

**ASSESSMENT AND TAXATION  
WORKSHOP**

**SAMA Annual Meeting  
April 25, 2016**

Presented by: Advisory Services, Ministry of Government Relations

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**The Saskatchewan Public Service Vision**  
The Best Public Service in Canada

**Our Commitment to Excellence**  
Dedicated to service excellence, we demonstrate innovation, collaboration and transparency, practice effective and accountable use of resources, and promote engagement and leadership at all levels.

**Our Core Values**  
Respect and Integrity  
Serving Citizens  
Excellence & Innovation  
One Team

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**Municipalities are a level of  
government!**

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**Council Duties - Assessment**

Council:

- SHALL appoint members to the Board of Revision
  - ✓ Council members are not eligible
- SHALL appoint the secretary
  - ✓ Administrator is not eligible
- SHALL set term of office of each member of the Board of Revision
- SHALL set remuneration and expenses

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## Council Powers - Assessment

Council :

- MAY appoint assessor
- MAY pass bylaw to dispense with mailing assessment notices
- MAY set fees by bylaw for filing appeals
- Mayor/Reeve MAY appoint a person as an acting alternate board member
- MAY extend the period of time all or part of the assessment roll is open for inspection

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## Assessor Duties

- Prepare assessment roll by May 1 or September 1 of year prior/Cities April 1
- Mail assessment notices within 2 weeks
- Advertise and open Assessment Roll to inspection
  - ✓ 30 days every year
  - ✓ 60 days in revaluation year
- Complete Assessment Return and submit to SAMA
- File Confirmation of Assessment Roll

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## Administrator Duties - Assessment

- Receipt appeal fee and direct assessment appeals to Board of Revision
- Enter into Agreement to Adjust on behalf of municipality
- Complete Mill Rate Return and submit to Government Relations, Municipal Infrastructure and Finance

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## Process

- Track property changes and report to SAMA
- Verify assessment date received from SAMA
- Enter assessed values on assessment roll

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## Local Property classes

- Agricultural
- Residential
  - ✓ Includes apartments and seasonal residential properties
- Commercial & Industrial
  - ✓ Includes grain elevator, railway right of ways and pipelines
- Each property class has land and improvements

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## Percentages of value

Sets the taxable rate of properties.

- Agricultural
  - ✓ Non-arable (range or pasture land) – 40%
  - ✓ Other (cultivated ) agricultural land – 55%
- Residential – 70%
  - ✓ Multi-unit residential – 70%
  - ✓ Seasonal residential – 70%
- Commercial/industrial – 100%
  - ✓ Grain elevators, railway rights of way and pipelines – 100%

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## Percentage of Value

| Class of Property    | Assessed Value | Percentage of Value | Taxable Assessment |
|----------------------|----------------|---------------------|--------------------|
| Residential          | 200,000        | 70%                 | <b>140,000</b>     |
| Commercial           | 200,000        | 100%                | <b>200,000</b>     |
| Agricultural (Range) | 200,000        | 40%                 | <b>80,000</b>      |
| Agricultural (Other) | 200,000        | 55%                 | <b>110,000</b>     |

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## Revaluation/Current Data

| Town of Somewhere | 2016 Assess | 2017 Assess | Difference | % Change      |
|-------------------|-------------|-------------|------------|---------------|
| Agricultural      | 94,555      | 226,720     | 132,165    | Increase 140% |
| Residential       | 30,383,080  | 45,771,670  | 15,338,590 | Increase 51%  |
| Com/Ind           | 11,236,200  | 27,315,400  | 16,079,200 | Increase 143% |
| Overall Change    |             |             | 32,599,955 | Increase 76%  |

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### Revaluation/Current Data

| RM of Lost My Hat | 2016 Assess | 2017 Assess | Difference | % Change      |
|-------------------|-------------|-------------|------------|---------------|
| Agricultural      | 30,274,645  | 65,976,570  | 35,701,925 | Increase 118% |
| Residential       | 2,417,770   | 9,391,404   | 6,973,634  | Increase 288% |
| Comm/Ind          | 2,825,600   | 4,081,000   | 1,255,400  | Increase 44%  |
| Overall Change    |             |             | 43,930,959 | Increase 124% |

### Activity #1

- What is the difference between 2016 and 2017 property assessment in each property class?
- What is the percentage change? Is it up or down?
- What is the overall change?

### Assessment and taxation

- Assessed values of property used in calculation of property taxes
- Taxes = taxable assessed value x tax rate
- Assessment service provider (SAMA) reports assessed property values to municipality

### Budget and Tax Rate

- Budgeted Expenditures \$2,065,500
- Less Budgeted Revenues \$ 818,000
- Balance – taxes \$1,247,500

**Property taxes = Taxable assessment x tax rate**

### Ad Valorem or Mill Rate

- Taxation is linked to the value of the property as compared to other properties.
- Property assessment determines the value for tax purposes.
- Higher assessed property = higher taxes
- Taxable Assessment X Mill Rate = Taxes
- *Ad valorem* method must be used for education property taxes.

### Taxation - Ad Valorem

| Class of Property    | Assessed Value | Percent age of Value | Taxable Assessment | Mill Rate | Municipal Tax |
|----------------------|----------------|----------------------|--------------------|-----------|---------------|
| Residential          | 200,000        | 70%                  | 140,000            | 14        | \$1,960       |
| Commercial           | 200,000        | 100%                 | 200,000            | 14        | \$2,800       |
| Agricultural (Range) | 200,000        | 40%                  | 80,000             | 14        | \$1,200       |
| Agricultural (Other) | 200,000        | 55%                  | 110,000            | 14        | \$1,540       |

### Taxation – Alternate Methods

- Some property classes receive more or better services than others; therefore, they should bear more of the cost.
- Everyone receives the same municipal services; therefore, everyone should pay the same amount.
- Municipal tax policy may reflect these beliefs.

### Tax Policy

Municipal government chooses:

- what taxes to levy
- what amounts, and
- Who pays

Tax policy will require

- ✓ Ad valorem tax calculation
- ✓ Classes of property
- ✓ Tax tools

## Tax Tools

- Mill Rate Factors
- Minimum Tax
- Base Tax

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## Basics of Tax Tools

- Do not increase a municipality's tax revenue.
- Shift tax burden between the 3 property classes - reduction for one property class means more taxes come from another
- Shift tax burden across assessment – reduction for higher assessed properties means more taxes come from lower assessed properties

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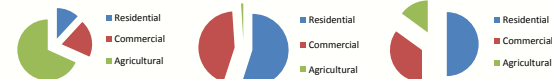
- Tax tools apply to all land and all improvements in a property class
- Tax tools apply only to municipal property taxes
- Tax tools must be set by **bylaw**
- Assessor may combine parcels
- Vacant land can not be taxed at a different rate than land with improvements

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## Mill Rate Factors

- Mill rate factors transfer taxation burden from one property class to another.
- Mill rate factors apply to all property within each property class
- Property is all land or improvements – regulations do not provide for separation between these



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### Mill Rate Factors

| Prop Class | Assessed Value | % of Value | Taxable Assesmt | Mill Rate | Mun Tax | Mill Rate Factor | Municipal Tax |
|------------|----------------|------------|-----------------|-----------|---------|------------------|---------------|
| Res        | 200,000        | 70%        | 140,000         | 14        | \$1,960 | .71              | \$1,391       |
| Com        | 200,000        | 100%       | 200,000         | 14        | \$2,800 | 2.0              | \$5,600       |
| Ag         | 200,000        | 55%        | 110,000         | 14        | \$1,540 | 0.9              | \$1,386       |
| Com        | 200,000        | 100%       | 200,000         | 14        | \$2,800 | 6.0              | \$16,800      |
| Res        | 200,000        | 70%        | 140,000         | 14        | \$1,960 | .71              | \$1,391       |
| Com        | 200,000        | 100%       | 200,000         | 14        | \$2,800 | 0.9              | \$2,520       |
| Ag         | 200,000        | 55%        | 110,000         | 14        | \$1,540 | 2.0              | \$3,080       |

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### Basis for Minimum/Base Tax

- Decide on which expenditures to use
  - ✓ Policing, Fire Protection, Street Lights
  - ✓ Recreation Facilities, Landfill
  - ✓ Administration
- Average past 5 years costs

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### Minimum tax

- Reduces the tax rate by increasing taxes on lower valued properties
- Applies to all property within property class
- Property is all land or improvements – regulations do not provide for separation between these
- Can be a fixed amount or it can be based on a formula

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### Minimum Tax

| Prop Class | Assessed Value | % of Value | Taxable Assessment | Mill Rate | Mun Tax    | Minimum Tax | Total Tax Payable |
|------------|----------------|------------|--------------------|-----------|------------|-------------|-------------------|
| 1)Res      | 200,000        | 70%        | 140,000            | 10        | \$1,400.00 | \$1,100     | \$1,400           |
| 2)Res      | 25,400         | 70%        | 17,780             | 10        | \$177.80   | \$1,100     | \$1,100           |
| 1)Com      | 200,000        | 100%       | 200,000            | 10        | \$2,00.00  | \$1,100     | \$2,000           |
| 2)Com      | 25,400         | 100%       | \$25,400           | 10        | \$254.00   | \$1,100     | \$1,100           |

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## Base Tax

- Reduces the tax rate by increasing taxes on lower valued properties
- Applies to all property within designated classes
- Property is all land or improvements – regulations do not provide for separation between these
- May only be a fixed amount per parcel

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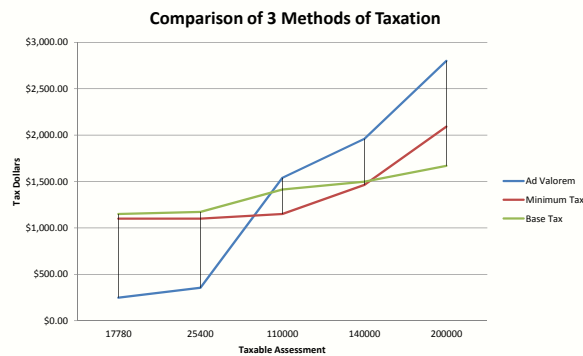
## Base Tax

| Prop Class  | Assessed Value | % of Value | Taxable Assessment | Mill Rate | Mun Tax  | Base Tax | Total Tax Payable |
|-------------|----------------|------------|--------------------|-----------|----------|----------|-------------------|
| 1)Res       | 200,000        | 70%        | 140,000            | 2.8       | \$392.00 | \$1,100  | \$1,492.00        |
| 2)Res       | 25,400         | 70%        | 17,780             | 2.8       | \$49.79  | \$1,100  | \$1,149.79        |
| 1)Com       | 200,000        | 100%       | 200,000            | 2.8       | \$560.00 | \$1,100  | \$1,660.00        |
| 2)Com       | 25,400         | 100%       | 25,400             | 2.8       | \$71.12  | \$1,100  | \$1,171.12        |
| 3) Res Land | 1,600          | 70%        | 1,120              | 2.8       | \$3.14   | \$500    | \$503.14          |

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## Comparisons



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## Scenario – Ad Valorem

Budget requires \$ 1,247,500

| Property Classes         | Assessment  | Percentage of Total Taxes |
|--------------------------|-------------|---------------------------|
| Agricultural             | 300,845     | 0.21%                     |
| Residential              | 124,200,860 | 97.22%                    |
| Comm/Ind                 | 2,855,400   | 2.57%                     |
| Total Taxable Assessment | 127,357,105 |                           |

Mill Rate Calculation  
 $\frac{1,247,500}{127,357,105} \times 1000 = 9.8$

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### Scenario - Mill Rate Factors

| Property Class | Current % of Revenue | Desired % of Revenue | Mill Rate Factor |
|----------------|----------------------|----------------------|------------------|
| Agricultural   | 0.21%                | 1.0%                 | 4.761            |
| Residential    | 97.22%               | 95.8%                | 0.985            |
| Com/Ind        | 2.57%                | 4.0%                 | 1.556            |

$1.0 / .21 = 4.761$   
 $95.8 / 97.22 = .985$   
 $.4 / 2.57 = 1.556$

Taxable Assessment x mill rate x mill rate factor =  
 levy



### Comparisons - Taxes

| Class of Property | Taxable Assessment | Mill Rate  | Mill Rate Factor | Minimum Tax | Base Tax   |
|-------------------|--------------------|------------|------------------|-------------|------------|
| Residential       | 360000             | \$6,692.40 | \$6,004.93       | \$5,888.55  | \$5,019.89 |
| Residential       | 17780              | \$330.53   | \$296.58         | \$450.00    | \$675.70   |
| Commercial/Ind    | 350000             | \$6,506.50 | \$11,266.67      | \$11,048.31 | \$9,024.19 |
| Com/Ind           | 25400              | \$472.19   | \$817.64         | \$801.79    | \$1,072.24 |
| Agricultural      | 110000             | \$557.70   | \$1,082.18       | \$1,061.21  | \$823.56   |
| Agricultural      | 25000              | \$278.85   | \$541.09         | \$530.60    | \$411.78   |



### Revaluation - Impact

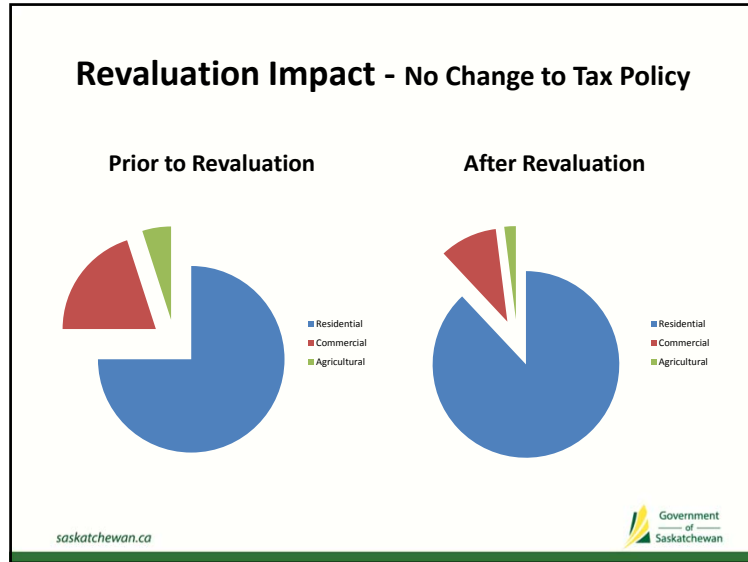
- Impact of revaluation on tax policy key to determining whether tax policy needs to be revisited
- Is an adjustment to mill rate required?
- Do one or more of the municipal tax tools need to be used or adjusted?
  - ✓ Mill rate factors
  - ✓ Minimum tax
  - ✓ Base tax



### Revaluation Impact - Urban

| Property Classes | Percentage of Municipal Total Taxes prior to Revaluation | Percentage of Municipal Total Taxes after Revaluation | Difference Increase/Decrease |
|------------------|--|---|------------------------------|
| Residential      | 75%  | 88%   | 13% up                       |
| Commercial       | 20%  | 10%   | 10% down                     |
| Agricultural     | 5%   | 2%  | 3% down                      |

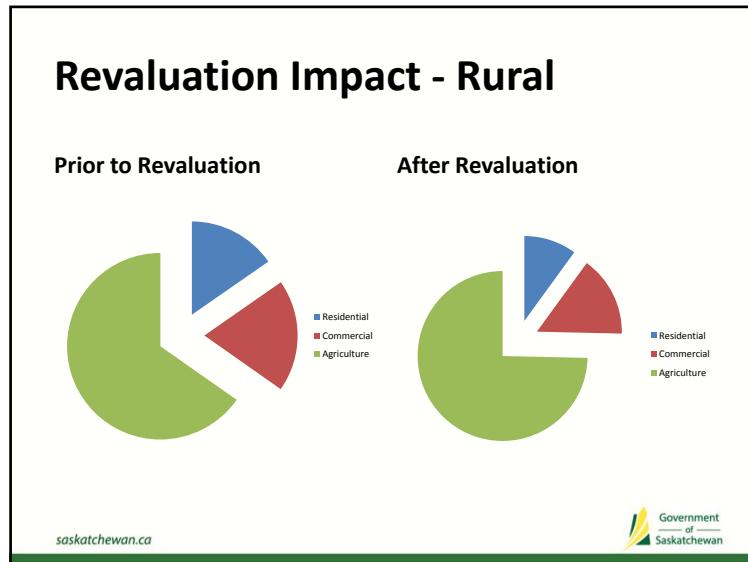




### Revaluation Impact - Rural

| Property Classes | Percentage of Municipal Total Taxes prior to Revaluation | Percentage of Municipal Total Taxes after Revaluation | Difference Increase/ Decrease |
|------------------|--|---|-------------------------------|
| Agricultural     | 79%  | 83%   | 4% increase                   |
| Residential      | 14%  | 11%   | 3% decrease                   |
| Com/Ind          | 7%   | 6%  | 1% decrease                   |

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### Mill Rate – Revenue Neutral

Ad Valorem taxation

- 2016 Tax Levy = \$185,261
- 2016 Mill Rate = 6 mills
- 2017 Taxable Assessment = 46,026,400
- 2017 Taxes @ 6 mills = \$276,158
- Revenue Neutral mill rate:  $185,261 / 276,158 \times 6 = 4.025$
- 2017 Assessment @ 4.025 mills  
 $= 46,026,400 \times 4.025 / 1000 = \$185,261$

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## Mill Rate – Revenue Neutral

### Activity #2

- What is the mill rate required to levy the same amount of taxes in 2017 that were levied in 2016 based on the 2017 assessment?

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## Adjusting Percentages

| Class of Property | 2016 % of Revenue | 2017 % of Revenue | Mill Rate Factor |
|-------------------|-------------------|-------------------|------------------|
| Agricultural      | 78.90%            | 83.36%            | 0.956            |
| Residential       | 13.65%            | 11.42%            | 1.200            |
| Commercial        | 7.44%             | 5.22%             | 1.425            |

$$78.9/83.36 = .956$$

$$13.65/11.65 = 1.20$$

$$7.44/5.22 = 1.425$$

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## Revenue Neutrality – Tax Tools

- Tax Tools add complexity to calculations
- Inform council of revaluation effects with current tax tools
- Various scenarios provide council ability to make informed decisions
- Tax Tools Policy Guide

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## Special Tax

- Raises revenue to pay for a specific service or purpose to be completed within the taxation year
- A bylaw must be passed annually
- Public notice is required prior to consideration
- Public notice required to use excess funds

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## Abatements/Exemptions

- Abatements and exemptions may be a reflection of municipal tax policy
- Municipalities face limitations with respect to taxes levied by other taxing authorities
- Fixed assessment agreement provides for reduced taxation of agricultural land in an urban municipality

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## Economic Development

- Municipalities may exempt property from taxation for economic development purposes
- Exemption applies to municipal and education property taxes
- Maximum exemption is 5 years – can be renewed if school division agrees
- Municipality must notify school division(s) by February 1

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## Tax incentives and Penalties

- Tax incentives and penalties form part of municipal tax policy
- Discounts for prepayment or prompt payments do not apply to education taxes
- Penalties may be applied to current taxes and arrears for municipal and education taxes

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## Cities Only

- Cities have legislative authority to create a tax phase-in program to mitigate tax increases or decreases
- Upon agreement, phase-in may apply to taxes levied for other taxing authorities, including education property taxes
- Cities have authority to create subclasses

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## Implementation

- Tax tools and policies do not work in isolation.
- Municipalities should:
  - ✓ Review impact of tax tools;
  - ✓ implications of various tax tools; and
  - ✓ Communicate with the public.

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## Summation

- Municipalities:
  - ✓ Are a responsible level of government
  - ✓ Have authority to levy taxes to provide services
  - ✓ Calculate taxes by applying a mill rate to their taxable assessment
  - ✓ Need to review their tax policy annually, especially after revaluation
  - ✓ May use tax tools and incentives to effect their tax policy

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## Revaluation Year 2017

- Potential Training
- Board of Revision Secretary
  
- E-mail: [diana.lee@gov.sk.ca](mailto:diana.lee@gov.sk.ca)

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## On-line Resources

- Property Assessment Guidelines and Exceptions Qs & As web page  
<http://www.saskatchewan.ca/government/municipal-administration/taxation-and-service-fees/property-assessment-guidelines-and-exceptions-for-municipalities>
- <http://www.saskatchewan.ca/government/municipal-administration/taxation-and-service-fees/municipal-property-tax-tools>
- Municipal Property Tax Tools web page  
<http://www.saskatchewan.ca/government/municipal-administration/taxation-and-service-fees/municipal-property-tax-tools>
- Municipal Property Tax Tools Bylaws  
<http://www.saskatchewan.ca/government/municipal-administration/tools-guides-and-resources/bylaw-samples>
- Municipal Tax Tools Guide  
 under Related Items on the Municipal Property Tax Tools web page

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