

A Assessment Bulletin

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Machinery and Equipment located at Well Sites

Alberta Municipal Affairs recently received a recommendation from the Alberta Assessors' Association concerning machinery and equipment located at non-producing well sites. Additionally the ministry has received inquiries from industry representatives and agents on this same matter.

The primary problem in the inconsistency of assessing machinery and equipment located at well sites is what constitutes a clear indication of whether machinery and equipment is "intended for" manufacturing, processing or the production of natural resources.

In response the Assessment Services Branch is recommending the following methodology as a best practice for assessors in Alberta to ensure there is consistent treatment and application province-wide.

Recommended Best Practice

When machinery and equipment is physically isolated by disconnecting, blinding or the equipment is otherwise altered so as to prevent its operation or the continuous flow or processing of a product, then it no longer meets the definition of machinery and equipment in the Matters Relating to Assessment and Taxation Regulation (MRAT), therefore it should not be assessed as Machinery and Equipment.

Machinery and equipment that remains connected to a well (regardless of the well status) and is capable of operating is considered "an integral part of an operational unit intended for or used in manufacturing or processing..." and thus meets the definition in MRAT and is assessable and taxable as Machinery and Equipment.

This best practice is only for the assessment of oilfield Machinery and Equipment located at a well site.

If you have any questions, please contact the Assessment Services Branch at lgsmail@gov.ab.ca, or at 780-422-1377 (toll free from anywhere in Alberta by first dialling 310-0000).

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