

A Snapshot of the 2014 Provincial Equalized Assessment and Education Requisition

August 2014

What Is Inside?

➤ About this newsletter	Page 1
➤ Highlights of 2014 equalized assessments	Page 2
➤ Year-over-year changes	Page 4
➤ Reporting and declaring assessment information	Page 6
➤ Overview of 2014 education requisition	Page 7
➤ Supplementary assessments and taxes	Page 10

About This Newsletter

This newsletter provides an overview of the 2014 provincial equalized assessment and the education property tax requisition. Wherever applicable, previous years' information is also presented to provide readers with a broader context and historical perspective.

In Alberta, equalized assessments form the base on which the provincial government requisitions education property taxes from municipalities. Equalization is the process to bring each municipality's taxable assessments to a common level. This process creates inter-municipal fairness in the distribution of the provincial education property tax requisition, and the allocation of costs for inter-municipal programs (e.g., seniors lodges).

Each year, the Grants and Education Property Tax Branch (GEPT) of Alberta Municipal Affairs uses audited taxable assessment data to prepare equalized assessments for every municipality. The 2014 equalized assessments were prepared using 2013 taxable assessment data and published on November 1, 2013.

In collaboration with municipalities and assessors, GEPT examines the assessment data submitted by designated assessors, monitors revision loads, and reviews supplementary assessments and supplementary education property taxes.

Highlights of 2014 Equalized Assessments

As shown in Table 1, the total 2014 Provincial Equalized Assessment is \$795 billion, an increase of 6.6 per cent over 2013. Chart 1 indicates that Calgary and Edmonton comprise close to half of the total. All cities combined account for about 60 per cent. Chart 2 shows the equalized assessment by property class and subclass. Residential property accounts for about 63 per cent of the total 2014 Provincial Equalized Assessment.

Table 1 2014 Equalized Assessments by Municipality Type (\$ millions)*

Municipality Type	Residential	Farmland	Non-residential				Machinery and Equipment	Total
			Non-regulated **	Linear Property	Railway	Co-generating ***		
Calgary	172,694	10	60,030	1,844	191	0	310	235,079
Edmonton	105,171	32	36,215	1,734	10	0	965	144,126
Other cities	63,941	55	16,862	1,133	10	10	1,926	83,938
Specialized Municipalities	31,929	78	10,794	4,363	23	0	32,226	79,413
Municipal Districts	65,668	5,673	18,878	57,016	292	4	27,302	174,833
Towns	51,582	24	11,309	906	21	1	697	64,540
Villages	2,688	2	390	92	4	0	61	3,238
Summer Villages	3,036	0	13	12	0	0	0	3,060
Improvement Districts	275	0	703	884	25	0	764	2,651
Special Areas	335	324	215	3,009	1	0	610	4,494
Provincial Total	497,319	6,198	155,410	70,992	576	15	64,862	795,372

*Unless indicated otherwise, equalized assessment data in this publication are official data published on November 1 of the previous year.

** Non-regulated properties refer to the non-residential properties that are not assessed using the regulated procedure-based standard. They include industrial and commercial properties.

*** Co-generating properties refer to power generating facilities that are part of manufacturing and processing plants and do not supply power into the provincial grid system. This is different from the power generation sub-class of linear property.

Chart 1 Percentage of 2014 Equalized Assessment by Municipality Type

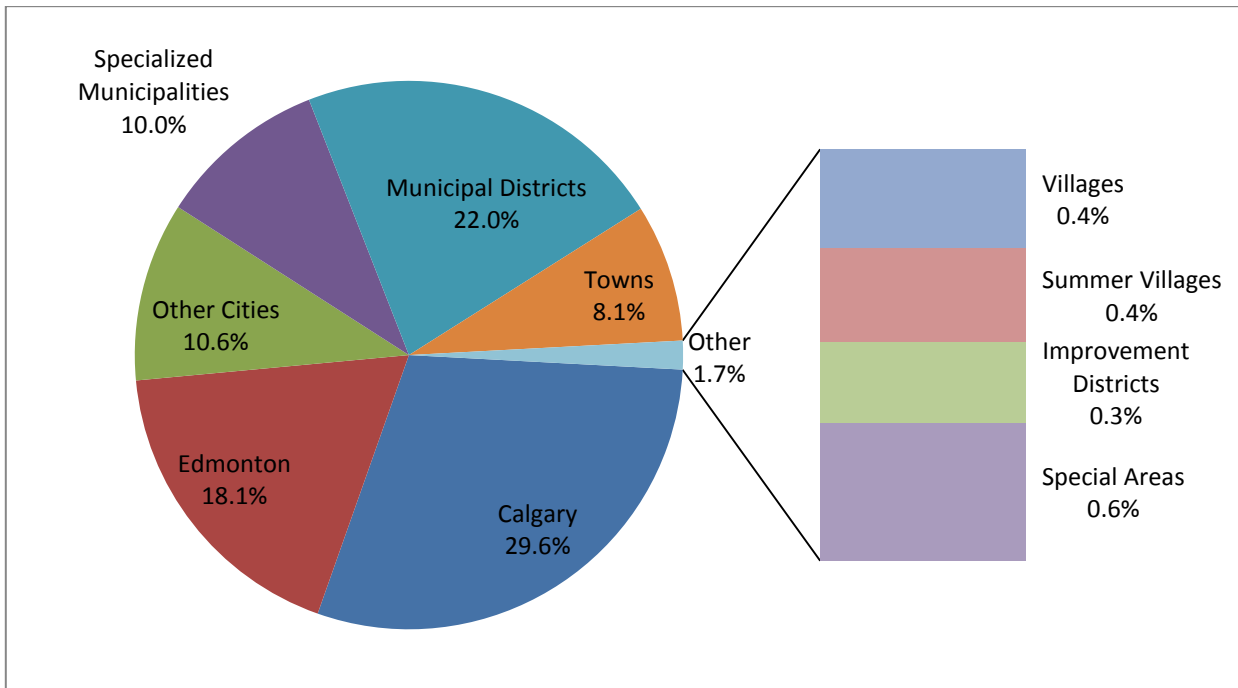
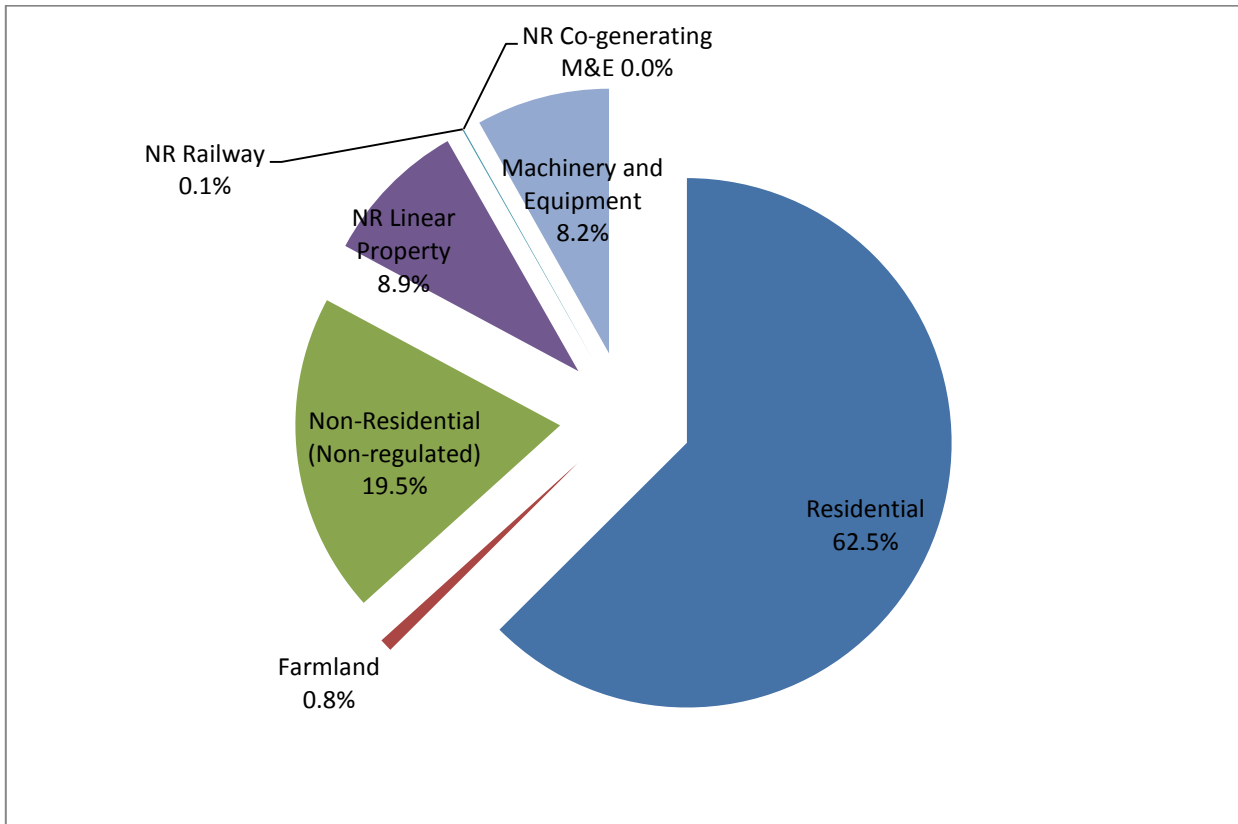


Chart 2 2014 Equalized Assessments by Assessment Class/Subclass



Year-over-Year Changes

Equalized assessments are affected by changes in the real estate market. The 2014 equalized assessment (based on the market value of 2012) increased by 7 per cent over 2013, the highest growth rate since 2009. This was mainly driven by a strong growth in the non-residential, non-regulated property assessments, which had a significant increase of 14 per cent.

From 2005 to 2010 the total equalized assessment increased by 138 per cent due to rapid economic growth and a strong real estate market. Four consecutive years (2006, 2007, 2008 and 2009) experienced increases of above 10 per cent, with increases of greater than 30 per cent in 2008 and 2009 (reflecting the markets in 2006 and 2007, respectively).

Increases in residential property assessments were a major driver of the overall increases for those years. From 2008 to 2009, the total equalized assessment for residential properties increased by 43 per cent. This coincided with the significant growth in the housing market in Alberta, which peaked in 2007.

The year 2011 saw the first decline in the total equalized assessment since 2005. This was as a direct result of the dramatic price drop of real properties in 2009.

Changes in equalized assessments will directly affect municipalities' share of the provincial education property tax requisition now that the requisition distribution is only based on equalized assessments.

Table 2 provides a breakdown of provincial equalized assessments from 2005 to 2014 by class or sub-class; Table 3 shows the year-over-year percentage changes. Chart 3 visually graphs the changes over this period.

Table 2 Provincial Equalized Assessments 2005-14 (\$ millions)

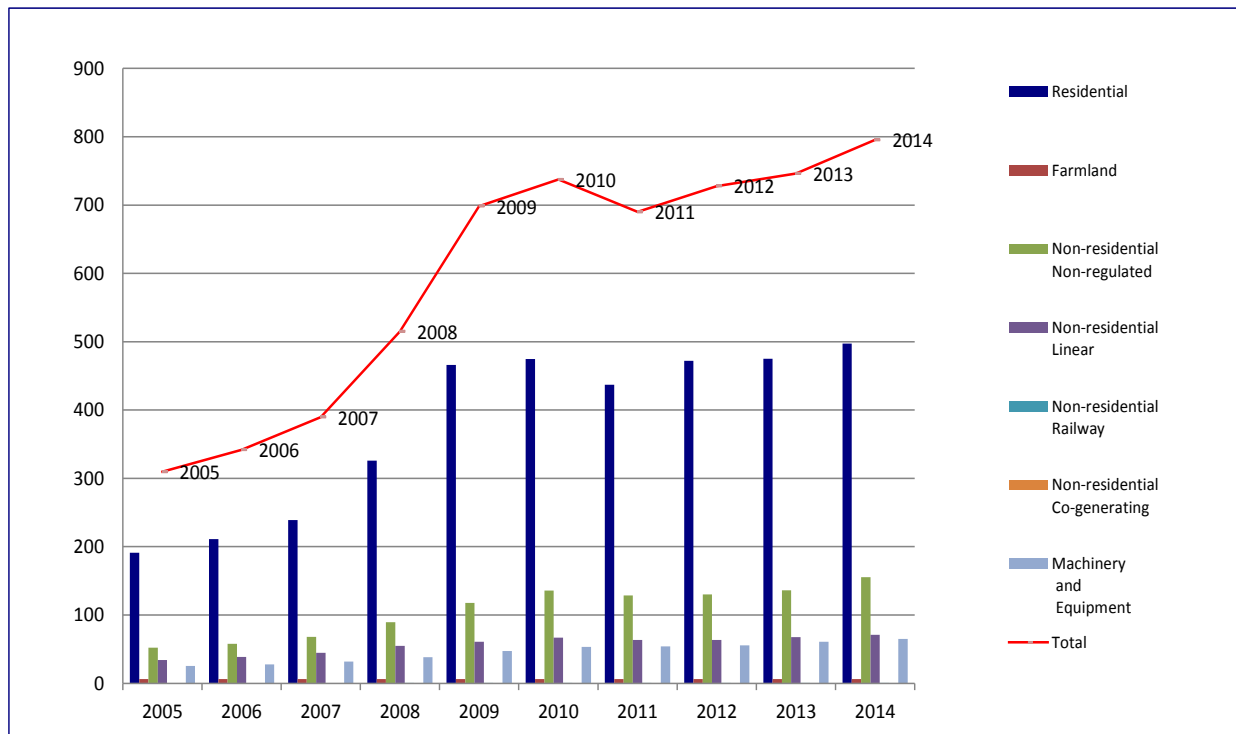
Year	Residential	Farmland	Non-residential				Machinery and Equipment	Total
			Non-regulated	Linear	Railway	Co-generating		
2005	191,008	6,303	52,292	34,191	288	91	25,452	309,624
2006	210,967	6,182	57,876	38,527	312	89	27,902	341,855
2007	238,868	6,176	67,820	44,686	316	64	31,706	389,636
2008	325,933	6,179	89,390	54,654	483	22	38,359	515,019
2009	465,908	6,168	117,748	60,862	532	23	47,132	698,373
2010	474,684	6,176	135,871	66,821	595	11	53,345	737,503
2011	437,060	6,163	128,819	63,439	514	10	53,922	689,929
2012	471,965	6,164	130,167	63,460	493	3	55,552	727,805
2013	475,179	6,188	136,117	67,490	496	13	60,728	746,211
2014	497,319	6,198	155,410	70,992	576	15	64,862	795,372

Table 3 Percentage Changes in Provincial Equalized Assessments 2006-14

Year	Residential	Farmland	Non-residential				Machinery and Equipment	Total
			Non-regulated	Linear	Railway *	Co-generating **		
2006	10.4%	-1.9%	10.7%	12.7%	8.0%	-1.5%	9.6%	10.4%
2007	13.2%	-0.1%	17.2%	16.0%	1.6%	-28.0%	13.6%	14.0%
2008	36.4%	0.1%	31.8%	22.3%	52.8%	-66.3%	21.0%	32.2%
2009	42.9%	-0.2%	31.7%	11.4%	10.0%	7.6%	22.9%	35.6%
2010	1.9%	0.1%	15.4%	9.8%	11.9%	-51.9%	13.2%	5.6%
2011	-7.9%	-0.2%	-5.2%	-5.1%	-13.5%	-6.5%	1.1%	-6.5%
2012	8.0%	0.0%	1.0%	0.0%	-4.0%	-70.1%	3.0%	5.5%
2013	0.7%	0.4%	4.6%	6.4%	0.5%	305.6%	9.3%	2.5%
2014	4.7%	0.2%	14.2%	5.2%	16.1%	18.7%	6.8%	6.6%

* As the total assessment base is small for railway and co-generating property, changes in the annual traffic factor (tonnage) of railway or temporary closure of some co-generating facilities in a given year can have significant impacts on the total assessment for these subclasses.

Chart 3 Provincial Equalized Assessments 2005-14 (\$ Billions)



Reporting and Declaring Assessment Information

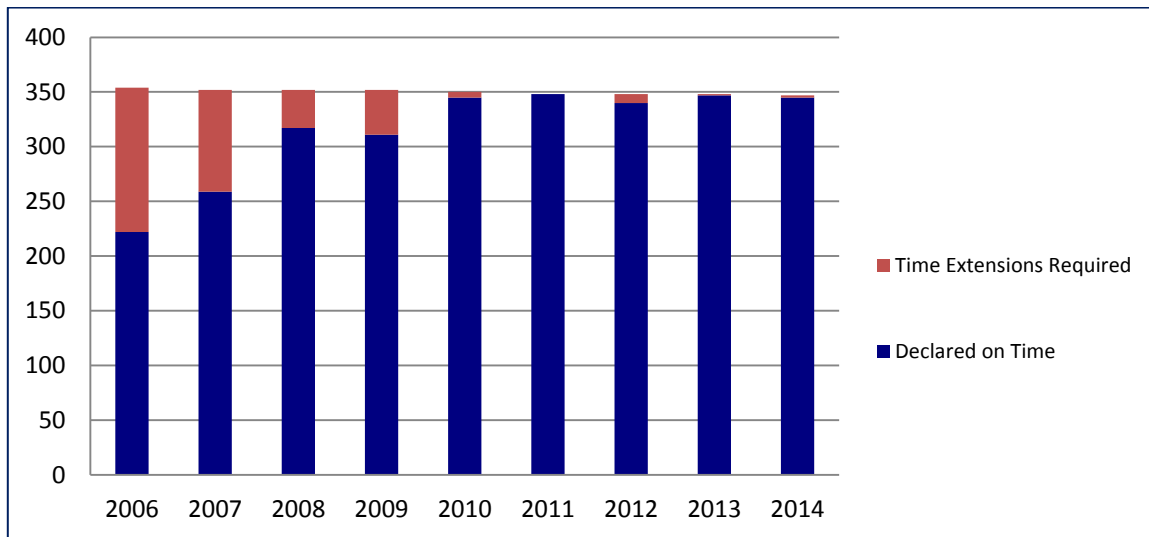
Annual assessment data submission

Municipal assessors are required to submit annual assessment information to Municipal Affairs for audit and equalization purposes. Assessors must declare that the assessment submissions have been prepared in compliance with legislation, by February 28. Table 4 and Chart 4 show great improvement in the numbers of municipalities that submitted and declared the assessment data on time, with only two municipalities requiring an extension this year.

Table 4 Declaration of Annual Return 2006-14

Year	Declaration Deadline	Declared on Time		Time Extensions Required		Total
		Number of Municipalities	As a Percentage of the Total	Number of Municipalities	As a Percentage of the Total	
2006	January 31	222	62.7%	132	37.3%	354
2007	February 15	259	73.6%	93	26.4%	352
2008	February 28	317	90.1%	35	9.9%	352
2009	February 28	311	88.4%	41	11.6%	352
2010	February 29	345	98.6%	5	1.4%	350
2011	February 28	348	100.0%	0	0.0%	348
2012	February 28	340	97.7%	8	2.3%	348
2013	February 28	347	99.7%	1	0.3%	348
2014	February 28	345	99.4%	2	0.6%	347

Chart 4 Declaration of Annual Return 2006-14



Reporting and declaring revisions

When a municipality corrects errors in assessment roll information or makes a correction to reflect the decision of an assessment review board or Municipal Government Board, the assessor is required to report the changes to Municipal Affairs and declare them within the legislated

timeframe. Late reporting requires ministerial approval. The timeframe for submitting and declaring changes is as follows:

- 120 days following the end of the tax year that the assessment roll is in effect, or 90 days following the end of the final expiry date to appeal a decision on an assessment made by any board, tribunal, or court, whichever is later.

Equalized assessment adjustments

GEPT periodically adjusts a municipality's equalized assessment to reflect assessment revisions declared by the designated assessor or the linear property assessor. Table 5 shows adjustments to the 2014 equalized assessments (initially published on November 1, 2013) as at February 26, 2014, just prior to calculation of the 2014 education requisition. The total equalized assessment was reduced by 1.1 billion (0.1%) during this period.

Table 5 2014 Equalized Assessment Changes (\$ millions)

	Residential	Farmland	Non-residential				Machinery and Equipment	Total
			Non-regulated	Linear Property	Railway	Co-generating		
Nov. 1, 2013	497,319	6,198	155,410	70,992	576	15	64,862	795,372
Feb. 26, 2014	497,284	6,198	154,849	70,992	570	20	64,400	794,313
Difference	-35	-1	-561	0	-6	4	-462	-1,060
% Difference	0.0%	0.0%	-0.4%	0.0%	-1.0%	29.4%	0.0%	-0.1%

Overview of 2014 Education Requisition

In 2013, the provincial government made two significant changes to the provincial education requisition process.

First, government established that the provincial education requisition will be based on 32 per cent of the targeted operating costs of funding Kindergarten to Grade 12 education. This means that the revenue requirement is published one year in advance, providing more predictability for municipalities in local budgeting processes.

Second, it removed a formula for capping and averaging equalized assessments in calculating each municipality's requisition and eliminated the special tax rates in National Parks. This change simplified the education requisition calculation, which is now based on the provincial uniform education tax rates and the equalized assessments prepared for each municipality. This change also greatly improved equity and fairness in the education property tax system as similarly valued properties, within the same assessment class, pay comparable education property taxes across the province.

For 2014/15, the province requisitioned \$2.106 billion in education taxes, which is 32 per cent of the estimated target operating cost of education (\$6.58 billion). This is a \$48 million, or 2.3 per cent, increase over fiscal 2013/14. The provincial uniform tax rates decreased slightly from fiscal 2013/14: 2.53 mills for residential/farmland assessment from 2.65 mills and 3.72 mills for non-residential from 3.90 mills.

In 2013, a short transition was implemented for four municipalities that were most affected by the elimination of the mitigation measures. In 2014, the transition was completed and, for the first time since the province took the responsibility of requisitioning the education property tax, each municipality's education tax is based on its proportionate share of the provincial equalized assessment. Accordingly, the distribution of the education tax among municipalities closely mirrors the distribution of the equalized assessment.

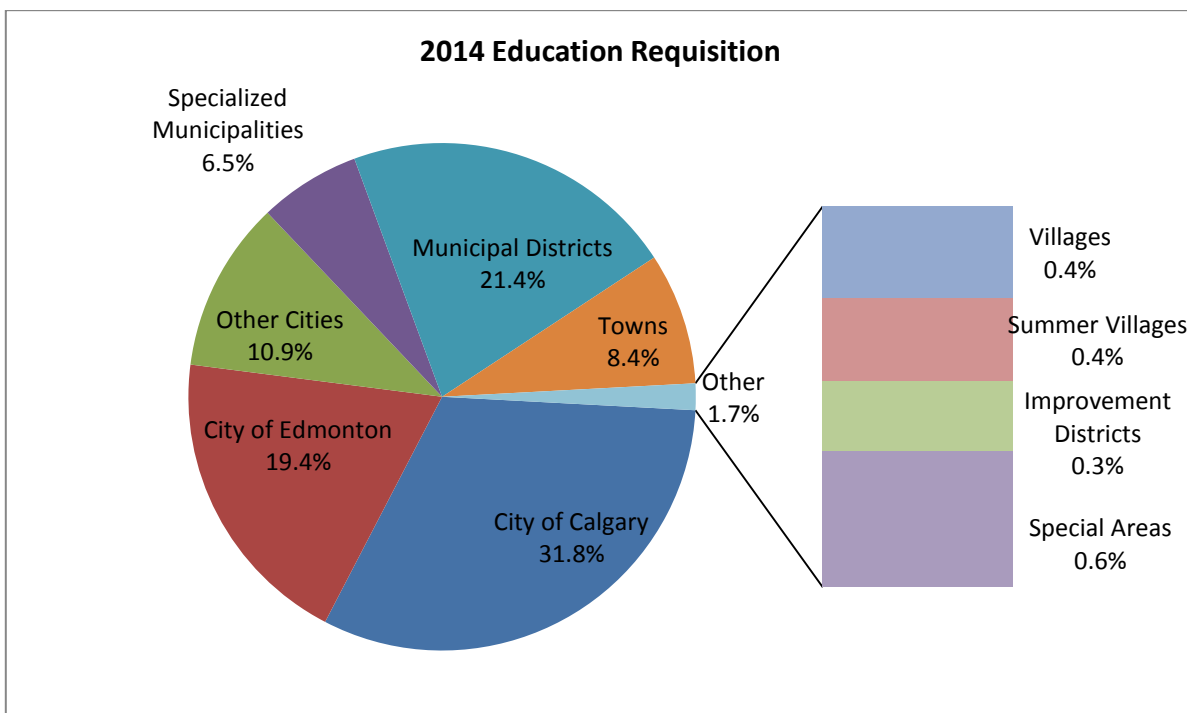
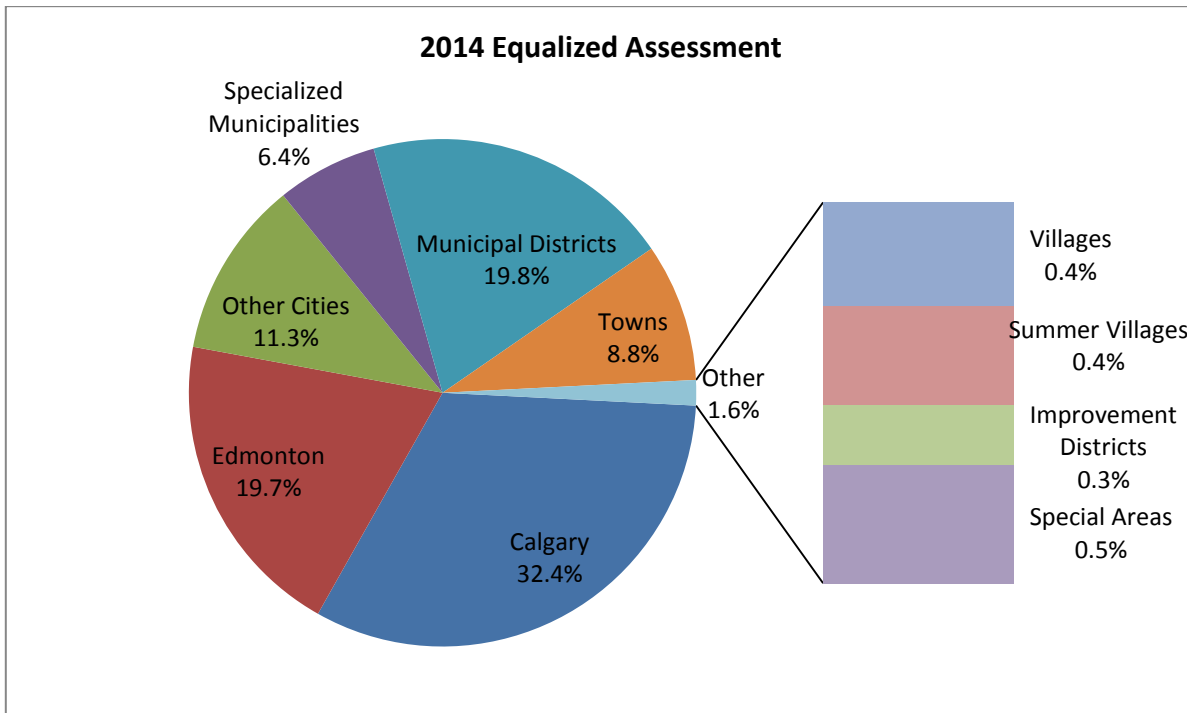
Table 6 shows total provincial education requisitions from 2008 to 2014. Chart 5 breaks down the 2014 requisition and the equalized assessment (excluding machinery and equipment and electric power generation properties, which do not pay education property taxes) by municipality type. As the requisition is distributed based on the equalized assessments, the two pie charts are highly identical. The minor discrepancies are due to different tax rates for residential and non-residential properties, and the different mixes of these property classes in the municipalities.

As a point of interest, the cities of Calgary and Edmonton will contribute about \$1.07 billion, or half of the total education requisition.

Table 6 Education Requisitions (\$millions)

Fiscal Year	Requisition	\$ Increase	% Increase	Calendar Year	Requisition	\$ Increase	% Increase
2008/09	\$ 1,637.0	\$80.9	5.2%	2008	\$1,616.8	\$81.0	5.3%
2009/10	\$ 1,722.2	\$85.1	5.2%	2009	\$1,700.9	\$84.1	5.2%
2010/11	\$ 1,791.1	\$68.9	4.0%	2010	\$1,773.8	\$72.9	4.3%
2011/12	\$ 1,859.2	\$68.2	3.8%	2011	\$1,824.6	\$50.8	2.9%
2012/13	\$ 1,979.0	\$119.8	6.4%	2012	\$1,963.0	\$138.4	7.6%
2013/14	\$ 2,058.0	\$79.0	4.0%	2013	\$2,038.3	\$75.3	3.8%
2014/15	\$ 2,106.0	\$48.0	2.3%	2014	\$2,094.0	\$55.8	2.7%

Chart 5 2014 Education Requisition and Equalized Assessment by Municipality Type



Based on one per cent of real growth in assessment, it is estimated the average education tax bill decreased by \$18 for residential property owners in 2014. Education tax increases or decreases vary across the province in accordance with individual property values and local education property tax rates.

Supplementary Assessments and Taxes

In accordance with the *Municipal Government Act* and the *School Act*, if a municipality passes a supplementary assessment bylaw, it must apply the local education tax rate to the supplementary assessments and remit the supplementary education taxes to Alberta School Foundation Fund or the separate school board before February 28 of the following tax year.

In 2014, the 43 municipalities that passed supplementary tax bylaws in 2013 remitted about \$7.6 million to Alberta Education.

Each year, GEPT compares supplementary assessment data submissions with the amount of education tax remitted. The purpose of the review is to identify any errors in the assessment data used to calculate supplementary taxes and to monitor the reasonableness of the taxes remitted.

Please let us know your thoughts!

We appreciate your feedback on this newsletter. Please send us your thoughts through e-mail at gang.wang@gov.ab.ca, or by telephone at 780-422-8636.