

Your municipal taxes will be the greater of the minimum tax or the *ad valorem* tax calculation. In other words, you will pay either the minimum tax or the *ad valorem* tax.

For example, let's assume that the municipality has implemented a minimum tax of \$400. The mill rate decreases slightly to 13.0 mills and we have 2 properties – Property “A” has an assessed value of \$81,700 and Property “B” is assessed at \$13,000.

- Using the *ad valorem* tax calculation, the municipal tax levy relative to Property “A” is $\$81,700 \times 13 / 1000 = \$1,062$. As this amount is greater than \$400, the property taxes for Property “A” will be \$1,062.
- Using the *ad valorem* tax calculation, the municipal tax levy relative to Property “B” is $\$13,000 \times 13 / 1000 = \169 . As this amount is less than \$400, the property taxes for Property “B” will be \$400.

Tax Tool – Base Tax

A base tax may be applied to all properties within one or more property classes. Base tax will be a specified amount. A base tax will lower the tax rate reducing the difference in property taxes between lower and higher assessed properties.

Your municipal taxes will be determined by adding the base tax to the *ad valorem* tax calculation. In other words, we will build on the base.

For example, let's assume that the municipality has established a base tax of \$400 on residential property, and a base tax of \$500 on commercial property. As a result of implementing base tax policy, the tax rate is reduced to 7.0 mills.

- Your commercial property taxes will be $\$500 + (\$81,700 \times 7.0 / 1000) = \$500 + \$572 = \$1,072$.
- Your residential property taxes will be $\$400 + (\$81,700 \times 7.0 / 1000) = \$400 + \$572 = \972 .

Municipal Jurisdiction

Your council is elected to make decisions that they consider appropriate and in the best interests of the municipality. These decisions may be based, in part, on your expectations as well as those of other citizens, and in part, on the judgement of the member. Tax policy, whether the municipality chooses the *ad valorem* method of taxation or to utilize one or more of the available tax tools is almost certain to generate discussion. Questions regarding the tax policy in your municipality should be directed to your mayor, reeve, and members of council.

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**Saskatchewan
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MUNICIPAL PROPERTY TAX TOOLS

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Municipalities (cities, towns, villages, resort villages, and rural municipalities) raise most of their revenue through property taxes.

Traditionally, your property taxes were calculated using the *ad valorem* basis of taxation meaning that your property taxes increase proportionately with the value of your property.

Property taxes for your school division continue to be calculated using the *ad valorem* basis. Your tax bill will include both municipal and school taxes. There may also be other special taxes which could affect the total amount of your tax bill.

Ad Valorem Method of Tax Calculation

To calculate your property taxes using the *ad valorem* method of taxation:

1. Your property is assessed by the municipality's assessment service provider (usually but not necessarily the Saskatchewan Assessment Management Agency) who calculates a value for tax purposes.
2. A provincially established percentage is applied to this value – this is called your taxable assessment.
3. The municipal council adopts a budget outlining expected expenditures and revenues, including the amount each requires from property taxation.
4. The council establishes the municipal tax rate (or uniform mill rate) expressed as a mill, by dividing the amount of taxation revenue it requires by the total taxable assessment, and multiplying that number by 1000.

- For example, a municipality with a total taxable assessment of \$34,200,000 requires property tax revenue of \$478,800.
 - The tax rate is $\$478,800 / \$34,200,000 \times 1,000 = 14.0$ mills.
5. The municipal portion of your property tax is calculated by multiplying your taxable assessment times the tax rate, and dividing that number by 1000.
- For example, if your taxable assessment is \$81,700, the municipal portion of your property tax will be $\$81,700 \times 14.0 / 1000 = \$1,144$.

Tax Tools – What are They?

Some people suggest that all citizens (property owners and renters) essentially receive the same services, and that there is no linkage between property taxes and benefits received. Others advocate that persons who own higher assessed properties can afford to pay a larger share of the cost of collective public services.

Tax tools are a mechanism allowing council to redistribute the cost of public services within its tax base. Tax tools may only be applied to municipal property taxes.

Municipalities have three tax tools that can be used individually or in combinations.

Tax Tool – Mill Rate Factors

A municipality may use mill rate factors to transfer some of the cost of public services from one property classification to another. All property in a municipality is classified as agricultural, residential or commercial. Mill rate factors essentially adjust the mill rate, with the

result that the effective mill rate for a specific property classification may be higher or lower than other property classifications.

To calculate the municipal portion of your property taxes when council implements a mill rate factor, the *ad valorem* tax calculation is multiplied by the mill rate factor. If the mill rate factor is greater than 1.0, the resulting property taxes will be higher; if the mill rate factor is less than 1.0, the resulting property taxes will be lower.

For example, using the above specifics, let's assume that the municipality has implemented mill rate factors of 1.1 for commercial property, and 0.8 for residential property.

- Your commercial property taxes would be $(\$81,700 \times 14.0 / 1000) \times 1.1 = \$1,258$.
- Your residential property taxes would be $(\$81,700 \times 14.0 / 1000) \times 0.8 = \915 .

By deciding to use these mill rate factors, the council has decided that commercial properties in the municipality will pay a greater share of the cost of public services, relative to residential properties.

Tax Tool – Minimum Tax

A minimum tax may be established to increase the amount of taxation revenue generated from lower assessed properties within one or more property classifications. Minimum tax will generally be a specified value or amount; however, it may also be expressed in a formula.

This tax policy will reduce the uniform mill rate which will benefit properties with higher assessed values.