

# Assessment Bulletin

Phone: 780-422-1377  
 Fax: 780-422-3110  
 aismail@gov.ab.ca  
 www.gov.ab.ca/ma  
 15th Floor Commerce Place  
 10155 - 102 Street  
 Edmonton, AB T5J 4L4

**Item:** 2C

**Title:** Direct Equalization Implementation Timing      **EAP Recommendation:**      **No. 4A**

**Question:** Should the Assessment Services Branch continue to use indirect equalization (for three to five years) while the other technical committee recommendations are implemented?

**Background:**

Implementing the other technical committee recommendations will have a major impact on the business practices of assessment service providers and municipalities. Significant time, effort, and costs will be incurred by assessment service providers, municipalities, and CAMA and tax system providers to implement the other technical committee recommendations. The Equalized Assessment Panel (EAP) recommended a continuation of an indirect equalized assessment process for a period of time. Their comments are summarized as follows:

- the assessment and tax system in the province is still in transition and the timing is not propitious for the introduction of additional procedural changes
- some time is required to build confidence in the accuracy of live assessments
- both accuracy and confidence will be enhanced by implementation of the other recommendations
- it may be beneficial to complete one full cycle of detailed audits before moving to direct equalization
- the panel recommends a two-stage approach towards the elimination of equalized assessment
- the second stage (abolition of equalized assessment) will take three to five years to implement

**Recommendation:**


Direct equalization should be implemented in 2007. This recommendation supercedes the implementation date referenced in Item 2, Common Assessment Level and Item 3D, Compressed Timeline Transition. The recommendation made in Item 2B, Common Assessment Level Tolerance, is rescinded.


Between 2003-2006 the Assessment Services Branch will use indirect equalization to calculate equalized assessments. Assessment levels for each non-regulated assessment class will be used to adjust assessment summaries to a level of 1.000.

**Recommendation Background:**

The technical committee recognizes the effort that will be required by assessment service providers, municipalities, and CAMA and tax system providers to implement the EAP recommendations. Direct equalization should be implemented within three to five years (depending on the success and confidence levels associated with implementing the balance of the EAP recommendations).

**Recommended**

  
 Steve White  
 EAP Technical Committee Chair  
 April 8, 2002  
 Date

Accepted  
  
 Brad Pickering  
 ASSET Steering Committee Chair  
 April 19/02  
 Date

## **Equalization**

Equalization is the process of adjusting assessments, or the sums of assessments, to a common statutory assessment level as defined in the Municipal Government Act (MGA). Equalized assessments are used to determine requisition amounts for inter-municipal cost-shared programs.

Alberta currently uses the indirect method of equalization. The Assessment Services Branch (ASB) calculates the equalized assessment for each municipality in the province using assessment levels and assessment summaries.

The ASB performs ratio studies and then uses weighted medians to determine the overall ratio (assessment level) for each class of property in a municipality. The ASB calculates the total assessment for each property class and then divides the total assessment amount by the corresponding assessment level to calculate the equalized assessment.

Beginning in 2007, the province will no longer equalize municipal assessments. Instead, the municipality's assessor will be required to use direct equalization methods to adjust each assessment in the municipality to the statutory assessment level as defined in the MGA. Municipal assessors will be required to adjust their municipality's assessments before they are submitted ' and to the ASB to be audited.

Using the direct equalization method, the assessor employs ratio study results to adjust each locally determined assessment. Following this step, assessments will more accurately reflect the market value as indicated by a class assessment level of 1.000.

Under this new process, the assessment will be required to meet all quality standards before the assessor 'declares' it. Assessments must pass the provincial audit and be declared before they are used to prepare the municipal assessment roll. Following direct equalization, the assessments will be used to create municipal tax notices in addition to being used in the inter-municipal requisitioning process.