Assessment vs. Taxation

MUNICIPAL PROPERTY ASSESSMENT CORPORATION

May 14, 2013
Roles, Responsibilities & Relationships

Legislate

Administer

Adjudicate

Tax

Ontario

mpac

Assessment Review Board

Municipalities Province
Section 19.1 Assessment Act

- “Land shall be assessed for a taxation year at the current value of the land for the taxation year.”

Definition of Current Value

- “in relation to land, the amount of money the fee simple, if unencumbered, would realize if sold at arm’s length by a willing seller to a willing buyer.”
• Section 19.5 Assessment Act
  – “For the purposes of determining the current value of farm lands used only for farm purposes by the owner or used only for farm purposes by a tenant of the owner and buildings thereon used solely for farm purposes, including the residence of the owner or tenant and of the owner’s or tenant’s employees and their families on the farm lands,
Section 19.5 (Continued)

(a) consideration shall be given to the current value of the lands and buildings for farm purposes only;
(b) consideration shall not be given to sales of lands and buildings to persons whose principal occupation is other than farming; and
(c) the Minister may, by regulation, define “farm lands” and “farm purposes”. 2000, c. 25, s. 5 (1).”
Creating Current Value Assessments

Data Collection

- Sales Comp. Approach
- Cost Approach
- Income Approach

Finetuning & Quality Control

Current Value Assessments
<table>
<thead>
<tr>
<th>Update Year</th>
<th>Taxation Year(s)</th>
<th>Valuation Date</th>
</tr>
</thead>
</table>
## Assessment Phase-in Example

<table>
<thead>
<tr>
<th>Property Classification</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Property Value as of January 1, 2012</td>
<td>$300,000</td>
</tr>
<tr>
<td>Your Property Value as of January 1, 2008</td>
<td>$250,000</td>
</tr>
<tr>
<td>Property’s Value Change</td>
<td>$ 50,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$262,500</td>
</tr>
<tr>
<td>2014</td>
<td>$275,000</td>
</tr>
<tr>
<td>2015</td>
<td>$287,500</td>
</tr>
<tr>
<td>2016</td>
<td>$300,000</td>
</tr>
</tbody>
</table>
### Assessment Phase-in Example

<table>
<thead>
<tr>
<th>Property Classification</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Property Value as of January 1, 2012</td>
<td>$240,000</td>
</tr>
<tr>
<td>Your Property Value as of January 1, 2008</td>
<td>$250,000</td>
</tr>
<tr>
<td>Property’s Value Change</td>
<td>$ -10,000</td>
</tr>
</tbody>
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</table>
Assessment Base $50,000,000

Budget $1,000,000

Tax Rate = $1,000,000/$50,000,000
Tax Rate = 2%
Assessment Base $60,000,000

Budget $1,000,000

Tax Rate = $1,000,000/$60,000,000
Tax Rate = 1.667%
What if Assessment Base Increases and Tax Rate Stays the Same?

Assessment Base $60,000,000

Budget $1,200,000

Tax Rate = $1,200,000/$60,000,000
Tax Rate = 2%
Impact on Single Home

Year One

Assessment $250,000
Tax Rate 2%
Taxes $5,000
Impact on Single Home

Year Two – Tax Rate Change Scenario

Assessment $300,000
Tax Rate 1.667%

Taxes $5,000
Impact on Single Home

Year Two – Tax Rate Unchanged

Assessment $300,000
Tax Rate 2%

Taxes $6,000
In most of Ontario the farm tax rate is 25% of the residential rate.

\[
1.667\% \times 0.25 = 0.4167\%
\]
\[
2\% \times 0.25 = 0.5\%
\]

Farmland Assessment $500,000

\[
$500,000 \times 0.4167\% = $2,083.33
\]
\[
$500,000 \times 0.5\% = $2,500
\]
Complicating Real World Factors

Tax Classes

- Residential
- Farm
- Commercial
- Industrial
- Managed Forest
- Multi-Residential
- Special Class for Large Properties
- Subclasses
Levels of Government

- Municipal Portion
- Regional Portion (not always, e.g., City of Toronto)
- Education Portion
Thank You