

# A REVIEW OF THE ASSESSMENT ACT, 2006

## Consultation Discussion Guide



# Introduction

## Assessment Act, 2006 Review

In December 2015, the Government of Newfoundland and Labrador committed to initiate a review of the Assessment Act, 2006 in partnership with the Municipal Assessment Agency (MAA) and Municipalities Newfoundland and Labrador (MNL).

The review will address:

- the timing of assessments;
- assessment criteria; and
- implementation of the associated mill rate.



It will also review how assessments are conducted for special purpose properties, which are commercial properties for which assigning a market value is difficult as there is little comparable data.

## Why are we reviewing the Assessment Act, 2006?

In most areas of the province taxpayers saw an increase in their 2016 property assessments. Given the economic conditions in Newfoundland and Labrador, this caused concern among both municipalities and taxpayers.

The Government of Newfoundland and Labrador has made it a priority to review the Assessment Act, 2006 to determine whether it could be better meeting the needs of individuals, businesses and municipalities in this province.

## Did you know?

**The City of St. John's has its own internal assessment division** which assesses properties in that city. The Municipal Assessment Agency provides assessments for the remainder of municipalities that use real property tax in Newfoundland and Labrador.

# Overview of Current Assessment Process

The assessment agency (MAA) or division (City of St. John's Assessment Division) compiles data about sales, construction, market conditions, and other relevant information

An individual assigned value is generated for each property based on its characteristics, calculated by using a standardized valuation method

The individual value of each property is combined with the market data for the neighbourhood or municipality to generate a market value, or assessment

The assessment agency or division mails the assessment to the property owner

Outside St. John's, the MAA delivers the assessment roll to the municipality

## Factors that are considered in a property assessment

Location • Size of building  
Condition • Age and depreciation  
Type of construction • Lot size  
Finished basement area  
Existence of out-buildings  
Commercial features

## Did you know?

Different valuation approaches are used for residential and commercial properties; based on different factors.

Regardless of the valuation approach, the procedure has the same result:

**an assessment represents the hypothetical price that a property would sell for, in the open market, as of the base date.**

# Property Tax Bill Process

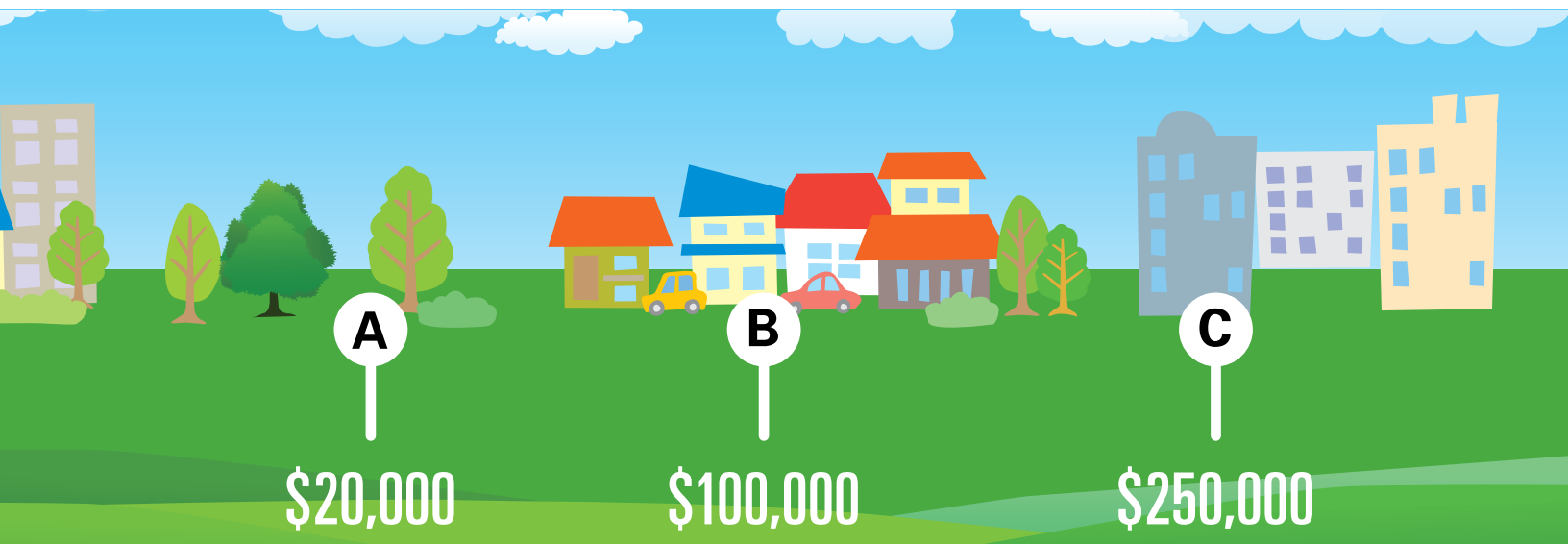
Property values in this example are for illustrative purposes only.

- 1. ASSESSMENT AGENCY ASSESSES ALL PROPERTIES IN A MUNICIPALITY:** This determines the sum of all assessed properties in the municipality. **\$50,000,000**

- 2. THE MUNICIPALITY SETS ITS ANNUAL BUDGET:** Snow clearing, road maintenance, parks, administration and other municipal functions **\$200,000**

- 3. THE MUNICIPALITY SETS THE MILL RATE (tax rate):**

$$\frac{\text{Amount to be Raised}}{\text{Taxable Assessments}} = \frac{\$200,000}{\$50,000,000} \times 1,000 = 4 \text{ mills}$$



- 4. THE MUNICIPALITY APPLIES THE MILL RATE TO EACH PROPERTY TO CALCULATE THE PROPERTY TAX BILL.**

<b>(A)</b>	<b>(B)</b>	<b>(C)</b>
$\frac{\$20,000}{1,000} \times 4 = \$80$	$\frac{\$100,000}{1,000} \times 4 = \$400$	$\frac{\$250,000}{1,000} \times 4 = \$1,000$

# Feedback

**What do you identify as the biggest problem with municipal tax assessments and real property taxation?**

Check all that apply and explain.

☐ **No issues**

☐ **Criteria for assessments**

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☐ **Substantial or sudden increases and decreases in assessment value**

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☐ **Setting of mill rates**

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☐ **Timing of assessments (every three years)**

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☐ **Other**

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**Please suggest any potential actions which would address the concerns you noted on the previous pages.**

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# Tell Us About Yourself

## Taxpayer

Please select the response(s) in each question below that best represents your situation:

### 1. What kind of property do you own?

- ☐ Residential
- ☐ Commercial

### 2. How did you acquire your property?

- ☐ I purchased it (with a mortgage)
- ☐ I purchased it (without a mortgage)
- ☐ I inherited it
- ☐ Other: \_\_\_\_\_

### 3. Do you have multiple properties for which you pay real property tax?

- ☐ Yes
- ☐ If so, how many? \_\_\_\_\_
- ☐ No

### 4. What municipality do you pay real property tax in?

(List all if more than one)

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## Municipality

Please select the response(s) in each question below that best represents your situation:

### 1. Are you answering on behalf of a ...

- ☐ Town?
- ☐ City?
- ☐ Other \_\_\_\_\_

### 2. Do you use real property tax?

- ☐ Yes
- ☐ No. Why: \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

### 3. How many properties are in your municipality?

\_\_\_\_\_ Residential \_\_\_\_\_ Commercial

### 4. What percentage of operating revenue do you derive from:

\_\_\_\_\_ % Real property tax

\_\_\_\_\_ % Business tax

\_\_\_\_\_ % Other taxes/fees

\_\_\_\_\_ % Municipal operating grants

\_\_\_\_\_ % Provincial transfers

\_\_\_\_\_ % Federal transfers

# Frequently Asked Questions

## What is a base date?

- It is important that all properties are assessed at the same point in time. This ensures all values are set using the same market conditions. For this reason, a particular date is set and all properties are assessed as of that date.
- The base date for the 2016 assessments was January 1, 2014.

## My assessment seems wrong - what do I do?

- First, review your assessment notice and call the assessment division or agency to discuss your property file.
- If you are dissatisfied, you may pay a fee and file an appeal, in writing, within 30 days (from the date you received your assessment) either to the Municipal Assessment Agency or the City of St. John's.
  - The MAA will undertake a reconsideration of your assessment. If you are still dissatisfied with your reconsideration, you may continue to the next step of the appeal process. In the City of St. John's there is no reconsideration step.
- A commissioner, appointed by the municipality, will hear your appeal and decide the matter.

## My commercial property has a much higher mill rate than my residential property even though they use the same services. Is this allowed?

- A municipality has the authority to set two real property mill rates, one for commercial and one for residential. It is within the council's discretion to set those rates.

## My municipality has a minimum tax rate for vacant land. What does that mean?

- Municipalities can set minimum fixed tax rates. If your property tax calculation falls below the fixed minimum, it will be taxed at the fixed value.

## Will my property tax bill change after the Assessment Act, 2006 review?

- Regardless of changes to the Assessment Act, 2006, municipalities will still be able to set mill rates at their discretion, which ultimately determines your property tax bill.

## Are there any tax exemptions available for exceptional situations?

- Businesses or individuals can apply to their municipality under section 111 of the Municipalities Act, 1999 for an exemption or variation of their tax.



## Notes

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