



# Guide to Property Assessment and Taxation in Alberta

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Alberta Municipal Affairs



Alberta's *Municipal Government Act* and its regulations are the source for the information in this guide. If there are differences between the information in the Act and regulations, and what is presented in this guide, the legislation and regulations take precedence.

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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 in Alberta. 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](mailto:lgsmail@gov.ab.ca).

This publication is available online at [www.municipalaffairs.alberta.ca](http://www.municipalaffairs.alberta.ca).

# Chapter 1

Overview of Alberta's property assessment and taxation system

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

The purpose of assessment and taxation legislation in Alberta is to establish and maintain a property assessment system that fairly and equitably distributes taxes, and promotes transparency, predictability and stability for municipalities and taxpayers.

## 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 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

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

## 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.

The *Municipal Government Act* gives direction to Alberta municipalities in the areas of governance and administration, planning and development, and assessment and taxation.

### **2012-2017 - The *Municipal Government Act***

The government undertook an extensive review of the *Municipal Government Act* (MGA) between 2012-2017 with the objective to update and modernize the legislation to keep pace with our changing province. As part of the MGA review process, all related regulations were reviewed to support a modernized MGA, with existing regulations updated and some new regulations created to align with changes to the MGA.

The updated MGA is a culmination of over four years of comprehensive review and consultation.

Changes to the MGA were developed through careful analysis from Alberta stakeholders through discussion papers and collaborative work with key municipal partners, local citizens and businesses, community organizations, industry, builders and developers, the Alberta Urban Municipalities Association and the Alberta Association of Municipal Districts and Counties.

The MGA gives direction to municipalities to prepare assessments every year.

The MGA sets out two types of valuation standards—the market value standard and the regulated standard.

The market value 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 standard uses rates and procedures prescribed by Municipal Affairs to calculate assessed values for certain types of properties. These types of properties include farmland, machinery and equipment, and designated industrial property.

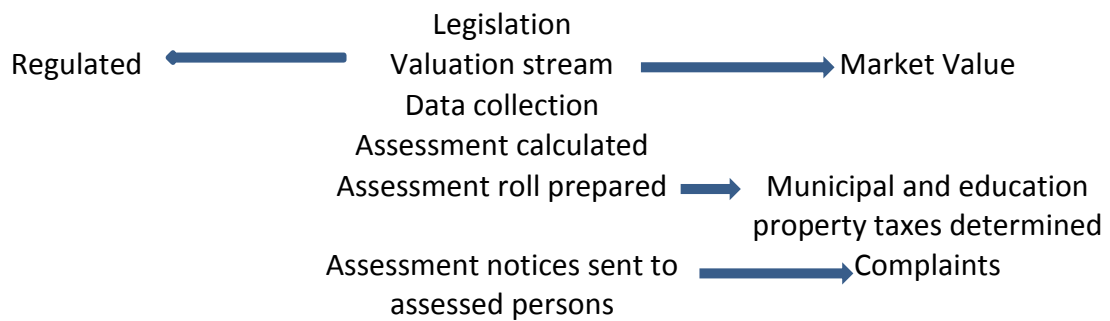
The valuation standards and property types are explained in further detail in Chapter 2.

## 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 *MGA*. 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*



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 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

### Property assessment valuation standards in Alberta

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

### Market value standard

The market value 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 assessment of a property is assumed to be the sale price of an individual property. It is important to note that a market value 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 assessments.

Sale price information helps to develop market value 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.

## How Market Value is Determined

TABLE 2.1 THE THREE APPROACHES TO VALUE

Sales comparison approach	Compares 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)

There are three approaches to determine the market value assessment of a property: the sales 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 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:

$$\text{Market value of land} + (\text{cost of improvements} - \text{improvement depreciation}) = \text{total value of property}$$

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 or a change in needs or style of a building.

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 standard**

Some types of properties are difficult to assess using a market value 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.

Regulated property includes:

- Farmland
- Machinery and equipment
- Designated Industrial Property, including linear property, railway, and major industrial plants

### **Farmland**

Farmland is assessed on the basis of its productive value for agricultural use. There are four classifications for agricultural use – dry arable land, dry pasture land, irrigated arable land, and woodlot.

Productive value means the ability of the land to produce income from the growing of crops or other horticultural products 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 climatic influences, the presence of stones, sloughs and other impediments to production, topography, etc.. A woodlot operation requires an approved woodland management plan.

When land is no longer used for farming operations, such as when the top soil has been removed in preparation for future development, the land will become assessable at market value.

### **Machinery and Equipment**

Machinery and equipment includes a broad range of items used in manufacturing, processing and other industrial facilities, such as tanks, mixers, separators, fuel gas scrubbers, compressors, pumps, chemical injectors, and metering and analysis equipment.

Machinery and equipment is used in conjunction with properties such as meat processing plants, refineries, chemical plants, pulp and paper plants, and oil sands plants. Most machinery and equipment is assessed by the municipal assessor; however, machinery and equipment that is part of designated industrial property is assessed by the provincial assessor.

### **Designated Industrial Property**

Designated industrial property includes linear property, railway, and specific major plants. The definition of designated industrial (DI) properties can be found in the MGA section 284 (f.01).

Linear properties have distribution lines or other facilities, and may cross municipal boundaries.

Linear property includes:

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

Assessment of these property types is carried out separately by the province.

The provincial assessor's assessment must reflect the specifications and characteristics for these regulated properties and the valuation standard, as outlined in the regulations.

## Chapter 3

### Preparing property assessments

This chapter describes the property assessment process in Alberta.

The main topics include:

- 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 *MGA* 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
- Indigenous reserves and 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, conservation, municipal, and school reserves and other

- underdeveloped property reserved for public utilities
- 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 provincial assessor is responsible for all designated industrial 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

The majority of assessments prepared by the municipal assessor are done based on market value using a technique called mass appraisal.

### Mass appraisal

An appraisal is an estimate of value. 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 the physical 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 established by legislation is July 1. For example, for the 2018 tax year, the valuation date for property assessment is July 1, 2017. This means that a 2018 property assessment must reflect the value of the property as of July 1, 2017.

The second legislated date in the valuation process is the “characteristics and physical condition” date. This 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 designated industrial property is December 31. For example, for the 2018 tax year, the condition date would be December 31, 2017. This means that although the value of the property reflects the market conditions as of July 1, it must reflect the physical condition of the property as of December, 31

Example: If a garage has been added to the property during 2017, the property assessment for the 2018 tax year would be based on its market value as of July 1, 2017. The previous year’s property assessment would not have included the garage because it was not built by the condition date (December 31, 2016).



## 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 value are considered when the assessor determines the property's assessment. 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 *MGA*, 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 assessor is required to make copies of anything necessary to the inspection
- 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.

Where an assessor has requested information or documents about the property in order to prepare the assessment, and the person failed to provide the information within 60 days, the person cannot file a complaint on that property's assessment in the following year.

## 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 information for the current year that is in the assessor's possession at the time of the request, showing how the assessment of a property was prepared, including:

- a) all documents, records and other information in respect of that property;
- b) descriptors and codes for variables used in the valuation model that was applied to the property;
- c) where there is a range of descriptors or codes for a variable, the range and what descriptor and code was applied to the property; and
- d) any adjustments that were made outside the value of the variables used in the valuation model that affected the assessment of the property.

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 necessary 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 is in the assessor's possession or under the assessor's control at the time of the request:

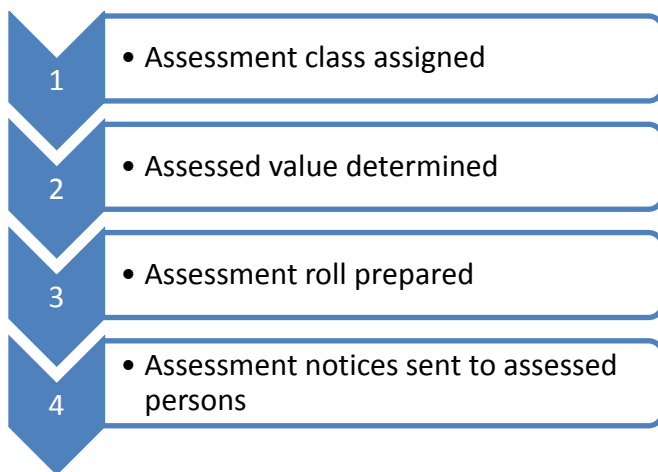
- a) a description of the parcel of land and any improvements, to identify the type and use of the property;
- b) the size and measurements of the parcel of land;
- c) the age and size or measurement of any improvements;
- d) the key attributes of any improvements to the parcel of land;
- e) the assessed value and any adjustments to the assessed value of the parcel of land; and
- f) any other information prescribed or otherwise described in the regulations.

If the person has filed a complaint against the assessment for that property, the municipality is no longer obligated to respond to a request for information until the complaint has been heard and decided by an assessment review board.

Similar rules apply for access to provincial assessment records for designated industrial property. The provincial assessor must comply provided confidentiality will not be breached.

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 *MGA*.

They are:

Class 1 – residential

Class 2 – non-residential

Class 3 – farmland

Class 4 – machinery and equipment

## Assessment roll

An assessment roll is a listing of all assessable properties in a municipality and their assessed values. The *MGA* requires each municipality to prepare an assessment roll no later than February 28 of each year.

The assessment roll prepared by a municipality must contain the following information for each assessed property:

- Assessed person (typically, the owner of the property), including name and mailing address
- Location
- Description of the property assessed (land, improvements, or land and improvements)
- Assessed value
- Assessment class(es)
- 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 per cent for two owners, 33 per cent for three owners, etc.). Where there is no separate school district, or a declaration is not filed, 100 per cent 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 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 notice of assessment date;
- c) a statement that the assessed person may file a complaint not later than the complaint deadline; and
- d) information respecting filing a complaint in accordance with the regulations.

Each year, municipalities and the provincial assessor will be required to set a “notice of assessment date” between January 1 and July 1 and mail the assessment notices seven days prior to the “notice of assessment date.” 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 tax. 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 *MGA* provides property owners with the ability to ask for an independent review of their property assessment. Currently, there are three bodies that hear complaints, depending on the type of property being assessed: Local Assessment Review Boards (LARBs), Composite Assessment Review Boards (CARBs), and the Municipal Government Board (MGB).

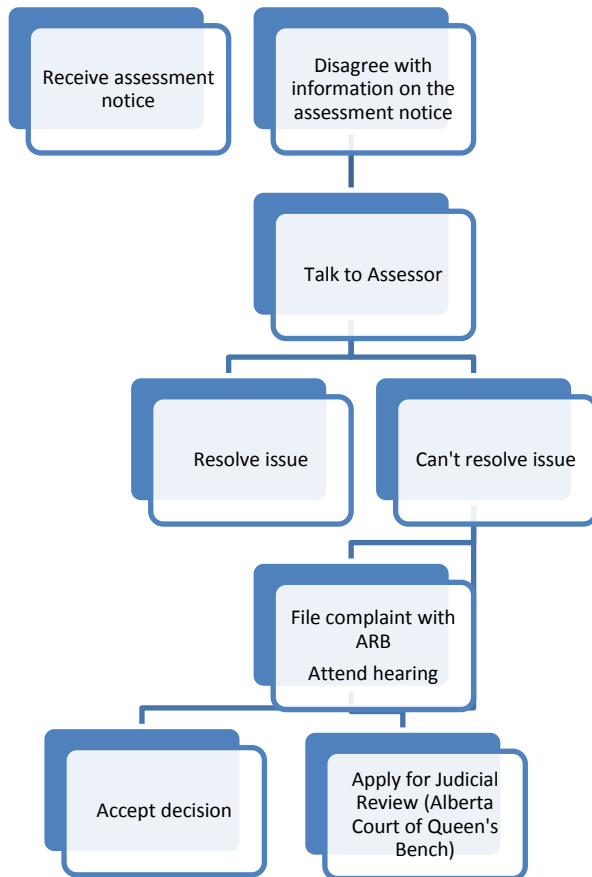
LARBs hear assessment complaints about residential properties with 3 or fewer dwelling units and

farmland, as well as complaints about tax notices other than those for property tax, business tax, or improvement area tax. CARBs hear assessment complaints about all other property types such as multi-family residential buildings, commercial and business properties, light industrial properties, etc., but not including any property that falls under designated industrial property. CARBs also hear complaints on tax notices for business tax or improvement areas. The MGB hears complaints on all designated industrial property, as well as equalized assessments.

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



Where an assessed person seeks judicial review of a board's decision, that person may file an application for judicial review to the Alberta Court of Queen's Bench.

An assessor may make a correction to an assessment that is under complaint. In such an instance, the assessor will send an amended assessment notice to the assessed person, and the assessor must also provide to the assessment review board a copy of the amended assessment notice along with a statement explaining why the correction was made, what the correction was, and how it affects the assessment. In this event, the assessment review board or the Municipal Government Board will cancel the current complaint and return the complaint fee, and the assessed person will have the right to a new complaint in respect of the amended assessment.

## 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 *MGA*. 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 designated industrial property.

Local assessment review board panels consist of three members who are appointed by the municipality. Composite assessment review board panels are made up of two members that are appointed by the municipality and one provincial member from the Municipal Government Board. The provincial member will act as presiding officer of a composite assessment review board and provide oversight and a provincial perspective. No three-person assessment review board panel may have more than one councilor.

Occasionally, one-member panels are established to deal with administrative or preliminary matters. The one-member panel for a local assessment review board cannot be a councilor and the one-member panel for a composite assessment review board must be the provincial member.

### **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](http://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 60 days from the notice of assessment date 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. The assessment review board has 30 days after the hearing within which to render its decision. 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. In this case, the assessed person may file an application for judicial review to the Court of Queen's Bench of Alberta. An application for judicial review must be filed within 60 days of the assessment review board's date of 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 and taxes

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

#### Municipal property taxation

Under the *MGA*, 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.

#### 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, licenses, 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:

*Revenue Requirement / Assessment Base = Tax Rate*

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

*Property Assessment x Tax rate = Taxes Payable*

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

### 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 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.

Example: If a building was not completed on December 31, 2017, the annual assessment notice would reflect the value of the portion completed and taxes would be based on that amount. Assume the building is completed on May 1, 2018, 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 (May1 – December 31, 2018).

### **Business tax**

A municipality may choose to raise revenue by imposing a business tax bylaw 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 *MGA*. 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 Improvement Area 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, improving parking in the business improvement area, or any other type of improvements that will beautify and maintain property. They may lobby the local council to establish a Business Improvement Area levy (BIA). It is within the BIA that any improvements will be done. Specific BIA taxes will be shown on business tax notices for all businesses operating in the BIA. 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 of the municipality 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, boulevards, sewers, and water lines
- 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 license under the *Oil and Gas Conservation Act* 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

<b>Ad Valorem</b>	According to value. An ad valorem tax is one that is levied in proportion to the value of the thing(s) being taxed.
<b>Alberta School Foundation Fund</b>	A provincial government fund into which all education funds are pooled. This fund was created to provide equitable educational funding to all school boards. The province then allocates the funds to public and separate system schools in the province.
<b>Assessment</b>	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.
<b>Assessment base</b>	The total assessed value of all property within a municipality.
<b>Assessment classes</b>	Under Alberta legislation, one of four classes (residential, non-residential, farmland, and machinery and equipment) to which assessed property is assigned.
<b>Assessment notice</b>	Assessment notices are created from the information on the assessment roll.
<b>Assessment Review Board</b>	Provides a forum for individuals or corporations to challenge their property or business assessments, except linear property.
<b>Assessment roll</b>	List of all assessable properties and their assessed values. The MGA requires each municipality to produce an assessment roll each year. The roll must be completed by February 28 each year.
<b>Business improvement area tax</b>	Tax imposed on a designated business revitalization zone to fund improvements that will beautify and maintain the area.
<b>Business tax</b>	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.
<b>Community aggregate payment levy</b>	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.
<b>Condition date</b>	The date on which the condition of the property is fixed for property assessment purposes. The condition date in Alberta is October 31 for Designated Industrial Property, and December 31 for all other property.
<b>Cost approach</b>	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.

<b>Court of Queen's Bench</b>	Hears judicial reviews from decisions of assessment review boards.
<b>Designated Industrial Properties</b>	Facilities regulated by the Alberta Energy Regulator, the Alberta Utilities Commission or the National Energy Board, including land and improvements; linear property which includes electric power systems, telecommunication systems, wells, pipelines, and railway; major plants as set out in the regulations.
<b>Depreciation</b>	A loss in value due to any cause.
<b>Education requisition</b>	The amount of tax a municipality must collect for education purposes.
<b>Education tax</b>	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.
<b>Equalized assessment</b>	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.
<b>Exemption</b>	A complete or partial elimination of assessment and/or property taxation.
<b>Improvements</b>	Buildings, or other structures, and attachments to land that are intended to remain attached (i.e. sidewalks, tunnels, pavement, etc.).
<b>Income approach</b>	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.
<b>Linear property</b>	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).
<b>Local improvement tax</b>	A tax imposed on a specific region in a municipality that funds a service or improvement applied to a particular area only.
<b>Market value</b>	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.
<b>Market value standard</b>	Property assessment standard based on market value.
<b>Mass appraisal</b>	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.



<b><i>Municipal Government Act</i></b>	The legislation governing aspects of municipal government activities in Alberta, including assessment and municipal taxation powers.
<b>Personal property</b>	All moveable items of property not permanently attached to, or part of, the real estate. Examples include automobiles, furniture, jewellery, and works of art.
<b>Real estate</b>	The physical parcel of land and all improvements permanently attached.
<b>Regulated Standard</b>	Property assessment standard based on rates and procedures prescribed by Municipal Affairs.
<b>Regulated property</b>	Farmland, machinery and equipment, linear property, and railway property.
<b>Sales comparison approach</b>	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.
<b>Special tax</b>	A tax to fund a special service that will benefit a defined area within a municipality.
<b>Supplementary assessment</b>	Assessment of improvements that were constructed during a year and not captured on the annual assessment notice.
<b>Supplementary taxation</b>	Levying taxes based on supplementary assessments.
<b>Tax burden</b>	Economic costs or losses resulting from the imposition of a tax.
<b>Tax rate</b>	Percentage of assessed value at which each property is taxed in a municipality. Some municipalities express this in terms of mills or mill rate.
<b>Taxation</b>	The process of applying a tax rate to an assessed value to determine the taxes owing.
<b>Valuation date</b>	A fixed point in time on which assessment values are based. The valuation date in Alberta is July 1.
<b>Well drilling equipment tax</b>	Tax imposed on equipment used to drill an oil or gas well.

# For Further Information

[www.municipalaffairs.alberta.ca](http://www.municipalaffairs.alberta.ca)

or

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