

factsheet



Classifying Strata Accommodation Property

BC Assessment

A new classification methodology

Historically, BC Assessment was required to place stratified short-term overnight commercial accommodation properties in Class 6, Business and Other, if (i) the properties were part of a strata plan comprised of 20 or more strata lots, (ii) the properties were rented or available for rent for periods of less than 7 days for the majority of the year, and (iii) the properties were substantially controlled by a single rental accommodation manager.

Strata lots in smaller complexes, which were not available for nightly rentals over half the year, or which had a different management set up were classified as Class 1.

For the 2008 taxation year and onward, BC Assessment will classify "strata accommodation properties" according to the use as reported by the owners* to recognize the dual-uses (personal and rental) of many such properties. The *Assessment Act* and B.C. Reg. 438/81 have been amended to provide for this shift in classification. Only the proportion of time that a strata accommodation property is used for short-term rental purposes will be attributed to Class 6. The remainder of the time will be attributed to Class 1. In addition, up to 36 days of short-term rental use will be treated as "residential use" so that the value attributed to those days will be attributed to Class 1.

What is a "strata accommodation property"?

Strata accommodation property is defined in section 19 of the *Assessment Act* to mean a strata lot that is in a strata plan or contiguous strata plans comprised of 20 or more strata lots, and is rented or offered for rent as overnight accommodation for periods of less than 28 days for at least 20% of the 12-month period ending June 30 of the year preceding the tax year for

which the assessment roll is completed. Strata lots used or available solely for parking or storage or other similar purposes are not strata accommodation properties and will not receive a split classification but will be entirely in Class 6. Strata lots within strata plans of fewer than 20 units, or which are used for short-term rentals for less than 20% of the 12-month period ending June 30 will be in Class 1.

What is the relevant reporting period?

Under this classification methodology, the relevant reporting period is July 1 – June 30 prior to completion of the assessment roll. A strata property does not come within the definition of strata accommodation property and therefore qualify for the split classification methodology unless the short-term rental periods (periods of less than 28 days) make up at least 20% of the year beginning July 1 and ending June 30 of the year in which the assessment roll is prepared for the next taxation year (e.g., at least 73 days of the period).

What is the reporting deadline?

The information required by the assessor to determine what proportion of the reporting period the strata accommodation property was used for residential as opposed to short-term rental purposes must be provided by August 31 each year. This means owners will have two months from the end of the reporting period to report usage of their strata lot to BC Assessment.

What if I fail to provide the required information?

The strata accommodation property will be placed entirely in Class 6 on the next assessment roll if the usage information is not provided to the assessor by the deadline.

What if I own multiple strata accommodation properties within a complex (a strata plan)?

This classification methodology is intended to apply to widely-owned strata complexes. If an owner wholly owns more than 14 strata accommodation properties in a strata plan or contiguous strata plans, those strata lots will be excluded from Class 1 and will be entirely in Class 6. Furthermore, if the owner is a corporation, its affiliates constitute owners for these purposes.

Are there special considerations if my strata lot was formerly entirely in Class 1 – Residential based on the previous wording of the classification regulation?

Owners of strata lots which, as of October 31, 2007, met the criteria formerly set out in the classification regulation qualified to have their strata lots “grandfathered” entirely in Class 1.

Strata lots will continue to be grandfathered into Class 1 in future tax years provided all of the following criteria are met each year:

1. The strata lot must be entirely in Class 1 in the previous tax year.
2. The strata lot must be part of a strata plan or contiguous strata plan including 20 or more strata lots.
3. The strata lot must be used or available for overnight accommodation.
4. In addition, the strata lot must meet one of the two following criteria:
 - (a) as of June 30, it must not be available for rent for periods of less than 7 days for 50% or more of the year ending on June 30 prior to the tax year;
 - or
 - (b) as of October 31, it must not be controlled or managed by one or more persons who control or manage 85% or more of the strata lots in the strata plan or contiguous strata plans.

The grandfathered status will be lost if the criteria are not met in each taxation year. Upon loss of its grandfathered status, if a strata property meets the definition of strata accommodation property, it will be split classified under the strata accommodation property classification rules depending upon its actual use as reported by the owner or the rental accommodation manager on behalf of the owner.

* Rental accommodation managers may report on behalf of the owners.