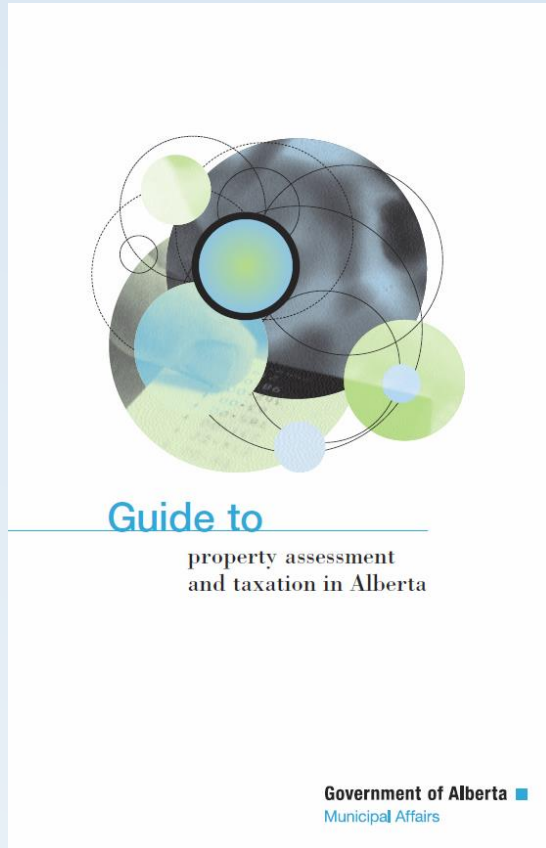


# Property Assessment in Alberta

The Town of Edson



# Property Assessment - Overview



- Alberta Municipal Affairs has created a guide outlining Property Assessment and Taxation in Alberta
  - The guide is available online at <http://www.municipalaffairs.alberta.ca/1538>
- This guide was created to give a broad overview of the assessment and taxation framework utilized in the Province of Alberta.
- Provides information on structure and process of assessments and how taxes are levied.

# What is Property Assessment?

- Property Assessment is the assigning of value to property for taxation
- Assessment in Alberta follows many other jurisdictions throughout the world, basing the amount of taxes on the value of property. This principle is called *ad valorem*.
- *Ad Valorem* is defined in “Glossary for Property and Appraisal and Assessment, Second Edition” as meaning, according to value.
- *Ad valorem tax* is then defined as a tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an *ad valorem* tax.



# Assessment and Taxation

- Although assessment and taxation are closely related they are different.
- As discussed previously, assessment is the assigning of value to property for taxation.
- Taxation is the application of a tax rate to an assessed value which then determines the amount payable by each specific property owner.

# Framework of Property Assessment in Alberta

FIGURE 1.1 THE MUNICIPAL GOVERNMENT ACT AND ASSESSMENT AND TAXATION

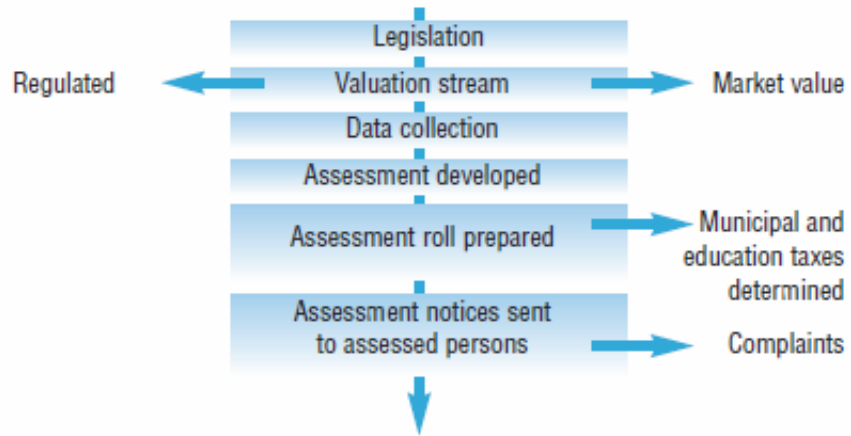


Chart from "Guide to Property Assessment and taxation in Alberta"

- Assessment is heavily regulated by various pieces of legislation. The main legislation relied upon is the *Municipal Government Act* (MGA).
- It is then followed by supporting regulation such as *Matters Relating to Assessment and Taxation* (MRAT) and *Matters Relating to Assessment Complaints* (MRAC)
- Together these documents guide the assessor on how to value each property and by what standards to adhere to.

# Market Value Based Assessment

- As defined in the MGA
  - (1)(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it was sold on the open market by a willing seller to a willing buyer
- Key Factors in Market Value:
  - It is a probable price, not the highest, lowest, average or actual.
  - It is a dollar value
  - It assumes an open market transaction, between unrelated parties
  - Recognizes both the current use and potential use of the property

# Approaches to Value

**TABLE 2.1** THE THREE APPROACHES TO VALUE

<b>How Market Value is Determined</b>	
Sales comparison approach	Compare sales prices of similar properties to the property being assessed
Cost approach	Market value of land + cost of improvements – depreciation = value of property
Income approach	Estimate what a potential purchaser would pay for a property given its expected rate of return (i.e. income-producing potential)

Chart from "Guide to Property Assessment and taxation in Alberta"

- The recognized approaches to value are:
  - Sales Comparison Approach
  - Cost Approach
  - Income Approach
- Assessments in the Town of Edson are derived using these approaches

# Regulated Assessment

- There are 4 types of regulated Property in Alberta:
  1. Farmland – Values based on Agricultural Use Value and defined in the Alberta Farmland Assessment Manual.
  2. Linear Property – This type of property includes pipelines, cable television systems, telecommunication systems, electric power systems and oil & gas wells. This property is assessed by the assessor designated under the Minister of Municipal Affairs
  3. Machinery and Equipment – These are material, devices, fittings, apparatus used in manufacturing or processing. Items can include tanks, separators, compressors, equipment installed in chemical plants, refineries etc.
  4. Railway Property – Railway property is assessed at a fixed dollar amount per kilometer based on the annual tonnage transported on the railway right-of-way.



# What is included in the assessment?

- The MGA defines property as follows:
  - 284(1)(r) “property” means
    - (i) A parcel of land;
    - (ii) An improvement, or
    - (iii) A parcel of land and the improvements to it
- The assessment does not include personal property. Things like jewelry or automobiles are not assessed and therefore not taxed.

# Who Prepares the Assessment and How?

- The assessment is prepared by the Designated Assessor appointed by Council. The Designated Assessor must hold one of the following professional Designations:
  - AMAA – Accredited Municipal Assessor of Alberta
  - CAE – Certified Assessment Evaluator
  - AACI – Accredited Appraiser Canadian Institute
- Assessment in Alberta is done using Mass Appraisal. This method involves valuing a group of properties as of a given date, using common data, mathematical models and statistical tests.
- Data collected on each property is maintained through re-inspection cycles, Alberta Land Titles, Multiple Listing Services and through interaction with property owners.
- Requests for Information (RFI) are sent out annually to non-residential property owners in order to keep an accurate gauge on lease rates and vacancy.

- Physical inspections of property occur on a regular basis. These inspections may be part of a re-inspection cycle, at the request of a property owner or at properties where there has been a known physical change
- Inspections are preformed to allow the Assessor to gather the proper information to determined a fair and equitable assessment
- Key Dates – The legislation outlines a couple key dates for the assessment of property.
  - Valuation Date – July 1, of the previous year. This is the date that the assessment is to reflect. If the Taxation year is 2017, the assessment would reflect July 1, 2016.
  - Condition Date – December 31, of the previous year. This is the date that the condition of the property is recorded. If the tax year is 2017, the assessment reflect how the property stood on December 31, 2016.

# Assessment Complaints

FIGURE 3.2 THE COMPLAINT SYSTEM

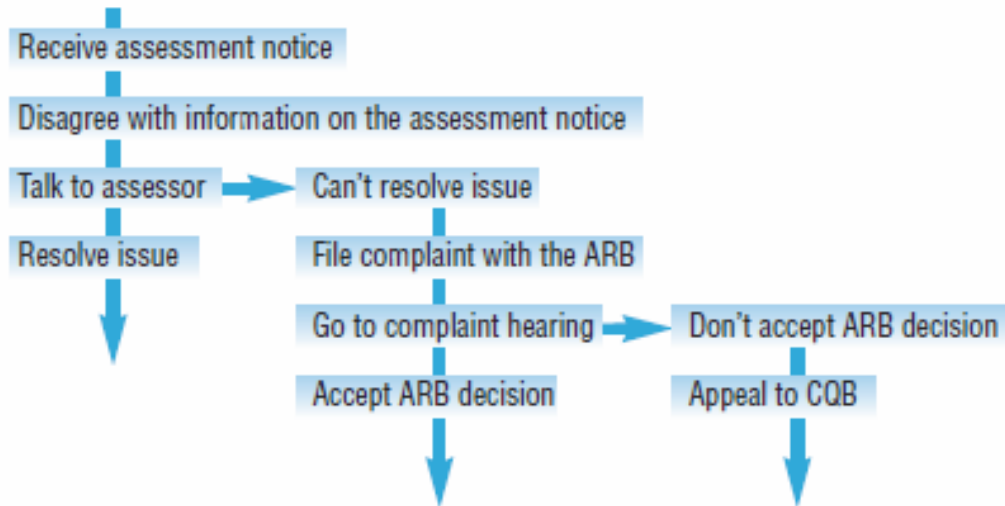


Chart from "Guide to Property Assessment and taxation in Alberta"

- In the event an assessment is believed to be inaccurate or unfair, the MGA allows for the property owner to file a complaint.
- The first step in this process is to contact the Assessor to see if there are any errors on the file.
- If the property owner and Assessor cannot come to an agreement, the property owner may start the formal complaint process.
- The property owner must file a complaint with the Assessment Review Board by the deadline indicated on the assessment notice
- The complaint will be heard by a quasi-judicial board and heard in accordance with the process laid out in the legislation. This board can alter an assessment or decide to confirm an assessment.

# Property Tax

## Town of Edson





# Property Taxes in Alberta

Property taxation in Alberta is regulated by Part 10 of the Municipal Government Act (MGA). This section governs how we must deal with property taxation, including items such as:

- What must be shown on a tax notice
- Bylaws for the taxation rates
- Different levies that a municipality can apply e.g. Local Improvement Tax
- Properties that are exempt from taxes e.g. churches, schools
- Tax recovery procedures

There is onus on the property owner to ensure the municipality has correct contact information.

- Under Section 335(2) of the MGA, if the mailing address of the property owner is unknown:
  - a) A copy of the notice must be sent to the mailing address of the taxable property or business, and
  - b) If the mailing address of the taxable property or business is also unknown, the tax notice must be retained by the municipality and is deemed to have been sent to the taxpayer
- Under Section 337 of the MGA, a tax notice is deemed to have been received 7 days after it is sent.

# What are the Different 'Taxes' on a Property Tax Notice?

Your Property Tax bill consists of three major elements:

- Municipal Tax
- Seniors Requisition
- Education Property Tax Requisition

## **Seniors Requisition**

- Evergreens Foundation – Management body for seniors lodges in:
  - Edson
  - Hinton
  - Jasper
  - Jasper Improvement District
  - Grande Cache
  - Yellowhead County
  - Parkland County (portion)
  - MD of Greenview (portion)

## Seniors Requisition (cont.)

- Under Section 7 of the Alberta Housing Act, management bodies (i.e. Evergreens) may requisition those municipalities for which the management body provides lodge accommodation for:
  - a) the amount of the management body's annual deficit for the fiscal year arising from the provision of lodge accommodation, and
  - b) any amounts necessary to establish or continue a reserve fund for the management body.
- To establish the amounts for Edson, the above figures are added up and our share is determined by our percentage of all the assessments from all the contributing municipalities. For 2017, our percentage is 7.234%, therefore our requisition for Evergreens is 7.234% of their total cash requirement for 2017.
- This equates to approximately 4.5% of the total taxes collected by the Town for the 2017 Taxation year
- The Town of Edson is billed directly from Evergreens for these amounts, they are not set by Town Council





## Education Property Tax Requisition

- Provincial education property taxes are set by the Government of Alberta
- Each year, the Alberta government determines the total amount of revenue needed for education purposes through the property taxation system across the province and bills each municipality for its share of the education property tax requirement (called the "education property tax requisition").
- Your property's assessed value is used to calculate your share of Edson's education property tax requisition. This part of your property tax is collected by the Town and sent to the Government of Alberta.
- This requisition accounts for approximately 25.5% of the total property tax amount collected by the Town in 2017.
- As with Evergreens, the Town of Edson is billed directly from the Province for these amounts, they are not set by Town Council





## Education Property Tax Requisition (cont.)

- All property owners in Edson, residential and non-residential, are required to pay education property taxes including senior citizens and those without children in school.
- The Government of Alberta states that education property taxes support public and separate school students in kindergarten to grade 12. Education property taxes are pooled and then distributed to all Alberta school boards on an equal per-student basis. The majority of these funds are for instruction, including teacher salaries, textbooks, and other classroom resources.





## Municipal Taxes

- Council set budget in November or December

## Expenses

- Look at services Edson needs and/or wants, for example:
  - Snow Removal
  - Waste Management – Landfill, Garbage Collection etc
  - Culture and Recreation Programming
  - Pool, Arenas, Parks
  - Airport
  - Protective Services – Fire Department, Policing, Bylaw
  - Infrastructure Maintenance
  - Reserves (for future needs)
- Taking everything into consideration, they then determine costs associated with providing all the above, along with the level of service that can be provided.

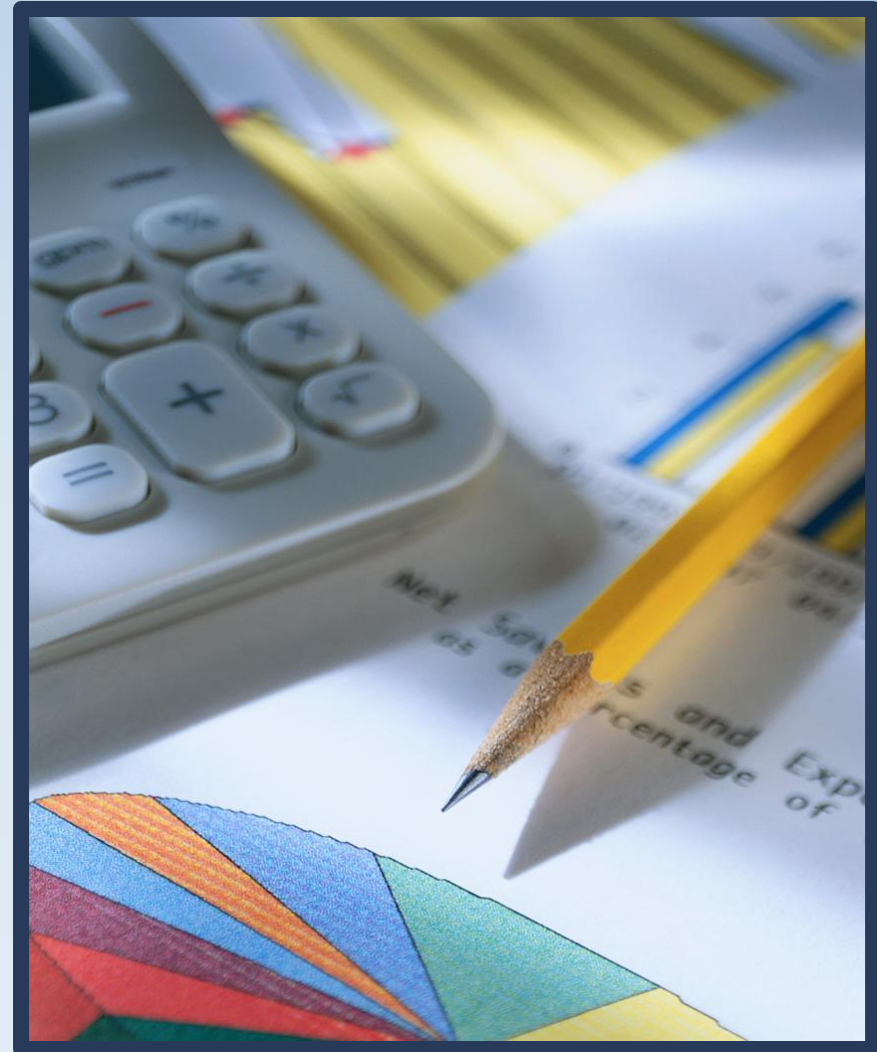


## Revenues

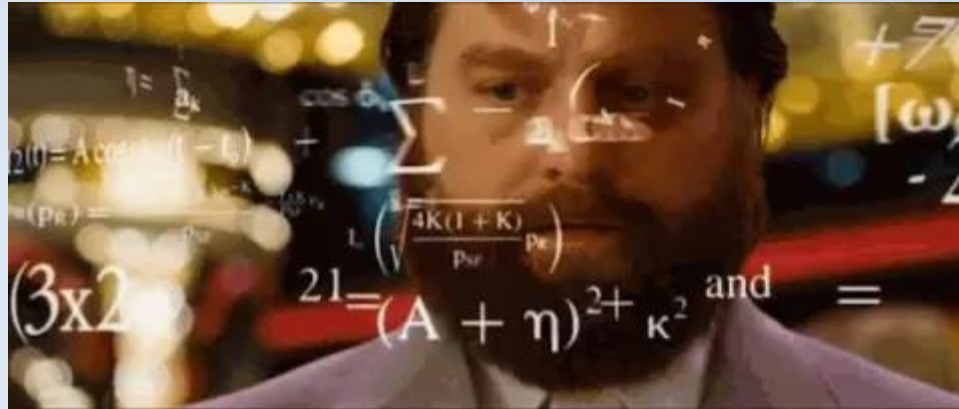
- Look at all revenues generated by the Town, for example:
  - User Fees
  - Permits
  - Fines
  - Utility Bills
  - Grants
- For 2017, approximately 54% of revenue is generated from these types of revenue.

The remainder of the revenue needed is then generated by the Property Taxes.

- The Town can only generate what is needed, no more and no less. The budget must be balanced to zero.



# How are the Taxation Amounts Calculated?



The calculation of each homeowner's share of property taxes is based on two factors:

- The budget
- The total assessed value of all properties in our town.

These two factors determine the mill rates, which distribute the costs of services among all Edson properties.

**The mill rate is a figure representing the amount per \$1,000 of the assessed value of property, and is used to calculate the amount of property tax.**



# How are the Taxation Amounts Calculated?

To calculate the mill rate required, the following formula is used:

$$\text{budget} \div \text{total assessed value of all properties} \times 1000 = \text{mill rate required}$$

This calculation is used to come up with the required mill rate for each jurisdiction on the tax notices i.e. Evergreens, Schools and Municipal.

Next, to determine the exact amount each property owner is required to pay, the Town applies this mill rate to the value of your property in the following manner:

$$\text{your property assessed value} \times \text{mill rate} \div 1000 = \text{your property taxes}$$

Changes in property values do not affect the amount the Town requires to continue providing municipal programs and services. Budgeting and Assessment are two very separate processes.