

PREPARING A PROPERTY TAX BYLAW

**MGA
Reference:**

Property tax is a main source of revenue for financing municipal operations. Property tax rates can be established once council adopts the annual operating and capital budgets and the annual assessment roll is prepared. Most municipal councils will pass their property tax bylaws in April or May.

s. 247

**s. 302
s. 353**

There are four assessment classes: residential; non-residential (i.e. commercial, industrial, and linear); farm land; and machinery and equipment. Council may vary the municipal tax rates for each of the four assessment classes, but the rate for the machinery and equipment class must equal the rate for the non-residential class. The *Municipal Government Act (MGA)* does provide for sub-classes for residential, but does not provide for the splitting of tax rates within the non-residential assessment class (other than for vacant and improved property).

s. 297(1)

s. 354(3)

s. 354(3.1)

The tax rates are set annually. A property tax rate is calculated by dividing the tax levy required by the corresponding property assessment class or subclass, or if desired, the total tax levy required by the total property assessment. For example, if a municipality needs to raise a total levy of \$200,000 from non-residential properties and the related taxable assessment is \$15,000,000, the tax rate for the non-residential class is calculated as follows:

s. 355

$$\$200,000 / \$15,000,000 = 0.01333$$

While there is no reference to mill rate in the *MGA*, most municipalities express this tax rate in "mills" by multiplying the resulting tax rate by 1,000. The calculated mill rate for the above example is "13.33". This means that for each \$1,000 of property assessment, \$13.33 of property tax is to be paid.

In addition to the municipal tax rates, municipalities must set tax rates to raise the revenue for any requisitions they are required to pay (e.g. Alberta School Foundation Fund requisition, school board requisition, an ambulance district requisition, and a housing management body requisition). Each tax rate must be identified separately on the tax notice.

s. 356

**s. 326(a)
s. 359**

s. 334(3)

Other cost sharing programs requiring payments, such as intermunicipal library board agreements, fire agreements, or recreation agreements, should be included in the annual budget and included as part of general municipal taxation.

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No rate can be established for a tax not expressly authorized in the *MGA*. Once the tax notices are sent, the property tax rate bylaw cannot be amended unless approved by Ministerial Order.

MGA Reference:

s. 354(5)

MINIMUM TAX

Although the *MGA* does not permit a municipality to levy a minimum tax rate, it does permit a municipality to levy a minimum amount payable as a property tax in its property tax bylaw.

s. 357

A minimum amount payable is not a fixed surcharge on all taxpayers; it is a tax floor amount on each property. Municipalities are able to realize additional revenue on these properties only if the calculated tax rate multiplied by the assessed value of these properties is lower than the minimum amount payable. If the calculated tax amount is higher than the minimum amount payable, the minimum amount payable is no longer applicable. The *MGA* grants no authority for both a minimum amount payable and a tax rate on a property.

**s. 356
s. 357**

The minimum amount payable is only applicable to the municipal portion of the total property tax payable. The tax notice must indicate the tax rates set by the property tax bylaw to raise the revenue required to pay the school and other requisitions.

s. 357(2)

OTHER TAX BYLAWS

In addition to property taxes, a municipality may pass a business tax bylaw, a special tax bylaw (i.e. paving tax or recreational services tax), or a local improvement tax bylaw. As well, the *MGA* provides for taxes within a business revitalization zone and for a tax on well drilling equipment. While these taxes are a source of estimated revenue in the budget, they are not included in the property tax bylaw.

**s. 371
s. 382
s. 391
s. 381
s.381.2
s. 388
s. 409.1**

Other Sources of Revenue

Tax agreements for municipal property can be made between a municipality and an operator of a public utility or linear operator. A tax agreement permits the operator to collect a payment based on a fixed percentage of gross revenue rather than on the operator's property assessment.

s. 360

Other sources of revenue available to municipalities are generally related to user fees. Development charges, and utility charges for water, sewer treatment, and garbage collection are common in Alberta municipalities. Council may want to develop a policy setting the rates based on the cost recovery. Fees can also be set for other services such as recreational facilities, photocopying, or meeting room rental. These sources of revenue are general municipal revenues and are not included separately as a tax rate in the property tax bylaw.

Attachment

**Sample
Municipality of Anywhere
2011 Property Tax Bylaw No. ____-11**

A BYLAW TO AUTHORIZE THE RATES OF TAXATION TO BE LEVIED AGAINST ASSESSABLE PROPERTY WITHIN THE MUNICIPALITY OF ANYWHERE FOR THE 2011 TAXATION YEAR.

WHEREAS, the Municipality of Anywhere has prepared and adopted detailed estimates of municipal revenue and expenditures as required, at the council meeting held on [Insert Date], 2011; and

WHEREAS, the estimated municipal expenditures and transfers set out in the budget for the Municipality of Anywhere for 2011 total \$2,500,000; and

WHEREAS, the requisitions are:

Alberta School Foundation Fund (ASFF)	
- Residential/Farm land	\$120,000
- Non-residential	\$ 83,000
Opted Out School Boards	
- Residential/Farm land	\$30,000
- Non-residential	\$20,750
Ambulance District Requisition	\$12,000
Housing Management Body Requisition	\$8,000
Requisition Allowance*	\$ 2,000

*TIP: A Requisition allowance assigns a tax rate for the purpose of collecting sufficient revenue for uncollected requisitions levied in a municipality, and may not exceed the rate of uncollected taxes from the previous year, as per section 359(2) of the *Municipal Government Act (MGA)*. This rate does not apply to any shortfall in the collection of the previous year's requisitions. Adjustments for shortfalls or over-collections from the previous year are to be applied to the current year's revenue requirement, as per section 359(3) of the *MGA*.

WHEREAS, the council is authorized to classify assessed property, and to establish different rates of taxation in respect to each class of property, subject to the *Municipal Government Act*, Chapter M-26, Revised Statutes of Alberta, 2000; and

WHEREAS, the assessed value of all property in the Municipality of Anywhere as shown on the assessment roll is:

	Assessment
Residential	\$42,680,000
Non-residential	
- Vacant	\$800,000
- Improved	\$16,500,000
Farm land	\$200,000
Machinery and Equipment	\$150,000
	\$60,330,000

Sample 2011 Property Tax Bylaw – Page 2

WHEREAS, the estimated municipal revenues and transfers from all sources other than property taxation is estimated at \$1,700,000 and the balance of \$800,000 is to be raised by general municipal property taxation; and

TIP: These totals should add up to the total expenditures and transfers above.

NOW THEREFORE under the authority of the *Municipal Government Act*, the Council of the Municipality of Anywhere, in the Province of Alberta, enacts as follows:

1. That the Chief Administrative Officer is hereby authorized to levy the following rates of taxation on the assessed value of all property as shown on the assessment roll of the Municipality of Anywhere:

	Tax Levy	Assessment	Tax Rate
General Municipal			
- Residential & Farm land	\$465,000	\$42,880,000	0.010844
- Non-residential (Individual)	\$307,400	\$17,300,000	0.017769
- Machinery & Equipment*	\$2,600	\$150,000	0.017769
Estimated minimum tax	\$25,000		
Totals:	\$800,000	\$60,330,000	
ASFF (Residential & Farm land)			
	\$120,000	\$32,165,714	0.002800**
ASFF (Non-residential)			
	\$83,000	\$12,977,083	0.004800**
Opted Out (Residential & Farm land)			
	\$30,000	\$10,714,286	0.002800**
Opted Out (Non-residential)			
	\$20,750	\$4,322,917	0.004800**
Totals:	\$253,750	\$60,180,000	
Requisition Allowance			
	\$2,000	\$60,330,000	0.000033
Ambulance District			
	\$12,000	\$60,330,000	0.000199
Housing Management Body			
	\$8,000	\$60,330,000	0.000133
Totals:	\$22,000		
Grand Totals:	\$1,075,750		

*TIP: Properties classed as machinery and equipment cannot be assessed for a Business Tax if a property tax is applied, as per section 376 of the *MGA*.

**TIP: Municipalities are required to set the same local school rates for public (ASFF) and separate (Opted Out) school board supporters for each class of property, as per section 164(2)(b) of the *School Act*.

2. That the minimum amount payable per parcel as property tax for general municipal purposes shall be \$250.

TIP: Council may choose to set a different amount payable as minimum tax for residential and non-residential classes and subclasses.

3. If any portion of this bylaw is declared invalid by a court of competent jurisdiction, then the invalid portion must be severed and the remainder of the bylaw is deemed valid.

Sample 2011 Property Tax Bylaw – Page 3

4. That this bylaw shall take effect on the date of the third and final reading.

READ a first time on this ___ day of _____, 2011.

READ a second time on this ___ day of _____, 2011.

READ a third and final time on this ___ day of _____, 2011.

Signed this ___ day of _____, 2011.

Chief Elected Official

Chief Administrative Officer

Example

This is a sample calculation to illustrate the dollars generated through the assessment times the tax rate:

2008 Total Assessment: \$350,000

\$350,000 x 0.010844 tax rate = \$3,795.40 – General Municipal Taxes

\$350,000 x 0.002800 tax rate = \$980.00 – Alberta School Foundation Fund

\$350,000 x 0.000033 tax rate = \$11.55 – Requisition Allowance

\$350,000 x 0.000199 tax rate = \$69.65 – Ambulance District

\$350,000 x 0.000133 tax rate = \$46.55 – Housing Management Body

Total Payable = \$4,903.15

In this scenario, this property is calculated to have general municipal taxes owing of \$3,795.40, which is more than the minimum tax of \$250, therefore the minimum tax cannot be applied.