

DATE: November 16, 2018

TO: Manitoba Municipalities

FROM: Manitoba Tax Assistance Office
Manitoba Finance

PHONE NO: 204-948-2115

SUBJECT: Administrative information bulletin regarding 2019 Manitoba Education Property Tax Credit Changes

Effective for the 2019 tax year, the calculation of the Manitoba Education Property Tax Credit (EPTC) will be based on school taxes and the credit will no longer offset municipal property tax. In addition, the EPTC will offset school taxes starting with the first dollar payable. Previously, the first \$250 in taxes payable were not eligible for the EPTC.

The purpose of the EPTC is to offset school taxes. The changes to the EPTC were made in Budget 2018 in the context of the Government's commitment to budgeting only for entities that form part of its Summary Budget. School divisions are part of the Summary Budget whereas municipalities are not. The EPTC is entirely funded by the province and these changes do not affect overall revenues for municipalities or school divisions. Although these changes do not impact municipal revenues, there may be positive and negative impacts on some individual households. The changes benefit properties with low school taxes in particular and make the overall 2019 program changes cost neutral.

Attached to this memo you will find an information bulletin that includes illustrative examples of the impact the changes will have on municipal taxes, school taxes, and their relation to the EPTC before and after 2019.

Should you have any further questions, please contact the Manitoba Tax Assistance Office at 1-204-948-2115 or toll-free at 1-800-782-0771 or Manitoba Municipal Relations at 1-204-945-2572.

c. Association of Manitoba Municipalities
Municipal Relations

Attachment: Information Bulletin

Administrative Information Bulletin

2019 Education Property Tax Credit Changes

Manitoba Budget 2018 announced that, effective for the 2019 tax year, the calculation of the Manitoba Education Property Tax Credit (EPTC) will be based on school taxes and the \$250 deductible before the EPTC applies will be eliminated.

This measure is being implemented in the context of the Government's commitment to budgeting only for entities that form part of its Summary Budget. School divisions are included in the Summary Budget whereas municipalities are not.

As a result of this measure, all of Manitoba's property tax credits, including the EPTC, Seniors' School Tax Rebate, Pensioners School Tax Assistance, and the Farmland School Tax Rebate, are based on school taxes.

The following examples illustrate municipal taxes, school taxes, and their relation to the EPTC before and after 2019.

Example 1:

A combined total of \$4,000 municipal and school tax is levied, of which the homeowner is liable for \$3,300, and the province provides a \$700 EPTC. The Budget 2018 announcement results in no change between 2018 and 2019.

The elimination of the \$250 deductible is not material in this example given the amount of school tax payable.

| | 2018 Tax Year | 2019 Tax Year | |
|------------------|---------------|---------------|----------------------------|
| School | | | |
| Gross taxes: | \$2,000 | \$2,000 | |
| EPTC: | -\$700 | -\$700 | |
| Net payable: | \$1,300 | \$1,300 | |
| Municipal | | | |
| Gross taxes: | \$2,000 | \$2,000 | |
| Net taxes: | \$2,000 | \$2,000 | |
| Totals | | | |
| Gross Taxes: | \$4,000 | \$4,000 | Tax collected |
| EPTC: | -\$700 | -\$700 | Provincial support |
| Net payable: | \$3,300 | \$3,300 | Homeowner liability |

Example 2:

In the 2018 tax year, the EPTC offsets school taxes and then further offsets municipal taxes. In the 2018 tax year, a total of \$600 of tax is collected, of which the homeowner is liable for the applicable minimum of \$250, resulting in an EPTC of \$350.

In the 2019 tax year, the EPTC offsets the school taxes of \$300 but municipal taxes are no longer eligible. In this example, the homeowner will be subject to an increase in their municipal tax liability of \$50.

| | 2018 Tax Year | 2019 Tax Year | |
|------------------|---------------|---------------|----------------------------|
| School | | | |
| Gross taxes: | \$300 | \$300 | |
| EPTC: | -\$300 | -\$300 | |
| Net payable: | \$0 | \$0 | |
| Municipal | | | |
| Gross taxes: | \$300 | \$300 | |
| EPTC*: | -\$50 | \$0 | |
| Net payable: | \$250 | \$300 | |
| Totals | | | |
| Gross taxes: | \$600 | \$600 | Tax collected |
| EPTC: | -\$350 | -\$300 | Provincial support |
| Net payable: | \$250 | \$300 | Homeowner liability |

Example 3:

In the 2018 tax year, the EPTC is first applied to offset school taxes of \$200. There is no offset to municipal taxes because at \$200, this amount is less than the \$250 deductible.

In the 2019 tax year, the removal of the \$250 minimum allows for the complete offset of school taxes, resulting in the homeowner's reduction of their school tax liability by \$50.

| | 2018 Tax Year | 2019 Tax Year | |
|------------------|---------------|---------------|----------------------------|
| School | | | |
| Gross taxes: | \$200 | \$200 | |
| EPTC: | -\$150 | -\$200 | |
| Net payable: | \$50 | \$0 | |
| Municipal | | | |
| Gross taxes: | \$200 | \$200 | |
| EPTC: | \$0 | \$0 | |
| Net payable: | \$200 | \$200 | |
| Totals | | | |
| Gross taxes: | \$400 | \$400 | Tax collected |
| EPTC: | -\$150 | -\$200 | Provincial support |
| Net payable: | \$250 | \$200 | Homeowner liability |