



**August 2008**  
**Hypothetical Tax Shift Due to Implementation of the**  
**Natural Area Protection Tax Exemption Program (NAPTEP)**  
**in the Thetis Island Local Trust Area (Cowichan Valley Regional District)**

**Natural Area Protection Tax Exemption Program (NAPTEP)**

The Natural Area Protection Tax Exemption Program (NAPTEP) is a property tax incentive which encourages landowners in the Islands Trust Area to conserve ecologically sensitive land. Landowners must meet the following criteria to apply to the program:

- Own land designated as “Residential 01” by BC Assessment
- Own natural areas with values and amenities as defined by the Islands Trust Act and the Islands Trust Natural Area Protection Tax Exemption Regulation
- Apply to the Islands Trust Fund to enter into a conservation covenant (binding in perpetuity, remaining on the land title regardless of the transfer of ownership).

**Estimated Tax Shift from implementing NAPTEP in the Thetis Island Local Trust Area**

The anticipated tax shift from NAPTEP in the CVRD will be less than \$0.01 per \$100,000 of assessed value for landowners in the Regional District and less than \$0.02 per \$100,000 of assessed value for landowners in the Thetis Island LTA.

***Estimated tax shift from NAPTEP implementation in the Thetis Island LTA.***

	% of Qualifying Properties Entering NAPTEP	Total Tax Shift per Folio	Total Tax Shift per \$100,000 property value
Regional District Landowner	100%	\$2.79	\$1.00
	50%	\$1.40	\$0.50
	25%	\$0.70	\$0.25
	5%	\$0.14	\$0.05
	1%	\$0.03	\$0.01
Thetis Island LTA Landowner	100%	\$4.50	\$1.61
	50%	\$2.25	\$0.81
	25%	\$1.12	\$0.40
	5%	\$0.22	\$0.08
	1%	\$0.04	\$0.02

Of the 37,344 folios in the CVRD only 2.1% (781) are land-based folios in the Thetis Island LTA. Based on desirable ecological values, only about 117 of these properties are potentially eligible for NAPTEP. Based on the uptake in other eligible NAPTEP areas, it is estimated that a maximum of 1% of these properties will enter NAPTEP on an annual basis (roughly one property per year).

In the Capital Regional District (CRD) there have been 16 applications, resulting in 46.6 hectares entering NAPTEP, or 0.12% of the land base in the CRD Islands Trust Area. In the Sunshine Coast Regional District there have been no applicants.

Taxation income to the Regional District is not reduced by tax exemption programs; the “loss” is shifted to other properties throughout the appropriate taxing authorities. For example, exempted school taxes from one landowner’s property are distributed across the entire province, exempted Regional District taxes are distributed over the Regional District and exempted Islands Trust taxes are distributed across the entire Islands Trust Area. Mill rates vary by taxing authority and property classification making the exact calculation of a tax shift difficult to calculate without the help of a taxation expert. Islands Trust staff have assembled the following estimate of the tax shift that NAPTEP would cause in the CVRD.

**Method and Assumptions:** The detailed method used to calculate the tax shift and the assumptions underlying this tax shift analysis are outlined below:

**Tax shift per folio and per \$100,000 of property value based on five NAPTEP uptake assumptions.**

Taxing Authority	Taxes Paid by Jurisdiction # for Thetis Island LTA		Total Tax Revenue Derived from Jurisdictions 765 & 768 in the ITA	Total Maximum Tax Shifted Per Taxing Authority (4.3%)	# of folios affected by the Tax Shift	Tax shift based on uptake				
	765	768				100%	50%	25%	5%	1%
Tax Act	90,587	739,463	\$830,050	\$35,547	1,783,780	\$0.02	\$0.01	\$0.00	\$0.00	\$0.00
School	374,605	3,128,978	\$3,503,583	\$150,040	1,783,780	\$0.08	\$0.04	\$0.02	\$0.00	\$0.00
Regional Hospital/BCAA/MFA	38,560	370,370	\$408,931	\$17,512	37,344	\$0.47	\$0.23	\$0.12	\$0.02	\$0.00
Electoral	127,071	739,587	\$866,658	\$37,114	37,344	\$0.99	\$0.50	\$0.25	\$0.05	\$0.01
Islands Trust	98,588	815,221	\$913,809	\$39,134	22,980	\$1.70	\$0.85	\$0.43	\$0.09	\$0.02
Police Tax	14,171	93,330	\$107,501	\$4,604	37,344	\$0.12	\$0.06	\$0.03	\$0.01	\$0.00
Defined		3	\$3	\$0	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Specified		304	\$304	\$13	N/A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Service Area	13,646	113,187	\$126,833	\$5,432	37,344	\$0.15	\$0.07	\$0.04	\$0.01	\$0.00
Improvement	125,359	709,879	\$835,237	\$35,769	37,344	\$0.96	\$0.48	\$0.24	\$0.05	\$0.01
<b>TOTAL</b>	<b>743,583</b>	<b>5,887,257</b>	<b>\$6,630,839</b>	<b>\$325,165</b>	<b>N/A</b>					
			<b>Shift per folio in Thetis Island LTA</b>			<b>\$4.50</b>	<b>\$2.25</b>	<b>\$1.12</b>	<b>\$0.22</b>	<b>\$0.04</b>
			<b>Shift per folio in CVRD</b>			<b>\$2.79</b>	<b>\$1.40</b>	<b>\$0.70</b>	<b>\$0.14</b>	<b>\$0.03</b>
			<b>Shift per \$100,000 of property value in TILTA</b>			<b>\$1.61</b>	<b>\$0.81</b>	<b>\$0.40</b>	<b>\$0.08</b>	<b>\$0.02</b>
			<b>Shift per \$100,000 of property value in CVRD</b>			<b>\$1.00</b>	<b>\$0.50</b>	<b>\$0.25</b>	<b>\$0.05</b>	<b>\$0.01</b>

1. Property tax revenues from tax jurisdictions 765 and 768 were obtained from the Ministry of Small Business and Revenue. These tax jurisdictions include all of the tax income for the Thetis Island LTA, but also include some tax income from the Gabriola Island and Salt Spring Island Local Trust Areas. Because of difficulties in separating out the data for the Thetis Island LTA, it was assumed that all of the data applied to the Thetis Island LTA. This assumption will potentially inflate the calculated tax shift.
2. The property taxes associated with property classes 02-09 were removed as these properties are not eligible for NAPTEP.
3. Class “Residential 01” improvement taxes were excluded as the NAPTEP exemption does not apply to these taxes. It was assumed that the ratio of land tax to improvement tax was the same provincially, regionally and in the Islands Trust Area as only provincial land taxes could be separated out within the time period allotted.
4. Taxes on areas without qualifying ecosystems as determined using the Islands Trust Ecosystem Mapping were removed.
5. Of the remaining land taxes, 5% were excluded on the assumption that landowners will retain at least 5% of their properties for their own personal use.
6. The taxes remaining (\$325,165 or 4.3% of the original tax base) were assumed to be those that were eligible for the NAPTEP property tax exemption (117 properties).