

factsheet



Classifying Strata Accommodation Property

BC Assessment

Introduction

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

A new classification methodology was brought into force in 2007 that permits “strata accommodation properties” to be split-classified between Class 6 and Class 1 – residential to more accurately reflect the dual use of these properties (i.e., personal residential and commercial rental use).

What is a “strata accommodation property”?

A strata accommodation property (or SAP) is defined in section 19(1) 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 which 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. If a strata accommodation property meets the additional conditions set out in B.C. Reg. 438/81 (e.g., owner’s right to use), the strata accommodation property will be split-classified between Class 1 and Class 6 in accordance with the property’s actual use. Only that proportion of time the strata accommodation property is actually rented on a short-term basis will be attributed to Class 6. The remainder of time will be attributed to Class 1. In addition, up to 36 days of short-term rental use will be treated as “residential use”.

For example, a strata accommodation property will be split-classified according to the following formula:

$$\text{Class 1 value} = \frac{([\text{365} + \text{36}] - \text{BU}) \times \text{V}}{365}$$

$$\text{Class 6 value} = \text{V} - \text{Class 1 value}$$

Where:

BU = the number of reported commercial rental days or 36, whichever is greater, and

V = the value of the strata accommodation property in \$

So a strata accommodation property valued at \$400,000 and actually rented as short-term overnight accommodation for 100 days between July 1, 2008 and June 30, 2009, will be split-classified as follows on the 2010 assessment roll:

Class 1 value (rounded): \$329,000

Class 6 value (rounded): \$70,100.

What isn’t a “strata accommodation property”?

The following strata lots are not strata accommodation properties and will not receive split classification:

- strata lots used or available solely for parking or storage or other similar commercial purposes (Class 6);
- overnight accommodation strata lots within strata plans of fewer than 20 strata lots (Class 1);
- strata lots within strata plans of 20 or more strata lots, but which are used or available solely for monthly rentals (Class 1);
- strata lots within strata plans of 20 or more strata lots which are used for short-term rentals but for less than 20% of the year ending June 30 (Class 1).

What is the effect of fractional ownership on strata accommodation property?

The conditions that must be met to benefit from split classification apply to the entire strata accommodation

property (i.e., the legal parcel). BC Assessment will consider the use reported by any fractional owners of a strata accommodation property. Accordingly, the classification of the strata accommodation property will be affected by other fractional owners' use of that property. The ultimate class split will depend on the sum all the owners' reported usage and not an individual owner's usage.

What is the relevant reporting period?

The relevant reporting period is July 1 – June 30 prior to completion of the assessment roll (e.g., July 1, 2008 – June 30, 2009 for the 2010 tax year).

What is the annual reporting deadline?

The information required to determine the appropriate split classification, if any, must be reported by August 31 each year. This means owners (or rental accommodation managers) 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 strata complex (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 for strata lots formerly in Class 1 – residential based on the wording of B.C. Reg. 438/81 before the 2007 amendments?

Owners of strata lots which, as of October 31, 2007, met the criteria formerly set out in B.C. Reg. 438/81 may continue to have their strata lots "grandfathered" entirely in Class 1 under s. 19.1 of the *Assessment Act*.

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

1. The strata lot must be entirely in Class 1 the previous tax year by virtue of meeting the grandfathering criteria.
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. Once lost, if a strata lot meets the definition of strata accommodation property, it will be split classified depending upon its actual use as reported by the owner or the rental accommodation manager on behalf of the owner.