

SUBJECT: Property Assessment Reform

SUBMITTED BY: Association of Saskatchewan REALTORS®

BACKGROUND/ISSUE

Saskatchewan's property tax assessment system is costly, slow and inconsistent. It distorts investment choices, misallocates costs, and penalizes the development of real property, the most widely-held asset. The present system reveals many flaws:

- Inconsistency: Homes, farms, and businesses are all assessed differently, making the system inconsistent.
 - a. Business taxation: Businesses pay more per dollar of assessed value than homes or farms. Over-taxation deters investment and conveys a negative message that business assets in Saskatchewan are a captive reserve to be tapped into, rather than a key engine for growth.
 - b. Farm property: Farmland assessment is out of step with all other property since it is based on productive value, not market value. Changes in farming practices, developments in how farmland is owned and used, and the growth of farms as businesses highlight the dated nature of this model.
- Expense: Assessment is expensive. Its high cost does not yield higher quality as the product is outdated as soon as it is produced. Much of the expense arises from arbitrary adjustments such as tax factors and rate adjustments that incur further cost.
- Slow: The four-year cycle means assessments lag growth, which can change real values in months. Much of the delay is due to administrative and political interference occurring post-assessment. A process that can be completed in weeks using mass assessment tools for residential property expands to take years because of the practice of intervention at multiple levels.
- Counter-productive: A tax on value is a tax on assets rather than on the value of what the assets produce. It is one of the least desirable ways to raise public funds.
- Irrelevant: The factors that drive value assessment (location, improvements, productivity, revenue) have little or no bearing on the services a property uses. Further, property value has little if any relationship to the owner's ability to pay, or their consumption of services.
- Lacks Transparency: A fundamental principle of taxation in democracies is that methods of taxation should be easily understood by those who must pay. The current system is very complicated and subject to arbitrary adjustments that make it nearly incomprehensible in any practical sense.
- Disincentive to maintain and upgrade: Taxing property almost entirely on its assessed value penalizes improvements. This fact works against affordable rental assets and tends to degrade existing stock.

RECOMMENDED

- 1) That the Government of Saskatchewan immediately commission an independent review of how property tax is assessed, and how property contributes to public

revenues. The review should be comprehensive – from the nature of the tax base (value-based or other options), to identifying options that could reduce cost, disincentives, delays, and discontinuity, and keep the tax base more in step with the market, The objective should be property taxation that is economical, comprehensible, competitive, and capable of staying in line with growth.