

PROPERTY TAXATION

Assessments, Budgets & Rates
January 2018



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PROPERTY ASSESSMENTS

1. In January of each year, BC Assessment provides property owners with an assessment notice indicating the value of their property based on market conditions as of July 1 of the previous year.

At the same time, BC Assessment sends a copy of the completed assessment roll to each municipality. That roll contains the values of all properties within a jurisdiction and is used to determine tax shares once Council has finalized the municipal budget for the year.



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MUNICIPAL BUDGETS

2. Each January, Council considers and deliberates the draft annual budget and decides how much property tax revenue is going to be required to meet the needs of the City in the current year.

As part of this process, Council must decide how much each class of property (residential, business, farm, etc.) will contribute to the tax revenue bucket. In so doing, they will establish the “tax ratios” for the year that staff will use to calculate the tax rates for each property class.



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TAX RATES

3. Once the budget has been finalized and the tax ratios have been applied to the assessment roll totals, tax rates are determined as follows:

$$\begin{array}{rclcl} \text{Budget} & \div & \text{Assessment Base} & = & \text{Tax Rate} \\ \$30 \text{ million} & \div & \$8.9 \text{ Billion} & = & 0.003370 \end{array}$$

To determine an individual taxpayer's share of the taxes to be collected, the tax rates are multiplied by the assessed value of their property as illustrated in the next slide.



TAX LEVY



\$400,000

X

0.003370

=

\$1,348



\$600,000

X

0.003370

=

\$2,022



\$1,000,000

X

0.003370

=

\$3,370

TOTAL TAXES COLLECTED = \$1,348 + \$2,022 + \$3,370 = \$6,740



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WHAT IF ASSESSEMENTS INCREASE BY 10%?

Budget
\$30 Million

Assessment Base
\$9.79 Billion

Tax Rate
0.003064



$$\begin{array}{r} \$440,000 \\ \times \\ 0.003064 \\ \hline = \\ \underline{\$1,348} \end{array}$$



$$\begin{array}{r} \$660,000 \\ \times \\ 0.003064 \\ \hline = \\ \underline{\$2,022} \end{array}$$



$$\begin{array}{r} \$1,100,000 \\ \times \\ 0.003064 \\ \hline = \\ \underline{\$3,370} \end{array}$$

TOTAL TAXES COLLECTED = \$1,348 + \$2,022 + \$3,370 = \$6,740



WHAT IF ASSESSEMENTS INCREASE 10% AND BUDGET INCREASES 5%?

Budget
\$31.5 Million



\$440,000
X
0.003218
=
\$1,416 (+ 5%)

Assessment Base
\$9.79 Billion



\$660,000
X
0.003218
=
\$2,124 (+5%)

Tax Rate
0.003218



\$1,100,000
X
0.003218
=
\$3,540 (+5%)

TOTAL TAXES COLLECTED = \$1,416 + \$2,124 + \$3,540 = \$7,080



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WHAT IF ASSESSMENT INCREASES VARY AND THE BUDGET INCREASES 5%?

Budget
\$31.5 Million



$$\begin{array}{r} \$420,000 \\ \times \\ 0.003218 \\ \hline = \\ \underline{\$1,352} \end{array}$$

Assessment Base
\$9.79 Billion



$$\begin{array}{r} \$660,000 \\ \times \\ 0.003218 \\ \hline = \\ \underline{\$2,124} \end{array}$$

Tax Rate
0.003218



$$\begin{array}{r} \$1,120,000 \\ \times \\ 0.003218 \\ \hline = \\ \underline{\$3,604} \end{array}$$

TOTAL TAXES COLLECTED = \$1,352 + \$2,124 + \$3,604 = \$7,080



SO... TO RECAP... #1

Property taxes = assessed value X tax rates

When assessed values do not change or go up at a constant rate and the budget stays the same, the tax rates are reduced and...

PROPERTY TAXES REMAIN THE SAME!



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SO... TO RECAP... #2

Property taxes = assessed value X tax rates

When assessed values go up equally (%) and the budget increases, the tax rates are adjusted and...

**PROPERTY TAXES INCREASE BUT THE SHARES
REMAIN THE SAME!**



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SO... TO RECAP... #3

Property taxes = assessed value X tax rates

When assessed values go up variably and the budget increases, the tax rates are adjusted and...

PROPERTY TAXES & SHARES CHANGE!



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