



2005

Saskatchewan Property Tax Review

A Canadian Taxpayers Federation review of property tax trends



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Introduction

Each year the Canadian Taxpayers Federation compiles data obtained from Saskatchewan Government Relations and uses it to assess the provincial property tax burden and overall trends. The information we use refers to the total tax levy (total amount collected by all municipalities and school boards) and not mill rate increases. Mill rates comprise only part of the property tax bill – the rest is made up of assessment values and other factors.

An assessment is the act of determining a property's fair value. All Saskatchewan properties are assessed and assigned a “fair market value.” For most properties, a fair value should be close to the price a property would sell for if sold under reasonable circumstances in normal market conditions as of a specific date.

To achieve this, fair value is based on a formula that reflects average selling prices of similar properties at a certain base year. To stay current, re-assessments on a new base year have to be done from time to time to keep up with changing fundamental conditions of the market and the property.

Our school and municipal property tax bills are a percentage (mill rate) of the assessed value of the property. The mill rate is set by municipalities and school boards. All Saskatchewan properties are assessed every four years – the most recent assessment occurred this year. The reassessment process is overseen by the Saskatchewan Assessment Management Agency (SAMA).

Observations

Using the total tax levy gives us a bird's eye view of property taxes in Saskatchewan. With this data we can focus on how much money is coming from taxpayers' pockets and how the tax burden is evolving over time.

In this year's report, we've identified several key points that need to be considered by taxpayers and governments alike:

- 1) Assessment years have resulted in municipalities and school boards significantly increasing local taxes. While reassessments are intended to be “revenue neutral” for municipalities, the last two assessments have increased tax takes by an average 6.9 per cent, twice as large as the average increase in non-assessment years between 1988 and 1996.

- 2) Province-wide, municipal taxes have been rising faster than inflation. Had municipal revenue increases been held to inflation since 2000, the total levy would be \$488 million – a difference of \$52 million.

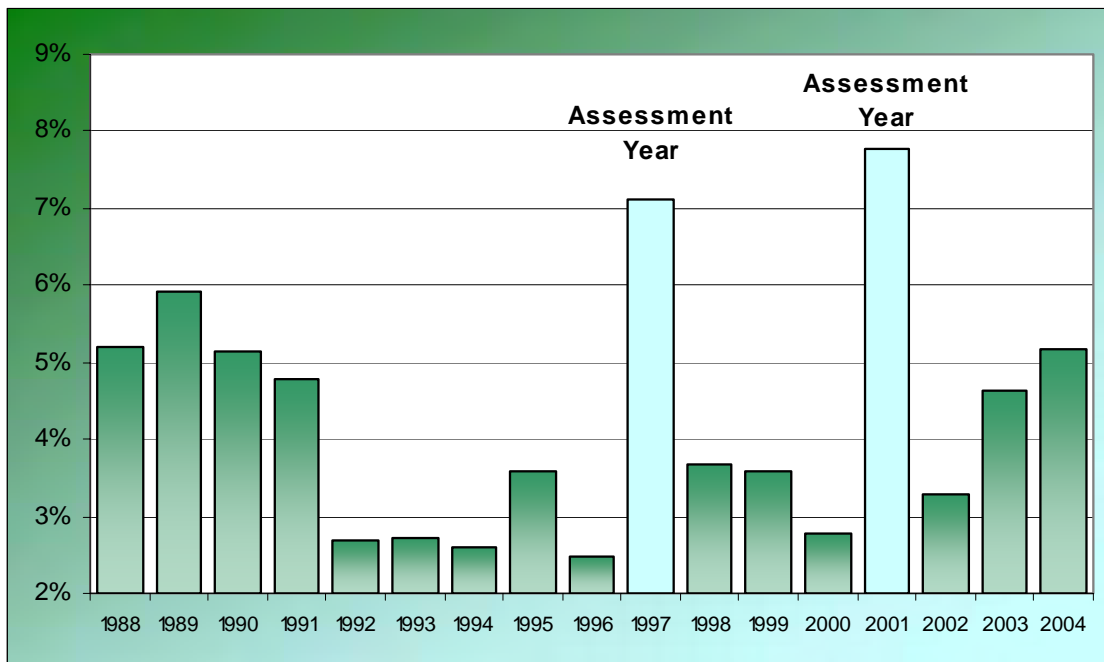
- 3) Since 1997, cities and towns have seen school taxes take up a smaller portion of their property tax bill, whereas RMs have seen school taxes take up a larger portion of the bill.

Assessment Creep

It is generally accepted that the reassessments which occur every four years are intended to be revenue-neutral for municipalities. The intention is that, if the consequence of reassessment is an overall increase in property value, municipalities should adjust their mill rates so that the overall tax burden does not increase beyond that which is mandated by council or board in the normal budget process.

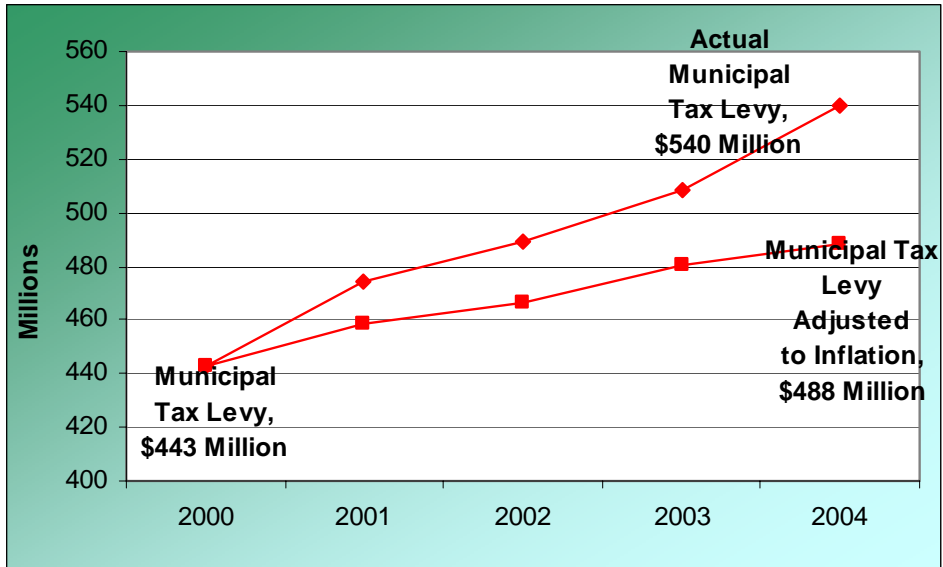
Chart 1 illustrates how the total property tax revenues for municipalities spike during assessment years.

Chart 1: Total Property Tax increase on Saskatchewan Properties: 1988 - 2004



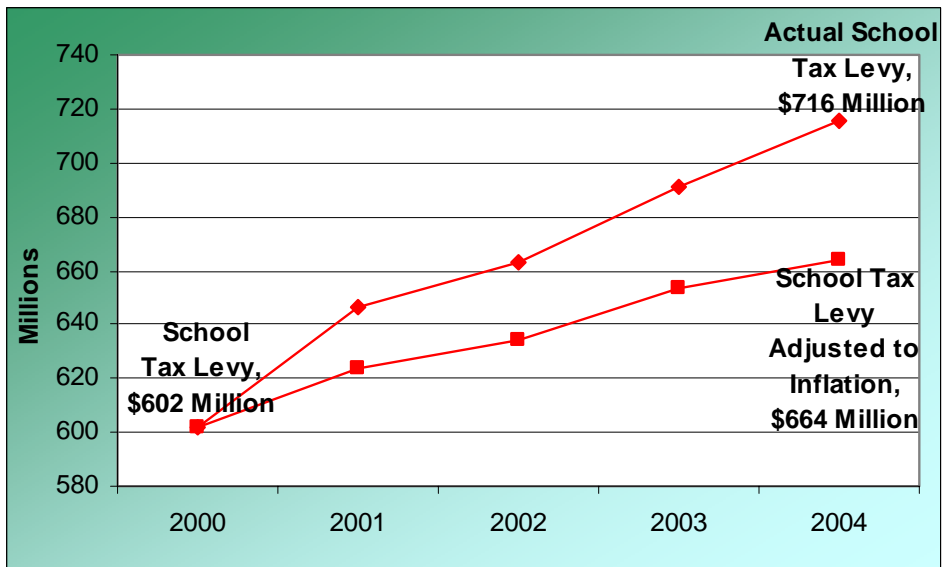
Saskatchewan's Tax Trends

Chart 2: Municipal Tax Trends in Saskatchewan: 2000 - 2004



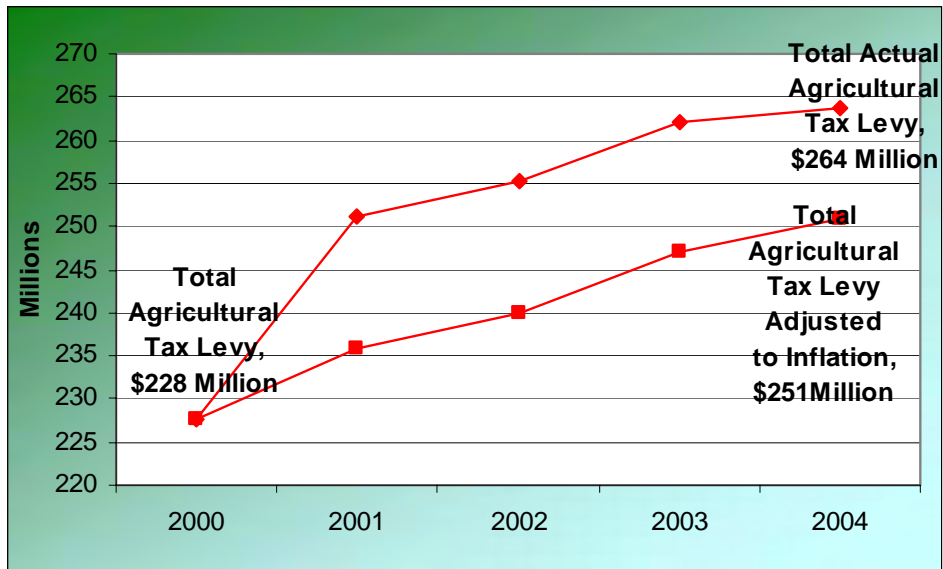
Saskatchewan's municipal property tax levy has risen by 22 per cent since 2000, bringing the tax take to \$540 million. Had municipal revenue increases been held to inflation since 2000, the total levy would be \$488 million – a difference of \$52 million.

Chart 3: School Tax Trends in Saskatchewan: 2000 - 2004



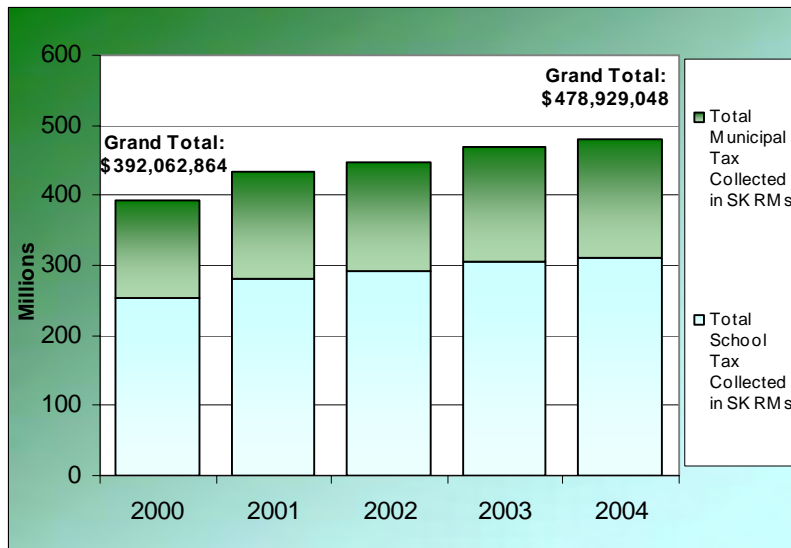
The total school tax levy has also increased much faster than inflation. School taxes in Saskatchewan have risen 19% since 2000, and an astronomical 119% since 1985. If school tax increases been held to inflation since 2000, they would have risen a modest 5% (or 28% since 1985).

Chart 4: Trends in total municipal and school tax on Agricultural Land in Saskatchewan: 2000 - 2004



Not surprisingly, municipal and school taxes on agricultural land in Saskatchewan is rising much faster than inflation.

Chart 5: Total Municipal and School Property Tax collected on Rural Municipalities in Saskatchewan



As with all jurisdictions in Saskatchewan, school tax is responsible for the bulk of the property taxes in rural municipalities. Total school and municipal tax on rural municipalities in Saskatchewan has risen by 22% in the last five years.

Shift in Property Tax Burden Since 1997

Charts 6 and 7 show how the ratio of school tax levies to municipal tax levies has changed over time. While the portion of the property tax bills taken up by school taxes in cities and towns has dropped since 1997 by 1.5 per cent, the opposite is true for Rural Municipalities. For RMs, the portion of the property tax bill taken up by school taxes has increased by 1.85 per cent. It's clear from the data that, while school taxes remain a significant problem for all Saskatchewan communities, it is increasingly a problem for RMs.

Chart 6: Property Tax Mix: Towns and Cities

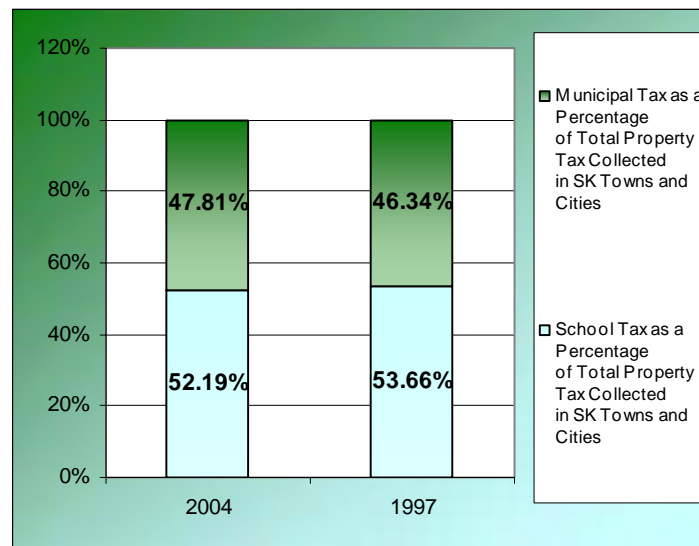
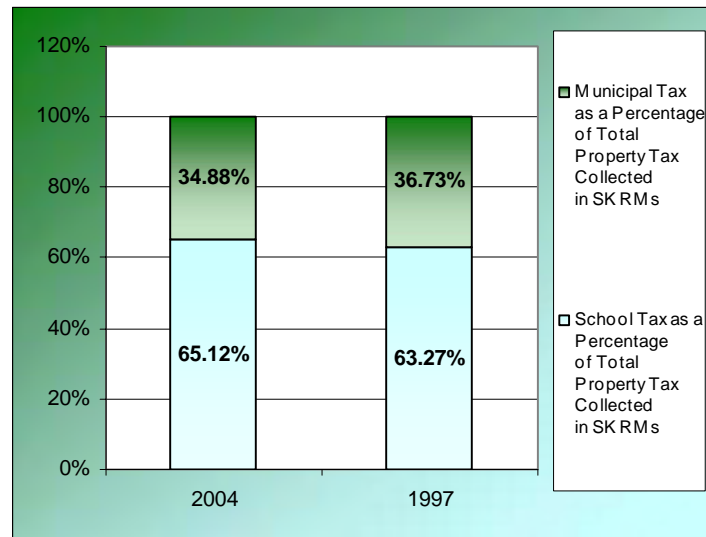


Chart 7: Property Tax Mix: Rural Municipalities



Recommendations

- In the most recent two assessment years school and municipal tax levies have increased dramatically. Using reassessment to increase government revenues lacks transparency and political accountability. The Saskatchewan government should consider laws to protect ratepayers from sudden tax increases due to reassessment.
- School taxes continue to be the biggest factor in increasing property taxes. The government must adopt a legislated plan to increase the provincial share of school funding to 75 per cent. In the short term, provincial funding for K-12 education as a percentage of total funding must match inflation until a legislated plan is in place.
- Future efforts to reduce the school tax burden should focus on agricultural land and Rural Municipalities, in order to reverse the trend of school taxes taking up a higher proportion of the total tax bill.
- The province-wide property tax levy has increased much faster than inflation for many years. Municipalities and School Boards must pursue expenditure control, increased use of base taxes and user fees and identify alternative service delivery options such as public-private partnerships and full privatization of municipal services.