

Advisory Spect's

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Regulation is re-enacted, but first gets a facelift

Municipal administrators and property assessors, who refer regularly to the Matters Relating to Assessment and Taxation (MRAT) Regulation, may notice something different about the newly approved version.

The difference is in its organization, says Susan Thomson, legislative advisor with Alberta Municipal Affairs. The department has reordered the contents of the regulation for greater readability and ease of understanding.

The new version makes no change to existing policies or procedures, although a few sections have been added or reworded for clarification purposes.

The previous version of the MRAT regulation was scheduled to expire this year on November 30. Most regulations in Alberta have expiry

dates to ensure that they are reviewed periodically for ongoing relevancy. The regulations are subsequently re-enacted with no change, amended and re-enacted, or allowed to expire if appropriate.

“We’ve been doing a number of things to make it as easy as possible for people to access information in municipal legislation and regulations,” Susan says, “and to understand and apply the legislation and regulations. The restructuring of MRAT is one of our initiatives in this area.”

The reorganized version of the MRAT regulation came into effect on December 1, 2004, and is

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scheduled to expire in 2009. It has six parts entitled:

- Standards of assessment
- Recording and reporting property information
- Equalized assessment
- Assessment audits
- Property tax exemption for residences and farm buildings, and
- Repeal, expiry and coming into force.

The MRAT regulation was last amended in the fall of 2003. The changes at that time included some added or reworded sections on assessment quality and on the reporting of assessment information to the department.



A process of renewal: The MRAT regulation has been reorganized for improved readability and ease of use. The reshaping process was overseen by Ron Cust, manager of assessment and tax legislation, and Susan Thomson, legislative advisor with Alberta Municipal Affairs.

The re-enacted MRAT is available through the Queen's Printer website at www.qp.gov.ab.ca. It will also be included in the 2005 update (to be available through the Queen's Printer) to the Local Government Statutes and Regulations binder. 

For more information, please contact Susan Thomson at (780) 415-6237, or by e-mail at susan.thomson@gov.ab.ca. To call toll-free, dial 310-0000 first.

ASSET update

Stakeholders to build on progress made in past year

Municipal Affairs has been consulting closely with municipal-provincial stakeholder committees on how to build on the successes of ASSET (Alberta Shared Services Environment).

"It has been quite an achievement," says Steve White, chair of the Equalized Assessment Panel (EAP) Technical Committee.

"All stakeholders – municipalities, assessors, and the department – have come a long way in the past year. The system is in operation

across the province, but we realize there are still some transitional matters to address."

The technical committee has focused this fall on what remains to be done to implement the system fully.

The technical committee is made up of representatives of the municipal sector, the department and the Alberta Assessors' Association. It forwards recommendations for approval to the ASSET Steering Committee, which consists of representatives from the Alberta Association of Municipal Districts and Counties, the Alberta Urban Municipalities Association and the provincial government.

2005 equalized assessments

Based on input from the committees, Municipal Affairs has determined that it is not yet time to move to the use of current year property assessments for the equalized assessment process. This means that the 2004 ASSET data submissions are being used to prepare the 2005 equalized assessments.

To provide the province with more time to review the 2004 ASSET submissions, the date for preparing the 2005 equalized assessments has been extended from November 1 to December 31, 2004.

2005 ASSET submissions

The assessment reporting deadline of January 31 will not be put into effect for 2005. The date for declaring assessments, as stated in Part 2 of the Alberta Assessment Quality Minister's Guidelines, will be extended from January 31 to February 28, 2005. This will

coincide with the legislated deadline for the preparation of municipal assessment rolls.

To declare the municipality's assessment, the assessor will need to ensure that the assessment and property sales data passes the annual audit stage 1 test on the ASSET system. This test indicates whether the data has met the quality standards in the Matters Relating to Assessment and Taxation Regulation.

“ It has been quite an achievement. All stakeholders – municipalities, assessors, and the department – have come a long way in the past year. ”

Updated ASSET reporting requirements

Land use and actual use – For the 2005 tax year, municipalities should submit information into ASSET on the approved land use (zoning) and the actual use of properties in the manner described in the *Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual*. All four levels of actual use data are to be submitted. The actual use table in the manual was recently reviewed and updated by the technical committee.

Improvement classification and tax exempt property – The timeline has been extended to 2006 for the submission into ASSET of the following information as set out in the manual:

- improvement classifications (Model Quality Structure codes), and
- the legislative authority for tax exempt properties (tax exemption codes).

continued...



Advisory role continues

In the coming year, the technical committee will stay in place as an advisory body. The committee will bring forward the perspectives of assessment stakeholders and address technical implementation matters. **A**

For more information, see EAP Technical Committee bulletin 04-12, *ASSET News* bulletins 04-13 and 04-14, and the e-mail correspondence of October 5, 2004, from former Deputy Minister Brad Pickering to municipal chief administrative officers and assessors. The bulletins and the updated actual use table are posted on the ASSET system and on the department's website at www.municipalaffairs.gov.ab.ca/as.

ASSET funding for municipalities

The ASSET Steering Committee has agreed to provide funding again in 2005 to assist municipalities with the transition to the ASSET system.

Although the details are yet to be finalized, the funding formula will likely be similar to the 2004 formula. Ninety-seven percent of Alberta's municipalities qualified for ASSET funding in 2004.

Assessment best practices

Adjusting property sale prices for time factors

This is the second in a series of articles on topics identified by assessment auditors with the Assessment Services Branch of Alberta Municipal Affairs. This article discusses the importance of making adjustments to property sales data to reflect changes in market price levels over time.

As part of the annual assessment process, each municipality's assessor gathers information on property sales, verifies whether the sales are arm's length transactions, and adjusts the sales data as necessary to account for factors that may influence property sale prices.

One of the factors that has to be reflected in the adjustment of sales data relates to time. A property's sale price may need to be adjusted to reflect increases or decreases in overall market price levels from the time the property was sold to the date on which the assessment is required to reflect the property's market value (the July 1 valuation date).

The adjustment of sales data for time or other factors is identified as a best practice in the department's *Detailed Assessment Audit Manual*. As a best practice, assessors should continually analyse sale price levels and apply any warranted time adjustments.

There are four recognized methods for making time adjustments in mass appraisal: average unit value comparisons, sales ratio trend

From the manual...

"The assessor is expected to review the sales to determine if adjustments are required to the sale price for time or other factors (required by best practice)...."

— Excerpt from section 3.5 (v) of the *Detailed Assessment Audit Manual*

analysis, multiple regression models, and resales analysis. These methods are described in the *Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual* (section 3.3, pages 72 to 77).

A key to measuring assessment quality

Property sales data is used in assessment-to-sale ratio (ASR) studies to determine how closely the assessed value of property compares at a prescribed point in time (the valuation date) to the market value of property. Property sale prices that are verified and adjusted, if necessary, are considered the best indicators of market value.

ASR studies are carried out by assessors to measure assessment levels in their municipalities, and by the department in its audits of municipal assessments.

In its annual audit, the department uses adjusted sales data from the 12-month period prior to the July 1 valuation date. For the 2004 assessment year, for example, the sales period that will be used for auditing purposes is July 2003 to June 2004. If there are not enough sales within this timeframe to provide a reliable indicator of market value – that is, less than 15 valid sales – the period from which the sales are drawn may be extended an additional two years.

The adjustment of property sale prices to reflect changes in market value over time is important for the annual assessment audit. The

Recording and Reporting Manual notes that: “Given that the sales period ends on June 30 of the assessment year and the statutory valuation date is July 1, all sales should be analyzed for time adjustments and adjusted accordingly.”

In past years’ annual audits, the department used data on property sales that occurred during the January-to-December calendar year (or longer if necessary). When this sales period was in effect, time-related adjustments were not perceived to be as critical because, in normal periods of market activity, the assessment levels from the six months of sales after July 1 would usually offset the assessment levels from the six months of sales prior to July 1. With the sales period now being the 12 months prior to July 1, this offsetting effect no longer occurs.

The July-to-June sales period was adopted by Municipal Affairs for the annual audit in response to a recommendation by the Equalized Assessment Panel Technical Committee. With the implementation of the new ASSET process and timelines, the committee recognized that some assessors might be hard pressed to submit information on all sales occurring up to December 31 by the annual audit date.

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The technical committee recommended that the department adopt the July-to-June sales period to give assessors sufficient time to adjust and report their data to the department.

If you have any questions about time-related adjustments of property sale prices, please call the assessment auditor for your municipality. **A**

Companies to report their inventory by year-end

Each fall, utility companies that own electric power, telecommunication and cable television systems are asked to provide information about their linear property to the Assessment Services Branch.

In its requests for information (RFIs), the branch specifies that companies should provide details about their linear inventory as it existed on October 31. Under legislation, linear property assessments are required to reflect the specifications and characteristics of property as of that date.

To prepare linear property assessments for wells and most types of pipelines, the branch uses data from records of the Alberta Energy and Utilities Board (EUB). The branch sends RFIs to the owners of pipelines that are not registered with the EUB (for example, pipelines used by gas distribution companies to move natural gas to homes).

Companies have until the end of December to report their information, as specified in section 292 of the *Municipal Government Act* (MGA).

December 31 – The date by which companies that own electric power, telecommunication and cable television systems (and some types of pipelines) are to provide details about their linear property to Municipal Affairs (MGA, section 292).

February 28 – Annual deadline for municipalities to prepare property assessment rolls, which include the linear property assessments prepared by Municipal Affairs (MGA, section 302).

February 28 to December 31 – From time to time during the tax year, the department is notified about corrections that need to be made to linear property information. These corrections come from the Alberta Energy and Utilities Board or linear property owners providing additional responses to RFIs. The corrections may include changes to the ownership and/or characteristics of certain properties. The department amends the linear assessments for these properties as necessary, and provides copies of the amended assessment notices to property owners and municipalities.

Key dates in linear property assessment

October 31 – Each linear property assessment is required to reflect the specifications and characteristics of the linear property on this date (*Municipal Government Act*, section 292).

Linear property in Alberta municipalities – Taxable assessment



Type of linear property	Number of accounts	Taxable assessment (June 2004, \$ billion)
Pipelines	180,120	\$16.2
Wells	166,714	\$10.0
Electric power transmission, distribution and street lighting systems	12,876	\$2.7
Electric power generation systems	1,268	\$2.7
Telecommunications systems	8,186	\$1.9
Cable television systems	1,180	\$0.13
Gas distribution systems	970	\$0.35

Does not include linear property in First Nations reserves or Metis settlements.

Overview for 2004 tax year

The Assessment Services Branch prepared assessments for 371,314 linear property accounts for the 2003 assessment year/2004 tax year.

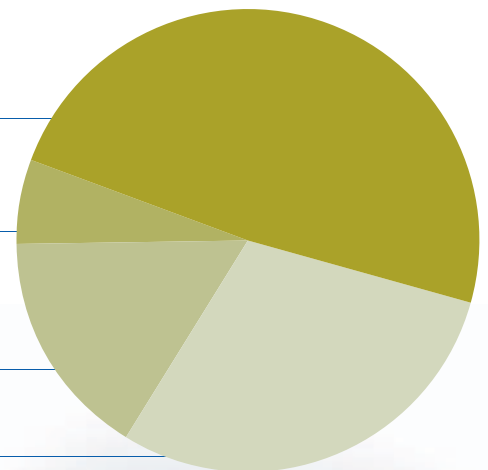
About 1,200 companies own linear property in Alberta. The total taxable assessment on linear property in all municipalities is about \$34 billion (June 2004). The table on this page shows the number of accounts and taxable assessment for the different types of linear property.

Pipelines and gas distribution systems **\$16.5 billion**

Telecommunications and cable television systems **\$2 billion**

Electric power systems **\$5.4 billion**

Wells **\$10 billion**



Appeals update

GT Group Telecom Services Corp

2001 and 2002 tax years – The Municipal Government Board (MGB) released its decision in September 2003. GT Group Telecom filed an application with the Court of Queen’s Bench for a judicial review of the MGB decision. The judicial review application was heard on

November 4, 2004, and the decision is pending.

Alliance Pipeline Ltd.

2001 tax year – In March 2004, Alliance Pipeline Ltd. appealed a decision of the Court of Queen’s Bench to the Alberta Court of Appeal. The Court of Queen’s Bench had supported an MGB ruling that the pipeline

was assessable. The appeal is set for May 17, 2005. **A**

Legislative update

The following regulations related to property assessment matters were recently approved and filed.

Regional Shopping Centre Allocation of Assessment Regulation


The Regional Shopping Centre Allocation of Assessment Regulation (AR 249/2002), which was due to expire in November, was re-enacted to continue the 10-year phase-in of changes to the internal allocation of assessments to tenants in regional shopping centres. The regulation

was filed as AR 163/2004 and became effective on November 24, 2004.

Electric Energy Generation Exemption Regulation

The Electric Energy Generation Exemption Regulation, which was due to expire in December, was re-enacted to continue to allow the Minister to exempt electric power generation systems from the Alberta School Foundation Fund (ASFF) to the extent that the Minister considers appropriate. The regulation was filed as AR 171/2004 and will come into force on January 1, 2005.

Extension of Linear Property Regulation

The Extension of Linear Property Regulation, which was due to expire in December, was re-enacted to continue to treat all electric power generation systems as linear property for assessment and taxation purposes. The regulation was filed as AR 172/2004 and will come into force on January 1, 2005. 

For copies of the above regulations, please contact the Queen's Printer office by phone at (780) 427-4952, by fax at (780) 452-0668, by e-mail at qp@gov.ab.ca or at its website at <http://www.qp.gov.ab.ca>. To call toll-free, dial 310-0000 first.

Advisory Aspects is published three times a year by the Assessment Services Branch of Alberta Municipal Affairs. It includes information of interest to municipal administrators and property assessors in Alberta.

We welcome your comments and suggestions for articles. Please write to us at:

Advisory Aspects

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*Happy holidays
and best wishes for
the new year!*

– From the Assessment Services Branch
of Alberta Municipal Affairs

