



**Saskatchewan
Ministry of
Municipal
Affairs**

A Guide to Municipal Property Tax Tools



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INTRODUCTION

This manual is intended as a guide for elected officials and administrators in their efforts to provide sound tax policy for their communities.

Elected officials are called on to be visionaries – to see the future with the present in mind. Their responsibilities include consulting with the public, setting long-term goals, and formulating policies. Their role is to **govern** in the true sense of the word.

Administrators/clerks are called on to be policy advisors and to implement the policies set by their councils. They must be prepared to analyze information for their councils and recommend the best option for the community. Their role is to **manage** the day-to-day affairs of the community.

The relationship between council members and administrators must be one of mutual respect. Council and staff need to develop a partnership where all parties work together as one unit with strong, effective lines of communication. The relationship between council and administration is the foundation of responsible government.

Goals & Objectives

To be effective, any decision making process should be objective driven. In other words, in making a decision council could ask, "What do we want to achieve?" or "How does this fit into the big picture?"

Council considers and decides on the services that the community needs and/or wants. Budget deliberations are crucial - council sets the direction of the community by prioritizing its capital projects, its infrastructure maintenance program (both current infrastructure maintenance and future infrastructure maintenance via an asset management plan), and its commitment to the health, safety, and welfare of its residents.

The next consideration could be, "How much will this cost the community?" "How much revenue is required to meet the goals and objectives of council?" "How do we, as council, distribute the tax incidence fairly and equitably?"

Council establishes goals and objectives for its tax policy. For example, after examining the relative tax shifts that would occur without using tax tools, council may choose to adopt an objective of a maximum 10% tax increase or decrease for every property owner in the municipality. With this goal established, decisions may then be made to accomplish the goal by using the appropriate tax tool(s).

Council may decide to maintain the tax allocations that result from revaluation. In this case, there is no need for tax tools to accomplish council's tax policy goals.

However, each option could be examined and its impact determined in order for council to decide if the option is necessary or desirable. Each decision made will have implications for any other tax tool chosen. For example, putting a minimum tax in place may result in a lower uniform mill rate.

The more tax tools that are chosen, the greater the implications and the more complex the use of tax tools becomes, both in calculating property taxes and in explaining the rationale behind the policy to taxpayers.

No matter which tax policy decisions are made, it may be a good idea to communicate with neighboring municipalities and other taxing authorities, as well as with your public. Councils and administrators should be able to clearly explain the use of any tax tools to their taxpayers.

TAX TOOLS

Types of Tools

Municipalities have discretionary authority to use three types of tax tools to achieve different purposes.

- If the municipality wants to reduce assessment driven variances, council may choose to use base tax or minimum tax.
- The municipality may use mill rate factors to transfer the amounts of taxation revenue between property classes.

Municipalities may choose to use one or more tools or none at all. If municipalities use multiple tax tools, it may encounter difficulties explaining the tax tool policy to citizens and ratepayers.

Application of Tax Tools

If council chooses to use a minimum or base tax it is applied to all properties within local property classes selected by council. There are eight property classes at the provincial level which have been consolidated into three local property classes for the purpose of assessment and taxation.

Local Property Class	Provincial Property Class
Agricultural	Non-arable
	Other agricultural
Residential	Residential
	Multi-unit residential
	Seasonal residential
Commercial and industrial	Commercial and industrial
	Elevators
	Railway rights of way and pipeline

While tax tools can vary among the local property classes, municipalities, other than cities, do not possess authority to create property subclasses within a property class for tax tool purposes. For example a municipality cannot implement a tax tool, such as minimum tax or base tax to specifically target hotels/motels in the commercial property class. If council wishes to implement minimum tax or base tax on hotels/motels, that same minimum tax or base tax must be applied to all other properties in the commercial property class.

Council and administration should consider the impact on unintended properties within each property class prior to making a determination with respect to implementing tax tools.

DECISION MAKING PROCESS

Step 1 – Estimating the Municipal Mill Rate

A good starting point is to estimate the uniform municipal mill rate. Since January or February may be too early in the year to arrive at the mill rate the usual way (i.e., budget indicates taxes required; taxes required divided by taxable assessment equals mill rate), the mill rate may be estimated based on the previous year's municipal tax levy. The assumption here is that the current year's levy will be *revenue neutral*. The total previous year's municipal tax levy divided by the current year (unconfirmed) taxable assessment equals the estimated uniform municipal mill rate. Keep in mind that allowances for changes in other sources of revenue in the current year may also need to be made. When the current year budget is finalized and council has determined the total amount of expenditures for the current year, along with determining other sources of revenue, the actual uniform mill rate may be calculated (using the formula taxes required divided by taxable assessment equals mill rate) and used throughout the tax policy formulation process.

Step 2 - Minimum Tax/Base Tax

Councils have the authority to establish a minimum tax or a base tax, by bylaw, for the municipal portion of the levy. Other taxing authorities (OTAs) have no access to the minimum tax or the base tax. If council chooses not to use one of these options, proceed to Step 3. If council decides to have a minimum tax or a base tax, it must then decide the set amount (for base or minimum) or method of calculation (for minimum tax, if applicable) and the property class or classes to which it will apply.

A minimum tax or a base tax may yield more municipal tax revenue. Council could use any additional revenue to lower the uniform mill rate or a mill rate factor(s). It may also be used to offset tax abatements or the additional taxes may simply go into general revenues for unspecified purposes.

Step 3 – Apply (Adjusted) Uniform Mill rate to Property Classes

After deciding whether or not a minimum tax or base tax is to be used, council could look at the shifts in taxation levels between property classes compared to the previous year. If these shifts are acceptable, council is finished selecting its tax policy tools (go to Step 6). If the shifts are not acceptable, council could look at the remaining tax tool options to determine which best adjusts the tax shifts between property classes to an appropriate level.

Step 4 – Acceptability of Tax Shifts

With the minimum tax and base tax decisions dealt with, the estimated uniform mill rate should then be applied to all properties. The shifts in taxes, if any, which occur between the three local property classes, should be examined to determine whether the size and incidence of the shifts is acceptable. If the shifts are acceptable based on the goals and objectives that council has previously established, the process stops (except to communicate the choices council has made to the public). If the resulting shifts are not acceptable to council, it could use mill rate factors to manage the shifts among the three local property classes.

Step 5 – Mill Rate Factors

Different mill rate factors may be applied to the uniform mill rate to effectively change the mill rate for one, a combination of, or all local property tax classes to manage tax incidence among the property tax classes. Factors may be used on a revenue neutral basis (total amount of taxes raised does not change compared to the previous year, but the distribution of the taxes among the property classes changes). Mill rate factors may also be used to generate more or less taxes from a certain property class or classes (e.g. a lower mill rate factor could be applied to a property class to decrease the tax burden to those properties

Step 6 - Finish

At this point, if the goals and objectives council previously established have been met, the tax policy *formulation* process ends. The *implementation* process should follow, beginning with communicating council's tax policy decisions to the public (newspaper, mail-out(s), radio, etc.). If council's initial goals have not been achieved, other measures must be examined (e.g., individual property tax abatements or exemptions) or the goals themselves may need to be reexamined.

Base Tax

Base tax means setting a base or **set amount** of property tax, *regardless* of the assessed value of a property¹. This tax tool is set by bylaw and applies only to municipal taxes.

Council must set a specific amount as the base tax. The base tax may be applied to land, improvements, or land with improvements within each of the local property classes (agriculture, residential, commercial, and industrial). A different amount of base tax may be set for different classes of lands and/or improvements. A levy equal to the assessed value of the property multiplied by the mill rate is **added** to the base amount of tax.

Note for rural municipalities: The base tax cannot be applied to improvements that qualify for a tax exemption under Section 293 of *The Municipalities Act*.

For all municipalities, land or improvements receiving a statutory tax exemption are not subject to base tax.

Possible base tax formulation process (use if ONLY base tax policy/policies will be used):

1. Begin with total tax revenues required for the current year (based on previous year's total tax levy or current year preliminary budget). Calculate the starting uniform mill rate, for reference purposes.
2. Select a base tax.
3. Take the number of properties affected by the selected base tax and multiply by the base tax amount.
4. 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 a uniform mill rate**.
 - Repeat Steps 2, 3, and 4 if multiple base tax policies are to be implemented.
5. Take the amount to be raised in Step 4 and divide it by the total taxable assessment. This results in the municipality's uniform mill rate.
6. A tax revenue summary may be prepared to illustrate the effects of council's tax policy decision. Process complete!

¹ MA, section 290

Example 1:

Table 1 – Sample properties

	Taxable Assessment Land	Taxable Assessment Improvement(s)	Total Taxable Assessment
Residential 1	5,000	0	5,000
Residential 2	5,000	10,000	15,000
Residential 3	5,000	20,000	25,000
Residential 4	10,000	35,000	45,000
Residential 5	15,000	70,000	85,000
Residential 6	15,000	110,000	125,000
Total Residential	55,000	245,000	300,000
Commercial 1	30,000	0	30,000
Commercial 2	30,000	50,000	80,000
Commercial 3	40,000	110,000	150,000
Commercial 4	50,000	150,000	200,000
Commercial 5	50,000	190,000	240,000
Total Commercial	200,000	500,000	700,000
Total Taxable Assessment	255,000	745,000	1,000,000

Step 1: Total tax revenues required for current year: \$10,000.

Step 2: Council establishes a base tax in the amount of \$500 in the residential property class (property is defined as land or improvements or both)². In this example, the base tax is applied to residential land.³

Step 3: Six (6) properties listed above have residential land that would be affected by the base tax. The base tax would raise \$3,000 (6 x \$500).

Step 4: Subtract the base tax revenue from the total tax revenue required.
 $\$10,000 - \$3,000 = \$7,000$.

Step 5: Take the amount required from Step 4 and divide it by the total taxable assessment. $\$7,000 / 1,000,000 \times 1,000 = 7.0$ mills.

² MA, clause 2(1)(gg).

³ The example above outlines a situation where council has determined it only wants to apply a base tax with respect to the residential property class. A council may wish to establish a base tax for property in other property classes (e.g. commercial/ industrial, agricultural). Council has the authority to establish different rates of base tax for different classes of property. MA, clause 290(2)(a).

Step 6: Tax revenue summary:

	Taxable Assessment Land	Taxable Assessment Improvement(s)	Total Taxable Assessment	Base Tax Land	Base Tax Improv.	Mill Rate Calculation (mill rate x taxable assessment)	Total Tax Levy
Residential 1	5,000	0	5,000	\$500	-----	\$35.00	\$535.00
Residential 2	5,000	10,000	15,000	\$500	-----	105.00	605.00
Residential 3	5,000	20,000	25,000	500	-----	175.00	675.00
Residential 4	10,000	35,000	45,000	500	-----	315.00	815.00
Residential 5	15,000	70,000	85,000	500	-----	595.00	1095.00
Residential 6	15,000	110,000	125,000	500	-----	875.00	1375.00
Total Residential	55,000.	245,000.	300,000.	\$3,000	-----	\$2,100	\$5,100.
Commercial 1	30,000	0	30,000	-----	-----	\$210	\$210
Commercial 2	30,000	50,000	80,000	-----	-----	560	560
Commercial 3	40,000	110,000	150,000	-----	-----	1,050	1,050
Commercial 4	50,000	150,000	200,000	-----	-----	1,400	1,400
Commercial 5	50,000	190,000	240,000	-----	-----	1,680	1,680
Total Commercial	200,000	500,000	700,000	-----	-----	\$4,900	\$4,900
Total Taxable Assessment	255,000	745,000	1,000,000	\$3,000	-----	\$7,500.	\$10,000

NOTE – When applying a base tax it shall be applied equally to all property in the class (all land, all improvements, all land and improvements). A base tax (by legislation) cannot be used as a tool to target specific property in a property class (e.g. vacant land).

Example 2:

- Base tax of \$300 applies to all improvements only; mill rate is 12.0

Property	Assessment		Tax Calculation				Total Taxes
			Land (Ad Valorem)	Improvements		Subtotal	
	Land	Impr		Base	Ad Valorem		
1	7,000		84.00	-	-	-	84.00
2	17,000	88,000	204.00	300.00	1,056.00	1,356.00	1,560.00
3	0	88,000	-	300.00	1,056.00	1,356.00	1,356.00

Minimum Tax

Minimum taxes are set by bylaw and apply only to municipal taxes.

Council chooses either a specific minimum amount of tax or a method of calculating the minimum amount of tax (such as a rate per front foot for each lot or a rate per acre of land).⁴ A minimum tax may be established for land only, improvements only or land and improvements within each of the three local property classes. Council may apply a different amount of minimum tax or provide for different methods of calculating minimum tax for different classes of land or improvements.

Taxable assessment x municipal mill rate = municipal property tax:

- if the calculated municipal property tax is less than or equal to the minimum tax set by council, then the minimum tax would apply;
- if the calculated municipal property tax is greater than the minimum tax set by council, then the greater amount applies.

For all municipalities, land or improvements receiving a statutory tax exemption are not subject to minimum tax. For example, in **rural municipalities**, minimum tax cannot be applied to improvements that have received a tax exemption under Section 293 of *The Municipalities Act*.

These examples are provided for illustration purposes only; local considerations and methods of calculating minimum tax will vary.

Possible minimum tax formulation process (use if ONLY minimum tax policy/policies will be used):

1. Begin with total tax revenues required for the current year divided by total taxable assessment for the current year to establish the starting mill rate. Tax revenues may be estimated from the prior year's total tax levy or from this year's preliminary budget.
2. Select a minimum tax.
3. Take the minimum tax divided by the starting mill rate to determine the level of assessment that will pay the minimum tax. Taxable assessments equal to or less than this figure will be subject to the minimum tax.
4. Take the number of properties affected by the selected minimum tax and multiply by that minimum tax amount to determine the tax revenue to be raised through that minimum tax.
5. Subtract the amount raised by the minimum tax from the total tax revenue required. This result is the total tax revenue required to be raised on **all remaining properties**

⁴ MA, section 289

that are not affected by the minimum tax.

- Repeat Steps 2 through 5 if multiple minimum tax policies will be implemented.
6. Determine the taxable assessment remaining after the assessments of those properties affected by the minimum tax have been subtracted.
 7. Divide the remaining tax revenue to be raised by the remaining taxable assessment. This result is the **new mill rate**.
 8. Before completing the municipal minimum tax policy, there is another consideration: because the starting mill rate used has changed, the effect on the minimum tax policy/policies must be verified. Divide the minimum tax by the new mill rate to determine the new assessment value threshold for the minimum tax. Some properties that were not previously affected by the minimum tax may now be subject to the minimum tax policy. If there are any properties affected, there will be a “loss” in calculated revenue equal to the tax that would have been (based on the starting mill rate) less the minimum tax amount. Adding up the affected properties’ “losses” will allow council to determine whether or not the total tax revenue required needs to be adjusted, the mill rate needs adjustment, etc.

If the change is minimal, changing the total tax revenue required may be a quick way to complete the tax policy formulation process. In many cases, there will not be *any* properties affected. If this is the case, no change to the policy is required. If multiple minimum tax policies are in use, the same verification process must be used for each minimum tax policy.

9. A tax revenue summary may be prepared to illustrate the effects of council’s tax policy. Process complete!

Example 1:

Table 1 – Sample Properties

	Taxable Assessment Land	Taxable Assessment Improvement(s)	Total Taxable Assessment
Residential 1	5,000	*0	5,000
Residential 2	5,000	10,000	15,000
Residential 3	5,000	20,000	25,000
Residential 4	10,000	35,000	45,000
Residential 5	15,000	70,000	85,000
Residential 6	15,000	110,000	125,000
Total Residential	55,000	245,000	300,000
Commercial 1	30,000	0	30,000.
Commercial 2	30,000	50,000	80,000.
Commercial 3	40,000	110,000	150,000.
Commercial 4	50,000	150,000	200,000.
Commercial 5	50,000	190,000	240,000.
Total Commercial	200,000	500,000.	700,000.
Total Taxable Assessment	255,000	745,000.	1,000,000.

*** NOTE – When applying a minimum tax it shall be applied equally to all property in the class (all land; all improvements; all land and improvements). A minimum tax (by legislation) cannot be used as a tool to target specific property in a property class (e.g. vacant land).**

Total tax required for the year - \$10,000.

Step 1: Determine a starting mill rate. Total tax revenues required for current year divided by the current year total taxable assessment.

$$\$10,000/1,000,000 \times 1,000 = 10 \text{ mills}$$

Step 2: Council would like to establish a minimum tax of \$500 on residential *property*.⁵ In this instance, the minimum tax would apply to all residential land, residential improvements and residential land and improvements.

Step 3: Take the minimum tax divided by the starting mill rate to determine the assessments that will be affected by the minimum tax. $\$500/10 \times 1,000 = \$50,000$.

Step 4: Check the list of properties to see which will be affected (those residential properties with a taxable assessment of land and improvements less than or equal to

⁵ The example above outlines a situation where council has determined it only wants to apply a minimum tax with respect to the residential property class. A council may wish to establish a minimum tax for property in other property classes (e.g. commercial/ industrial, agricultural). Council has the authority to establish different rates of minimum tax for different classes of property. MA, clause 289(2)(a).

\$50,000). In this example, there are four. Multiply the number of affected properties by the minimum tax. $4 \times \$500 = \$2,000$. This amount will be raised through the minimum tax.

Step 5: Subtract the amount that will be raised through a minimum tax from the total tax revenue required. $\$10,000 - \$2,000 = \$8,000$. This is the amount to be raised on the taxable assessment remaining after taking off the properties affected by the minimum tax.

Step 6: Determine the taxable assessment remaining after the assessments of those properties affected by the minimum tax have been subtracted. ($\$1,000,000 - \$90,000 = \$910,000$).

Step 7: Divide the remaining tax revenue to be raised by the remaining taxable assessment. $\$8,000 / \$910,000 \times 1,000 = 8.791$. This is the new mill rate.

Step 8: Check if any properties are affected by the new mill rate when compared to the minimum tax. Divide the minimum tax by the new mill rate. $\$500 / 8.791 \times 1,000 = 56,876$. Residential lands and improvements assessed between \$50,000 and \$56,876 will be affected by the new mill rate. In this example, no properties fall in that range.

Step 9: The tax revenue breakdown is as follows:

	Taxable Assessment Land	Taxable Assessment Improvement(s)	Total Taxable Assessment	Mill Rate Calculation (mill rate x taxable assessment)	Minimum Tax	Total Tax Levy
Residential 1	5,000	0	5,000	\$46.45	\$500	\$500.00
Residential 2	5,000	10,000	15,000	139.35	500	500.00
Residential 3	5,000	20,000	25,000	232.25	500	500.00
Residential 4	10,000	35,000	45,000	418.05	500	500.00
Residential 5	15,000	70,000	85,000	747.24		747.24
Residential 6	15,000	110,000	125,000	1098.88		1098.88
Total Residential	55,000	245,000	300,000			\$3,846.12
Commercial 1	30,000	0	30,000	\$263.73	-----	\$263.73
Commercial 2	30,000	50,000	80,000	703.28	-----	703.28
Commercial 3	40,000	110,000	150,000	1,318.65	-----	1318.65
Commercial 4	50,000	150,000	200,000	1,758.20	-----	1,758.20
Commercial 5	50,000	190,000	240,000	2,109.84	-----	2,109.84
Total Commercial	200,000	500,000	700,000			\$6,153.70
Total Taxable Assessment	255,000	745,000	1,000,000			\$9,999.82*

*

Example 2:

- Minimum tax of \$200 applies to land only; mill rate is 12.0

Property	Assessment		Tax Calculation				Total Taxes
			Land			Improvements (Ad Valorem)	
	Land	Impr.	Minimum	Ad Valorem	Subtotal		
1	7,000		200.00	84.00	200.00		200.00
2	17,000	88,000	200.00	204.00	204.00	1,056.00	1,260.00
3	0	15,000	-	-	-	180.00	180.00

Note: Applying a tax tool to land only does not mean there is no improvement on the land – it means that the tax tool is applied only to the land assessment and not to an improvement assessment if one exists. Occupancy or vacancy is not relevant.

Example 3:

- Minimum tax of \$300 applies to improvements only; mill rate is 12.0

Property	Assessment		Land	Improvements			Total Taxes
	Land	Impr		Minimum	Ad Valorem	Subtotal	
1	7,000		84.00	-	-	-	84.00
2	7,000	10,000	84.00	300.00	120.00	300.00	384.00
3	17,000	88,000	204.00	300.00	1,056.00	1,056.00	1,260.00
4	0	88,000	-	300.00	1,056.00	1,056.00	1,056.00

Note: Applying a tax tool to an improvement only does not mean there is no land that is assessed– it means that the tax tool is applied only to the improvement assessment and not to the land assessment if one exists. Occupancy or vacancy is not relevant.

Mill Rate Factors

Mill rate factors allow municipalities to vary the mill rate applied to the taxable assessment among the local property classes (**Agricultural, Residential, and Commercial**).⁶ To exercise this option, a uniform mill rate is set by Council, and then multiplied by a mill rate factor to determine the factored mill rate applicable to each property class.

Mill rate factors may be used to:

- manage the tax shifts among the local property classes;
- control the distribution of taxes among property classes *within* the municipality, but not *between* municipalities;
- increase tax revenue on commercial and industrial properties, similar to what the business tax did in the past.

The calculation of mill rate factors involves the following (assumes **only** mill rate factors will be used; no minimum tax or base tax):

1	<p>Determine the previous year's tax revenues by property class as a percentage of the total tax revenues (this may be used to consider past tax policy or where council wishes to maintain the same percentages by property class and/or remain revenue neutral).</p>	$\frac{\text{previous year tax revenue for each local property class}}{\text{previous year total tax revenue}}$ <p>= previous year tax revenue percentage by property class</p>
2	<p>Determine the current year uniform mill rate by establishing the amount of taxes required for the current year and dividing this amount by the total taxable assessment.</p> <p>Determine the current year tax revenue by property class.</p>	$\frac{\text{taxes required for current year}}{\text{current year taxable assessment}} = \text{uniform mill rate}$
3	<p>Determine the current year tax revenues by property class as a percentage of the total tax revenues.</p>	<p>uniform mill rate x taxable assessment for each property class = tax revenue per property class</p>

⁶ MA, sections 284, 285 and 287

<p>4</p> <p>5</p>	<p>To calculate mill rate factors, divide the desired percentage for each property class by the actual current year percentage for that property class.</p> <p>If the previous year's percentages are used as the desired percentage rates, the mill rate factors for each property class will result in the same percentages being paid by each property class as in the previous year.</p> <p>Council may determine its own percentages for the current year. Once determined take the desired percentage for each property class and divide it by the actual percentage for each property class. The result is the mill rate factor for that property class.</p>	<p><i><u>current year tax revenue for each local property class</u></i> <i>current year total tax revenue</i></p> <p>= <i>current year tax revenue percentage by property class</i></p> <p><i><u>desired percentage</u></i> = <i>mill rate factor (for that property class)</i> <i>current year actual percentage</i></p>
<p>6</p>	<p>The mill rate factor is multiplied by the uniform mill rate to achieve the factored mill rate.</p> <p>The factored mill rate multiplied by the taxable assessment divided by 1,000 equals the property tax payable on that parcel.</p>	<div style="border: 1px solid black; padding: 5px;"> <p>mill rate factor x uniform mill rate = factored mill rate</p> <p><u>factored mill rate x taxable assessment</u> = property tax 1000</p> </div>

Example 1:

Council wishes to keep:

- 1) the municipality's tax revenue neutral (same total tax levy as previous year); **and**
- 2) the tax allocation between property classes at previous year levels.

Step 1: Previous year information

	Residential	Agricultural	Commercial	Total
Previous year municipal tax levy	\$ 107,660	\$ 60	\$ 92,280	\$ 200,000
% of total (a)	53.83%	.03%	46.14%	100%

Step 2: Calculate uniform mill rate

<i>Total tax revenue required</i>				\$200,000
	Residential	Agricultural	Commercial	Total
<i>Total taxable assessment (Current year)</i>	6,513,000	6,000	3,481,000	10,000,000
<i>Uniform Mill Rate (\$200,000/10,000,000)</i>				20

Step 3: Current year tax revenue by property class

	Residential	Agricultural	Commercial	Total
Current year municipal tax levy	\$ 130,260	\$ 120	\$ 69,620	\$ 200,000

Step 4: Current year percentages by property class based on uniform mill rate

	Residential	Agricultural	Commercial	Total
% of total (b)	65.13%	.06%	34.81%	100%

Step 5: Calculate mill rate factors for each property class

	Residential	Agricultural	Commercial
Mill Rate Factor (a)/(b)	.827	.500	1.325

Step 6: Calculate the factored mill rate

	Residential	Agricultural	Commercial
Factored Mill Rate <i>Mill Rate Factor x Uniform Mill Rate</i>	16.54	10.00	26.50

You may double-check that the totals reflect council's decision by calculating the tax revenue for each property class (taxable assessment x factored mill rate):

	Residential	Agricultural	Commercial	Total
<i>Tax revenue</i>	107,725.02	60	92,246.50	** 200,031.52
<i>Percentages</i>	53.85%	.03%	46.12%	100%

** Due to rounding of decimals at Step 5 and/or Step 6, the total tax levy may not be exactly the same as the previous years levy.

Also note that when the factored mill rates are applied to the *individual tax roll cards*, rounding of decimal numbers may result in the total levy being slightly different than the one you have calculated.

Example 2:

Council wishes to:

- 1) increase the total tax levy to \$220,000. (versus \$200,000. for the previous year); **and**
- 2) change the tax allocation between property classes to 60% Residential, .03% Agricultural and 39.97% Commercial.

Step 1: Previous year information (for consideration only; not used in calculations here)

	Residential	Agricultural	Commercial	Total
<i>Previous year municipal tax levy</i>	\$ 107,660	\$ 60	\$ 92,280	\$ 200,000
<i>% of total</i>	53.83%	.03%	46.14%	100%

Step 2: Calculate uniform mill rate

<i>Total tax revenue required</i>				\$220,000
	Residential	Agricultural	Commercial	Total
<i>Total taxable assessment (Current year)</i>	6,513,000	6,000	3,481,000	10,000,000
<i>Uniform Mill Rate (\$220,000/10,000,000)</i>				22

Step 3: Current year tax revenue by property class

	Residential	Agricultural	Commercial	Total
<i>Current year municipal tax levy</i>	\$ 143,286	\$ 132	\$ 76,582	\$ 220,000

Step 4: Restate **desired** percentages for each property class:

	Residential	Agricultural	Commercial	Total
<i>Desired % of total</i> (a)	60%	.03%	39.97%	100%

Current year percentages by property class based on uniform mill rate

	Residential	Agricultural	Commercial	Total
<i>% of total</i> (b)	65.13%	.06%	34.81%	100%

Step 5: Calculate mill rate factors for each property class

	Residential	Agricultural	Commercial
Mill Rate Factor (a)/(b)	.921	.500	1.148

Step 6: Calculate the factored mill rate

Factored Mill Rate <i>Mill Rate Factor x Uniform Mill Rate</i>	20.262	11	25.256
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You may double-check that the totals reflect council's decision by calculating the tax revenue for each property class (taxable assessment x factored mill rate):

	Residential	Agricultural	Commercial	Total
<i>Tax revenue</i>	131,966.40	66	87,916.14	** 219,948.54
<i>Percentages</i>	60%	.03%	39.97%	100%

** Due to rounding of decimals at Step 5 and/or Step 6, the total tax levy may not be exactly the same as the previous year.

Also note that when the factored mill rates are applied to the *individual tax roll cards*, rounding of decimal numbers may result in the total levy being slightly different than the one you have calculated.

The steps illustrated in these examples may be used whether council decides to have a revenue neutral tax levy or an increase or decrease in the tax levy versus the previous year.

TAXATION IN ORGANIZED HAMLETS

Tax tools extend to include organized hamlets⁷. Special programs or services requested in an organized hamlet may be financed directly by that area, using the base tax, minimum tax, or mill rate factor tax tools.

The Municipalities Act states that at the **request of** or with the **consent of** the board of an organized hamlet, the rural municipal council may, by bylaw:

- provide for mill rate factors
- provide for a base tax
- provide for a minimum tax

that is different from the mill rate factors/base tax/minimum tax applied elsewhere in the municipality.

Open communication between an organized hamlet board and the rural municipal council will be important to determine the need and viability for setting a different mill rate factor, base tax, or minimum tax within the organized hamlet. Although a formal process is not addressed in legislation, it is suggested that rural municipalities work closely with organized hamlets to facilitate a consultation process for this purpose.

FREQUENTLY ASKED QUESTIONS

Exemptions

- *What happens if a municipality exempts a property from taxation?*

When a municipality exempts any land or improvement from **taxation**, it is required to raise, on behalf of any other taxing authority (OTA), an amount equal to what would have been levied if the **exemption** had not taken place. This is done by the municipality adjusting the OTA's uniform mill rate within the municipality.

If the OTA agrees to the exemption, the municipality **is not** required to raise, on behalf of the OTA an amount equal to what would have been levied if the exemption had not taken place.⁸

*Exemptions:
Economic
Development
Purposes*

- Are there any exceptions making up the OTA lost revenue when exempting a property?

Yes. When a municipality exempts any land or improvement from taxation for **economic development purposes**, the municipality is **not** required to make up the lost revenue on behalf of the OTA. Such an exemption may last for up to five years, after which an extension may be agreed to by the OTA.⁹

⁷ MA, sections 285, 289, and 290

⁸ MA, section 298

⁹ MA, section 298

*Fixed
Assessment
Agreements*

- *When council enters into a FIXED ASSESSMENT agreement with any person, is the municipality required to make up the other OTA's lost revenue?*

No. The provisions of the agreement prevail and no adjustment made on behalf of the OTA.¹⁰

*Regional
Parks*

- *Can tax tools be applied to property within a regional park?*

No. Since a regional park is not considered property within the boundaries of a municipality, municipal property tax tools cannot be applied (municipal tax tools may only apply to property within the municipality). A municipality shall provide assessment and taxation services to a regional park, if requested by regional park authority on or before March 1 of any year to do so. If so requested, the municipality shall apply the levy of a uniform amount on all property within the regional park as well as apply the appropriate education property tax levy.

The municipality retains 20% of the amount of taxes collected on behalf of the regional park authority for administrative costs incurred by the municipality. The council and the regional park authority may, however, agree to a different amount.¹¹

*Tax
Abatements*

- *When may council abate/cancel taxes?*

Council may cancel the municipal portion of taxes at any time, for any reason. When council wishes to include the OTA portion, the following provisions apply¹²:

- (a) there has been a change in the land or improvements to the extent that the council considers it inappropriate to collect the whole or a part of the taxes;
- (b) a lease, license, permit or contract has expired or been terminated with respect to land or improvements that are exempt from taxation;
- (c) in the council's opinion, the taxes owing are uncollectible;
- (d) in the council's opinion, the taxes owing have become uncollectible due to unforeseen hardship to the ratepayer; or
- (e) the council and other taxing authority agree that the compromise or abatement is in the best interests of the community.

¹⁰MA, section 198

¹¹ MA, section 302

¹² MA, section 274

- *What percentage does the rural municipality keep when administering an organized hamlet and how is this impacted by tax tools?*

An amount between 40% and 75% of the taxes collected may be allocated to the organized hamlet special account. This amount is to be determined by the council, in consultation with the hamlet board. Any amounts collected, whether based on a uniform mill rate or the use of tax tools, would be shared in accordance with the percentages agreed to by the council and organized hamlet board.¹³

ADDITIONAL RESOURCES

The Ministry of Municipal Affairs has prepared sample bylaws for each of the property tax tools. These sample bylaws may be found on the Ministry's web site.

www.municipal.gov.sk.ca

The Ministry has prepared a document entitled *Tax Tools Pamphlet* which provides information to citizens and taxpayers describing a municipality's discretionary authority to establish local tax policy. Municipalities may choose to distribute this resource to help inform taxpayers about changes to municipal tax policy.

¹³ MA, section 69