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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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ASSESSMENT AND TAXATION WORKSHOP

SAMA Annual Meeting – April 14, 2015

Presented by:

Advisory Services, Ministry of Government Relations
Saskatchewan Assessment Management Agency



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**Municipalities are a level of
government!**



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Council Duties - Assessment

SHALL vs MAY

Council:

- SHALL appoint members to the Board of Revision [MA220, CA192, NMA241]
 - ✓ Council members are not eligible [MA 220, CA192,NMA241]
- SHALL appoint the secretary [MA221, CA193, NMA242]
 - ✓ Administrator is not eligible [MA221, CA193, NMA242]
- SHALL set term of office of each member of the board of revision [MA220,221, CA192 ,193, NMA241,242]
- SHALL set remuneration and expenses [MA220, 221, CA192 ,193, NM241,242]



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Council Powers - Assessment

Council :

- MAY appoint assessor [MA2, CA163, NMA2]
- MAY pass bylaw to dispense with mailing assessment notices [MA214, CA184, NMA235]
- MAY set fees by bylaw for filing appeals [MA224, CA196, NMA245]
- Mayor/Reeve MAY appoint a person as an acting alternate board member [MA220, CA192, NMA241]
- MAY extend the period of time all or part of the assessment roll is open for inspection [MA213, CA183, NMA234]



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Assessor Duties

- Track property changes and report to SAMA
- Verify assessment date received from SAMA
- Enter assessed values on assessment roll
- Prepare assessment roll by May 1 or September 1 of year prior/Cities April 1 and mail assessment notices within 2 weeks



[MA204, CA165, NMA218]



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- Advertise and open Assessment Roll to inspection
 - ✓ 30 days every year
 - ✓ 60 days in revaluation year
- Receipt fee and direct assessment appeals to Board of Revision
- Enter into Agreement to Adjust on behalf of municipality
- Complete Assessment Return and submit to SAMA and file Confirmation of Assessment Roll
- Complete Mill Rate Return and submit to Government Relations, Municipal Infrastructure and Finance

[MA217, CA187, NMA238]

[MA215, CA185, NMA236]



[MA228, CA204, NMA249]



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Board of Revision

- Independent quasi-judicial board
- Secretary schedules Hearings and provides notices to appellant and SAMA
[MA229, CA199, NMA250]
- Hears assessment appeals
- Mail decisions to appellant, SAMA and municipality
[MA240, CA210, NMA261]



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Assessment and taxation

- Assessed values of property used in calculation of property taxes [MA288, CA257, NMA309]
- Taxes = taxable assessed value x tax rate
- Assessment service provider (SAMA) reports assessed property values to municipality



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

[NMA&TRegs 5&6, MRegs 41]



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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%

[MRegs 40, CRegs , NMA&TRegs 4]



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Percentage of Value

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



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Budget and Tax Rate

- Budgeted Expenditures \$2,065,500
- Less Budgeted Revenues \$ 465,000
- Balance – taxes \$1,600,500

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



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Ad Valorem or Mill Rate

- Taxation may be linked to a person's ability to pay.
- Ability to pay is measured by a person's real estate holdings (property assessment).
- Higher assessed property = higher taxes
- This is called the *ad valorem* method of taxation
- Taxable Assessment X Mill Rate = Taxes
- *Ad valorem* method must be used for education property taxes.

[MA288, CA257, NMA309]



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Taxation - Ad Valorem

Class of Property	Assessed Value	Percentage of Value	Taxable Assessment	Mill Rate	Municipal Tax
Residential	200,000	70%	140,000	14	\$1,960.00
Commercial	200,000	100%	200,000	14	\$2,800.00
Agricultural (Range)	200,000	40%	80,000	14	\$1,200.00
Agricultural (Other)	200,000	55%	110,000	14	\$1,540.00



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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



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Tax Tools

- Mill Rate Factors
- Minimum Tax
- Base Tax

[MA285, CA255, NMA306]

[MA289, CA258, NMA310]

[MA290, CA259, NMA311]



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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



- Tax tools apply to all land and 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

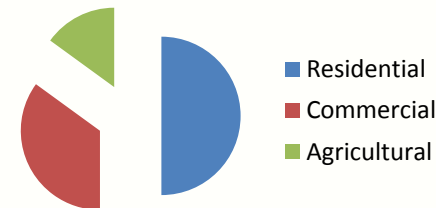
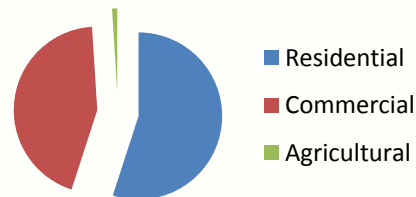
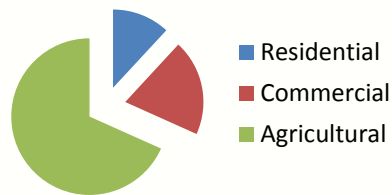


Mill rate factors

- Mill rate factors transfer taxation burden from one property class to another.
- Mill rate factors apply to all property within each property class



[MA285, CA255, NMA306]



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Mill Rate Factors

Class of Property	Assessed Value	% of Value	Taxable Assessmt	Mill Rate	Municipal 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

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



Minimum tax

- Reduces the tax rate by increasing taxes on lower valued properties.
- Applies to all property within designated classification(s).
- Can be a fixed amount or it can be based on a formula



[MA289, CA258, NMA310]



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Minimum Tax

Class of Prop	Assessed Value	% of Value	Taxable Assessment	Mill Rate	Municipal 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



Base tax

- Reduces the tax rate by increasing taxes on lower valued properties
- Applies to all property within designated classes
- May only be a fixed amount per parcel.



[MA290, CA259, NMA311]



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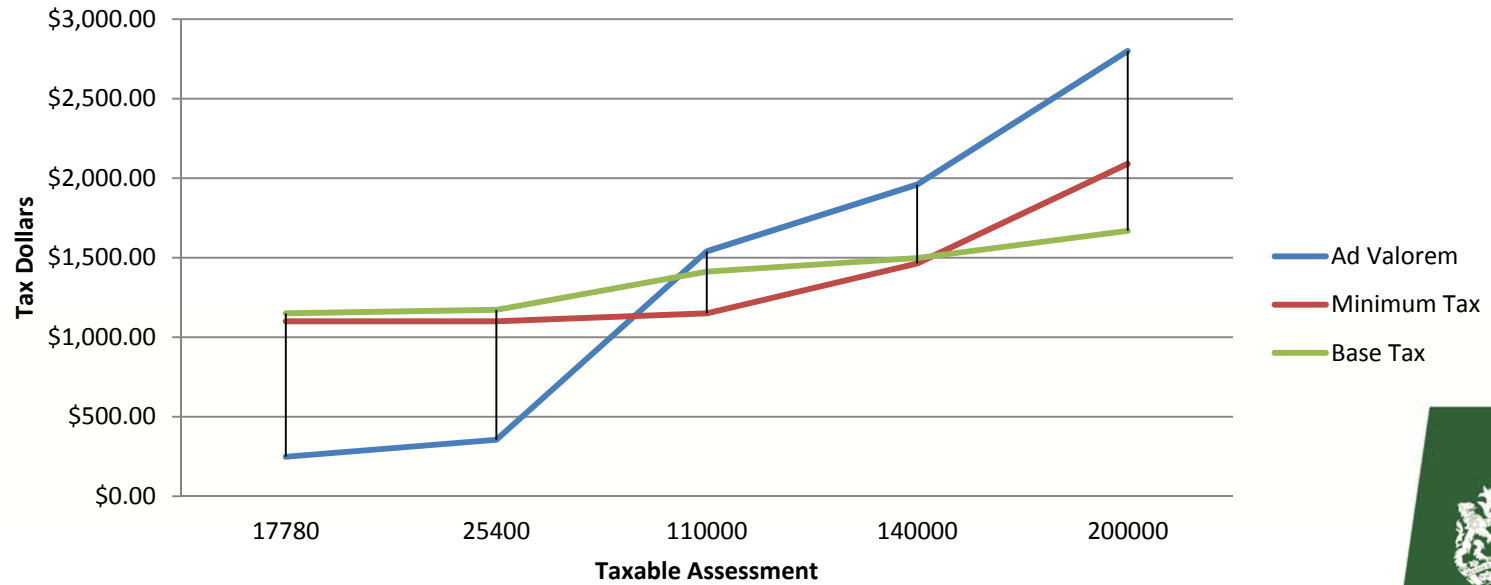
Base Tax

Class of Prop	Assessed Value	% of Value	Taxable Assessment	Mill Rate	Municipal 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



Comparisons

Comparison of 3 Methods of Taxation



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Scenario – Ad Valorem

Budget requires \$ 1,600,500

Taxable Assessment		Percentage of Total Assessment
Residential	75,550,500	87.7%
Commercial	10,500,250	12.2%
Agricultural	88,300	0.103%
Total Taxable Assessment	86,089,050	

Mill Rate Calculation

$$\frac{1,600,500 \times 1000}{86,089,050} = 18.592$$



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Scenario - Mill Rate Factors

Class of Property	Current % of Revenue	Desired % of Revenue	Mill Rate Factor
Residential	88.0%	79.0	0.898
Commercial	12.0%	20.8%	1.733
Agricultural	0.1%	0.2%	1.942

$$.79/.88 = .898$$

$$.208/.12 = 1.733$$

$$.002/.001 = 1.942$$

Taxable Assessment x mill rate x mill rate factor = levy



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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
Commercial/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



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Revaluation - Impact

- Revaluation may change assessed values of all properties in your municipality
- 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.



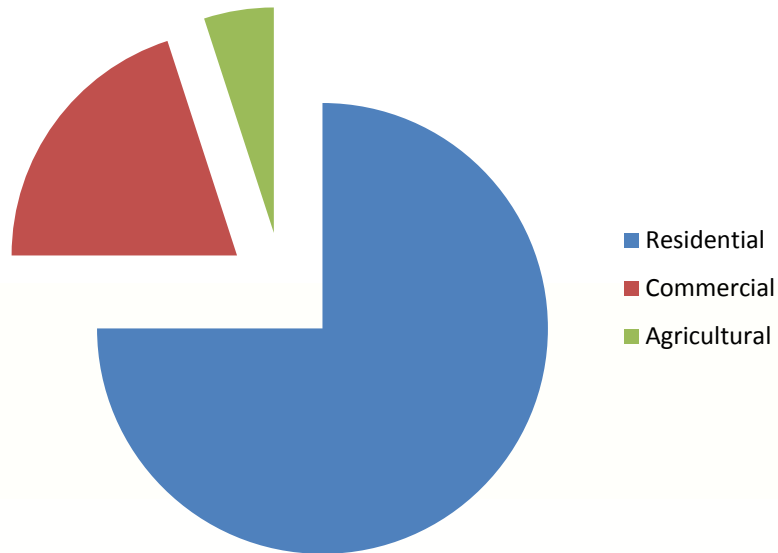
Revaluation Impact - Urban

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

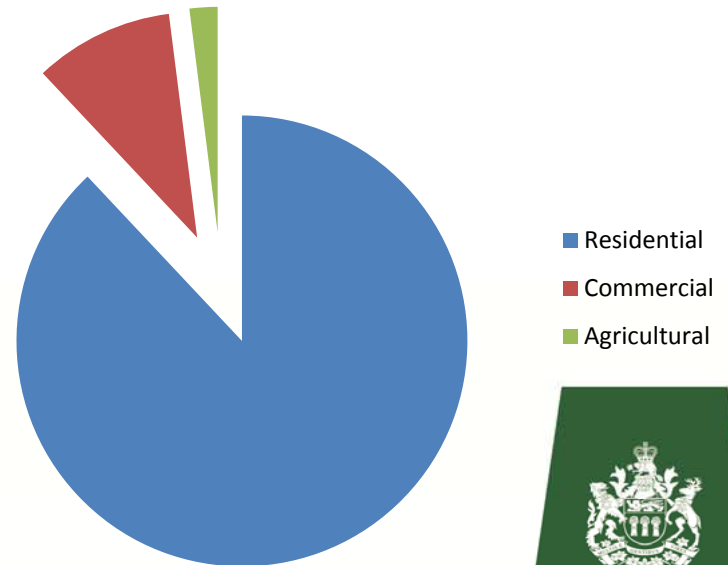


Revaluation Impact - No Change to Tax Policy

Prior to Revaluation



After Revaluation



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Revaluation Impact - Rural

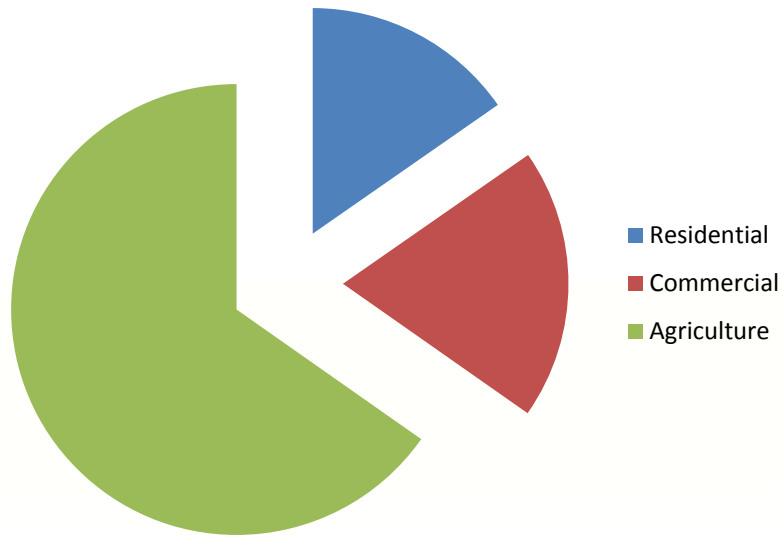
Property Classes	Percentage of Municipal Total Taxes prior to Revaluation	Percentage of Municipal Total Taxes after Revaluation	Difference Increase/ Decrease
Residential	15%	10%	5% down
Commercial	19%	15%	4% down
Agricultural	65%	75%	10% up



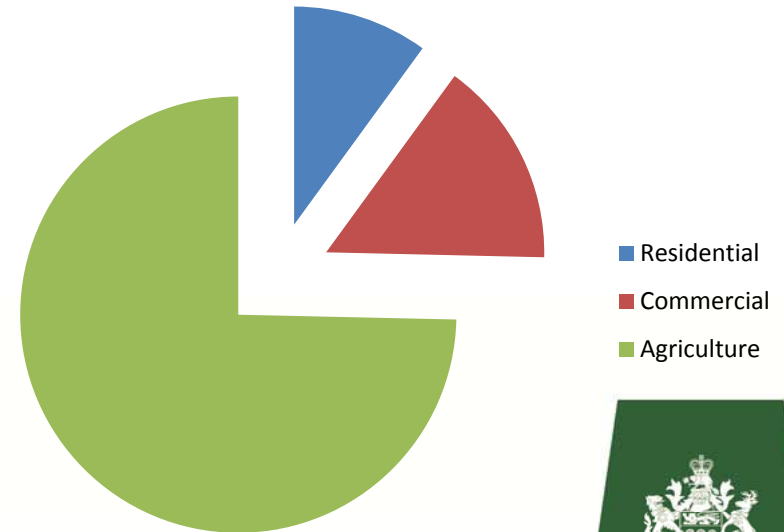
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Revaluation Impact - Rural

Prior to Revaluation



After Revaluation



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Adjusting Percentages

Class of Property	Current % of Revenue	Desired % of Revenue	Mill Rate Factor
Residential	88.00%	79.00%	0.898
Commercial	12.00%	20.80%	1.733
Agricultural	0.10%	0.20%	1.942



Special Tax

- Raises revenue to pay for any specific service or purpose to be completed within the taxation year

[MA312, CA275, NMA331]



- A bylaw must be passed annually

[MA312,,314 CA275, 277, NMA331,333]

- Public notice is required prior to consideration

[MA312, CA275,NMA331]

- Public notice required to use excess funds

[MA315, CA278, NMA334]



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Abatements/Exemptions

- Abatements and exemptions may be a reflection of municipal tax policy.
[MA274, CA244,263, NMA295,315]
- Municipalities face limitations with respect to taxes levied by other taxing authorities.
[MA274, CA244, NMA295]
- Fixed assessment agreement provides for reduced taxation of agricultural land in an urban municipality.
[MA198, CA168]



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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.

[MA298, CA263, NMA318]



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Tax incentives and penalties

- Tax incentives and penalties form part of municipal tax policy.
[MA272, CA249, NMA293]
- Discounts for prepayment or prompt payments do not apply to education taxes.
[MA272, CA242, NMA293]
- Penalties may be applied to current taxes and arrears for municipal and school taxes.
[MA279,289, CA249,250, NMA249,250]



Cities only

- Cities have legislative authority to create a tax phase-in program to mitigate tax increases or decreases [CA260]
- Upon agreement, phase-in may apply to taxes levied for other taxing authorities, including education property taxes [CA260]
- Cities have authority to create subclasses [CA254]



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.



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
 - ✓ May use tax tools and incentives to effect their tax policy



On-line resources

- Property Assessment Guidelines and Exceptions web page

<http://www.saskatchewan.ca/government/municipal-administration/taxation-and-service-fees/property-assessment-guidelines-and-exceptions>

- 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/management-resources/guides-samples-and-resources/bylaw-samples#municipal-sample-bylaws>



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