

Background

August 2013

Saskatchewan's Property Tax System

Core Issue: The property tax system in Saskatchewan is complicated. There are a number of tools available, under both provincial and municipal control, which can change the amount of property tax owed. The purpose of this paper is to outline what these tools are, and also to illustrate how they impact the rates paid by property taxpayers.

Introduction

In Saskatchewan, decades of incremental changes have added a level of complexity to the property tax system that is beyond the understanding of most of the participants. Most ratepayers simply look at their total and pay it without understanding what that amount is based on. Currently, the property taxes ultimately paid do not directly align with assessed values, but are a function of different property classifications, multiple sub-classes within those classifications, percentage of assessed value rates, different mill rates, mill rate factors, tax increase/decrease phase-ins, discounts for early payment, minimum taxes as well as base taxes. The purpose of this paper is to illustrate how these tax tools impact the rate paid by property taxpayers. A glossary of the tax terms used throughout this paper is available on the final pages of the document.

Structure

There are two components to property tax in Saskatchewan: the municipal property tax portion and the education property tax portion. Although often lumped together in discussions, these two portions are subject to very different rules.

The education property tax is the property tax that is imposed on all properties to help finance expenditures related to K-12 education. Since 2009 the provincial government has set education property tax rates province-wide. The amounts remitted to school boards are the amounts collected on their behalf by municipalities. Due to its province-wide nature, the education portion of property tax can only be impacted by very few tax tools.

The municipal portion of property tax is used to fund the services offered by the municipality. These services can consist of a variety of things, including but not limited to; infrastructure, policing, leisure centers, etc. Municipalities start the determination of property tax rates by first establishing their budget and calculating how much of the budget will need to be paid for by

property tax.¹ After a budget is determined, the municipality looks at the assessed value of the properties within each property classification, couples this with the municipal tax tools they are planning to use, and then calculates the property tax rate necessary to raise enough revenue to meet the budget requirements.

In Saskatchewan, in addition to establishing the municipal mill rate, municipalities have discretionary authority to apply a mill rate factor, minimum tax, and a base tax. Some also provide a discount for early payment. Further to this, cities have additional powers with the ability to establish subclasses and to phase-in property tax increases or decreases. Municipalities may choose to use one or more of these tax tools or none at all.² Tax tools allow municipalities to redistribute the cost of public services within the tax base to reflect some of the priorities of municipalities which can range from re-election to economic growth, depending on the individuals involved. As illustrated by the chart “2010 Tax Tool Use by Municipality Type” almost every major population centre in the province does use some type of property tax tool.

2010 Tax Tool Usage by Municipality Type

Municipality Type	Total # of Municipalities	% of Municipalities that Use these Tools			
		Tax Tools			
		Base Tax	Minimum Tax	Mill Rate Factor	No Tax Tools
City	15	53%	27%	100%	0%
Town	145	59%	52%	58%	0.69%
Village & Resort Village	306	46%	56%	22%	10%
Rural Municipality	296	50%	53%	36%	7%
Northern Town, Village, Hamlets	24	17%	38%	17%	38%
Northern Saskatchewan Administration District	56	0	64%	55%	36%

Source: Saskatchewan Ministry of Government Relations. "Review and Analysis of Municipal Property Tax Tools." March 2012. [Saskatchewan Municipal Relations](http://www.municipal.gov.sk.ca/Administration/Assessment-Taxation/Review-Property-Tax-Tools). 28 July 2012 <<http://www.municipal.gov.sk.ca/Administration/Assessment-Taxation/Review-Property-Tax-Tools>>.

¹ Bader, Maureen. "Property Tax Cap: Protecting Residential and Commercial Ratepayers." November 2008. [Canadian Taxpayers Federation](http://taxpayer.com/media/187.pdf). 28 July 2013 <<http://taxpayer.com/media/187.pdf>>.

² Government of Saskatchewan. "A Guide to Municipal Property Tax Tools." March 2013. [Saskatchewan Municipal Relation](http://www.municipal.gov.sk.ca/Assessment/Tax-Tools-Guide). 28 July 2013 <<http://www.municipal.gov.sk.ca/Assessment/Tax-Tools-Guide>>.

Calculating Property Tax

Step 1 – Assessment

The first component necessary to determine the property tax owed by a specific property is its assessed value. Assessed value is important because property tax is an “ad valorem tax”, which means the amount of tax paid by a property owner is determined in proportion to the value of their property.³

Every four years, Saskatchewan engages in a province-wide assessment which evaluates the value of all properties in the province.⁴ Properties in Saskatchewan are assessed through two methods. First, residential and commercial/industrial assessments apply the *market valuation standard*. This standard is based on market value, mass appraisal, fee simple interest, typical market conditions, and quality assurance standards, “so that the assessments bear a fair and just proportion to the market value of similar properties as of the applicable base date.”⁵ The base date is a prescribed date to ensure fairness since property values change over time.⁶ For the 2013 Revaluation, Saskatchewan used January 1, 2011 as the base date, which replaced the previous base date of June 30, 2006 which was used for the 2009 reassessment.

The second method used is the *regulated property assessment valuation standard* which “means the standard achieved when the assessed value of the property is determined in accordance with the formulae, rules and principles set out in the relevant municipal Act, its Regulations, the Assessment Manual and any other guideline established by the [provincial assessment] agency to determine the assessed value of a property.”⁷ The classifications that are assessed this way include agricultural land, resource production equipment, railway roadway, heavy industrial, or pipelines.⁸

As the assessment cycle in Saskatchewan currently occurs every four years, property values can change significantly between reassessments. To soften tax spikes or decreases for property owners whose revaluation has resulted in significant change, cities are able to use a tax tool known as “phase-in.” Phase-in can be applied to both the municipal and education portion of property tax, although all taxing authorities must agree prior to putting it in place on the

³ Saskatchewan Ministry of Government Relations. "The Assessment System in Saskatchewan – An Overview (A Resource for Boards of Revision for 2013)." March 2012. Government of Saskatchewan Municipal Relations. 28 July 2013 <<http://municipal.gov.sk.ca/Administration/Guides/AssessmentSystem-PDF>>.

⁴ Ibid.,

⁵ Ibid.,

⁶ Ibid.,

⁷ Ibid.,

⁸ Saskatchewan Ministry of Government Relations. "Review and Analysis of Municipal Property Tax Tools." March 2012. Saskatchewan Municipal Relations. 28 July 2012 <<http://www.municipal.gov.sk.ca/Administration/Assessment-Taxation/Review-Property-Tax-Tools>>.

education portion. Property tax phase-in sets a limit on property tax increases or decreases resulting from property revaluation, however this authority is only available to cities. In Saskatchewan cities, an owner of assessed property may receive a gradual property tax change over a maximum of four years as a result of a phase-in plan. For example, after the 2009 reassessment, “Saskatoon phased-in agriculture/commercial/multi-unit residential over four years from 2009 to 2012 on a percentage basis of 15%, 20%, 30% and 35%. For residential and condominium property classes, the phase-in covered a two year period being 2009 and 2010 with equal portions each year.”⁹

Step 2 – Percentage of Value

As referenced above, under Saskatchewan’s property tax system properties are classified by their general purpose. There are property classes at the provincial level which are generally consolidated into three broad property classifications at the local level; agricultural, residential, and commercial/industrial. The division of properties into classification allows the province to treat each grouping differently. The *percentage of value* is a tax tool determined by the provincial government and applied to all properties within each classification in the province. Once the assessed value of a property is determined, it is then multiplied by a percentage of value. This results in the property’s taxable assessed value.¹⁰ Beyond the provincial classifications and sub-classifications, as outlined in the Table ‘*Classes of Property and the Percentage of Value at which they are Taxed*’ cities in Saskatchewan have the ability to add additional subclasses. The use of this subclass tax tool will be addressed in further detail later.

Classes of Property and the Percentage of Value at which they are Taxed	
Property Classes	% of Value
Agricultural	
Non-arable	40%
Other agricultural land & improvements	55%
Residential	
Residential and land improvements	70%
Multi-unit Residential	70%
Seasonal Residential	70%
Commercial and Industrial	
Commercial/ industrial land & improvements	100%
Other industrial land & improvements (elevator, pipeline, railway)	100%

The Impact of Percentage of Value							
Commercial Property				Residential Property			
\$500,000 X 100% = \$500,000				\$500,000 X 70% = \$350,000			
Assessed Value	X	% of Value	= Taxable Assessment	Assessed Value	X	% of Value	= Taxable Assessment

⁹ Ibid.,

¹⁰ Saskatchewan Ministry of Government Relations. "The Assessment System in Saskatchewan – An Overview (A Resource for Boards of Revision for 2013)." March 2012. Government of Saskatchewan Municipal Relations. 28 July 2013 <<http://municipal.gov.sk.ca/Administration/Guides/AssessmentSystem-PDF>>.

The classification of properties and the use of percentage of value significantly impacts the assessed value of the municipality's property base and therefore their tax base.

Step 3 – Education Portion of Property Tax Mill Rate

Property tax calculations are expressed as a “per mille,” which is the amount of tax per 1,000 units of value. Thus, property tax rates are often called mill rates.¹¹ To calculate the property tax owing, governments multiply the taxable assessed value of a property by the mill rate and then divide the total by 1,000.

The provincial government determines the education portion of the property tax mill rate. Once the mill rate is set, municipalities are responsible for collecting the education property taxes along with municipal property taxes. They then remit the education portion collected to the appropriate school division.¹²

Since the education portion of property tax is not subject to the same tax tools as the municipal portion it is possible to determine the property tax owing with relative ease. However, it is important to note that in addition to using percentage of value to determine the taxable assessment, the provincial government also establishes different mill rates for each property class. For 2013, these classes include Agriculture, Residential, Commercial/Industrial and Resource. This overlapping segmentation makes the ability to link actual property tax paid with assessed value more convoluted.

Commercial Property		Residential Property	
$\$500,000 \times 100\% = \$500,000$		$\$500,000 \times 70\% = \$350,000$	
Assessed Value	X % of Value	= Taxable Assessment	

$\$500,000 \times 8.28^*/1000 = \$4,140$		$\$350,000 \times 5.03^*/1000 = \$1,760.50$	
Taxable Assessment	X Education Mill Rate	= Education Property Tax Owing	
* 2013 mill rate for the commercial/industrial education portion of property tax		* 2013 mill rate for the residential education portion of property tax	

¹¹ Vander, Casey and Jack Vicq. "A Tax Framework for Saskatchewan's Continuing Prosperity." October 2010. [Canada West Foundation Economic Research Series](http://www.saskchamber.com/files/File/taxplan/taxplan_3mb_main.pdf), 27 July 2013 <http://www.saskchamber.com/files/File/taxplan/taxplan_3mb_main.pdf>.

¹² Government of Saskatchewan. [Education Property Tax System](http://www.municipal.gov.sk.ca/Administration/Education-Tax-System), 2013. 28 July 2013 <<http://www.municipal.gov.sk.ca/Administration/Education-Tax-System>>.

Step 4 – Municipal Mill Rate and Mill Rate Factor

The municipal portion of property tax is also established as a mill rate (the amount of tax per 1,000 units of value). Estimating a uniform mill rate is often the first step for a municipality as it begins to determine the division of its tax load. “A uniform mill rate is determined by dividing the amount of tax revenue required by the total taxable assessment for the municipality.”¹³

Despite being the starting point for most property tax calculations, the uniform mill rate is rarely equal to the mill rate actually applied to each property classification because of “mill rate factors.” The mill rate factor is an adjustment of the mill rate that enables property classifications to be taxed at a different rate and allows the costs of local services to be transferred from one property classification to another. The mill rate factor alters the adjustment already made by the provincial percentage of value calculation.

The Impact of Mill Rate Factor

In the City of Saskatoon for 2013

Commercial Property				Residential Property			
$\$500,000 \times 100\% = \$500,000$				$\$500,000 \times 70\% = \$350,000$			
Assessed Value	X	% of Value	= Taxable Assessment	Assessed Value	X	% of Value	= Taxable Assessment
<hr/>				<hr/>			
$(\$500,000 \times 7.5142 \times 1.1765) / 1000 = \$4,420.23$				$(\$350,000 \times 7.5142 \times 0.9411) / 1000 = \$2,475.06$			
<u>Taxable Assessment</u>	X	<u>Municipal Mill Rate</u>	= <u>Mill Rate Factor</u>	<u>Taxable Assessment</u>	X	<u>Municipal Mill Rate</u>	= <u>Mill Rate Factor</u>
		1000	= Municipal Property Tax Owing			1000	= Municipal Property Tax Owing
2013 mill rate and mill rate factor for the commercial/ industrial municipal portion of property tax (including library) in Saskatoon				2013 mill rate and mill rate factor for the residential municipal portion of property tax (including library) in Saskatoon			

In the City of Regina for 2013

Commercial Property				Residential Property			
$\$500,000 \times 100\% = \$500,000$				$\$500,000 \times 70\% = \$350,000$			
Assessed Value	X	% of Value	= Taxable Assessment	Assessed Value	X	% of Value	= Taxable Assessment
<hr/>				<hr/>			
$(\$500,000 \times 9.3351 \times 1.32901) / 1000 = \$6,203.22$				$(\$350,000 \times 9.3351 \times 0.8788) / 1000 = \$2,871.29$			
<u>Taxable Assessment</u>	X	<u>Municipal Mill Rate</u>	= <u>Mill Rate Factor</u>	<u>Taxable Assessment</u>	X	<u>Municipal Mill Rate</u>	= <u>Mill Rate Factor</u>
		1000	= Municipal Property Tax Owing			1000	= Municipal Property Tax Owing
2013 mill rate and mill rate factor for the commercial /industrial municipal portion of property tax (including library) in Regina				2013 mill rate and mill rate factor for the residential municipal portion of property tax (including library) in Regina			

Source: City of Saskatoon and City of Regina

Step 5 –Base Tax

The base tax is a specific amount of property tax levied, regardless of the assessed value of a property.¹⁴ The base tax can be applied to all properties in a particular property class and a different amount of base tax may be set for different property classes but it is applicable only to the municipal portion of property tax. The base tax is often levied to cover the basic costs of operating the municipality.¹⁵

The purpose of the base tax is to reduce the difference in property taxes paid between lower and higher assessed properties because it shifts some of the property tax burden onto the lower assessed properties. Prior to setting mill rates, municipalities select a base tax and apply it to the properties affected. They can then “subtract the amount raised by the base tax (or sum of the base tax revenues, if more than one base tax is being implemented) from the total tax revenue required. The difference is the amount that needs to be raised on the total taxable assessment through the uniform mill rate.”¹⁶

The Impact of a Base Tax

In the city of Warman for 2013, residential properties pay a general base tax of \$500 per property while Commercial/Industrial properties pay a base tax of \$800.00/property.

Commercial Property				Residential Property						
$\$500,000 \times 100\% = \$500,000$				$\$500,000 \times 70\% = \$350,000$						
Assessed Value	X	% of Value	= Taxable Assessment	Assessed Value	X	% of Value	= Taxable Assessment			
_____				_____						
$\$500,000 \times 7.08^*/1000 + \$800 = \$4,340$				$\$350,000 \times 5.90^*/1000 + \$500 = \$2,565$						
<u>Taxable</u> Assessment	X	Mill Rate	+ Applicable Base Tax	=	<u>Municipal</u> Assessment	X	Mill Rate	+ Applicable Base Tax	=	<u>Municipal</u> Property Tax Owing
1000					1000					Property Tax Owing
* 2013 factored mill rate for the commercial/industrial municipal portion of property tax in Warman				* 2013 factored mill rate for the residential municipal portion of property tax in Warman						

Source: City of Warman. “Property Taxes” <<http://www.warman.ca/index.aspx?NID=185>>. 27 July 2013.

¹⁴ Saskatchewan Ministry of Government Relations. "Review and Analysis of Municipal Property Tax Tools." March 2012. [Saskatchewan Municipal Relations](http://www.municipal.gov.sk.ca/Administration/Assessment-Taxation/Review-Property-Tax-Tools). 28 July 2012 <<http://www.municipal.gov.sk.ca/Administration/Assessment-Taxation/Review-Property-Tax-Tools>>.

¹⁵ Ibid.,

¹⁶ Government of Saskatchewan . "A Guide to Municipal Property Tax Tools." March 2013. [Saskatchewan Municipal Relation](http://www.municipal.gov.sk.ca/Assessment/Tax-Tools-Guide). 28 July 2013 <<http://www.municipal.gov.sk.ca/Assessment/Tax-Tools-Guide>>.

Step 6 - Minimum Tax

Similar to a base tax, although slightly less commonly used and a bit more difficult to budget for, is the minimum tax. “A minimum tax may be established to increase the amount of tax revenue generated from lower assessed properties within one or more property classifications. A minimum tax will generally be a specified value or amount; however, it may also be expressed in a formula.”¹⁷ A minimum tax is only applied if the calculated municipal property tax is less than or equal to the minimum tax set.¹⁸

The Impact of a Minimum Tax																																																																																																	
<p>In Estevan, the minimum tax amount is set at \$700 for both commercial and residential properties, so no property in these classifications can pay less than \$700 in tax. In addition Estevan also has a Hospital Levy on each property of 0.255 mills which is added in addition initial mill rate.</p>																																																																																																	
<p style="text-align: center;">Commercial Property</p> <p style="text-align: center;">\$500,000 X 100% = \$500,000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Assessed Value</td> <td style="text-align: center;">X</td> <td style="text-align: center;">%</td> <td style="text-align: center;">of Value</td> <td style="text-align: center;">=</td> <td style="text-align: left;">Taxable Assessment</td> </tr> <tr> <td colspan="6" style="text-align: center;">_____</td> </tr> <tr> <td colspan="6" style="text-align: center;">\$500,000 X 13.984*/1000 = \$6,992</td> </tr> <tr> <td style="text-align: right;">Taxable Assessment</td> <td style="text-align: center;">X</td> <td style="text-align: center;">Mill Rate</td> <td colspan="3" style="text-align: left;">= Municipal Property Tax Owing</td> </tr> <tr> <td colspan="6" style="text-align: center;">_____</td> </tr> <tr> <td colspan="6" style="text-align: center;">1000</td> </tr> <tr> <td colspan="6" style="text-align: center;">(\$500,000 X 0.255/1000) + \$6,992 = \$7,119.5</td> </tr> <tr> <td style="text-align: right;">Base Tax + Municipal Property Tax</td> <td colspan="5" style="text-align: left;">= Municipal Property Tax Owing</td> </tr> </table> <p><small>* 2013 factored mill rate for the commercial/industrial municipal portion of property tax in Estevan</small></p>	Assessed Value	X	%	of Value	=	Taxable Assessment	_____						\$500,000 X 13.984*/1000 = \$6,992						Taxable Assessment	X	Mill Rate	= Municipal Property Tax Owing			_____						1000						(\$500,000 X 0.255/1000) + \$6,992 = \$7,119.5						Base Tax + Municipal Property Tax	= Municipal Property Tax Owing					<p style="text-align: center;">Commercial Property</p> <p style="text-align: center;">\$10,000 X 100% = \$10,000</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">Assessed Value</td> <td style="text-align: center;">X</td> <td style="text-align: center;">%</td> <td style="text-align: center;">of Value</td> <td style="text-align: center;">=</td> <td style="text-align: left;">Taxable Assessment</td> </tr> <tr> <td colspan="6" style="text-align: center;">_____</td> </tr> <tr> <td colspan="6" style="text-align: center;">\$10,000 X 13.984*/1000 = \$139.84 = \$700</td> </tr> <tr> <td style="text-align: right;">Taxable Assessment</td> <td style="text-align: center;">X</td> <td style="text-align: center;">Mill Rate</td> <td style="text-align: center;">=</td> <td style="text-align: center;">Minimum Tax Applied</td> <td style="text-align: left;">= Municipal Property Tax</td> </tr> <tr> <td colspan="6" style="text-align: center;">_____</td> </tr> <tr> <td colspan="6" style="text-align: center;">1000</td> </tr> <tr> <td colspan="6" style="text-align: center;">(\$10,000 X 0.255/1000) + \$700 = \$702.55</td> </tr> <tr> <td style="text-align: right;">Base Tax + Municipal Property Tax</td> <td colspan="5" style="text-align: left;">= Municipal Property Tax Owing</td> </tr> </table> <p><small>* 2013 factored mill rate for the residential municipal portion of property tax in Estevan</small></p>	Assessed Value	X	%	of Value	=	Taxable Assessment	_____						\$10,000 X 13.984*/1000 = \$139.84 = \$700						Taxable Assessment	X	Mill Rate	=	Minimum Tax Applied	= Municipal Property Tax	_____						1000						(\$10,000 X 0.255/1000) + \$700 = \$702.55						Base Tax + Municipal Property Tax	= Municipal Property Tax Owing				
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<p>Source: Estevan Economic Development. “2013 Mill Rates” <http://estevaneconomicdevelopment.ca/taxesfees.html>. 27 July 2013.</p>																																																																																																	

Step 7 – Subclass Authority

Except for cities, municipalities can apply tax tools only to three property classes: agricultural, residential and commercial/industrial. They, therefore, need to give significant consideration to the unintended consequences of tax burden redistribution (i.e. the same base tax charged to an oil

¹⁷ Government of Saskatchewan . "A Guide to Municipal Property Tax Tools." March 2013. Saskatchewan Municipal Relation. 28 July 2013 <<http://www.municipal.gov.sk.ca/Assessment/Tax-Tools-Guide>>.

¹⁸ Saskatchewan Ministry of Government Relations. "Review and Analysis of Municipal Property Tax Tools." March 2012. Saskatchewan Municipal Relations. 28 July 2012 <<http://www.municipal.gov.sk.ca/Administration/Assessment-Taxation/Review-Property-Tax-Tools>>.

company must also be charged to a grocery store). Cities, however, have the authority to further divide the property tax classes. This is the most commonly used tax tool in cities in 2013 100% of Saskatchewan’s cities had established at least one subclass. The use of subclasses varies from city to city, but most cities have established a subclasses for multi-unit residential (e.g., apartments) within the residential property class.¹⁹ Additional subclasses across the province include such properties as hotels, motels, malls, personal care homes, airport hangars, residential/vacant land, golf courses plus a few others. Once a city has established a subclass, various property tax tools such as mill rate factors, base tax and minimum tax may be applied to the subclasses alone to change the rate of property tax they will pay.

The Impact of Subclass Authority

In the city of North Battleford for 2013 the treatment of the Multi-Unit Residential subclass is impacted by two tax tools. The mill rate factor for this class is set higher than for other residential properties and the base tax is calculated differently. With regard to the base tax, North Battleford collects two fees; a Residential and Condo Base Tax of \$615.00 on residential properties, and a Recreation Culture Capital Facilities Levy on Residential, Condo and Multi-family classifications at \$175.00 per unit.

Residential Property

$$\$500,000 \times 70\% = \$350,000$$

$$\begin{array}{rcccl} \text{Assessed} & \times & \% \text{ of Value} & = & \text{Taxable} \\ \text{Value} & & & & \text{Assessment} \end{array}$$

$$(\$350,000 \times 5.785^*)/1000 + (\$615 + \$175) = \$2,814.75$$

$$\begin{array}{rcccl} \text{Taxable} & \times & \text{Factored} & + & \text{Applicable} & = & \text{Municipal Property} \\ \text{Assessment} & & \text{Mill Rate} & & \text{Base Tax} & & \text{Tax Owing} \\ & & 1000 & & & & \end{array}$$

2013 factored mill rate for the residential municipal portion of property tax in North Battleford

Multi-Unit Residential Property (20 units)

$$\$500,000 \times 70\% = \$350,000$$

$$\begin{array}{rcccl} \text{Assessed} & \times & \% \text{ of Value} & = & \text{Taxable} \\ \text{Value} & & & & \text{Assessment} \end{array}$$

$$(\$350,000 \times 21.143^*)/1000 + (\$175 \times 20) = \$10,900.05$$

$$\begin{array}{rcccl} \text{Taxable} & \times & \text{Factored} & + & \text{Applicable} & = & \text{Municipal Property} \\ \text{Assessment} & & \text{Mill Rate} & & \text{Base Tax} & & \text{Tax Owing} \\ & & 1000 & & & & \end{array}$$

*2013 factored mill rate for the Multi-Unit Residential municipal portion of property tax in North Battleford

Source: City of North Battleford. "Understanding Your 2013 Property Tax Notice" <http://www.cityofnb.ca/mrws/filedriver/Flyer_-_Tax_Notices_2013.pdf>. July 29 2013.

¹⁹ Ibid.,

Conclusion

Saskatchewan's municipalities enjoy considerable authority, autonomy and flexibility in establishing property tax policies. There are a number of tax tools at a municipality's disposal, in addition to the province's policies related to percentage of value, which can change the property tax paid by particular property classes. Mill rates, mill rate factors, base tax, minimum tax, early payment discounts, and phase-in and subclass authority in the cities are all tools that can weaken the link between assessed value and actual taxes owed. While this can be beneficial to a municipality and allow them to accomplish particular objectives, it can also allow some property classes to be singled out and subject them to an unfair and inequitable level of taxation. The complicated nature of the property tax system makes it difficult for stakeholders to clearly understand the source of their tax total and therefore limits their ability to engage in constructive debate on the issue.

Glossary

Assessed Value

Assessed value is the starting point of any property tax system. Assessed value is the value of a particular property arrived at using a certain framework of evaluation. In Saskatchewan, properties are valued under a regulated property valuation standard or a market valuation standard.

Ad Valorem

The “ad valorem” principle is based on the concept that the amount of tax paid by a property owner should be determined in proportion to the value of their property. Thus, property tax is typically considered an ad valorem tax.

Base Tax

The base tax is a specific amount of property tax levied, regardless of the assessed value of a property. The base tax can be applied to all properties in a particular property class and a different amount of base tax may be set for different property classes but it is applicable only to municipal taxes. It is calculated to cover the basic costs of operating the municipality (this is similar to a user pay system). The purpose of the base tax is to reduce the difference in property taxes paid between lower and higher assessed properties and it shifts property tax to lower assessed value properties.

Education Property Tax

This is the property tax that is imposed on all classifications of property to help finance expenditures related to K-12 education.

$$\text{Education Property Taxes} = \text{Assessed Value} \times \text{Provincial \% of Value} \times \text{Education Mill Rate}$$

Effective Mill Rate

The total municipal property tax levy for a given property class divided by the taxable assessment for a given property class within a municipality. The Effective Mill Rate is therefore an average mill rate by property class for a given municipality.

Phase-In

Property tax phase-in applies to cities only. Phase-In sets a limit on property tax increases or decreases resulting from property revaluation. In Saskatchewan, an assessed owner of property may receive a gradual property tax change over a maximum of four years as a result of a phase-in plan. This is the only tax tool that can be extended to the education property tax by agreement with the School Division.

Percentage of Assessed Value

This is a term used in the determination of the property tax owing. It refers to the percentage of assessed value that will be subjected to tax. The inclusion rate is a percentage that is applied to assessed value to determine taxable assessment. In Saskatchewan, the inclusion rate for commercial and industrial properties is higher (100%) than that applicable to residential properties (70%). This means that commercial and industrial properties are taxed at 100% of their assessed value while residential properties are taxed at only 70% of their assessed value.

Market Valuation

The amount that a property should be expected to realize if the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably and assuming that the amount is not affected by undue stimuli. The market valuation standard can generally be described as a “results based” assessment system, which focuses on whether established assessment industry standards are met.

Mill Rate

Most tax rates are expressed as a percent, the amount of tax per 100 units of value. Property taxes, however, are expressed as a permille, the amount of tax per 1,000 units of value. Thus, property tax rates are called the mill rate. To calculate the property tax owing, governments multiply the assessed value of a property by the mill rate and then divide the total by 1,000. Thus, a property with an assessed value of \$250,000 with a tax rate of 10 mills would have a property tax bill totalling \$2,500.

Mill Rate Factor

This is a property tax tool used in Saskatchewan. The mill rate factor is an adjustment of the mill rate that results in a differential effective tax rate for different classifications of property. While the inclusion rate specifies the amount of assessed value that will be subject to tax (taxable assessment), a mill rate factor specifies the amount of the mill rate that will apply to taxable assessment. Mill rate factors differ between different classifications of property, and are used to transfer some of the cost of local services from one property classification to another

Minimum Tax

Another property tax tool used in Saskatchewan, the minimum tax can be used to increase the amount of property tax generated from lower assessed properties within a property class. A minimum tax is paid on all property within a classification, regardless of the tax otherwise determined.

Regulated Property Assessment

An assessment for agricultural land, resource production equipment, railway roadway, heavy industrial or pipelines.

Regulated Property Assessment Valuation Standard

The standard achieved when the assessed value of the property is determined in accordance with the formulae, rules and principles set out in the relevant municipal Act, its Regulations, the Assessment Manual and any other guideline established by the agency to determine the assessed value of a property.

Resource Production Equipment

According to the municipal Acts, “resource production equipment” includes the “fixtures, machinery, tools, railroad spur tracks and other appliances by which a mine or petroleum oil or gas well is operated but does not include tipples, general offices, general stores, rooming houses, public halls or yards”. Replacement cost new, lifetime depreciation and downtime are the factors that are considered in determining the value of mining equipment. Replacement cost new, lifetime depreciation, downtime and low production are the factors that are considered in determining the value of oil and gas equipment.

Subclass

Subclass is a further division of the established property classes available only to cities. Property tax tools may be applied to different subclasses to change the relative incidence of municipal property tax among them.

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