

FOREST PRODUCER'S GUIDE

Real Estate Tax Refund Program For Certified Forest Producers

Direction des programmes forestiers
Service de mise en valeur des forêts privées

November 1998

Québec 

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This brochure contains instructions to help you:

→ CHECK WHETHER OR NOT YOU QUALIFY FOR THE *REAL ESTATE TAX REFUND PROGRAM FOR CERTIFIED FOREST PRODUCERS*

→ CHECK WHETHER OR NOT YOU ARE ENTITLED TO A REFUND FOR A PARTICULAR FISCAL YEAR

→ APPLY FOR YOUR REFUND ON YOUR QUÉBEC GOVERNMENT INCOME TAX RETURN

→ MONITOR YOUR ELIGIBLE EXPENSES

Introduction

Changes were made in 1996 to the *Real Estate Tax Refund Program for Certified Forest Producers*. As a result, the ministère des Ressources naturelles (MRN) has not issued *Real Estate Tax Refund Certificates* since 1997, and no longer monitors either the eligible work or the eligible expenses carried forward.

From now on, you will be responsible, in your capacity as a forest producer, for checking whether or not you qualify for the *Real Estate Tax Refund Program for Certified Forest Producers*, and if so, for calculating whether or not you are entitled to a refund of your real estate taxes. You will also be responsible for monitoring your work and credits carried forward.

The MRN has prepared this guide to help you. It contains all the information you will need to understand the new procedures, calculate your refund and monitor your credits.

If you have any questions on your forest producer's file, please contact the appropriate MRN management unit. You will be asked for the permanent code from your forest producer's certificate.

However, for all questions concerning 1996 and previous years, you should continue to contact the MRN management unit responsible for your file.

→ CHECK WHETHER OR NOT YOU QUALIFY FOR THE REAL ESTATE TAX REFUND PROGRAM FOR CERTIFIED FOREST PRODUCERS

Every year, you should begin by checking whether or not you qualify for the *Real Estate Tax Refund Program for Certified Forest Producers*.

To qualify for the *Real Estate Tax Refund Program for Certified Forest Producers*, you must:

- be a certified forest producer (valid certificate);
- have registered all the forest areas in your assessment unit or units¹;
- not have received a refund in respect of the areas in question from any other program (i.e. from the program offered by Québec's ministère de l'Agriculture, des Pêcheries et de l'Alimentation).

To check your eligibility, you will need the following documents:

- your forest producer's certificate;
- the forest management plans applicable to the registered forest areas;
- copies of your paid municipal and school tax accounts.

1. Is my forest producer's certificate valid?

There are two elements to be checked:

- the expiry date on your *Forest Producer's Certificate*;
- the termination date of the forest management plan(s) applicable to your registered forest areas.

If either of these dates has expired, your forest producer's certificate is no longer valid. If you are uncertain about your forest management plan(s), contact the MRN management unit responsible for your file.

If your *Forest Producer's Certificate* is no longer valid, you are not entitled to a refund. If it is valid, go to the next question.

¹ Assessment unit as defined in the real estate tax account.

2. Have I registered ALL the forest areas in my assessment unit?

Check whether or not you have registered all the forest areas in each of your assessment units. If you have not registered all the lots or parts of lots on which you have forest areas, in a given assessment unit, the unit in question is not eligible.

If you answered “no” for all your assessment units, you are not entitled to a refund. If you answered “yes” for at least one assessment unit, go to the next question.

3. Do I benefit from any other real estate tax refund program in respect of one or more of the assessment units?

If you are a farm producer, check whether Québec’s ministère de l’Agriculture, des Pêcheries et de l’Alimentation reimburses the real estate taxes paid for each of your assessment units.

If you answered “yes” for all your units, you are not entitled to a real estate tax refund under the program for certified forest producers. If you answered “no” for at least one assessment unit, go to the next question.

→ CHECK WHETHER OR NOT YOU ARE ENTITLED TO A REFUND FOR A PARTICULAR FISCAL YEAR

If you qualify for the *Real Estate Tax Refund Program for Certified Forest Producers*, you must check your refund entitlement every year.

From 1997 onwards, to be entitled to a refund you must have incurred eligible development expenses equal to the amount of real estate taxes paid. The expenses may relate to:

- **Eligible development work carried out during the current year:**

To be eligible, the development work must be described in a forest engineer's report.

- **Work carried forward (over a maximum of two subsequent years):**

The law stipulates that where the eligible expenses incurred by a producer in the course of a calendar year or a fiscal year are less than the amount of real estate taxes paid, such expenses may be carried forward to the following two calendar years or fiscal years, as the case may be, for the purposes of requesting a refund.

- **Credits carried forward (over a maximum of ten years):**

Where the amount of eligible expenses incurred and declared by the producer in the course of a calendar year or a fiscal year exceeds the amount of real estate taxes paid by the producer, the surplus amount of the expenses may be eligible for a real estate tax refund in the following ten years if the producer continues to satisfy the conditions.

Prior to 1997, the law allowed credits to be carried forward for only three years.

To check your refund entitlement, you will need the following documents:

- copies of your paid municipal and school tax accounts;
- the previous year's *Monitoring Grid for Amounts Carried Forward*;
- the *Forest Engineer's Report* for work done during the current year.

4. Does my file currently show eligible work or credits carried forward for the real estate tax refund?

To answer this question, you should consult the previous year's *Monitoring Grid for Amounts Carried Forward*. Eligible expenses that may be carried forward are shown in Section D of the grid.

The monitoring grid is an annual document. You should therefore ensure that you have the grid relating to the year for which you are requesting a refund.

5. During the year, did I carry out any development work in a registered forest area, and is that work described in a forest engineer's report?

From 1997 onwards, if you carry out development work during the year, you must contact your forest advisor or a forest engineer of your choice and ask him or her to prepare a report for you, describing the work considered eligible and carried out in conformity with the requirements of the *Regulation respecting the reimbursement of real estate taxes of certified forest producers*.

You are responsible for doing this. A report may be produced at your request by any forest engineer qualified to do so, whether or not he or she is a forest advisor accredited by a regional agency for private forest development. We also remind you that when a forest engineer performs a professional act at your request, it is up to you to agree on the fee you will pay.

6. Check whether or not you are entitled to a refund for the current year

Add:

- the eligible expenses that may be carried forward, identified in question 4 _____ \$
 - the work from the current year that is described in a forest engineer's report, identified in question 5. + _____ \$
- Total of eligible expenses = _____ \$
for the current year

If the total amount of eligible expenses is equal to or greater than the amount of real estate taxes paid in respect of the assessment units eligible for the refund, i.e. those identified in your answers to the preceding questions, **you are entitled to a refund for the current year.**

→ APPLY FOR YOUR REFUND ON YOUR QUÉBEC INCOME TAX RETURN

7. If I am entitled to a refund, when and how should I apply for it?

Prepare your refund application by completing the corresponding attachment of your *Québec Detailed Income Tax Return* for the year in question.

If you have already sent in your *Québec Detailed Income Tax Return* without a refund application (delayed application, omission or late payment of your real estate tax accounts), you may ask for your return to be reviewed, in accordance with the procedure stipulated by the ministère du Revenu du Québec.

→ MONITOR YOUR ELIGIBLE EXPENSES**8. Do I have eligible expenses that could be used next year?**

To see whether or not you have eligible expenses that could be carried forward to the following year, you should complete the *Monitoring Grid for Amounts Carried Forward*. As you complete the grid, you are preparing your file for the following year.

The following pages contain:

- the *1997 Monitoring Grid for Amounts Carried Forward*
- the *1998 Monitoring Grid for Amounts Carried Forward*
- eligible assessment unit calculation tables
- an example of a completed *1997 Monitoring Grid for Amounts Carried Forward*

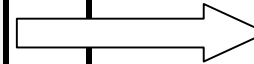
1997 MONITORING GRID FOR AMOUNTS CARRIED FORWARD

A) INFORMATION AVAILABLE FOR 1997

1. Amount of surplus according to the <i>Statement of the Surplus Amount of Eligible Expenses Carried Forward</i> sent by the MRN in April 1998	Credits Yr 3	\$
	Credits Yr 2	\$
	Credits Yr 1	\$
2. Amount of work done according to the 1997 <i>Forest Engineer's Report</i>	1997 work	\$
3. Amount of real estate taxes for which a refund has been requested, as shown on line 12 of the 1997 Detailed Income Tax Return	Real estate taxes	\$

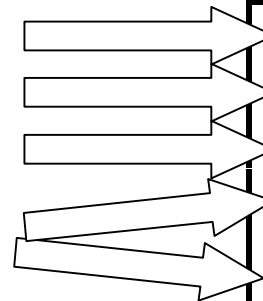
B) DIVIDE THE AMOUNT OF REAL ESTATE TAXES BETWEEN CREDITS AND WORK, USING UP THE OLDEST CREDITS FIRST

	Credits Yr 3	\$
	Credits Yr 2	\$
	Credits Yr 1	\$
	1997 work	\$
	Total	\$



C) CALCULATE THE PORTION NOT USED IN 1997 (A MINUS B)

Credits Yr 3	\$
Credits Yr 2	\$
Credits Yr 1	\$
1997 work	\$



D) IDENTIFY THE ELIGIBLE EXPENSES THAT MAY BE CARRIED FORWARD TO 1998

Credits Yr 3	XXX Expired XXX
Credits Yr 2	\$
Credits Yr 1	\$
Credits that may be carried forward 10 years	\$
or	
Work that may be carried forward 2 years	\$

Keep this grid with your 1997 Detailed Québec Income Tax Return

A) INFORMATION AVAILABLE FOR 1997

1. The document entitled *Statement of the Surplus Amount of Eligible Expenses Carried Forward for the Real Estate Tax Refund Program Pursuant to the Former Legislative Provisions* was sent to you by the MRN in April 1998. It shows the 1-year, 2-year and 3-year credits carried forward. The 1-year credits relate to work carried out in 1996, the 2-year credits to work carried out in 1995, and the 3-year credits to work carried out in 1994. Forest producers who were certified after December 31, 1996, should enter \$0.00.
2. *1997 Forest Engineer's Report*. Box A of Part 2 shows the amount of eligible work for 1997.
3. Detailed Québec Income Tax Return for 1997. Line 12 of Attachment E, Part C, shows the amount of real estate taxes paid. Forest producers who did not obtain a refund in 1997 should enter \$0.00.

B) DIVIDE THE AMOUNT OF REAL ESTATE TAXES BETWEEN CREDITS AND WORK, USING UP THE OLDEST CREDITS FIRST

The forest producer should identify the exact amounts of 3-year, 2-year and 1-year credits and 1997 work used to obtain the 1997 refund. The oldest credits should be used up first, and the process should continue until the full amount of real estate taxes has been allocated.

C) CALCULATE THE PORTION NOT USED IN 1997

Subtract the amounts of 3-year, 2-year and 1-year credits and 1997 work in Box B from the amounts in Box A. Enter the results on the corresponding lines of Box C.

D) IDENTIFY THE ELIGIBLE EXPENSES THAT MAY BE CARRIED FORWARD TO 1998

- The unused portion of the 3-year credits may not be carried forward to 1998. Under the former legislative provisions, credits could be carried forward for only 3 years.
- The unused portion of the 2-year and 1-year credits may be carried forward to 1998.
- The unused portion of 1997 work may be carried forward to 1998. The forest producer should enter the amount in the relevant box. For example, if the producer obtained a refund in 1997, the unused portion of 1997 work will become credits that may be carried forward 10 years. Otherwise, it will become work that may be carried forward 2 years after the year in which it is done.

1998 MONITORING GRID FOR AMOUNTS CARRIED FORWARD

A) INFORMATION AVAILABLE FOR 1998	B) DIVIDE THE AMOUNT OF REAL ESTATE TAXES BETWEEN CREDITS AND WORK, USING UP THE OLDEST CREDITS FIRST																																																
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Keep this grid with your 1998 Detailed Québec Income Tax Return

A) INFORMATION AVAILABLE FOR 1998

1. The document entitled *1997 Monitoring Grid for Amounts Carried Forward* shows the credits (1-year, 2-year and those that may be carried forward 10 years) and work that may be carried forward 2 years. The 10-year credits relate to work carried out in 1997, the 1-year credits to work carried out in 1996, and the 2-year credits to work carried out in 1995. Forest producers who were certified after December 31, 1997, should enter \$0.00.
2. *1998 Forest Engineer's Report*. Box A shows the amount of eligible work for 1998.
3. Detailed Québec Income Tax Return for 1998. Attachment E, Part C, shows the amount of paid-up real estate taxes for which a refund has been requested. Forest producers who did not obtain a refund in 1998 should enter \$0.00.

B) DIVIDE THE AMOUNT OF REAL ESTATE TAXES BETWEEN CREDITS AND WORK, USING UP THE OLDEST CREDITS FIRST

The forest producer should identify the exact amounts of the credits and work used to obtain the 1998 refund. The oldest credits should be used up first, and the process should continue until the full amount of real estate taxes has been allocated.

C) CALCULATE THE PORTION NOT USED IN 1998

Subtract the amounts of the credits (2-year, 1-year or 10-year) and work (that may be carried forward 2 years or done in 1998) in Box B from the amounts in Box A. Enter the results on the corresponding lines of Box C.

D) IDENTIFY THE ELIGIBLE EXPENSES THAT MAY BE CARRIED FORWARD TO 1999

- The unused portion of the 2-year credits may not be carried forward to 1999.
- The unused portion of the 1-year credits may be carried forward to 1999. Credits that may be carried forward 10 years may be carried forward for another 9 years. Work that may be carried forward 2 years may be carried forward for another year.
- The unused portion of 1998 work may be carried forward to 1999. The forest producer should enter the amount in the relevant box. For example, if the amount of eligible expenses (Box A, total of 1 and 2) is greater than the amount of paid-up real estate taxes for which a refund has been requested in 1998, the unused portion of the 1998 work becomes credits that may be carried forward 10 years. Otherwise, it will become work that may be carried forward 2 years.

EXAMPLE

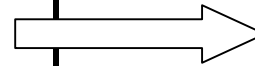
Completion of the *1997 Monitoring Grid for Amounts Carried Forward*

A) INFORMATION AVAILABLE FOR 1997

1. Amount of surplus according to the <i>Statement of the Surplus Amount of Eligible Expenses Carried Forward</i> sent by the MRN in April 1998	Credits Yr 3	\$ 567.98
	Credits Yr 2	\$ 1,450.25
	Credits Yr 1	\$ 0.00
2. Amount of work done according to the 1997 <i>Forest Engineer's Report</i>	1997 work	\$ 768.32
3. Amount of real estate taxes for which a refund has been requested, as shown on line 12 of the 1997 Detailed Income Tax Return	Real estate taxes	\$ 867.25

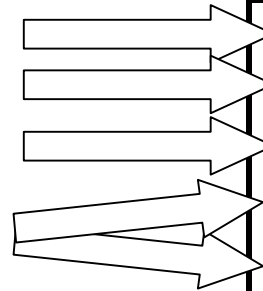
B) DIVIDE THE AMOUNT OF REAL ESTATE TAXES BETWEEN CREDITS AND WORK, USING UP THE OLDEST CREDITS FIRST

	Credits Yr 3	\$ 567.98
	Credits Yr 2	\$ 299.27
	Credits Yr 1	\$ 0.00
	1997 work	\$ 0.00
	Total	\$ 867.25



C) CALCULATE THE PORTION NOT USED IN 1997 (A MINUS B)

Credits Yr 3	\$ 0.00
Credits Yr 2	\$ 1,150.98
Credits Yr 1	\$ 0.00
1997 work	\$ 768.32



D) IDENTIFY THE ELIGIBLE EXPENSES THAT MAY BE CARRIED FORWARD TO 1998

Credits Yr 3	XXX Expired XXX
Credits Yr 2	\$ 1,150.98
Credits Yr 1	\$ 0.00
Credits that may be carried forward 10 years	\$ 768.32
or	
Work that may be carried forward 2 years	\$

If you have a third assessment unit, continue your calculations using the following table.

Table 3: Eligibility of 3rd Assessment Unit

	Enter the amount from line 13						13		
3 rd ASSESSMENT UNIT	Real estate taxes paid and not refunded for the 3 rd eligible assessment unit			14					
	Value of land	15		X 100 =	17	%			
	÷ Total value of unit	16							
Multiply line 14 by the percentage shown in line 17 =				18			18		
Subtract line 18 from line 13. If the result is negative ¹ , you are not entitled to a refund for this unit. If the result is positive, you are entitled to a refund for this unit.							=	19	

¹ You may repeat the calculation using just one of your tax accounts (municipal or school).

If you have a fourth assessment unit, continue your calculations using the following table.

Table 4: Eligibility of 4th Assessment Unit

	Enter the amount from line 19						19		
4 th ASSESSMENT UNIT	Real estate taxes paid and not refunded for the 4 th eligible assessment unit			20					
	Value of land	21		X 100 =	23	%			
	÷ Total value of unit	22							
Multiply line 20 by the percentage shown in line 23 =				24			24		
Subtract line 24 from line 19. If the result is negative ¹ , you are not entitled to a refund for this unit. If the result is positive, you are entitled to a refund for this unit.							=	25	

¹ You may repeat the calculation using just one of your tax accounts (municipal or school).

If you have other assessment units, continue your calculations.