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Home Owner's Tax Discount and Property Assessment

AN ADDRESS BY

Hon. A. J. Hooke

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Hon. E. C. Manning:

Good Evening, Ladies and Gentlemen:

We have two interesting and very important matters to discuss with you tonight. The first is the new Home Owner's Tax Discount, and secondly, the factors involved in the assessment of real property for taxation purposes. The gentleman most familiar with these subjects is your Minister of Municipal Affairs, the Hon. A. J. Hooke. I am very happy to ask Mr. Hooke to speak to you now.

Hon. A. J. Hooke:

Thank you, Mr. Manning, and Good Evening, Ladies and Gentlemen:

When the Government announced its new program last fall, Mr. Manning pointed out that, in addition to very substantial increases in regular grants for municipal hospital and school purposes, a tax discount of \$50.00 would be made available to each home owner in the Province occupying his own home. It was pointed out by the Premier that the anticipated additional grants should have the effect of reducing property taxes in general; and the home owner's tax discount would have the effect of reducing by \$50.00 the resultant property tax payable by the home owner.

Since Mr. Manning's announcement of last fall, many questions have been asked by the general public concerning those who would be eligible to receive the home owner's grant. First of all, it will apply to all individuals or families owning the home in which he, or they, reside. If the owner of a duplex should live in one suite and rent the other, he will be eligible for the \$50.00 tax discount for the suite in which he resides, but not for the one he rents. Similarly, the owner of any other multiple dwelling, whether it be a triplex or a high-rise apartment block, will be eligible

for a \$50.00 discount, if he resides in a suite. Occasionally, a business man occupies a portion of his building for his business and another portion as his residence. He too, will be eligible for the \$50.00. If a duplex is owned by two owners, and each one occupies a suite, each will receive the subsidy. Similarly, if several owners of a multiple dwelling occupy suites therein, each will become eligible. Farmers living on their own farms will also be eligible. If, under any of the categories that I have mentioned, the owner is still paying for the property under agreement for sale, for instance, he will of course, qualify.

Legislation will soon be introduced in the Legislature dealing with this tax reduction subsidy and will state that the \$50.00 payment will apply to the present tax year. By the time the legislation is effective therefore, some home owners will undoubtedly have paid their taxes in full for the year 1966. There will also be many other conditional home owners who are making mortgage payments every month, such payments covering principal, interest, and taxes. It is the government's intention to see that appropriate arrangements are made to provide, in each case, for a rebate or a credit. Tax notices mailed to home owners, after the passage of the legislation, will contain, in addition to the regular notice, a form which the owner will fill in, claiming his \$50.00 subsidy. He will pay to the municipality the difference between the amount appearing on the tax notice and the \$50.00 subsidy he will claim. In other words, if his tax notice calls for a total tax payment in the amount of \$250.00, he will fill in the form, pay the municipality the sum of \$200.00, and receive credit for the full amount of \$250.00. The municipality will submit the claim, along with all others, to the Provincial Treasurer, who will remit the total amount of

subsidies to the municipality. In cases where the total tax is less than \$50.00, the home-owner will be obliged to pay \$1.00 only, and the balance will be payable in the manner I have just described. If, as sometimes happens, the owner, for one reason or another, is unable to meet the tax obligation in the year in which it is due, he will still be able to claim and receive the tax discount for that year when he does ultimately pay his taxes.

I should like to deal for a few minutes with the subject of property assessment. Whenever a municipality makes a new general assessment, it usually follows that most property owners discover an increase in the assessed value of their property. Some, on the other hand, receive a decrease — usually owing to the depreciated condition of the improvements. The person receiving the decrease is of course happy with the results; while those receiving an increase, naturally want to know why. When the increase in assessment is very substantial, it is only natural to expect that the home owner will take the opportunity afforded him to appeal his assessment to the Court of Revision, this being, in effect, to his own Council. If he is not satisfied with the decision, he may appeal to the Assessment Appeal Board of the Province, whose decision is final.

Our legislation presently calls for a new general assessment to be made throughout the Province every seven years. On occasions, this time is extended by ministerial order if for some reason the municipality is unable to make the new general assessment when due. For many years, assessments throughout the Province were made by men who did not necessarily have any particular training in this work. Each municipality hired an assessor to do the assessing within its own boundaries. The assessor tried to evaluate

land and buildings as best he could, and certainly endeavoured to relate, as nearly as possible, one piece of property with another. His counterpart, in the adjoining municipality, would do the same thing for the owners living therein; but as you can readily see, similar properties in two municipalities might carry a different assessment simply by virtue of the fact that they were made by two different individuals. For many years, this created no problem whatever, as each municipality set its own mill rate to raise from the assessment the amounts of money they required.

When government grants took on added importance, in municipal financing, it became more necessary to arrive at equitable assessments. In order to make it possible for people living in all parts of the Province to receive adequate health and educational facilities, for instance, government grants often had to be increased in areas of low assessment, in order to give similar services to those given by a municipality fortunate enough to have a higher assessment. Later, with the coming in of the present Hospitalization Program, and more recently, the Foundation Program of Education, it became absolutely necessary that we do everything possible to bring about complete equity in assessment. In each of these programs, the municipalities are asked to contribute into a Provincial fund for hospitalization and another one for elementary and secondary education. To each of these funds, the Government adds from general revenue, large sums of money each year to take care of most of the costs of these two services, hospitalization and education. The municipalities naturally, raise the sums for which they are responsible, by the property tax; in other words, by levying a mill rate against the total assessment of their properties. It should be clear to all, then, that the assessment of the property

in one municipality should be completely equitable with the property assessment in every other municipality. If this condition does not exist, then it is conceivable that some would be contributing more than their just share, and others less. This has given rise to what is known as "equalized assessment". But before dealing with this topic, I should like to explain in a few words what has been done over the past few years, particularly, to bring about better assessment.

A course of training has been instituted by the Department of Municipal Affairs, in conjunction with the University of Alberta, in which assessors are thoroughly trained. A staff of qualified assessors has been built up in the Department, and practically all towns, villages, and some of the smaller cities are now assessed by these men. We are also giving every assistance possible to our rural municipalities and counties, whereby our assessors work with theirs to bring about equity of assessment. For several years now, assessment manuals have been prepared, which set out the methods to be followed by the assessor in all cases.

In order to arrive at the assessed value of a piece of urban land, the assessor attempts to find, as nearly as possible, the market value. Having done so, he takes approximately 65% of that figure as the taxable assessment. In other words, a property having a market value of \$5,000 would have an assessed value of approximately \$3,250. This figure is then referred to as 100% assessed value. The manual will also use a particular year to arrive at the assessment of a building or other improvement. As we all know, costs of construction have increased steadily since the War, so that if a building is assessed, let us say, according to its 1945 valuation, it will, in all probability be less than if, for instance, construction costs of 1955 are

applied against the same building. At the present time, all villages, towns and cities in Alberta are assessed on what has been referred to as the New Manual. This Manual, coming out in 1959, used the year 1957 as the replacement cost year. As in the assessment of land, in which only a percentage of market value is used as 100% assessment, so in the case of the assessment of a building, only a percentage of the 1957 costs is used as 100% assessment — it being 75%.

I think you will readily understand now, why recent assessments in many cases have shown a large increase over the previous assessment. It is conceivable that a property may have been the subject of a new general assessment seven years ago, and the year 1945 was in all probability used as the replacement cost year. Land values have increased tremendously over the last seven years and certainly building costs increased steadily from 1945 to 1957.

If at the time the Foundation Program of education came into existence, a municipality had been recently re-assessed, it undoubtedly used the 1957 replacement cost year. Just prior to that re-assessment, it could have been using the year 1945 or earlier. The Foundation Program called upon the Council of this municipality to contribute to the Foundation Program Fund, and also specified the mill rate to be used. You can see what a difference there would be in the amount of money asked for, if the mill rate had been applied to the actual assessment before, compared with immediately after, the new assessment. This brings me back therefore, to the term, "equalized assessment". A careful record is kept of the construction costs for every year, so that the Department can calculate very quickly exactly what the "equalized assessment" of a municipality is for any year when it knows the replacement cost

year used by the municipality in its actual assessment. When the Foundation Program of Education was introduced therefore, every municipality was asked to supply the Department with its detailed actual assessment, together with the replacement cost year being used. The year accepted by the Department to calculate "equalized assessment" was 1945, this being the year actually used by our two major cities. The total assessment therefore, for every municipality, was calculated by the Department according to the year 1945, and that figure was made known to the municipality. This total is what is known as "equalized assessment" and when the Foundation Program of Education commenced, each municipality was asked to contribute to the overall Provincial fund 32 mills on its "equalized assessment". Similarly, the municipality's share of the hospitalization fund is made up of 4 mills on "equalized assessment".

Starting last year, we used the replacement cost year of the New Manual, namely 1957, and the "equalized assessment" was calculated on that basis. This means that we were able to reduce the mill rate on "equalized assessment" from 32 to 26. It is our hope to arrive at the place shortly where "equalized assessment" and actual assessment will be, as nearly as possible, the same. This we hope to reach in 1967, by which time every municipality in Alberta will be re-assessed on the basis of the New Manual.

I trust, Ladies and Gentlemen, that this short explanation will tend to clear up for you many of the questions I am sure you ask from time to time concerning assessment and the property tax.