entered into it. The Act has cattle, sheep, goats, swine, poultry, bees, horses, but fish farming is not included and I would like to have fish farming included in The Municipal Act.

MR. CHAIRMAN: Are there any questions for Mr. Goodwill?

Mr. Blake.

MR. D. BLAKE: Yes, Mr. Chairman. I'm just not clear; maybe Mr. Goodwill could clarify it. Is there not some exemption in the assessment on the property now for land that is not arable? Do they not take that into consideration when they're assessing the property?

MR. W. GOODWILL: Yes, but when you're raising fish, you should be - I worked in Brandon, I had the farm rented and my wages were more than I was making off the farm. Now that I'm on pension, I still have the farm rented and I raise these fish. If that fish farming was added to what I make off the farm, I would be getting more off the farm than what my pensions come to. Therefore, this way I'm paying \$600 a year taxes on my house. If fish farming was in there, I could be exempt from paying those taxes.

MR. D. BLAKE: That brings us, I guess, partly to the reason that we're here, but that particular problem that you're experiencing now is cropping up more and more. As the farm community has fallen on some tougher times, there's a lot of off-farm income now that's greater than the farm income and it's presenting some difficulties all across the province. So I sympathize with your case and I'm sure the Minister has made a note that he should take a long look at fish farming because the area I represent is pretty heavy in fish farming, so they would probably welcome your suggestion.

MR. CHAIRMAN: Mr. Adam.

HON. A. ADAM: Thank you, Mr. Chairman. Mr. Goodwill, I'm not sure whether you've had a copy of this report, but on Page 25, the definition of a farm according to the Weir Committee includes that of rearing fish as well, so they have put that in there as an interpretation of what you have recommended here today. So, whenever we deal with this, that certainly will be taken into consideration.

MR. W. GOODWILL: Thank you.

MR. CHAIRMAN: Thank you very much, Mr. Goodwill. If there are no further questions, thank you, sir.

The next name on my list is Mr. John Whitaker, National Farmers Union, Local 516.

Mr. Whitaker.

MR. J. WHITAKER: I am John Whitaker, the President of Local 516 of the National Farmers Union.

MR. CHAIRMAN: We're having trouble hearing you, John.

MR. J. WHITAKER: The presentation is on behalf of the Local, but Mr. Lyle Ross and I will both handle it.

MR. L. ROSS: Yes, Mr. Chairman, and Members of the Legislature. These notes are just written out, so we can get a copy to you at some future date. They are quite brief.

In general, the principles we're looking at:

1) Property taxes should cover costs associated with that property only. Education and health taxes should be levied in another form.

2) Assessment on agricultural land should be on productive value, not on market value.

3) In buildings, all buildings, including residential, should be assessed and taxed provided they are occupied and/or in productive use. Farm outbuildings should be taxed at a lower percentage of assessment than land.

Assessment and taxation of farm outbuildings must be preceded by the implementation of orderly marketing systems for all farm commodities which will return cost of production plus a reasonable return for labour and investment.

We support the recommendation for establishing a single assessing authority. Whatever long-term changes are implemented, there are changes required immediately in the present system. A couple of examples, I think, that have been touched on by previous speakers as well - present farm residences are taxable if net off-farm income is higher than net farm income. Presently, one or other or often both partners must work off-farm to maintain the farm. Generally this is the woman. Fluctuating farm income can easily result in off-farm net income being higher in a given year even though that off-farm income may be very small.

The other problem here is that if the title to the home quarter is in the man's name, then the woman's income is not included when determining whether the residence is taxable. If the home quarter is in joint ownership, then the woman's income is included. This situation leads to discrimination against couples having joint title for their farm residence. The discrimination is against having joint title to protect the woman's income, even though that income contributes to that residence. We feel this discrimination could be corrected by eliminating the exemption where the title is held in the man's name only. Doing that in itself might deal with the discrimination, but it wouldn't deal with the problem of net farm income having a large variation, large fluctuation, and being greater or less than off-farm income. Those brief points are what we have right now, Mr. Chairman. If there are any questions, John Whitaker will answer them.

MR. CHAIRMAN: Are there any questions for Messrs. Ross or Whitaker?

Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. Mr. Ross, when you mention that you don't object to all buildings being taxed, all farm buildings being assessed for taxation purposes, you didn't comment on the exemptions that have been suggested; in other words, the value of the land that those outbuildings are located on. Are you suggesting that all farm outbuildings should be assessed for taxation purposes without any exemptions therefrom?

MR. J. WHITAKER: I'm not familiar with the specifics that you are referring to, Mr. Orchard, but based on the proviso that Mr. Ross mentioned, that of orderly marketing systems for farm commodities so that you could pay fair taxes on such buildings, I don't have any objection, but we did say that the rates should be lower than that used for land to avoid the problem of double taxation.

MR. D. ORCHARD: Thank you, Mr. Chairman. I think there's every possibility that we might resolve the assessment problem before we get everything under marketing boards. So in view of that, I would just like to get your feelings on whether the exemption recommendation, as contained in the green analysis plus the Weir Report or the market report itself where farm outbuildings are exempt from assessment to the value of the land they sit on, is a valid exemption to provide some protection to both a straight grain farmer and a mixed livestock producer. In other words, if your land is \$100,000 on the quarter section you have your buildings, your first \$100,000 worth of outbuildings are exempt from assessment and taxation. Is that a fair recommendation in your estimation?

MR. J. WHITAKER: It seems reasonable to me, but I have to admit that when we had our local meeting to discuss what we were going to present today, the question of farm buildings drew quite a lot of debate and there was a lot of mixed feelings within the local and that's why we put the orderly marketing proviso on it.

MR. CHAIRMAN: For Messrs. Ross and Whitaker.
Mr. Blake.

MR. D. BLAKE: A further question to Mr. Whitaker. Your debate on the farm buildings, John, was it related to taxation or was it related to assessment?

MR. CHAIRMAN: Mr. Whitaker.

MR. J. WHITAKER: Basically, Dave, I think it was related more to taxation. There is, as you know, a lot of confusion in the country about the difference between assessment and taxation.

MR. CHAIRMAN: Any further questions?
Mr. Orchard.

MR. D. ORCHARD: If I might, just one more question, and it's come up in a couple of the presentations this morning about a concern of using market value for assessment purposes on farmland, that we should attempt to structure the assessment valuation through a form of productive value rather than market value. I have mixed feelings on both sides of that but, in your opinion, does the market value of land fairly closely reflect its productive value, so that if you used market value you would have your most productive lands naturally having the highest assessment at market value. The way to get around to the equitable taxation, of course, is in the portioning recommendation, whether you use 8 percent as is used in the green book or whether you have to use a lesser percentage like 6 percent so that you don't have an inordinate shift to bare farm land.

Basically, the question I'm asking, is not that market value an indication in itself of the productive value of land, in your opinion?

MR. CHAIRMAN: Mr. Whitaker.

MR. J. WHITAKER: I can speak for our own municipality, the R.M. of Clanwilliam, which is on the south side of

Riding Mountain Park. The southern part of the municipality is agricultural, it's quite good land, as you go farther north, land becomes more and more marginal, more bush, more stones. We just went through a reassessment in 1982. There was quite a shift of assessment from the high capability agricultural lands to the south onto the lower capability lands to the north, and it was because of a recreational demand on the northern lands. So in our municipality, market value reflects agricultural value for the southern part. As soon as you add in a recreational pressure on value, it no longer does.

MR. CHAIRMAN: Any further questions? Seeing none, Mr. Ross, Mr. Whitaker, thank you very much for appearing today.

It's approaching 12:30, I don't know if we have time to hear one more or not. What's your will and pleasure, gentlemen? The committee's wish is to proceed.

Mr. Ivan Stocks, Rural Municipality of Roland. Mr. Stocks, please.

MR. I. STOCKS: Mr. Chairman, committee members, I'm Ivan Stocks of the Rural Municipality of Roland. We're right next door to the Thompson Municipality, and this might sound a little repetitious, but it is considerably the same.

The Council of the Rural Municipality of Roland presents you with the views of this municipality on the Manitoba Assessment Review Committee Report. We feel that the taxation creates many inequities from one property owner to another. The bulk of the recommendations in the MARC Report are simply common sense.

For instance, the recommendation IV-1-2 states that assessment notices should clearly indicate the difference in valuation that exists between arable land.

The statistical analysis prepared by the Department of Municipal Affairs incorporates the four major recommendations of the MARC Report, namely: That all farm residents become taxable; farm outbuildings exceeding the value of the land on which they stand become taxable; the first \$50,000 of the commercial industrial assessment be at residential rate; designating one acre as sufficient for farm residential.

Council agrees with the removal of farm residences from exempt to taxable status with the following recommendations: Designate one acre as farm residential; assess the farm dwelling at the equivalent rate of farmland; individuals who purchase one or more acres should be taxed on the residential assessment of the entire property, due to the fact that most of the time all they do is take land out of agricultural use.

Correspondingly, we agree with the fact that farm outbuildings be removed from the exempt category, simply because the farmer who is livestock intensive is not contributing his fair share of real property tax for services rendered compared to the farmer who is land intensive. However, specialized livestock buildings should be exempt when vacant for a period of time.

Council feels that the assessment to determine liability to real property taxation of urban property is unfair due to the fact that older and new buildings receive the same services but their assessment values are different. We feel that a system of collecting taxes on

urban property should include a number of factors - and this is where we agreed with Thompson Municipality - assessment 50 percent, square feet of floor space 25 percent, and lot frontage 25 percent. This type of system would encourage people to improve their existing buildings without the penalty of substantial property taxes, as well as an incentive to new builders in older towns.

Thank you for the opportunity to express the views of the Rural Municipality of Roland Council on this report. We trust that you will give serious consideration to our proposal. Thank you.

MR. CHAIRMAN: Questions, Mr. Driedger.

MR. A. DRIEDGER: Mr. Stocks, I have a question related to the suggestion that you're making regarding the exemption for specialized livestock buildings being vacant for a period of time. Would you care to define the period of time that you would be looking at? Are you looking at six months, a year, or it could be vacant for a month? Could you maybe define what you had in mind when you referred to a period of time?

MR. I. STOCKS: Yes, I would take that as when the hog producer, chicken producer, had closed his business and had been vacant for one year.

MR. A. DRIEDGER: Thank you.

MR. CHAIRMAN: Mr. Banman.

MR. R. BANMAN: Mr. Stocks, both you and Mr. Alexander in your brief mention the item which I guess causes some concern in some of the municipalities specifically around the City of Winnipeg, and that is with regard to the individuals who purchase more than one acre for their residences in rural Manitoba. There is a problem developing in that some of the municipalities have passed by-laws to try and control the urban sprawl and said that the subdivisions within property couldn't be smaller than 80 acres or something like that. In many of these instances the individuals would be happy with an acre, but because of municipal

planning and other considerations, are forced into buying more land, and I wonder if that situation has cropped up in your particular municipality where people because of zoning, because of municipal planning, are only allowed to purchase, let's say, 5 acres or 10 or 20 acre sites and would be quite happy to only purchase 1 acre. I see your particular suggestion here as causing some difficulty there, because as I mentioned some of these people would be happy to have a smaller parcel.

MR. I. STOCKS: It has not really become a real problem in our area as yet. The reason we stipulated one acre was to get away from that.

MR. CHAIRMAN: Any further questions from members of the committee?

Mr. Adam.

HON. A. ADAM: Thank you, Mr. Chairman. Mr. Stocks, in your brief you are departing from the recommendations of the MARC Report in that you would only assess residential buildings at the farm rate, which for this exercise was 8 percent. Is that correct?

MR. I. STOCKS: On that one particular issue, yes.

HON. A. ADAM: Yes, and on the second issue in urban areas, where you say that the older buildings, while they are receiving the same services as newer buildings, that they are taxed at a lower rate because of the value of the building. Would you apply that same criteria to the farm building as well as to the urban?

MR. I. STOCKS: I think so, yes.

HON. A. ADAM: Thank you.

MR. CHAIRMAN: Any further questions from members of the committee? Hearing none, on behalf of the committee, Mr. Stocks, thank you for appearing today. Thank you very much.

Unless there's any further business, I suggest that committee adjourn now and meet again at 2:00 p.m. Committee adjourned.