

An aerial photograph of a vast, dense forest of evergreen trees, likely spruce or fir, covering a hillside. The trees are tightly packed, creating a textured green surface. A white rectangular box is overlaid on the center of the image, containing text.

Regulated Property

What, why, and how it fits into Alberta's
assessment and property tax system



Outline

- Introduction
- Taxation Principles
- Regulated Property context
- Valuation Principles
 - Valuation standard
 - Mass Appraisal vs. Single Property Appraisal
- Importance of Data
- Challenges in Regulated Assessment Practice
 - Efficiency and Compliance
 - Currency of models
 - The F word
- Right to Appeal
- Wrapping it up



Introduction

- Who are we?
- What is this all about?
- Why does this matter right now?

Assessment = taxation

assess verb

as·sess (ə-'ses) a-

assessed; assessing; assesses

[Synonyms of assess >](#)

transitive verb

- 1 : to determine the rate or amount of (something, such as a tax, charge, or fine)
- 2 a : to impose (something, such as a tax) according to an established rate
b : to subject to a tax, charge, or levy
| Every homeowner will be *assessed* a tax according to the value of the property.
- 3 : to make an official valuation of (property) for the purposes of taxation
| Their property is *assessed* at \$200,000.
- 4 : to determine the importance, size, or value of
| *assess* a problem
| *assess* the damage
- 5 **sports** : to charge (a player or team) with a foul or penalty

An aerial photograph of a vast, dense forest of evergreen trees, likely spruce or fir, covering a hillside. The trees are tightly packed, creating a textured green surface. A white horizontal bar is superimposed over the center of the image, containing the text 'TAXATION PRINCIPLES' in a bold, black, sans-serif font.

TAXATION PRINCIPLES

What is a good tax system?

Fairness/Equity

- Everyone pays a fair share of the burden
- Horizontal/Vertical equity

Efficiency/Simplicity

- Easy to comply with, minimal administration
- Doesn't distort productivity or economic decisions

Adequacy

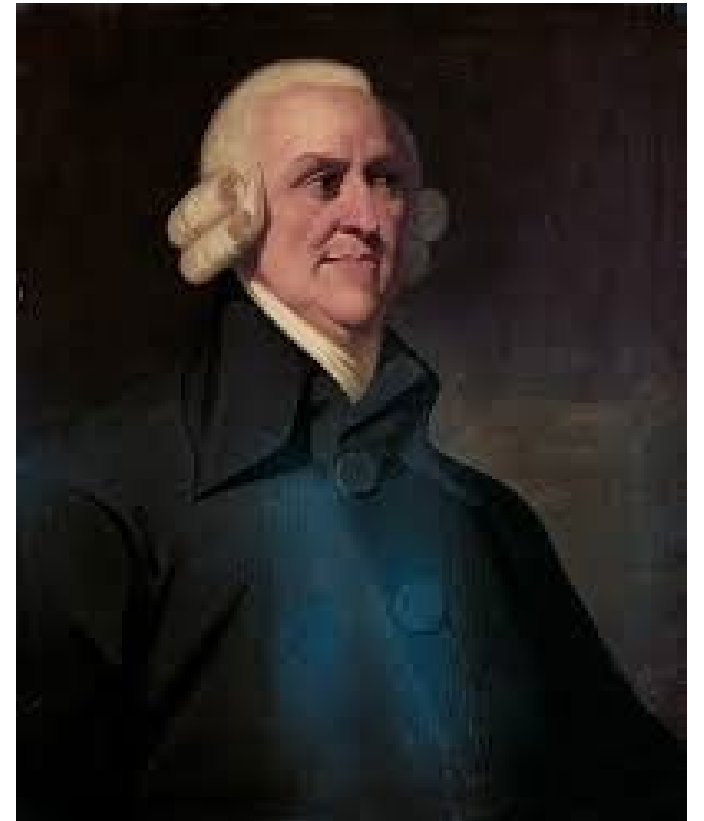
- Generates enough revenue to fund services to meet demand of tax base

Flexibility

- Adapts to changing circumstances in the economy
- Can be easily adjusted to meet fiscal needs

Transparency

- Easy to find and understand information on the system
- Who is taxed, how much is paid, and how tax revenues are used is known





Types of Taxation

Income

Levied on an individual or entity's earnings or profits

Based on wages, salaries, dividends or other forms of income

Examples: personal income tax, provincial income tax, corporate tax

Consumption

Imposed on the purchase of goods or services

Paid by consumers when they spend

Examples: GST, excise tax

Wealth

Levied on some or all of the worth of an individual or entity based on the value of their assets.

Based on real estate, stocks, savings, or capital gains


Examples: property tax, inheritance tax, estate tax, capital gains tax

How do the taxes stack up?

	Personal Income	GST	Property Tax
Basis	Income	Consumption	Asset value (wealth)
Fairness	Progressive	Proportional	Proportional
Efficiency	Some evidence of distortion	Little evidence of distortion	Jury's out on distortion
Adequacy	Rate Based	Rate based,	Budget based
Flexibility	Rate can change	Difficult to change rates	Rate adjustment typical
Transparency	Not transparent	Highly transparent	Relatively transparent

Policy Objectives of Taxation in Alberta

Municipalities have a stable source of funding to support services.



The burden of taxation should be distributed equitably across taxpayers



Property value is the mechanism for equitable distribution

Fairness in Alberta's property tax system

1. Uniform assessment standard market value
2. Regular reassessments annual valuation
3. Standardized tax rates and defined tax categories: Res, Non Res, Farm, M&E
4. Right to appeal assessment LARB, CARB, LPRT
5. Transparency and public accountability published rolls, budgets, tax levy increases, etc.

Tensions in Alberta's property tax

- Market value standard
- Annual reassessment and stability
- Ability to pay and perceived regressivity
- Policy goals that diverge from fair distribution
- Inequitable distribution of property wealth
- Free rider/tax exporting problem

An aerial photograph of a vast, dense forest of evergreen trees, likely spruce or fir, covering a hillside. The trees are packed closely together, creating a textured green surface. A white rectangular box is centered horizontally across the middle of the image, containing the text "REGULATED PROPERTY" in a bold, black, sans-serif font.

REGULATED PROPERTY

Property Assessment and Taxation in Alberta

Categories (2020 assessment year for 2021 taxation)	Assessment Type	Assessed By	Complaints Heard By	Taxes	Other
Residential single and multifamily homes condominiums \$648 B 	Market Value	Municipal Assessor	Local Assessment Review Board	Municipal Education	
NonResidential commercial, retail 14.7 B is DI property \$161 B 	Market Value	Municipal Assessor	Composite ARB	Municipal Education	
Farmland operations development land \$8 B 	Regulated	Municipal Assessor	Local ARB	Municipal Education	
Designated Industrial (Linear) wells, pipelines, railway, telecom, electric power systems \$71 B 	Regulated	Provincial Assessor	Land and Property Rights Tribunal	Municipal Education DI Levy	Electric power generation exempt from education tax
Designated Industrial (Primarily Machinery and Equipment) major plants regulated by AER, AUC, or NEB 87 B M&E \$87 B 	Regulated but a small number uses market value	Provincial Assessor	Land and Property Rights Tribunal	Municipal Education (not on Machinery and Equipment) DI Levy	Machinery and Equipment Taxed at 77 per cent of assessment
Machinery and Equipment (Agribusiness/Other) parts key to manufacturing or processing \$3 B 	Regulated	Municipal Assessor	Composite ARB	Municipal	Taxed at 77 per cent of assessment

Examples of property exempt from Assessment:

- Water
- Sewer
- Roads

Examples of property exempt from Taxation:

- Hospitals
- Churches and cemeteries
- Schools
- Libraries
- Colleges and universities
- Charitable and benevolent nonprofit organizations
- Hostels

Defining Regulated Property MRAT

(k) “regulated property” means

- (i) land in respect of which the valuation standard is agricultural use value,
- (ii) designated industrial property, or
- (iii) machinery and equipment.

(g) “machinery and equipment” means materials, devices, fittings, installations, appliances, apparatus and tanks, other than tanks used exclusively for storage, including supporting foundations, footings and any other thing prescribed by the Minister that forms an integral part of an operational unit intended for or used in

- (i) manufacturing,
- (ii) processing,
- (iii) the production or transmission by pipeline of natural resources or products or by-products of that production, but not including pipeline as defined in clause (i),
- (iv) the excavation or transportation of coal or oil sands as defined in the *Oil Sands Conservation Act*,
- (v) a telecommunications system, or
- (vi) an electric power system, other than a micro-generation generating unit that is the subject of an order under section 3,

whether or not the materials, devices, fittings, installations, appliances, apparatus, tanks, foundations, footings or other things are affixed to land in such a manner that they would be transferred without special mention by a transfer or sale of the land;

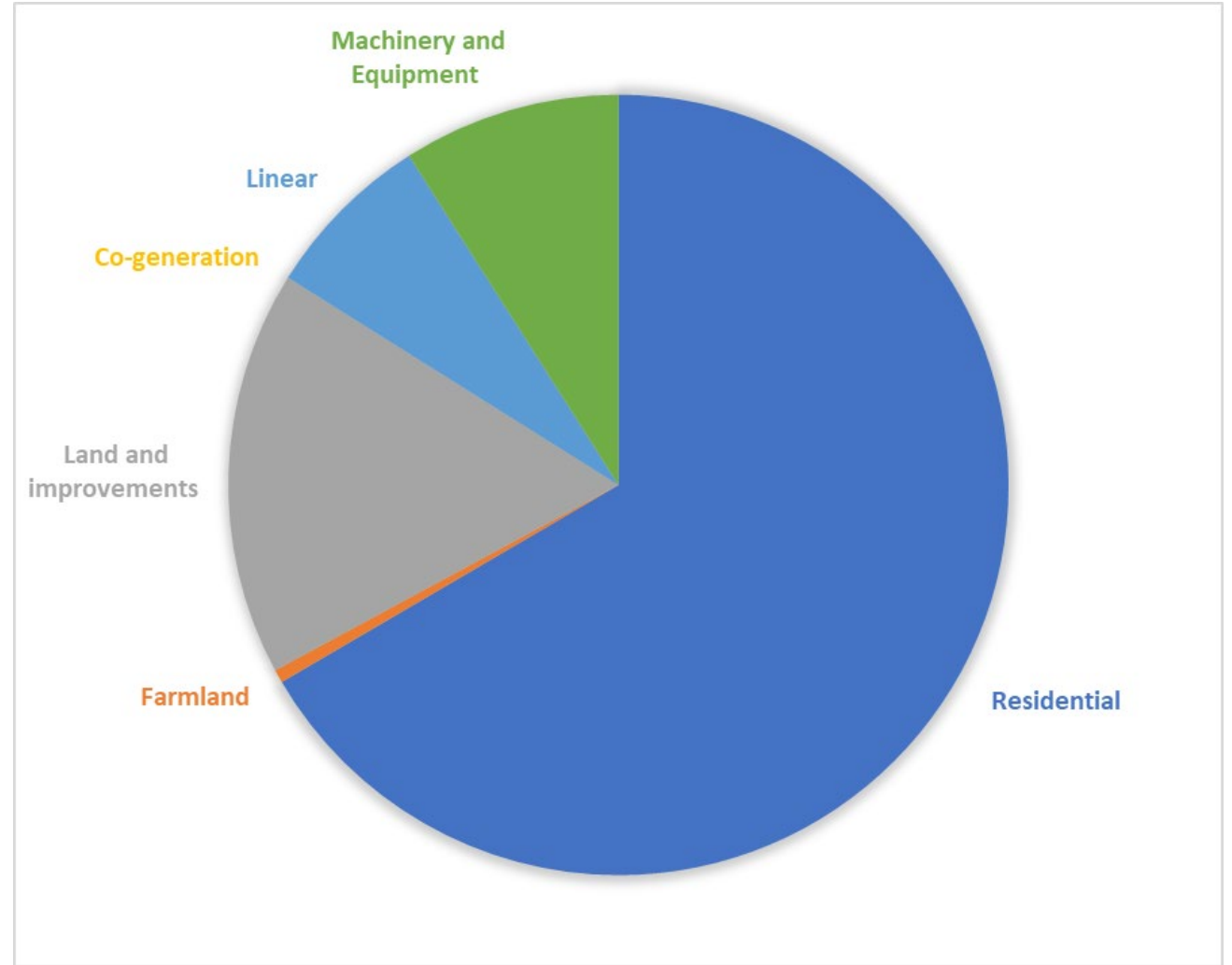
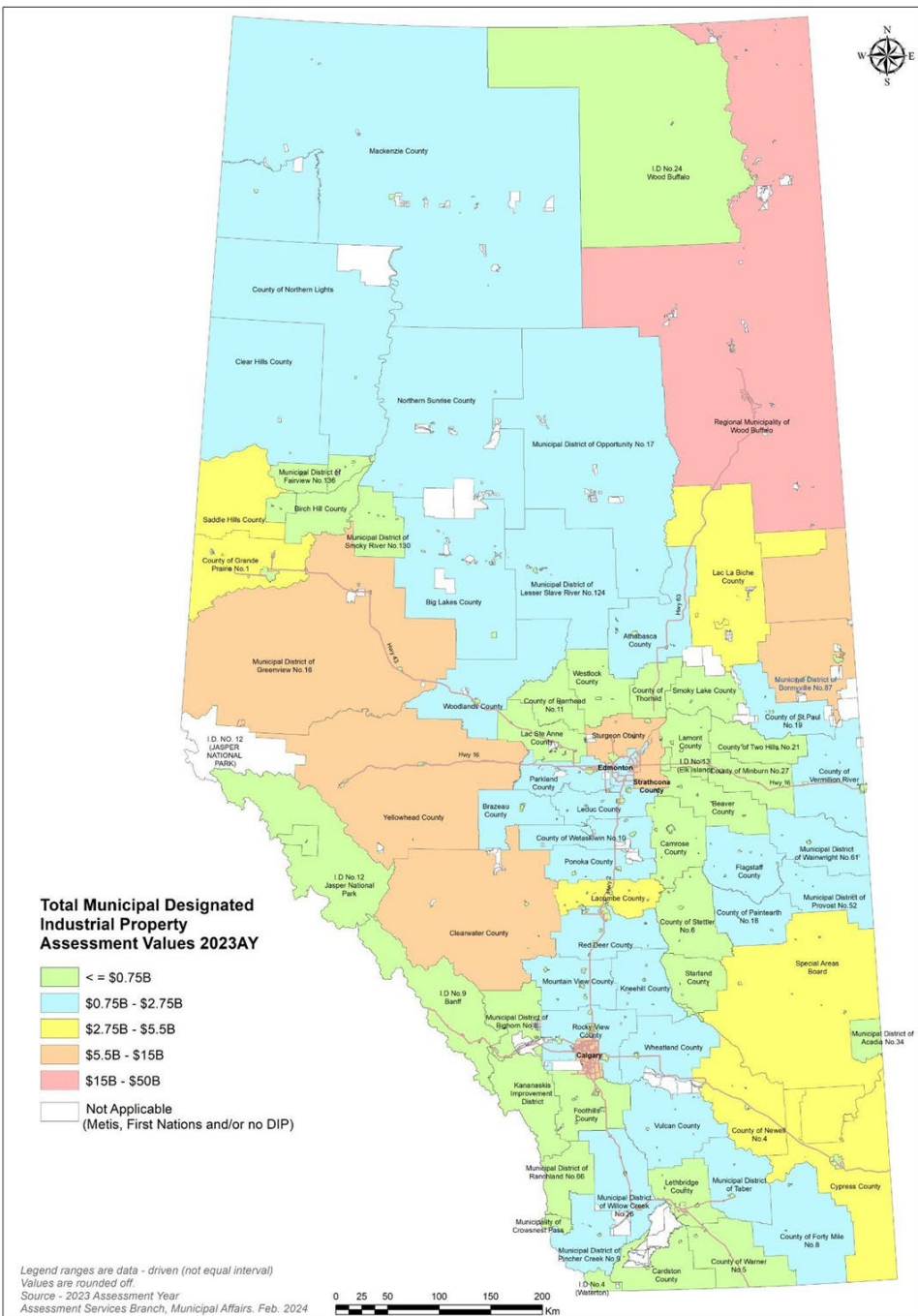
Valuation standard for machinery and equipment

12(1) The valuation standard for machinery and equipment is that calculated in accordance with the applicable procedures set out in the Alberta Machinery and Equipment Assessment Minister’s Guidelines.

(2) In preparing an assessment for machinery and equipment, the assessor must follow the applicable procedures referred to in subsection (1).

(3) For the purposes of section 298(1)(z) of the Act, an assessment must be prepared for machinery and equipment that is not part of linear property as described in section 284(1)(k) of the Act, and the assessment must reflect 77% of its value.

Regulated Property in Alberta



An aerial photograph of a vast, dense forest of evergreen trees, likely spruce or fir, covering a hillside. The trees are a mix of vibrant green and darker, more muted green tones, creating a textured, repetitive pattern across the entire frame. In the center of the image, there is a horizontal white rectangular box containing the text 'VALUATION PRINCIPLES' in a bold, black, sans-serif font. The text is centered both horizontally and vertically within the white box.

VALUATION PRINCIPLES

How do we value?

Direct Sales

Time adjusted sales, MRA
Requires lots of data

Income

Rental rates, vacancies, Cap Rates
Requires financial info (RFIs)

Cost

Land + (Cost Depreciation)
Requires sales, cost info, dep estimates
Physical, functional, external

What about Regulated Property?

Regulated Models take the form

$$\text{Assessment} = A \times B \times C \times D$$

A base cost

B AYM (index)

C Depreciation

D Additional depreciation*

What is the Dependent Variable?

$$\text{Assessment} = A \times B \times C \times D$$

A scheduled (or not) cost

B AYM (index)

C Depreciation

D Additional depreciation

Single Property Appraisal vs. Mass Appraisal

Single

Detailed, individualized evaluation of a specific property.

Pros: Precise, tailored

Cons: Lacks consistency, highly inefficient

Mass

Uses standardized models and large data to value multiple properties simultaneously.

Pros: Efficient, consistent, reproducible

Cons: Imprecise, lacks specificity

Mixing mass and single appraisal

- Legislation: Must use mass appraisal
- Practice: Court interpretation, special purpose
- Regulated: CCRG (single), Schedules A (mass)
- Fairness and equity
- Transparency



IMPORTANCE OF DATA

Making regulated work: Importance of Data

- How do we derive data
- How do we validate data
- What constitutes necessary and sufficient data
 - Who determines that

Duty to provide information

295(1) A person must provide, on request by an assessor, any information necessary for the assessor to carry out the duties and responsibilities of an assessor under Parts 9 to 12 and the regulations.

Assessor not bound by information received

295.1 An assessor is not bound by the information received under section 294 or 295 if the assessor has reasonable grounds to believe that the information is inaccurate.

2019 c22 s10(9)

(2.1) The specifications and characteristics of the designated industrial property referred to in subsection (2)(b) must reflect

- (a) the records of the Alberta Energy Regulator, the Alberta Utilities Commission or the Canadian Energy Regulator, as the case may be, on October 31 of the year prior to the year in which the tax is imposed under Part 10 in respect of the designated industrial property, and
- (b) any other source of information that the provincial assessor considers relevant, as at October 31 of the year prior to the year in which the tax is imposed under Part 10 in respect of the designated industrial property.

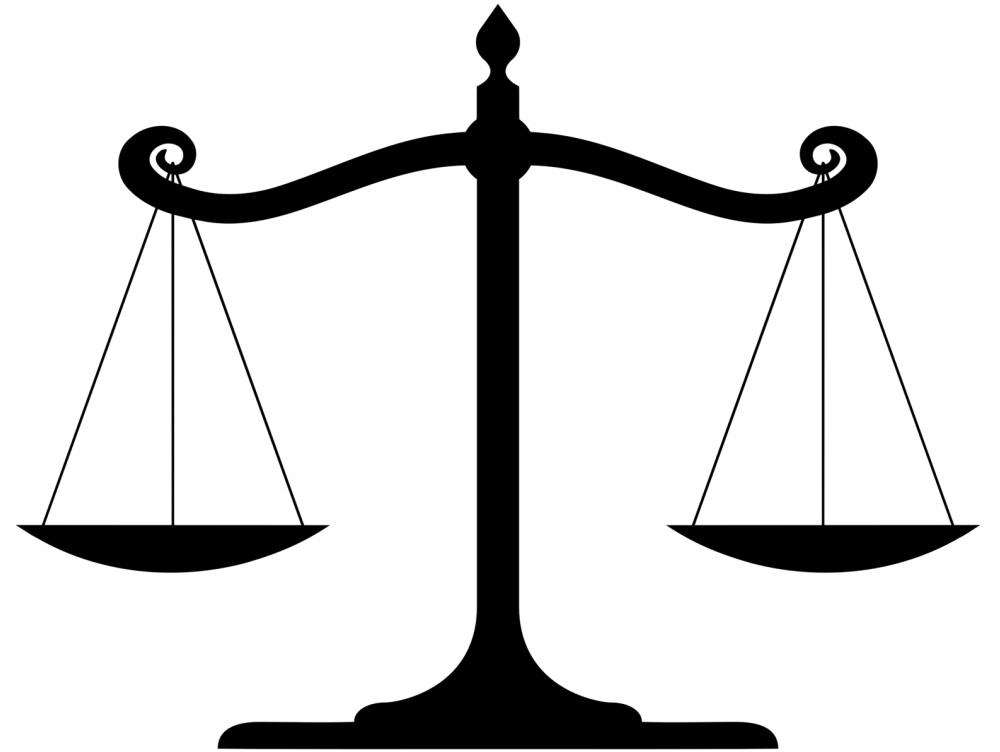
(2.2) Information received by the provincial assessor from the Alberta Energy Regulator, the Alberta Utilities Commission or the Canadian Energy Regulator is deemed to be correct for the purposes of preparing assessments.



CHALLENGES IN REGULATED ASSESSMENT

Challenges to Regulated: Efficiency and Compliance

- At what point is accuracy at the expense of efficient?
- What is reasonable and what is practical?
 - What if you have neither?





Challenges to Regulated: Currency of Models

- Impact of modifying from base year
- Shifts in:
 - Technology
 - Construction methods



Challenges to Regulated: The F word

What about Farmland?

- Valuation Standard: agricultural value
- Rates: Set in 1994
- AYM's: Unchanged since before 2002
- Final Rating Factor and Farm Service Centre Rating: 1984 manual



RIGHT TO APPEAL



Right to Appeal

- Legislation MGA s.499(1)(3)(a)

The Tribunal must not alter any assessment of designated industrial property that has been prepared correctly in accordance with the regulations

- Regulations: Minister's Guidelines
- Effect on right to appeal

Fairness in Regulated Property Tax?

1. Uniform assessment standard (market value?)
2. Regular reassessments (annual valuation?)
3. Standardized tax rates and defined tax classes (Non Res vs 0.77 M&E?)
4. Right to appeal assessment LPRT, CARB, LARB
5. Transparency and public accountability (?)



WRAPPING IT UP



So what?

- Where do good or best assessment practices push against good taxation principles?
 - Where do they push against policy outcomes?
- What have been the implications of currency and the cumulative impact of small decisions over 20 years.
 - Why do they matter?



Why the current system cannot continue

- It is out of date
- It is likely overly complex
- It isn't clear
- It is challenging to apply consistently

→ It is unfair
→ It is not equal



What is stopping us from changing the system?

- Huge potential for shifts:
 - Municipalities
 - Industry
- Built system of complexity with assessment and taxation intertwined.



Refocus

- Have policy goals of taxation changed?
- How do we recentre on goals as we go into AMR?



What is the
ideal state?