

A sessment Bulletin

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ANNEXATION and EDUCATION TAXES

When a municipality is contemplating an annexation, it is important to consider the administration of the education portion of the property tax. Two matters are presented here for consideration.

- 1) The provincial education requisition lags one year behind the municipal tax year because it is calculated based on equalized assessments (taxable assessments from the previous year).

When lands transfer from one municipality to another, the education requisition will not catch up with the annexation until the year after the annexed properties become taxable in the new municipal authority. This means that the old municipal authority will be requisitioned for the annexed properties in the year after an annexation comes into effect.

One solution to the lagging requisition is to include a provision in the annexation order that directs the new municipal authority to transfer the education tax revenues raised on the annexed properties back to the old municipal authority in the year the annexed properties become taxable in the new municipal authority. Otherwise, this matter may be resolved through a compensation clause in the annexation order.

- 2) Conditions regarding “property tax rates” apply to **municipal** and **education** property taxes.

Municipal and education property taxes are impacted when an annexation order states the “property tax rates” in the annexed area will remain the same as those set by the old municipal authority for a specific number of years. Therefore, if the intent is to apply such condition to the municipal portion of the property tax only, the order needs to specify “*municipal property tax rates.*”

For assistance in determining the impact of an annexation on the education requisition or in calculating local education tax rates to meet the conditions of an annexation agreement, please contact the Education Tax and Assessment Advisory Unit of Alberta Municipal Affairs at 780-422-7125 (toll free from anywhere in Alberta by first dialing 310-0000).

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