

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Selina Robinson
Minister of Finance

Date Requested: January 20, 2021
Date Required: January 29, 2021

Initiated by: Francis Camilleri
Executive Director
Income Taxation Branch

Date Prepared: January 20, 2021

**Ministry
Contact:** Francis Camilleri
Executive Director
Income Taxation Branch

Phone Number: 778 698-1793
Email: Francis.Camilleri@gov.bc.ca

Cliff #: 478734

TITLE: Provision of BC Recovery Benefit cheques to certain clients of the Ministry of Social Development and Poverty Reduction

PURPOSE:
(X) DECISION REQUIRED

DATE PREPARED: January 20, 2021

TITLE: Provision of BC Recovery Benefit cheques to certain clients of the Ministry of Social Development and Poverty Reduction

ISSUE: The Ministry of Finance requires direction on how to issue cheques to clients of the Ministry of Social Development and Poverty Reduction

BACKGROUND:

The Minister of Finance has directed that clients of certain programs (eligible clients) of the Ministry of Social Development and Poverty Reduction (SDPR) be eligible to receive the BC Recovery Benefit, even if they would otherwise not qualify under the existing process which requires a bank account to receive a direct deposit payment.

Ministry of Finance (FIN) staff and SDPR staff believe that SDPR can provide information necessary to pay the BC Recovery Benefit to the eligible clients. In order to do this, FIN will generally be relying on identity verification performed by SDPR as part of their client identification process. FIN will only perform duplicate payment matching using the Social Insurance Number to ensure the eligible client had not already been paid (and ensure that those who have been previously paid receive their full entitlement). Once the Ministry of Finance has determined which eligible clients have already received their BC Recovery Benefit payment, the unpaid clients can be paid through an EFT or cheque process which will depend on their banking information on file with SDPR.

There are approximately 200,000 SDPR clients. It is intended that clients paid through this process will primarily be through electronic funds transfer if SDPR has relevant banking information. SDPR estimates that approximately 55,000 clients do not have banking information on file. However, actual cheque payments for the BC Recovery Benefit will also depend on the number already approved under the normal eligibility requirements. Clients for whom SDPR does not have banking information for will receive their BC Recovery Benefit by cheque. This segment of SDPR clients is often under-banked, non-banked and transient. Generally, these eligible clients will receive their BC Recovery Benefit in the mail. A small number of SDPR clients receive their cheques at an SDPR or Service BC office. This latter group will receive their cheques at the same place as their income or disability payment check.

FIN staff and SDPR staff have investigated three options to provide the BC Recovery Benefit by cheque to eligible clients:

1. Pay the BC Recovery Benefit on a s.13 s.17 government cheque s.17

s.13

DISCUSSION:

Resources required

s.13

Timeliness

s.13

Security Details

Office of the Controller General (OCG) will complete a separate Financial Risk and Control Report (FRCR) to document risks and controls to ensure government policies are followed and risks mitigated. Consistent with the Core Policy and Procedures Manual, Income Taxation Branch will be unable to authorize payments until the OCG approves the FRCR.

s.13; s.15; s.17

Access to Cheque Cashing

There is no requirement that a financial institution cash any Government of BC cheque, including BC Employment and Assistance cheques.

However, government has agreed to indemnify financial institutions for BC Employment and Assistance cheques cashed by those financial institutions. Similar guarantees would not be in place for the BC Recovery Benefit paid under ^{s.17}

Many non-banked or under-banked eligible clients will be reliant on cheque cashing services provided by payday lenders to access the B.C. Recovery Benefit cheque funds. As an example, a typical cheque cashing charge would be \$2.99 base plus 2.99% of the amount of the cheque. This means that an eligible client who receives a \$1,000 cheque will pay \$32.89 in processing fees; an eligible client who receives a \$500 cheque will pay \$17.94 in processing fees.

The government has limited, by regulation made under the *Business Practices and Consumer Protection Act*, the amount of cheque cashing fees that may be charged on cheques identified as “B.C. Employment and Assistance” cheques to the lesser of \$2 plus 1% of the cheque amount or \$10. This means that an eligible client who receives a \$1,000 cheque will pay \$10 in cheque cashing fees; an eligible client who receives a \$500 cheque will pay \$7 in cheque cashing fees.

s.13

s.13

OPTIONS:

Option 1 s.13
s.13

BC Government cheques.

RECOMMENDATION:

Option 1 s.13

BC Government cheques.

APPROVED / NOT APPROVED



Selina Robinson
Minister of Finance

February 1, 2021

Date

Ministry of Finance
BRIEFING DOCUMENT

To: Selina Robinson
Minister of Finance

Date Requested: January 20, 2021
Date Required: February 4, 2021

Initiated by: Francis Camilleri
Executive Director,
Income Taxation Branch

Date Prepared: February 3, 2021

Ministry Contact: Jeffrey Krasnick
Director, Income Tax Advisory
& Intergovernmental Relations
Income Taxation Branch

Phone Number: 778 698-9667
Email: jeffrey.krasnick@gov.bc.ca

Ministry Contact: David Karp
Director, Income Tax
Tax Policy and Intergovernmental
Fiscal Relations Branch

Phone Number: 778 698-5778
Email: david.karp@gov.bc.ca

Cliff #: 478846

TITLE: BC Recovery Benefit follow-up decisions

PURPOSE:

(X) DECISION REQUIRED

DATE PREPARED: February 3, 2021

TITLE: BC Recovery Benefit follow-up decisions

ISSUE: Timing of eligibility requirements and treatment of assistance recipients who don't have a SIN for the BC Recovery Benefit.

BACKGROUND:

The Minister of Finance has directed that individuals in receipt of income assistance, disability assistance, hardship assistance, comfort allowance and BC seniors supplement be eligible for the BC Recovery Benefit, even if they don't meet all of the general requirements (e.g., have filed a 2019 income tax return). Ministry of Finance (FIN) staff are attempting to ensure as many eligible Ministry of Social Development and Poverty Reduction (SDPR) clients as possible receive the BC Recovery Benefit through the design of an alternative process for SDPR clients to receive the benefit. Two follow-up decisions are required in respect of this alternative process.

First, a decision is needed about the timing of when an individual must be on assistance in order to be eligible for the alternative process.

Based on the initial program design decisions and as announced publicly, applicants must be a BC resident as of December 18, 2020 to be eligible for the BC Recovery Benefit¹. To most closely align with this general criteria, Ministry of Finance and SDPR staff recommend that SDPR clients who received an assistance payment in December 2020 or January 2021 be eligible for the alternative process. SDPR clients who started on assistance after January 2021 may be upset that they are not eligible for the BC Recovery Benefit's alternative process. However, if they were BC residents as of December 18, 2020, they would be eligible for the benefit through the application process.

Second, an administrative issue has arisen for 68 clients of SDPR who receive assistance but do not have, or have not provided, a Social Insurance Number (SIN).

The current BC Recovery Benefit program requires that all applicants provide a SIN. This allows FIN staff to identify duplicate applications and retrieve income taxation records (if any) available to FIN. Applicants cannot file an application without a SIN.

SDPR usually requires all clients to provide a SIN. This is used for tax reporting purposes (issuance of T5007 for tax reporting purposes), identity verification and to access relevant records from federal departments and FIN. SDPR encourages the clients to register with Employment and Skill Development Canada for a SIN if the client

¹ It is expected that this, along with the other eligibility criteria, will be incorporated into the *Income Tax Act (British Columbia)* when amendments are tabled this spring. It is also expected that the specific eligibility criteria for SDPR clients will be incorporated into this Act.

believes they do not have one. Once a client provides a SIN, the SIN is included in the SDPR file.

The BC Recovery Benefit system is not currently configured to process applicants who do not have a SIN. It would require key components of the system to be reconfigured to allow the creation of accounts without a SIN present and remove the SIN as a required field. This required reconfiguration would delay the roll out of SDPR payments.

DISCUSSION:

Providing the alternative process for individuals who received assistance in December of 2020 or January 2021 is currently under development and is anticipated to be able to be migrated on February 19, 2021. This migration will result in the payment files being sent to the Corporate Accounting System for delivery in the same manner (but not in the same payment) as individuals currently receive their assistance payment. This means that most individuals on assistance could receive their payment in February 2021.

The Ministry is currently working on a communication plan for these payments. It is expected that there will be a desire to communicate which SDPR clients (in terms of timing of assistance payments) will receive the BC Recovery Benefit through the alternative process.

s.13

The SIN is a key part of the verification process and is used to ensure that there are no duplicate payments, and that the Ministry of Finance (FIN) taxation records system has only one account per entity. One of the key client identification tools available to FIN is access to federal and provincial tax records through the SIN.

s.13

s.13

OPTIONS:

s.13

RECOMMENDATION:

s.13

APPROVED / NOT APPROVED



Selina Robinson
Minister of Finance

February 8, 2021

Date

s.13

OPTIONS:

s.13

s.13

RECOMMENDATION:

s.13

APPROVED / NOT APPROVED



Selina Robinson
Minister of Finance

February 8, 2021
Date

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Selina Robinson **Date Requested:** January 26, 2021
Minister **Date Required:** January 26, 2021

Initiated by: Grant Holly **Date Prepared:** January 26, 2021
Executive Director,
Intergovernmental Fiscal Relations

Ministry Patrick Ewing **Phone Number:** (778) 698-5254
Contact: Director, Fiscal Arrangements **Email:** Patrick.Ewing@gov.bc.ca
Cliff #: 478892

TITLE: Canadian Centre for Policy Alternatives Report on Federal and Provincial COVID Measures

PURPOSE:

(X) FOR INFORMATION

COMMENTS: The Canadian Centre for Policy Alternatives Report puts B.C. in a good light ^{s.16} in terms of the level of funding it announced in 2020 for COVID measures. However, the report indicates that the federal government has provided funding to cover the lion's share (92 per cent) of the costs of all federal and provincial COVID measures, and media have seized on federal transfers not spent or accessed by provinces.

DATE PREPARED: January 26, 2021

TITLE: Canadian Centre for Policy Alternatives Report on Federal and Provincial COVID Measures

ISSUE: Comparing federal and provincial COVID measures in financial terms

BACKGROUND:

On January 26, 2021, the Canada Centre for Policy Alternatives published a report titled, "Picking up the tab: A complete accounting of federal and provincial COVID-19 measures in 2020". The report identifies which level of government (federal or provincial) has funded each COVID measure announced through to December 31, 2020 – even if the funding is to be spent in 2021/22. The report characterizes the federal government as having provided 92 per cent of funding for all COVID measures and provinces as having provided 8 per cent (it does not address the territories).

The report provides for each province an assessment of how much support is designated for infrastructure, schools and child care, municipalities, health, business, individuals, and other, and how much of each category is federally or provincially funded. The report also provides tables on federal transfers left unspent or cost-shared funding not accessed by provincial governments.

DISCUSSION:

B.C. compares well ^{s.16} due to its robust COVID measures supporting businesses and individuals, such as its Emergency Benefit for Workers. As noted in B.C.'s Fall 2020 Economic & Fiscal Update (the Update), B.C. has committed more than \$10 billion in spending and relief measures relating to COVID (including foregone revenue measures), including \$7.0 billion in pandemic contingencies spending measures, \$810 million for the B.C. share of cost-shared funding for municipalities and transit, and \$2.253 billion in other response and temporary relief measures. This does not include \$6.2 billion in tax deferrals, the majority of which have now expired.

The CCPA report assesses the total value of COVID measures in each province in 2020 and how much was funded by the federal government and how much was funded by the province. B.C. ranks highest in these terms, with 16 per cent of COVID measures in B.C. being funded by the provincial government.

s.16

The report also shows provincial measures as a share of GDP. In this comparison, B.C. similarly tops the list, with spending close to three per cent of GDP.

s.16

Copyright

Source: Canadian Centre for Policy Alternatives

The report also indicates that B.C. has the highest per capita individual supports, worth over \$800 a person – eight times higher than the next highest province, Quebec.

Media have seized on two aspects of the report:

- Provinces have left federal COVID-19 transfers unspent; and
- Provinces have left federal funding on the table.

The report indicates that there are hundreds of millions of dollars in federal COVID transfers unspent by provinces; however, this is largely an issue of timing. Much of the unspent funding is in relation to funds announced on November 30, 2020, and the report only looks at provincial commitments made through to December 31, 2020 – allowing only 31 days for federal-provincial negotiations to conclude and for the provinces to make public commitments about spending the funds. As of the December 31, 2020, the cut-off of the report, there were still three months left in the fiscal year for provinces to commit to spend federal funding, and it is expected some of the provincial expenditure announcements may not be made publicly until the 2021 budgets – especially in cases where the expenditure will occur in 2021/22 (such as with the ECEW).

The report indicates that B.C. has the fewest transfers where there are unspent funds: only the Early Childhood Educator Workforce (ECEW) funding and the Job Training Fund for Workers in Hard Hit Sectors. ^{s.13}

s.13

When it comes to health-specific funding, the report states that “[u]nlike some provinces, B.C. has plans to fully spend all federal COVID-19 health transfers, and then some.”

The report also indicates that provinces have left hundreds of millions of dollars of federal funding on the table. The report does not provide context by portraying how much funding this represents compared to the total amount the federal government has made available to provinces (just as it did not provide similar context in portraying federal transfers left unspent).

The only funding B.C. has not accessed is less than \$30 million (8 per cent) of the funds available to B.C. under the Essential Workers Wage Top-Up. See Appendix B for more information.

Even with the positive descriptions of B.C., the focus federal funding not spent or accessed by provinces and the size of federal contributions relative to provincial spending casts provinces overall in a negative light.

s.16

However, the December 31, 2020, snapshot nature of the report does not provide a full picture; it is expected that provinces will have accessed, spent, or committed the vast majority of federal funding by the end of the fiscal year. For example, provinces will likely announce spending related to the Supporting the Early Childhood Educator Workforce fund in their 2021 budgets, given that the \$420 million in funding was designated to be spent in 2021/22.

Another problem with the report is that it reflects announcements of measures but does not capture the full fiscal impact of the pandemic on provincial/territorial spending. Provincial/Territorial (PT) health care systems have borne higher costs beyond those directly associated with new measures such as contact tracing or the purchase of personal protective equipment. PT estimates are that overall health spending increased

s.16

Similarly, there are expected to be higher income support costs as a result of the pandemic’s impact on the economy, over and above any additional measures provinces have introduced to support individuals through the pandemic.

Appendix A: Unspent Federal COVID-19 Transfers

Copyright

Source Provincial and federal government estimates of COVID-19 direct measures.

Safe Restart and Safe Return to Class

- The Policy Alternatives report shows B.C. as having fully committed all Safe Restart funding as well as all Safe Return to Class funding. In fact, B.C. is the only jurisdiction that has fully committed all of these funds.

Supporting the Early Childhood Educator Workforce

- The federal fall Economic Statement 2020 released on November 30, 2020, announced \$420 million in funding in 2021/22. That funding will not be provided until next year, so the fact that it remains unspent is expected.

s.13

Job Training Fund for Workers in Hard Hit Sectors

- The fall Economic Statement 2020 announced \$1.5 billion in funding in 2020/21.
- The amount listed as unspent in B.C., \$102.4 million, appears to be about half of what would be a per capita share of \$1.5 billion.

s.13

Appendix B: Federal Funding Not Fully Accessed

Copyright

Source Provincial and federal government estimates of COVID-19 direct measures.

Essential Workers Wage Top-Up

s.16

Safe Long-Term Care Fund and Rapid Housing Initiative

- The Safe Long-Term Care Fund, announced in the fall Statement at the end of November, is \$1 billion in long term care funding to help provinces and territories protect people in long-term care and support infection prevention and control.
- The Rapid Housing Initiative, also announced in the Fall Statement, provides \$758 million in 2020/21 and \$258 million in 2021/22 to create up to 3,000 new permanent, affordable housing units for vulnerable Canadians.

s.16

Ministry of Finance

BRIEFING DOCUMENT

To: Heather Wood
Deputy Minister of Finance

Date Requested:
Date Required:

Initiated by: Steve Hawkshaw
Executive Director
Tax Policy Branch

Date Prepared: February 10, 2021

Ministry Contact: Mark Perry
Strategic Advisor
Tax Policy Branch

Phone Number: 778-698-9481
Email: Mark.Perry@gov.bc.ca

Cliff #: 478797

TITLE: Provincial Considerations: Local Climate and Congestion Pricing Initiatives

PURPOSE:

(X) FOR INFORMATION

DATE PREPARED: February 10, 2021

TITLE: Provincial Considerations: Local Climate and Congestion Pricing Initiatives

ISSUE: Vancouver's Climate Emergency Action Plan proposes "transport pricing" for drivers in Vancouver's downtown core, as well as a residential parking permit carbon pollution surcharge for internal combustion engine vehicles.

BACKGROUND:

On November 17, 2020, Vancouver's city council approved the Climate Emergency Action Plan (CEAP), which includes a variety of measures aimed at reducing carbon emissions in Vancouver.

s.13; s.16

The transport pricing proposal in Vancouver's CEAP builds on the work of the Mobility Pricing Commission (established by Metro Vancouver and TransLink), which released a study in 2018 that proposed potential distance, or toll-based, charges to reduce congestion in the Metro Vancouver area.

Congestion charges have been implemented in many cities internationally, such as London, Stockholm, and Milan. Carbon parking surcharges on fossil fuel vehicles are less common but have been implemented in some boroughs in London. Neither policy has yet been implemented in any Canadian city.

DISCUSSION:

Local governments do not have inherent taxing authority. Rather, provincial legislation to authorize local taxes is required: a recent example can be found in 2016

amendments to the *Vancouver Charter* to authorize Vancouver's "empty homes tax." Vancouver and other municipalities are empowered to introduce fees to recoup costs from providing services. s.13; s.16
s.13; s.16

s.13

Vancouver city staff are currently developing the approach to the transport pricing and parking surcharge measures proposed in CEPA.

s.13; s.16

Commented [WHF2]: How would this happen?

The government has signaled that it is not interested in transport pricing. During the 2020 election campaign, Premier Horgan indicated that a mobility tax "never has been, [and] never will" be part of his party's platform. In speaking about TransLink's work on mobility pricing, the Premier suggested that post-election conversations with TransLink would not touch on mobility pricing.

s.13; s.16

Congestion charges or other forms of transport pricing could generate significant revenues: the Mobility Pricing Commission estimated net revenues of up to \$1.6 billion in Metro Vancouver.

s.13; s.16

Ministry of Finance
BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	Date Requested: February 18, 2021 Date Required: February 24, 2021
Initiated by:	Heather Wood Deputy Minister	Date Prepared: February 19, 2021
Ministry Contact:	Shauna Sundher Director, Housing Tax Policy Branch	Phone Number: 778 698-9051 Email: shauna.sundher@gov.bc.ca Cliff #: 479657

TITLE: Speculation and Vacancy Tax and the Agriculture Land Reserve (ALR) Lands

PURPOSE:

(X) FOR INFORMATION

COMMENTS:

DATE PREPARED:

TITLE: Speculation and Vacancy Tax and the Agriculture Land Reserve (ALR) Lands

ISSUE: MO has requested some background around how the speculation and vacancy tax applies on ALR lands.

BACKGROUND:

The Agriculture Land Reserve (ALR) is a provincial land-use zone where agriculture is the priority use. While some non-farm use is permitted on ALR land, ALR land owners who wish to pursue non-agricultural purposes or to subdivide their property must make an application under the *Agricultural Land Commission Act* and secure approval from the Agricultural Land Commission (ALC).

For decades, the ALC often did not remove land from the ALR when it gave permission for residential development. Meaning that many properties in the ALR are residential property (class 1) that have no agricultural use.

The ALR is a land-use zone and ALR status is not directly related to property classification. Land in the ALR can be classified outside of farm class (class 9), and farm class land does not have to be in the ALR. Land and dwellings in the ALR are classified by BC Assessment based on their use. If land in the ALR is subject to restrictions by the ALC, then the market value, determined by BC Assessment, may be also affected.

The classification of farm land under the assessment scheme is fairly complex. The Classification of Land as a Farm Regulation, made under the *Assessment Act*, provides that the following land may qualify for farm class:

- a) land used for a qualifying agricultural use;
- b) land used for purposes that contribute to a qualifying agricultural use (e.g., irrigation, access to farm outbuildings, shelter belts);
- c) land used for a farmer's dwelling;
- d) land in an agricultural land reserve (ALR) that is used for a retired farmer's dwelling;
- e) land used for the training and boarding of horses when operated in conjunction with horse rearing; and
- f) in some cases, vacant land associated with a farm.

Other requirements also apply in order to qualify for farm class. For example, to receive and maintain farm class, the land must generate a minimum amount of income from one or more qualifying agricultural uses.

There are a few specific farm class qualifications that are dependent on whether the land is in the ALR. For example, land that has no present use and located in the ALR may qualify for farm class if part of the parcel is farmed. If the land is not in the ALR, unused land may qualify for farm class if meets more strict qualifications.

All farm structures (improvements) used in connection with the farm operation, including the farmer's dwelling, is classified as residential property. In addition, "vacant land with no present use" is classified as residential property.

DISCUSSION:

Vacant Land Exemption

The speculation and vacancy tax (SVT) applies to "residential property" in specified areas of the province. The definition of residential property in the *Speculation and Vacancy Tax Act* (SVTA) includes any land and improvements that are assessed as class 1 property. However, the definition excludes "farm outbuildings" in order to exclude barn and other farm buildings from the tax. The SVTA also excludes property with an assessed value under \$150,000. A farmer's dwelling is considered residential property under the SVTA.

Vacant land with no present use is classified as residential property and is therefore subject to the SVT. When the SVT was introduced, it included a temporary exemption for vacant land without a residence.

The purpose of the land without residence exemption was to ensure that those who held vacant land would have enough time to adjust to the new tax by either beginning to develop the land or to sell it to someone who would then develop the land.

s.13

The vacant land exemption was extended for an additional year in Budget 2020 and expired at the end of the 2019 tax year. This extension provided residential property owners with vacant land two full years to plan for the future of their property.

There were 8,702 properties that claimed the exemption for vacant land in 2018 and 10,445 properties in 2019. s.13

s.13

Agriculture Land Reserve

The SVTA does not mention the ALR. The SVT applies generally to residential property and does not take into account or treat land differently if it is in the ALR. The SVT will apply to land in the ALR same way it applies to land outside the ALR.

It is easier for owners of vacant land in the ALR to qualify for farm status if they partially farm their land. For example, land that has no present use and located in the ALR may qualify for farm class if part of the parcel is farmed. Land that has farm status is not subject to the SVT.

Property owners with vacant land in the ALR will only be subject to the SVT if they are doing the following:

- Not farming the land in a way that qualifies them for farm class; or
- Holding land vacant with no intention to build a residence (if they are taking reasonable steps to build a residence then they would likely qualify for a construction exemption).

Non-vacant land

While the purpose of the ALR is to protect agricultural land, one single-family dwelling per land registry parcel is permitted within the ALR, provided it is also permitted by zoning. This means that owners of ALR land are generally allowed to have a residence on their land, subject to restrictions.

An individual who has a vacation home or cottage located in the ALR would be subject to the SVT in the same way a vacant home outside the ALR would be subject to the tax.

Other Property Taxes

Currently, all ALR land is eligible for a 50 percent School Tax exemption. The exemption applies to vacant and unused land or land used for a farm or residential purpose. The 30-Point Housing Plan calls for a reduction of tax incentives for residential properties on ALR land. Owners with vacant land in the ALR have been receiving favorable tax treatment under this policy.