

Guide to

property assessment
and taxation in Alberta

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preface:

The *Guide to Property Assessment and Taxation in Alberta* was written to provide general information about the province's property assessment and taxation system. This guide will be helpful for anyone who wants or needs to have an understanding of how the province's property assessment and taxation system works.

The guide is structured to reflect the organization and process of the property assessment system. It begins with the foundations of the system—the legislation and history—and follows the process through to show how property taxes are determined and levied based on a property's assessment.

Municipal Affairs welcomes feedback regarding this guide. Comments can be directed to the Assessment Services Branch at 780.422.1377 or lgsmail@gov.ab.ca.

This publication is available online at www.municipalaffairs.alberta.ca.

chapter 1:

This chapter highlights the nature, rationale, and foundations of the property assessment and taxation system in Alberta.

Topics include:

- The main features of the system
- The relationship between assessment and taxation
- A brief history of property assessment and taxation

Overview of Alberta's property assessment and taxation system

What is property assessment?

Property assessment is the process of assigning a dollar value to a property for taxation purposes. In Alberta property is taxed based on the *ad valorem* principle. *Ad valorem* means “according to value.” This means that the amount of tax paid is based on the value of the property.

Property taxes are a primary source of revenue for municipalities. Property taxes are used to finance local programs and services, such as:

- Garbage collection
- Water and sewer services
- Road construction and maintenance
- Parks and leisure facilities
- Police and fire protection
- Seniors' lodges
- Education

Each municipality is responsible for ensuring that each property owner pays his or her share of taxes. Property assessment is the method used to distribute the tax burden among property owners in a municipality.

Relationship between property assessment value and property taxes

Often the terms “assessment” and “taxation” are considered to be interchangeable. However, assessment and taxation are very different. Although one impacts the other, each is a distinct and independent process.

“Assessment” is the process of estimating a dollar value on a property for taxation purposes. This value is used to calculate the amount of taxes that will be charged to the owner of the property. “Taxation” is the process of applying a tax rate to a property’s assessed value to determine the taxes payable by the owner of that property.

History of assessment and taxation in Canada

Various forms of property tax have been used throughout history. During the settlement of North America, some attempts were made in the British colonies to tax property based on its value. These taxes were often levied at fixed rates on specific items, such as livestock and personal possessions. These taxes, however, usually favoured the politically powerful and unfairly burdened the politically weak.

TABLE 1.1 HISTORY OF ASSESSMENT AND TAXATION IN NORTH AMERICA AND CANADA

Historical Period	Assessment and Taxation Event
Settlement of North America	<ul style="list-style-type: none"> • Taxes levied at fixed rates on specific items • Taxation system biased towards the politically powerful
American Revolution	<ul style="list-style-type: none"> • Rapid tax increases • Inequities highlighted • United Empire Loyalists bring tax system concepts to Canada
Early 20th Century	<ul style="list-style-type: none"> • Systematic approaches to value developed

Canada

The early system of taxation in Canada was a uniform tax that was based on the value of property owned. This system was brought into Canada by the United Empire Loyalists when they fled from the American Revolution. The Loyalists were accustomed to a system of self-rule in which local bodies had the authority to levy taxes. Governments adopted local taxation as a means to raise the money that was needed to provide services.

By the nineteenth century, all property was taxable. This included homes, land, boats, and household goods. This system was difficult to administer, as many types of taxable property could be moved on assessment day and could not be located.

Alberta

Property assessment for taxation purposes in Alberta can be roughly divided into two time periods—pre-1995 and post-1995.

TABLE 1.2 HISTORY OF ASSESSMENT AND TAXATION IN ALBERTA

1800s	<ul style="list-style-type: none"> • <i>Municipal Ordinance</i> of the Northwest Territories brings property tax principles to Western Canada
Up to 1995	<ul style="list-style-type: none"> • Fair actual value assessment system used • All land except farmland assessed at market value • Regulated manuals used to assess buildings, structures, and farmland • Up to eight years between reassessments
1995	<ul style="list-style-type: none"> • <i>Municipal Government Act</i> proclaims a market value assessment system • Municipalities must prepare assessments annually • Two assessment standards – regulated, procedure based standard, and market value based standard

Pre-1995

The early property assessment system in Alberta evolved in line with legislation used by other Canadian provinces. Ontario's *Municipal Act* of 1880 allowed taxation of "real property"—land and buildings. The *Municipal Ordinance* of the Northwest Territories (1882) was an adaptation of Ontario's *Municipal Act*. It brought the general property taxation principles and procedures to what became Canada's western provinces.

A variety of assessment methods have been used by local governments to generate tax revenue. The assessment system most widely used up until 1995 was referred to as fair actual value. The value of buildings, structures, and farmland was determined on the basis of formulas and rates. These formulas and rates were set out in regulated manuals prepared by the provincial government. All land, except farmland, was assessed based on its market value.

Municipalities were only required to prepare new assessments every eight years. Under the eight-year assessment cycle, property values often changed dramatically. This system led to major assessment and property tax shifts in the year after the reassessment year.

Assessment review committees in the early 1990s recommended that Alberta's property assessment system should be changed from the eight-year cycle fair actual value system to a current, market value based system. Also, some court decisions during this time indicated that assessments should reflect current market values.

Market value is the price a property might reasonably be expected to sell for if sold by a willing buyer after appropriate time and exposure in an open market. The rationale for

recommending the change to a market value based system considered many important factors:

- Market value is easily understood, as property owners typically have an informed opinion as to their property's value.
- Market value is considered by many professional organizations and governments to be the most fair and equitable way to assess property.
- Market value assessment systems are used in the majority of local government jurisdictions throughout North America.

Post-1995 – The Municipal Government Act

In 1995, the new *Municipal Government Act* came into force. The *Municipal Government Act* consolidated a number of acts governing municipalities, including the former *Municipal Government Act*, the *Municipal Taxation Act* and other related legislation. In addition, the act set out the foundations for a current market value based assessment system for most property in Alberta.

The *Municipal Government Act* gives direction to municipalities to prepare assessments every year.

The *Municipal Government Act* sets out two types of valuation standards—the market value based standard and the regulated procedure based standard.

The market value based standard is considered the most fair and equitable means of assessing property. It is fair because similar properties are assessed in the same manner; it is equitable because owners of similar properties in a municipality will pay a similar amount of property tax.

The regulated procedure based standard uses rates and procedures prescribed by Municipal Affairs to calculate assessed values for certain types of properties. These types of properties include farmland, linear property, machinery and equipment, and railway property.

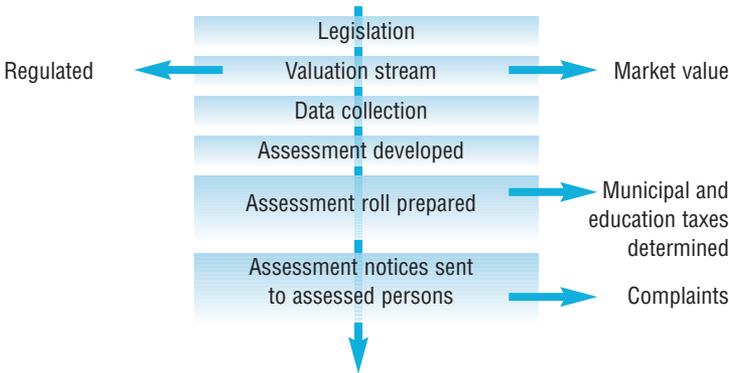
Assessment is explained in further detail in Chapter 2.

The Alberta model of property assessment and taxation

The following chart illustrates the processes, connections, and components of the property assessment and taxation process in Alberta. Each step in the chart is explained in later chapters.

The assessment and taxation system begins with the laws outlined in the *Municipal Government Act*. All activities that are associated with property assessment and taxation are governed by this legislation and its regulations.

FIGURE 1.1 THE *MUNICIPAL GOVERNMENT ACT* AND ASSESSMENT AND TAXATION



The assessor interprets these rules to determine which valuation method must be used for each property. This process is explained in Chapter 2.

The assessor collects a variety of information to calculate a property assessment. The process of arriving at a property value is explained in Chapter 3.

Once the assessment is complete, the assessed value is entered on the assessment roll, which lists all of the property assessments in a municipality. Assessment notices are created from the information on the assessment roll. A notice is mailed to every property owner in a municipality. These steps are detailed in Chapter 3. If a property owner does not agree with the information on his or her assessment notice, he or she may file a complaint. Alberta's assessment complaint process is explained in Chapter 3.

The steps involved in appealing a property assessment are also outlined in Chapter 3.

The assessment roll is used to calculate the amount of municipal and education property tax payable on each property. These are explained in Chapter 4.

chapter 2:

This chapter describes the two valuation standards that are used to value property for assessment and property taxation purposes in Alberta—the market value based standard and the regulated procedure based standard.

Topics include:

- Definition of market value
- How market value is determined
- Properties that are assessed with regulated rates and procedures
- How regulated values are determined

Property assessment valuation standards in Alberta

Market value based standard

The market value based standard is used to determine the assessed values for the majority of properties in Alberta. Market value is the price a property might reasonably be expected to sell for if sold by a willing seller to a willing buyer after appropriate time and exposure in an open market.

Key characteristics of market value are:

- It is the most probable price, not the highest, lowest, or average price.
- It is expressed in terms of a dollar value.
- It assumes a transaction between unrelated parties in the open market.
- It assumes a willing buyer and a willing seller, with no advantage being taken by either party.
- It recognizes the present use and potential use of the property.

Sometimes the market value based assessment of a property is assumed to be the sale price of an individual property. It is important to note that a market value based assessment may not be the sale price. The sale price is an historical fact. The sale price is the amount the purchaser agrees to pay and the seller agrees to accept under the circumstances surrounding the sale.

A sale price might not equal market value for any of the following reasons:

- The sale might not have occurred in the assessment year or the date on which the property was valued.
- The purchaser might not have been aware that similar properties were selling for more or less than the price for which the property was purchased.
- The buyer or seller may have been unduly motivated (for example, transferred to another city, needed to sell property as part of a divorce settlement, etc.).
- The sale may have involved a trade, partial interest, special financing, personal property, or assumed leases.

Assessors gather information on ranges of sale prices in the marketplace. This statistical data is used as part of the process for calculating market value based assessments.

Sale price information helps to develop market value based assessments. Assessments are calculated by analyzing the range of sale prices of groups of similar properties at a specific point in time. Several sales of similar properties are compared to determine typical market values of specific types of properties that have similar characteristics.

There are three approaches to determine the market value based assessment of a property. The three approaches for estimating market value based assessments are: the sales

TABLE 2.1 THE THREE APPROACHES TO VALUE

How Market Value is Determined	
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)

comparison approach; the cost approach; and the income approach. One or more of these approaches is used to arrive at a property's assessed value using the market value based standard. The following sections outline each approach, and the types of properties each is best suited to.

Sales comparison approach

This approach is based on the theory that the market value of a property is directly related to the sale price of similar properties. When property types are similar, the sales comparison approach provides an indication of market value. This approach is best suited to residential properties and other types of property that sell frequently.

Cost approach

The cost approach is used when the property being valued is new or nearly new, in situations where few comparable sales

are available, or when the improvements are unique or specialized.

The cost approach is based on the assumption that a purchaser would not pay any more to purchase a property than it would cost to buy the land and then rebuild the same improvements. An improvement is a building or structure so affixed to the land that it does not require special mention in a transfer document.

Values for properties that are assessed using the cost approach are determined by using the following formula:

$$\begin{aligned} & \text{Market value of land + cost of improvements} \\ & - \text{improvement depreciation} = \text{total value of property} \end{aligned}$$

The assessor first determines the market value for the land. The cost of constructing the improvements is then added to the land value. Once the costs of the improvements have been determined, the assessor makes a deduction for depreciation of the improvement. Depreciation is a loss in value due to any reason. This includes normal wear and tear, a change in needs or style of a building, or even a loss in value because of its location. Depreciation must be subtracted from the cost of the improvements to accurately value the improvements in their current condition.

Income approach

The theory behind this approach is that income-producing properties are bought and sold based on their income-earning potential. This approach is used to assess the value of rental properties, such as apartment buildings or rental office buildings.

Regulated procedure based standard

Some types of properties are difficult to assess using a market value based assessment standard because:

- They seldom trade in the marketplace. When they do trade, the sale price usually includes non-assessable items that are difficult to separate from the sale price.
- They cross municipalities and municipal boundaries.
- They are of a unique nature.

Municipal Affairs prescribes rates and procedures to assess these types of properties, which are referred to as “regulated property”. Rates and procedures are determined by what a type of property is used for, its activity, or its production capability.

There are four types of regulated property:

1. Farmland
2. Linear property
3. Machinery and equipment
4. Railway property

Farmland

Farmland is assessed on the basis of its productive value; that is, the ability of the land to produce income from the growing of crops and/or the raising of livestock. The productive value of farmland is determined using a process that sets a value for the best soils, and then makes adjustments for less-than-optimum conditions such as stones, the presence of sloughs, or topography. Farmland is assessed by the local assessor.

Linear property

These properties have distribution lines or other facilities, and may cross municipal boundaries. Linear property includes:

- Oil and gas wells
- Pipelines to transport petroleum products
- Electric power systems (generation, transmission, and distribution facilities)
- Telecommunication systems (including cellular telephone systems)
- Cable television systems

Linear property is assessed by the assessor designated by the Minister of Municipal Affairs.

Machinery and equipment

Machinery and equipment includes such things as underground tanks, separators, fuel gas scrubbers, compressors, chemical injectors, and metering and analysis equipment. Machinery and equipment is used in conjunction with properties such as refineries, chemical plants, pulp and paper plants, and oil sands plants. Most machinery and equipment is assessed by the local assessor, while machinery and equipment forming part of linear property is assessed by the assessor designated by the Minister of Municipal Affairs.

Railway property

The assessed value of railway property is a fixed dollar amount per kilometre, based on the annual tonnage transported on the railway right-of-way. Each rail company must annually report the type and length of line in each municipality to the local assessor. The railway property is then assessed by the local assessors.

chapter 3:

This chapter describes the property assessment process in Alberta. The main topics covered include:

Preparing property assessments

- What property is assessed
- Who prepares assessments in Alberta
- How assessments are prepared
- Inspections
- The property owner's right to information
- The assessment roll
- Assessment notices
- What property owners can do if they do not agree with their assessments

What is assessed?

Not all property is assessable for property tax purposes. The *Municipal Government Act* outlines what property is assessable for taxation. The act defines property as:

- A parcel of land
- An improvement
- A parcel of land and the improvements to it

It does not include things like furniture, jewellery, automobiles, or other personal possessions. If a property cannot be assessed, this means it cannot be taxed. Properties that are not assessed or taxed include:

- Publicly owned infrastructure or equivalent privately owned facilities
- Minerals
- Property in Indian reserves
- Property in Metis settlements
- Growing crops

Some properties are assessable, but not taxable. Properties that are assessed but then exempted (in whole or in part) from taxation include:

- Most farm residences and improvements
- Environmental, municipal, and school reserves
- Government properties such as hospitals, libraries, and schools
- Colleges and universities
- Privately operated schools
- Churches and cemeteries
- Property owned by some non-profit organizations such as benevolent societies, boys' and girls' clubs, etc.
- Hostels

Who prepares assessments in Alberta

Assessments for all types of property are prepared by professional, certified assessors. Assessors receive training in a variety of areas including property valuation techniques, legislation, and quality assurance.

The assessor designated by the Minister of Municipal Affairs assesses linear property, while assessors employed or contracted by municipalities assess all other types of property.

Under provincial legislation, a municipality must appoint, by bylaw, a designated assessor. A designated assessor is responsible for the completion of a number of tasks laid out by provincial legislation and regulations.

To be the designated assessor for a municipality, an assessor must hold at least one of the following professional designations:

- Accredited Municipal Assessor of Alberta (AMAA) as granted by the Alberta Assessors' Association

- Certified Assessment Evaluator (CAE) as granted by the International Association of Assessing Officers
- Accredited Appraiser Canadian Institute (AACI) as granted by the Appraisal Institute of Canada

An assessor who does not hold one of the above designations may be designated the municipality's assessor if, in the opinion of the Minister of Municipal Affairs, he or she has a combination of education and professional experience that is equivalent to any or all of the three designations.

An assessor is hired by a municipality in one of two ways—as an employee of the municipality, or as a contractor. Contracting often occurs in smaller municipalities where the duties associated with calculating assessments are not a full-time activity. Regardless of the assessor's employment situation, all assessors, whether they are contractors or municipal employees, must follow the same procedures and legislation.

How assessments are prepared

Mass appraisal

An appraisal is an estimate of value. Properties in Alberta are assessed using a method called mass appraisal. Mass appraisal is the process of valuing a group of properties as of a given date, using common data, mathematical models, and statistical tests. Mass appraisal techniques allow assessors to accurately value a large number of properties in a short period of time.

Data collection

Before an assessment can be prepared, property data must be collected. Accurate and complete property records lead to more accurate assessed values. The more accurate the assessed values, the more equitable the entire assessment system is.

Detailed information about each property is gathered by making on-site visits or by corresponding with the owner of the property. Correspondence with a property owner usually occurs when the assessor is requesting information about commercial, industrial, or rental properties (such as apartment buildings or hotels). Information collected by the assessor in the assessment process is also available from other sources including Alberta Land Titles, real estate Multiple Listing Services, and financial institutions.

Valuation and condition dates

In Alberta, there are two key legislated dates by which certain assessment processes must be complete—the valuation date and condition date.

The valuation date is a fixed point in time at which assessment values are based. The valuation date ensures that all properties in a municipality are valued as of the same date. The valuation date set by the *Municipal Government Act* is July 1. For example, for the 2010 tax year, the valuation date for property assessment is July 1, 2009. This means that a 2010 property assessment must reflect the value of the property as of July 1, 2009.

The second legislated date in the valuation process is the condition date. The condition date is the date on which the condition of the property is recorded for property assessment purposes. Under Alberta legislation, the condition date for property other than linear property is December 31. For example, for the 2010 tax year, the condition date would be December 31, 2009. This means that although the value of the property reflects the market conditions as of July 1, it must also reflect the condition of the property as of December 31.

For example, if a garage has been added to the property during 2009, the property assessment for 2010 would be based on its

market value as of July 1, 2009, and would include the garage as if it existed on July 1. The 2009 property assessment would not have included the garage because the garage was not built by the condition date (December 31, 2008).

Inspections

Sometimes, an assessor may decide that he or she needs to inspect a property in order for a fair and accurate assessment to be determined.

An inspection is conducted so that all characteristics of the property that affect the assessment are considered when the assessor determines the property's value. All newly constructed properties require an inspection. Likewise, existing properties need to be reviewed from time to time to ensure the information that is used to create the property's assessment remains accurate.

Under the *Municipal Government Act*, an assessor may enter and inspect property and request any document to be produced to assist in preparing the assessment. The legislation states:

- The assessor is required to give reasonable notice to the owner or occupier before an inspection.
- The inspection must be at a reasonable time.
- The sole purpose of the inspection or requesting a document must be for the preparation of an assessment of the property.
- The assessor must be able to produce identification.

During an on-site inspection, the assessor will first explain the purpose of the visit, and request permission to carry out the inspection. The assessor will observe, record, and verify relevant physical details of the property. This may include both an interior and exterior inspection of the property.

Property owners' rights to assessment information

Just as assessors abide by rules when collecting information for assessment purposes, taxpayers have a legislated right to know how their assessment is determined.

A municipality must provide sufficient information showing how the assessment of a property was prepared. "Sufficient information" in respect of a person's property must include

- (a) all documents, records and other information in respect of that property that the assessor has in the assessor's possession or under the assessor's control,
- (b) the key factors, components and variables of the valuation model applied in preparing the assessment of the property, and
- (c) any other information prescribed or otherwise described in the regulations.

In addition, the assessed person has the right to see the assessment roll, which lists the assessed values for all properties in the municipality.

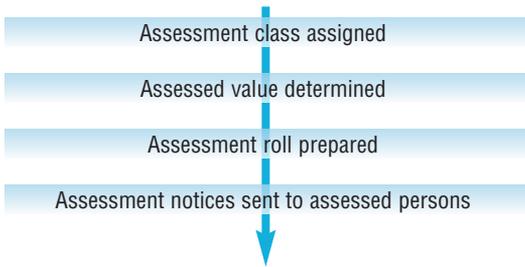
If requested to do so, a municipality must provide an assessed person with a summary of the assessment of any assessed property in the municipality, as long as the municipality is sure that confidentiality will not be breached. A municipality may charge a fee for providing this information. A summary of an assessment must include the following information that the assessor has in the assessor's possession or under the assessor's control:

- (a) a description of the parcel of land and any improvements, to identify the type and use of the property;
- (b) the size of the parcel of land;
- (c) the age and size or measurement of any improvements;
- (d) the key factors, components and variables of the valuation model applied in preparing the assessment of the property;

- (e) any other information prescribed or otherwise described in the regulations.

After the assessed values of all properties in a municipality have been determined, there are a number of assessment documents that must be prepared.

FIGURE 3.1 BEYOND ASSESSED VALUE



Assessment classes

After the assessed value of a property has been determined, the property is assigned an assessment class. This is an important part of the assessment and taxation process. The assessment class determines the tax rate that will be applied to each property, as assessment classes may have different tax rates.

The assessor for the municipality is responsible for assigning the assessment classes to property. Property is classified according to its actual use. The classes are set out in the *Municipal Government Act*. They are:

- Class 1 – residential
- Class 2 – non-residential
- Class 3 – farmland
- Class 4 – machinery and equipment

The assessment roll

An assessment roll is a listing of all assessable properties in a municipality and their assessed values. The *Municipal Government Act* requires each municipality to produce an assessment roll by February 28 of each year.

The assessment roll must contain the following information for each assessed property:

- Assessed person (owner of the property), including name and mailing address
- Location
- Property type assessed (land, improvements, or land and improvements)
- Description of the property
- Assessed value
- Assessment class
- School support declaration
- Taxable status (total or partial exemption from taxation)

School support declarations

Canada's Constitution and the *Alberta School Act* establish Alberta's public and separate school system. As such, municipalities ask property owners to declare whether they support public school or a local Catholic or Protestant separate school district. Property owners indicate their support based on their faith and the proportion of ownership they hold in a property (50 percent for two owners, 33 percent for three owners, etc.). Where there is no separate school district, or a declaration is not filed, 100 percent of education property tax dollars are directed to the public school boards.

Property owners may change their school support declaration at any time. A school support notice filed by a property owner becomes effective in the year following the year in which it is filed.

Assessment notices

Assessment notices are created from the information on the assessment roll. The assessment notice is the document that municipalities send to property owners to tell them about the assessment of their property.

An assessment notice or an amended assessment notice must show the following:

- (a) the same information that is required to be shown on the assessment roll;
- (b) the date the assessment notice or amended assessment notice is sent to the assessed person;
- (c) the date by which a complaint must be made, which date must be 60 days after the assessment notice or amended assessment notice is sent to the assessed person;
- (d) the name and address of the designated officer with whom a complaint must be filed;
- (e) any other information considered appropriate by the municipality.

Each year every municipality is required to send an assessment notice to every assessed person listed on the assessment roll. Each municipality must publish a notification in one issue of a local newspaper to announce that the assessment notices have been mailed to property owners within the municipality.

Sometimes an error is found on an assessment notice. The assessed person can contact the assessor to have this information corrected. Corrections can only be made to current-year assessment notices. This means that an assessor cannot change an error, omission, or wrong description on an assessment notice from a previous year.

Each property listed on the assessment roll in a municipality receives an assessment notice, even if it is exempt from

property taxation. One of the important features of Alberta's assessment system is that assessed persons have the ability to complain about their assessment or tax status. If an assessed party believes that his or her property should receive an exemption from assessment, property taxation, or both, then the property's exemption status can be challenged via an assessment complaint.

Assessment complaint system

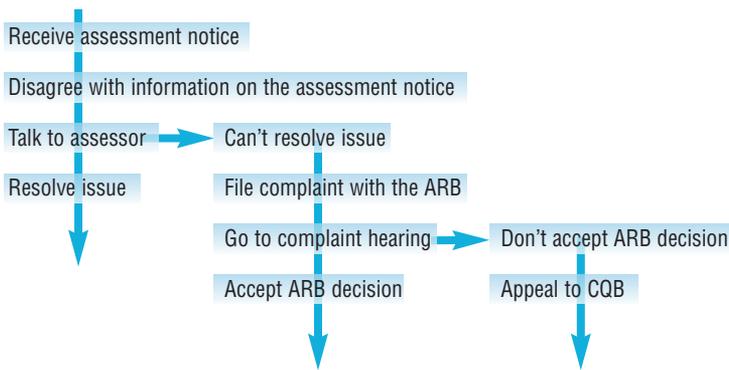
To ensure that property owners have a voice in the property assessment system, the *Municipal Government Act* has set out a complaints and appeals system for property owners who have concerns about their assessment.

The process involves filing a complaint with your municipality's assessment review board. The type of property the complaint is about will determine the type of assessment review board that will hear your complaint. Residential property with three or fewer dwelling units, farmland, or a tax notice other than a property tax notice will be heard by a Local Assessment Review Board (LARB). Residential property with four or more dwelling units or non-residential property will be heard by a Composite Assessment Review Board (CARB). If you believe that an error in law or jurisdiction has been made by the assessment review board, you may appeal that decision to the Court of Queen's Bench of Alberta (CQB).

The first step an assessed person should take if he or she believes his or her property assessment is unfair or inaccurate is to contact the assessor. The assessor can be reached by calling the municipality's office at the number listed on the assessment notice. The assessor may request to inspect the property to determine if an error was made. If the assessor agrees that the original notice is not accurate, a corrected notice may be issued.

If the assessor and the property owner cannot come to an agreement, the property owner may begin the formal complaint process by filing a complaint with the municipality's assessment review board. The deadline for filing a complaint with the assessment review board is noted on the assessment notice.

FIGURE 3.2 THE COMPLAINT SYSTEM



Assessment review boards

The assessment review board is a quasi-judicial administrative board. This means it is created, empowered, and staffed according to the legislation laid out in the *Municipal Government Act*. The board is like a court as it can order something to be done. In this case, it can order a change to the assessment on a property.

Assessment review boards hear complaints for all types of property assessments except linear property. Local assessment review board members are appointed by the municipality. Composite assessment review boards are made up of two members that are appointed by the municipality and one provincial member that is appointed by the Minister of Municipal Affairs. The provincial member will act as presiding

officer of a composite assessment review board and provide oversight and a provincial perspective.

Who can make a complaint

Any assessed person, taxpayer, or person acting on behalf of an assessed person or taxpayer may file an assessment complaint. An agent for fee acting on behalf of a property owner or taxpayer must have written authorization to do so. If ownership of a property changes while a complaint is in progress, the new owner of the property or business then becomes the complainant involved in any proceeding before the board.

Complainants must demonstrate that the assessment of their property is not correct. Preparing a case for the complaint hearing will take some time and research. Property owners who are considering filing a complaint may wish to consult the publication titled “Filing a property assessment complaint and preparing for your hearing”. Copies of this publication may be found at the municipal office, or online at www.municipalaffairs.alberta.ca. As well, complainants may wish to contact their assessment review board office for details about the process and information required.

What a complaint can be about

A complaint may be filed about any of the following items listed on the assessment or tax notice:

- the description of the property or business
- the name or mailing address of an assessed person or taxpayer
- assessment amount
- assessment class
- assessment sub-class
- the type of property
- the type of improvement

- school support
- whether the property or business is assessable
- whether the property or business is exempt from taxation.

The assessment review board cannot hear complaints about the amount of property taxes or tax rates. Assessment review boards cannot change the tax rates or the services provided by the municipality. If a property owner has specific concerns about these issues, he or she may discuss them with the municipality's administration or council.

How to file a complaint

Complaints must be filed in the form prescribed in the regulations on or before the deadline shown on the assessment notice.

The complaint must:

- indicate what information shown on an assessment notice or tax notice is incorrect,
- explain in what respect that information is incorrect,
- indicate what the correct information is, and
- identify the requested assessed value, if the complaint relates to an assessment.

If an assessment notice and tax notice are combined, the deadline for filing a complaint is on the tax notice.

Municipalities must give the assessed person a minimum of 60 days from the date they receive the notice to file a complaint.

Once the complaint has been filed, the assessment review board clerk will receive, review, and categorize the complaint. All parties will be notified of the date of the hearing, the timelines by which disclosure of evidence is required to be provided to the other parties and to the board, and the rules for disclosure of evidence. At the hearing, the complainant presents his or her case to the board. The respondent (usually the local assessor) presents information on behalf of the municipality. After hearing all presentations, the assessment

review board may announce its decision at the hearing if the members believe they can make an immediate decision. If the board does not make a decision at the hearing, the decision will be mailed to the complainant no later than 30 days after the hearing date. All decisions of an assessment review board must be in writing.

Court of Queen's Bench of Alberta

Sometimes those affected by an assessment review board decision (property owners, assessors, etc.) are not happy with a decision made by the assessment review board. If it is believed that an error in law or jurisdiction has been made by the assessment review board, an appeal of the decision may be made to the Court of Queen's Bench of Alberta. Application for leave to appeal to the Court of Queen's Bench of Alberta must be filed within 30 days of receiving the written notice of an assessment review board's decision.

Impact of assessment complaint decisions

It is important to note that any decision an assessment review board makes is for the current year's assessment only. This means that the decision does not apply to previous assessments, nor will it be applicable to the next year's property assessment. For example, if the assessed value of a property is decreased as a result of a board's decision, it will not result in adjustments to previous years' assessments, nor will it necessarily have any bearing on assessments that are prepared in the future.

chapter 4:

Property assessments are used to determine how much tax a property owner will pay. This chapter examines taxation as a source of revenue for a municipality. Topics include:

- Municipal property tax
- Provincial education property tax
- The importance of the equalized assessment
- Other property-related taxes used in Alberta

Property taxation

Municipal property taxation

Under the *Municipal Government Act*, municipalities are responsible for collecting taxes for municipal and educational purposes. Property taxes are levied based on the value of the property as determined from the property assessment process. Property taxes are not a fee for service, but a way of distributing the cost for local government services and programs fairly throughout a municipality.

The property tax system is comprised of two distinct processes—preparing the assessments, and setting the tax rate. The assessor's job is to prepare assessments. The municipal council is responsible for completing the second process, setting the tax rate. In addition to setting the tax rate, the municipal council is responsible for calculating the taxes payable, and collecting the taxes.

FIGURE 4.1 WHAT PROPERTY TAXES ARE USED FOR

Tax rate

Each year, municipal councils determine the amount of money they need to operate their municipality. From this amount, the council then subtracts known revenues (for example, licences, grants, and permits). The remainder is the amount of money the municipality needs to raise through property taxes in order to provide services for the year.

This revenue requirement is then used to calculate the tax rate. The tax rate is the percentage of assessed value at which each property is taxed in a municipality. The revenue requirement is divided by the assessment base (the total value of all assessed properties in the municipality). The tax rate calculation is expressed in the following formula:

$$\frac{\text{Revenue requirement}}{\text{Assessment base}} = \text{Tax rate}$$

The tax rate is applied to each individual property assessment using the following formula:

$$\text{Property assessment} \times \text{Tax rate} = \text{Taxes payable}$$

This formula means that the assessed value of the property in dollars is multiplied by the tax rate set by the municipality.

The result is the amount of taxes to be paid for each assessed property.

A municipality may adjust its tax rate on a yearly basis depending on its revenue requirement. The tax rate a municipality chooses to set depends on the assessment base in the municipality and the amount of money it needs to generate using the property tax.

If the council requires more revenue to run the municipality and the assessment base in the municipality has remained the same, the council will have to increase its tax rate to generate the additional revenue.

If the assessment base in a municipality increases, and the tax rate remains the same, more tax dollars will be collected compared to the previous year. To collect the same amount of revenue, council would reduce its tax rate to reflect the increased assessment base.

Illustration of property tax calculation

The following equations illustrate how a municipal council uses its assessment base and revenue requirements to determine the tax rate for the municipality.

Revenue requirement \$1,000,000

Assessment base \$100,000,000

The tax rate is calculated as follows:

$$\frac{\text{Revenue requirement}}{\text{Assessment base}} = \text{Tax rate}$$

$$\frac{\$1,000,000}{\$100,000,000} = 0.010$$

The tax rate in a municipality with this assessment base and this revenue requirement is 0.010 or 1%.

Next, the municipality applies the tax rate to each property listed on the assessment roll. For example, the tax bill for a home assessed at \$85,000 would be calculated as follows;

$$\begin{aligned}\text{Property assessment} \times \text{Tax rate} &= \text{Taxes payable} \\ \$85,000 \times 0.010 &= \$850.00\end{aligned}$$

The owner of a home assessed at \$85,000 in this municipality would receive a property tax bill of \$850.

Equalized assessment

An equalized assessment is prepared each year to create a common assessment base for distributing the provincial education property tax requisition among municipalities, as well as the regional requisitions of some housing authorities. It may also be used to distribute provincial and federal grants among municipalities.

Market value based assessments may vary slightly between municipalities. Equalization enables the fair and equitable distribution of provincial and regional requisitions among property taxpayers in Alberta.

Education property taxes

In Alberta, education is a provincial program. The taxes that fund the program are raised and distributed on a provincial basis. Education property tax dollars are pooled in the Alberta School Foundation Fund and then allocated among school boards throughout the province.

This system of pooling taxes from all municipalities enables the province to provide all students with a standard level of education, no matter where they live.

Each year the province calculates the amount that every Alberta municipality must contribute towards the public education system. The calculation is based on a formula that takes into account the equalized assessment in each municipality and the provincial uniform education property tax rate.

The province notifies municipalities of the amount of education taxes they are required to collect. Each municipality then establishes a local education property tax rate. This tax rate is calculated by dividing the required amount by the municipality's current taxable assessment.

The municipality then applies its local education tax rate to the assessed value of each property to determine the amount of education taxes each property owner is required to pay for the year. Municipalities include the education property tax on their annual property tax bills to property owners. Municipalities collect education tax dollars from their ratepayers, and send them to the province and, in some instances, to a separate school board.

Other taxes

In addition to property tax, municipalities may generate revenue through other forms of tax.

Supplementary assessment and taxation

A municipality may pass a bylaw that allows it to assess improvements added to land after the December 31 condition date, and collect property taxes on them for a portion of the current year. To do this, the assessor for the municipality must determine the value of the new improvements added since December 31 of the previous year.

This assessed value is then placed on the supplementary assessment roll. A supplementary assessment roll is prepared for new improvements with the same information as an annual assessment roll. The supplementary assessment roll is used to produce supplementary assessment notices.

Supplementary assessment notices must be sent to assessed persons before the end of the calendar year. Property taxes based on the supplementary assessment are pro-rated to reflect only the portion of the year the new improvement is completed, occupied, or in operation in the municipality. For example, if a building is completed on May 1, 2009, the annual assessment notice would reflect what was on the property as of December 31, 2008. A supplementary assessment notice could be sent out for the additional value of the building, and prorated property taxes could be levied for the remainder of the year (May 1 – December 31, 2009).

Business tax

A municipality may choose to raise revenue by imposing a business tax on the businesses operating within its boundaries.

A business tax bylaw must be passed by the council before a municipality can impose a business tax. The business tax is payable by the person who operates the business, not the property owner. If the property owner also operates a business on the property, then the owner of that property would pay both property and business taxes.

In order for a municipality to be able to calculate business taxes, an assessor must first calculate a business assessment. There are five methods of calculating business assessment set out in the *Municipal Government Act*. The methods that business assessment can be based on are:

- A percentage of the gross (before deductions) rental value of the building;
- A percentage of the net (after deductions) rental value of the building;
- The storage capacity of the building occupied by the assessed business;
- The floor space occupied by the business; or
- A percentage of the property assessment.

Councils may choose the method they feel best suits their municipality.

Business revitalization zone tax

Sometimes business owners wish to improve the area in which they do business. Improving the area can mean constructing improvements, installing decorative lighting, plantings, boulevards, parking, or any other type of improvements that will beautify and maintain property. They may lobby the local council to establish a Business Revitalization Zone (BRZ). It is within the BRZ that any improvements will be done. Specific BRZ taxes will be shown on business tax notices for all businesses operating in the BRZ. The tax is paid by the

business owner, like business tax, and is payable for the current year on the same date business taxes are due.

Community Aggregate Payment Levy

A municipality may pass a community aggregate payment levy bylaw to impose a levy in respect of all sand and gravel businesses operating in the municipality. This levy is intended to raise revenue to be used toward the payment of infrastructure and other costs in the municipality.

A community aggregate payment levy must be paid by the persons who operate sand and gravel operations in the municipality.

Local improvement tax

A local improvement tax is imposed on a specific area within a municipality to fund a service or improvement applied to a particular area only. The improvement benefits that particular area rather than the municipality as a whole. Some examples of local improvements are sidewalks, lane lighting, or paving.

Local improvement taxes are applied to land. This means that the owner of the land is responsible for paying the local improvement tax. A local improvement tax is allocated as an annual charge but may be charged for a set number of years.

Special tax

A municipality may choose to provide or construct a special service that will benefit a defined area within a municipality. The municipality would levy a special tax to fund the project.

Some examples of special services or constructions include:

- Waterworks and sewers
- Boulevards, pavement, and drainage ditches
- Dust treatment
- Repair and maintenance of roads, sewers, and boulevards
- Ambulance service and fire protection
- Recreational services

A special tax can only be imposed if council passes a bylaw. This must be done on an annual basis. Any revenue from a special tax must be applied to the specific service or purpose that is stated in the bylaw. A property owner is responsible for paying this tax.

Well drilling equipment tax

This tax is imposed on equipment used to drill an oil or gas well. It is payable by the person who holds a licence for the well being drilled.

The well drilling equipment tax is a one-time tax. It is an optional tax that municipalities may choose to impose.

Grants in place of taxes

As mentioned previously, some types of property are exempt from taxation. One kind of exempt property is property owned by the Alberta or federal government.

A municipality can apply for a grant in place of taxes equal to the amount it would have collected in property taxes if it were owned by a party other than the government. An example of this would be an office building that is owned by the

Government of Alberta. If the property was owned by anyone other than the Crown, the owner would pay property taxes. Because the building is owned by the government, the municipality annually applies for a grant from the provincial government equal to what the property taxes would be for that property for that year.

glossary:

<i>Ad Valorem</i>	According to value. An <i>ad valorem</i> tax is one that is levied in proportion to the value of the thing(s) being taxed.
Alberta School Foundation Fund	A provincial government fund into which all education funds are pooled. This fund was created in 1994 to provide equitable educational funding to all school boards. The province then allocates the funds to public and separate system schools in the province.
Assessment	Process of placing a dollar value on properties for taxation purposes. The value of the assessment determines the amount of taxes that will be charged to the owner of the property.
Assessment base	The total assessed value of all property within a municipality.
Assessment classes	Under Alberta legislation, one of four classes (residential, non-residential, farmland, and machinery and equipment) to which assessed property is assigned.
Assessment notice	Assessment notices are created from the information on the assessment roll.
Assessment Review Board	Provides a forum for individuals or corporations to challenge their property or business assessments, except linear property.
Assessment roll	List of all assessable properties and their assessed values. The <i>Municipal Government Act</i> requires each municipality to produce an assessment roll each year. The roll must be completed by February 28 each year.
Business revitalization zone tax	Tax imposed on a designated business revitalization zone to fund improvements that will beautify and maintain the area.

Business tax	Tax to raise revenues from businesses within a municipality's boundaries. A municipal council must pass a bylaw to impose a business tax. The business tax payable is the responsibility of the person operating the business.
Community aggregate payment levy	A levy on all sand and gravel businesses operating in a municipality to raise revenue to be used toward the payment of infrastructure and other costs in the municipality.
Condition date	The date on which the condition of the property is fixed for property assessment purposes. The condition date in Alberta is October 31 for Linear Property, and December 31 for all other property.
Cost approach	One of the approaches used to value property for assessment purposes. The cost approach is based on the theory that a person would pay no more for an object than it would cost to replace it. With regard to property, the assumption is that a purchaser would not pay any more to purchase a property than it would cost to buy the land and then rebuild the same buildings or improvements.
Court of Queen's Bench	Hears appeals from decisions of assessment review boards.
Depreciation	A loss in value due to any cause.
Education requisition	The amount of tax a municipality must collect for education purposes.
Education tax	The amount each assessed person must contribute towards a municipality's overall provincial education requisition. It is included on each property owner's tax bill.

Equalized assessment	Equalized assessment is an annual calculation that creates a common assessment base for distributing the provincial education property tax requisition among municipalities, the regional requisitions of some housing authorities, and may also be used to distribute provincial and federal grants among municipalities.
Exemption	A complete or partial elimination of assessment and/or property taxation.
Improvements	Buildings, or other structures, and attachments to land that are intended to remain attached (i.e. sidewalks, tunnels, pavement, etc.).
Income approach	One of the approaches used to value property for assessment purposes. The income approach is based on the theory that income-producing properties are bought and sold based on their income-earning potential.
Linear property	Property that generally has distribution networks or other facilities, and may extend across municipal boundaries (for example, oil and gas wells, pipelines, and electric power systems).
Local improvement tax	A tax imposed on a specific region in a municipality that funds a service or improvement applied to a particular area only.
Market value	The price a property might reasonably be expected to sell for if sold by a willing seller to a willing buyer after appropriate time and exposure on an open market.
Market value based standard	Property assessment standard based on market value.

Mass appraisal	Process of valuing a group of properties as of a given date, using common data, mathematical models, and statistical tests. The use of mass appraisal allows assessors to accurately value a large number of properties in a short period of time.
<i>Municipal Government Act</i>	The legislation governing aspects of municipal government activities in Alberta, including assessment and municipal taxation powers.
Personal property	All moveable items of property not permanently attached to, or part of, the real estate. Examples include automobiles, furniture, jewellery, and works of art.
Real estate	The physical parcel of land and all improvements permanently attached.
Regulated procedure based standard	Property assessment standard based on rates and procedures prescribed by Municipal Affairs.
Regulated property	Farmland, machinery and equipment, linear property, and railway property.
Sales comparison approach	One of the approaches used to value property for assessment purposes. This approach is based on the theory that the market value of a property is directly related to the prices of similar properties.
Special tax	A tax to fund a special service that will benefit a defined area within a municipality.
Supplementary assessment	Assessment of improvements that were constructed during a year and not captured on the annual assessment notice.
Supplementary taxation	Levying taxes based on supplementary assessments.
Tax burden	Economic costs or losses resulting from the imposition of a tax.

Tax rate	Percentage of assessed value at which each property is taxed in a municipality. Some municipalities express this in terms of mills or mill rate.
Taxation	The process of applying a tax rate to an assessed value to determine the taxes owing.
Valuation date	A fixed point in time on which assessment values are based. The valuation date in Alberta is July 1.
Well drilling equipment tax	Tax imposed on equipment used to drill an oil or gas well.

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For further information

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