



International Property Tax Institute

**Report prepared for the Saskatchewan Urban
Municipal Association**

**Review of the Property Tax System in
Saskatchewan**

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International Property Tax Institute
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Toronto, Ontario, Canada

About the International Property Tax Institute

The International Property Tax Institute (IPTI) is widely recognized as the world's leading organization on property tax policy and practice.

IPTI's mission is to provide impartial, objective expert advice in the area of property tax systems and promote the concept that these systems should be fair and equitable and meet the needs of all stakeholders, i.e., governments, taxpayers, practitioners and academics. In addition, IPTI seeks to ensure that property tax systems contribute to the provision of high-quality services for the benefit of communities.

IPTI is a not-for-profit organization comprised of experts who support stakeholders in developing and maintaining effective and efficient property tax systems by providing them with:

- Research and analytical information
- Impartial, objective policy advice
- Strategic advisory and consulting services to create, test and implement policy, and to improve performance through innovative good practice
- Education and training services to enhance professional development and build technical competence
- Property information services to enable more effective decisions

In addition, IPTI specializes in:

- Property valuation processes: including data collection, mapping and data management; mass appraisal valuation for residential and non-residential properties; quality control
- Property tax collection and enforcement
- Appeal systems
- Technology and process integration and implementation, including data management, data analysis and reporting systems
- Electronic and on-line learning
- Sharing best practice

IPTI has a Board of Advisors which is comprised of internationally respected professionals all of whom have extensive experience in their respective fields. The breadth of membership of the Board reflects IPTI's commitment to international participation and sharing best practice on a global basis. The Board contributes to the strategic direction and overall planning for IPTI.

More information about IPTI can be found on its website www.ipti.org

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Executive Summary

1. The Saskatchewan Urban Municipalities Association (SUMA) engaged the International Property Tax Institute (IPTI) to undertake an independent, external review of the way in which the property assessment system in Saskatchewan is currently operating and compare it with best practice from other jurisdictions.
2. Particular concerns have been expressed by city managers in Saskatchewan over the current 4-year cycle for revaluation of properties across the province, the use of a 2-year antecedent valuation date for revaluations, the property inspection program, the mass appraisal policies and practices used by assessors, the consistency and uniformity of the assessed values ascribed to properties in the province, and the way in which those values are dealt with through the appeal process.
3. SUMA requested assistance from IPTI to provide an independent commentary on the present property tax assessment processes and procedures and supply expert advice in relation to any recommended improvements and possible legislative change to address any significant issues that may be found.
4. To meet these objectives, IPTI proposed that it would undertake a review to identify and analyse all key aspects of the current property tax assessment process and procedures in Saskatchewan. IPTI also undertook to research policy and legislative frameworks from selected jurisdictions and, based on its findings, make appropriate recommendations for improvement.
5. In more detail, IPTI undertook the following course of action:
 - A review of the current legislative framework governing the property tax assessment system in Saskatchewan.
 - A review of current assessment processes and procedures in the province.
 - Interviews with key stakeholders in the property tax system.
 - Analysis of the issues identified from the foregoing research.
 - A jurisdictional scan of selected Canadian provincial statutes and assessment processes.
 - A jurisdictional scan of selected international assessing agencies to identify best practice from their assessment policies, processes and procedures.
 - Identification of the risks of continuing with the current assessment processes and procedures in Saskatchewan.
 - Provision of a number of options for change in property tax policy and practice in Saskatchewan.
 - Preparation of this draft report containing our findings, analyses, etc. for discussion with SUMA.

Principles of Good Taxation

6. To assist in reviewing the present system of property tax in Saskatchewan, IPTI set out in Section 2 of this report what it considers to be:

- The principles of good taxation
- The principles of good local taxation
- The principles of good local property taxation

The foregoing principles are helpful in providing a backdrop for reviewing the present system of property taxation in Saskatchewan.

7. In broad terms, the current system in the province meets many of the principles of good local property taxation, but IPTI found a number of key aspects where there is room for improvement.

Overview of the Property Tax System

8. We provide an overview of the current system of property taxation in Section 3 of this report.

9. There are three key organisational inputs to the Saskatchewan property tax system:

- **The provincial government** – determines overall property tax policy which is set out in the legislative framework and the “percentage of value” to be applied to assessed values throughout the province; the provincial government also sets the annual education tax which is based on the assessed values of properties and collected by municipalities as part of their property tax function.
- **Municipalities** – each municipality determines its own property tax policies within the guidelines provided by the provincial government; municipalities set their own budgets and send out property tax bills.
- **Valuation suppliers** – most municipalities use the valuation services provided by the independent Saskatchewan Assessment Management Agency (SAMA), although four of the larger municipalities (Saskatoon, Regina, Prince Albert and Swift Current) have their own in-house valuation resources; assessors provide the assessed values on which property tax bills are based.

10. Saskatchewan has a large number of municipalities; there is a total of 772 urban, rural and northern municipalities.

11. There are two key components of the annual property tax in Saskatchewan:

- the education property tax – this is set by the provincial government and levied, by municipalities, on all properties throughout the province
- municipal property tax – this is set by each municipality based on their annual budgetary requirements and levied on all taxable properties in the municipality

12. IPTI found that property tax provides the highest source of local revenue for most municipalities and is therefore of considerable importance.

13. In setting their tax rate or tax rates, each municipality will determine their annual budget and decide how much of that forecast expenditure is to be paid for by property taxes.

14. Once those budget decisions are taken, the municipality will consider the total assessed value of properties in their jurisdiction and calculate the tax rate (or rates) they need to apply to those properties in order to generate the revenue required. The tax rate is referred to as the “mill rate”.

15. Municipalities have a variety of “tax tools” available to them in terms of setting different tax rates for different classes of property; the larger urban municipalities have more powers to set tax rates for additional sub-classes of property.

16. In addition to setting a mill rate or rates, municipalities can set a “mill rate factor” which can be applied to vary the effective mill rate for each of the property classes or sub-classes. They can also set a “minimum tax” and/or a “base tax”.

17. The highest mill rate factor that can be used by a municipality is limited; it must not be more than 9 times the lowest mill rate factor.

18. A further factor to be taken into account in understanding the property tax system in Saskatchewan is what is referred to as the “percentage of value” (POV). POVs are set by the provincial government and must be applied by the municipality. For the 2021 revaluation, the POVs are:

- non-arable (range or pasture) land - 45 per cent
- other (cultivated) agricultural land - 55 per cent
- residential, multi-unit residential and seasonal residential - 80 per cent
- commercial, industrial, elevator, railway, resource and pipeline - 85 per cent

The assessed value of a property must be multiplied by the POV to arrive at its “taxable assessed value” to which the mill rate and/or other factors are applied.

19. All taxable properties in Saskatchewan are revalued every 4 years. The latest revaluation came into effect in 2021. The values are assessed by reference to a “base date” which is set 2

years before the revised values come into effect. The base date for the 2021 revaluation is January 1, 2019.

20. The next province-wide revaluation is due to come into effect in 2025 and will have a base date of January 1, 2023.

21. There are two valuation “standards” which apply to different types of property in Saskatchewan:

- the “market valuation standard” – this applies to residential, commercial and industrial properties
- the “regulated property assessment valuation standard” – this applies to agricultural land, resource production equipment, railway roadway, heavy industrial and pipelines

22. Assessed values derived from the foregoing valuation standards are shown in an assessment roll for each municipality. Those values form the basis for the property tax notices that are sent out by the municipality to all taxpayers.

23. An appeal can be made against the assessed value within either 30 days of the receipt of an assessment notice, or 60 days in a revaluation year. If an appeal cannot be resolved by agreement between the appellant (normally the taxpayer) and the assessor, it may be referred to a Board of Revision for a decision. The Board of Revision’s decision may be the subject of a further appeal to a provincial body, the Saskatchewan Municipal Board. Beyond that, an appeal may be made to the provincial Court of Appeal.

Legislative Framework

24. The legislative framework sets out current policy and practice in connection with the operation of the property tax system in Saskatchewan.

25. The key legislation that governs the property tax system can be found in the following three Acts:

- The Cities Act
- The Municipalities Act, and
- The Northern Municipalities Act

26. There are a number of other Acts that govern different parts of the property tax system in the province; they are:

- The Education Property Tax Act (which deals with school taxes)
- The Assessment Management Agency Act (which relates to SAMA)
- The Municipal Board Act (which deals with, inter alia, assessment appeals)

27. In addition to the main Acts, there is a significant amount of secondary legislation in the form of regulations, bylaws, orders, etc.

28. IPTI focussed its attention on the assessment and taxation provisions contained in the Cities Act and we record our review and findings in Section 4 of this report.

SAMA

29. As SAMA is the predominant supplier of assessed values in the province, and has an important oversight role in connection with the assessed values provided by other assessors (i.e., those municipalities that have inhouse valuation teams), IPTI looked at its policies and practices.

30. Our review of SAMA is contained in Section 5 of this report.

Interviews

31. As already indicated, IPTI conducted a series of online interviews with key stakeholders in the property tax system.

32. These interviews provided helpful insights into various aspects of the property tax system and we report our findings in Section 6 of this report.

Jurisdictional Scans

33. IPTI undertook a “compare and contrast” review of the property tax systems in selected jurisdictions both in Canada and elsewhere.

34. The jurisdictions selected were:

- Ontario, Canada
- Alberta, Canada
- British Columbia, Canada
- New York City, USA
- England, United Kingdom
- The Netherlands

35. We refer to our findings from the jurisdictional scan in Section 7 of this report. More detail about the property tax systems in each of the foregoing jurisdictions can be found in the relevant appendices to this report.

Options for Change

36. Taking into account the guiding principles we set out for property tax systems, the research we have undertaken both in relation to Saskatchewan and selected other jurisdictions, the views of those we have interviewed for this project and our knowledge of

what works well and what does not in connection with property tax systems, IPTI reached a number of conclusions.

37. However, rather than putting forward a series of firm recommendations, IPTI considers it is more helpful to outline a number of options for change that may help to improve the property tax system in Saskatchewan.

38. The options for change we set out in Section 8 of this report are as follows:

Move to using “true” market values

39. Saskatchewan purports to have an *ad valorem* property tax system; however, in reality it is not a true market value based system.

40. The majority of properties in the province are required to be assessed using a regulated approach, the components of which are very strictly prescribed in an Assessment Manual which has the force of law. Assessed values derived from this approach are unlikely to represent true market values at the relevant valuation (base) date.

41. For non-regulated properties, the assessed values are arrived at by the use of mass appraisal techniques that are restrictive in their nature and therefore unlikely to produce true market values at the relevant valuation (base) date.

42. Most other jurisdictions use “true” market value as the basis for their property tax assessment system and it would be a significant improvement if Saskatchewan was able to move to the same basis.

Move agricultural property out of regulation

43. Even if it was decided not to move to true market values for all properties, there may be benefits in moving agricultural properties out of the group of properties that are subject to the regulated valuation standard and putting them into the category of properties to which the market valuation standard applies.

Remove the provincial percentage of value

44. The use of percentages of value is regarded as an unnecessary and unhelpful complication which adversely impacts consistency, simplicity and transparency that are the hallmarks of a good property tax system.

Shorten the current 4-year revaluation cycle

45. Although this is a controversial topic, in IPTI’s view, annual revaluations are likely to provide the most effective method of ensuring assessed values are kept up to date.

46. Annual revaluations are also likely to create less “turbulence” (i.e., significant movements in assessed values and tax bills) than revaluations carried out at longer intervals; they are also

more likely to produce assessed values that taxpayers can understand as they will be more familiar with current levels of value, and they may also lead to fewer appeals.

47. However, IPTI recognises that, in Saskatchewan, there may be a case for shortening the revaluation cycle from 4 years to 2 years initially to allow all parties, SAMA in particular, to introduce the changes that would be necessary to support a move to more frequent revaluations.

Change the base date

48. The current base date is set 2 years prior to the date that revaluations come into effect. In IPTI's view, a 2 year "gap" between the antecedent valuation date and the date when the new assessed values come into effect is too long.

49. Although it may give assessors plenty of time to collect, collate and analyse the evidence they need to use for a revaluation, and allows the provincial government time to carry out their analysis, it means that those values are at least 2 years out of date by the time they come into force.

50. It would be advantageous to change the base date from 2 years to 12 months, preferably alongside a move to reduce the revaluation cycle from the current 4-year cycle as the two aspects of the system are closely related.

51. However, shortening the base date from 2 years to 12 months could be introduced as a "standalone" improvement to the property tax system if necessary.

Change the assessment/taxation timetable

52. It would be beneficial to bring forward the key dates in the assessment and taxation processes carried out within the province. In IPTI's view, it would be preferable to adjust the current timetable for the annual processes as follows:

- assessed values to be provided to the provincial government and municipalities not later than September 1 in the year before the tax year
- municipalities to prepare their budgets in September-October based on "actual" assessed value data rather than estimates
- municipalities to set their tax rates (and other tax tools) not later than November 1 in the year before the tax year
- the provincial government to do the same for setting the education property tax
- assessment notices and tax notices sent out to taxpayers not later than December 1 in the year before the tax year
- tax due (as now) from January 1 of the tax year

53. There may be a variety of reasons why the current timetable is used, but it would be helpful, in IPTI's view, to reconsider whether it meets the needs of all stakeholders or whether the outline above would be a considerable improvement.

Reform the appeals system

54. The current property tax appeals system in Saskatchewan suffers from a number of disadvantages.

55. One of the fundamental problems is the timing of sending out assessment notices and the time limit allowed for making appeals. In many cases, the assessment notices are sent out in advance of the tax notices so taxpayers may not understand the link between them. They may not appreciate the impact of the assessment notice, particular at a time of revaluation, on their property tax liability.

56. By the time taxpayers receive their tax bill, the time limit for making an appeal may have passed, and so they cannot make an appeal until the following tax year. That issue could be easily addressed by extending the period in which an appeal against the assessment notice may be made.

57. Another significant issue arises in connection with the "mixed" performance of the existing Boards of Revision (BoRs).

58. IPTI is aware that the provincial government is in the process of introducing changes that are intended to improve the way in which the BoRs operate and that is clearly to be welcomed.

59. However, IPTI considers that there may be further benefits obtained by moving to having a provincial BoR rather than a series of local BoRs. That would help to ensure that the BoR was properly resourced with appropriate staffing and that sufficient numbers of experienced members could be recruited to discharge the functions of the appeal body effectively.

60. With regard to the second level of appeal, i.e., to the Assessment Appeal Committee (AAC), consideration should be given to giving the AAC power to hold a *de novo* hearing rather than its present limited power to review a BoR decision.

61. Consideration should be given to changing the onus of proof in assessed value appeals from the taxpayer to the assessor.

Training

62. There are two main aspects to this issue:

- training/education needs within the present system
- training/education needs connected with changes to the existing system

63. There is a need for additional education of policy makers operating within the existing system, particularly those at the municipal council level who are making important decisions on tax policy. There is also a continuing need to provide education for other stakeholders, in particular to improve the awareness of taxpayers about the existing system.

64. Many of our suggested options for change would assist in improving transparency in the existing system, but they will need to be accompanied by enhancing understanding among stakeholders.

Risks of continuing with the present system

65. The main risk associated with continuing with the existing system is that aspects of it are already the subject of considerable criticism due to the deficiencies identified by stakeholders and outlined in this report. Those criticisms are likely to become more vociferous if they are not addressed.

66. There are risks of reputational damage, and loss of confidence, if steps are not taken to improve the property tax system in the province.

Conclusions

67. IPTI recognises that many of the options for change outlined in our report are likely to give rise to legitimate concerns over timing, additional costs, increased responsibilities, practical implementation, etc.

68. However, in our view, it is important to identify changes that could be made to improve the current property tax system and then discuss the implications of their implementation.

69. We should add that, inevitably, there is quite a lot of descriptive material contained in this report which makes it rather lengthy. However, in our view it is important to include the descriptive text in order to fully understand both how the system operates in the province and to provide a context for the views of stakeholders; the descriptive material is also directly relevant to the options for change we have put forward.

70. To save space in the body of this report, some of the relevant material is available via links or can be found in attached appendices.

71. We look forward to discussing the options for change with SUMA once the association has had the opportunity to digest this report.

Section 1: Introduction

The Saskatchewan Urban Municipalities Association (SUMA) engaged the International Property Tax Institute (IPTI) to undertake an independent, external review of the way in which the property assessment system in Saskatchewan is currently operating and compare it with best practice from other jurisdictions.

Particular concerns have been expressed by city managers in Saskatchewan over the current 4-year cycle for revaluation of properties across the province, the use of a 2-year antecedent valuation date for revaluations, the property inspection program, the mass appraisal policies and practices used by assessors, the consistency and uniformity of the assessed values ascribed to properties in the province, and the way in which those values are dealt with through the appeal process.

SUMA requested assistance from IPTI to provide an independent commentary on the present property tax assessment processes and procedures and supply expert advice in relation to any recommended improvements and possible legislative change to address any significant issues that may be found.

IPTI Proposal

IPTI proposed that it would undertake a review to identify and analyze all key aspects of the current property tax assessment process and procedures in Saskatchewan. IPTI also undertook to research policy and legislative frameworks from selected jurisdictions and, based on its findings, make appropriate recommendations for improvement, including suggestions for any policy and/or legislative changes considered necessary.

More specifically, IPTI proposed it would undertake the following course of action:

1. A review of the current legislative framework governing the property tax assessment system in Saskatchewan.
2. A review of current assessment processes and procedures in Saskatchewan with particular emphasis on the items mentioned above.
3. Selected interviews with key individuals from SUMA and SAMA.
4. Analysis of issues found from the foregoing research.
5. A jurisdictional scan of selected Canadian provincial statutes and assessment processes.
6. A jurisdictional scan of a few selected international assessing agencies to identify best practice from their assessment policies, processes and procedures.

7. Identify and comment on the risks of continuing with the current assessment processes and procedures in Saskatchewan.
8. Recommend appropriate policy and/or legislative changes.
9. Outline how recommended changes could be introduced on an incremental basis.
10. Prepare a draft report containing IPTI’s findings, analyses, and recommendations.
11. Discuss the draft report with SUMA.
12. Finalize IPTI’s report.

IPTI Resources

Paul Sanderson, the President of IPTI, led the IPTI team on this project. Jerry Grad (CEO) and Carlos Resendes (Director) from IPTI also provided assistance as required. Additional IPTI resources were used for research purposes.

Timetable

Following acceptance by SUMA of IPTI’s proposals, the following timetable was agreed for the work.

Date (week commencing)	Activity
November 29, 2021	Official start of project; meeting with Steering Committee; this will include discussion of property tax policy issues
December 6, 2021	Research into the current legislative framework governing the property tax assessment system in Saskatchewan
December 13, 2021	Review of current assessment processes and procedures in Saskatchewan
December 13, 2021	Initial interviews with key stakeholders; this will include Irwin Blank and leaders of other assessing agencies in Saskatchewan
January 3, 2022	Consideration of emerging issues; meeting with Steering Committee to discuss progress
January 10, 2022	Jurisdictional scan of selected Canadian provincial statutes and assessment processes; identifying best practices
January 17, 2022	Jurisdictional scan of selected international assessing agencies; seeking best practice in their assessment policies, processes and procedures
January 24, 2022	Further interviews with key stakeholders to discuss initial findings and “test” responses

January 31, 2022	Internal discussion with IPTI team to ensure all relevant information has been obtained for purposes of report
February 7, 2022	Preparation of draft report containing IPTI's findings, analyses, and recommendations; meeting with Steering Committee
February 14, 2022	Discuss the draft report with SUMA;
February 21, 2022	Finalize and present IPTI's report; final meeting with Steering Committee

IPTI submitted its draft report on February 11, 2022 in compliance with the foregoing timetable. We had discussions with SUMA following which we undertook some additional research and made some minor amendments to the draft report resulting in this final report.

Interviews

As indicated, IPTI proceeded to investigate the views of stakeholders by seeking both factual information and views on different aspects of the property tax system.

The nature and content of the interviews varied depending upon which stakeholder was involved in the discussions with IPTI.

However, in broad terms, the views of stakeholders were sought on the following aspects of the current property tax system in Saskatchewan:

- the legislative framework which governs the property tax system
- exemptions, reliefs, allowances and abatements
- the person liable to pay property tax (i.e., the owner)
- maintaining an up-to-date list of property owners (i.e., taxpayers)
- the unit of assessment (i.e., the ownership parcel)
- what is included in the assessment (i.e., land, buildings, other improvements, etc.)
- the basis of assessment (i.e., the market valuation standard and the regulated property assessment valuation standard)
- the frequency of revaluations
- the antecedent valuation date (i.e., the base date)
- current valuation suppliers (i.e., inhouse, SAMA, etc.)
- current assessment processes
- current assessment accuracy
- the assessment appeal system
- setting property tax rates (at both the municipal and provincial level)
- the use of percentages of value set by the Provincial Government
- property tax billing, collection and enforcement procedures

- phasing in changes in property tax bills following a revaluation
- the contribution of property tax revenue for municipalities in comparison with other sources of revenue
- communications with stakeholders
- other property tax systems they may be aware of (likes and dislikes)
- any other matter they wanted to draw to IPTI's attention

We report our findings from the interviews undertaken in Section 6 of this report.

List of stakeholders Interviewed

In order to obtain a broad cross-section of views from stakeholders, IPTI held a series of online interviews with representatives of the following organisations:

- Ministry of Government Relations, Province of Saskatchewan
- Saskatchewan Urban Municipalities Association (SUMA)
- City of Estevan
- City of Humboldt
- City of North Battleford
- City of Regina
- City of Saskatoon
- City of Warman
- City of Yorkton
- Saskatchewan Assessment Management Agency (SAMA)
- Canadian Property Tax Association (CPTA)
- Altus Group
- Colliers
- Saskatchewan Landlord Association Inc.
- Saskatoon Board of Revision
- Appraisal Institute of Canada (AIC)
- Saskatchewan Association of Rural Municipalities (SARM)
- Saskatchewan Assessment Appraisers Association (SAAA)

More detail about these interviews, including the names of people interviewed, is shown in Section 6. It should be noted that no responses, comments, statements, criticisms, praise, etc., made by individuals are attributed to them by name.

Other Research

In addition to interviews with stakeholders, IPTI carried out a wide variety of research both in connection with Saskatchewan and in relation to the property tax systems in selected other jurisdictions.

The jurisdictions selected for this “compare and contrast” research were:

- Ontario, Canada
- Alberta, Canada
- British Columbia, Canada
- New York City, USA
- England, United Kingdom
- The Netherlands

We refer to our findings from the jurisdictional scan in Section 7 of this report. More detail about the property tax systems in each of the foregoing jurisdictions can be found in the relevant appendices to this report.

Section 2: Principles of Good Taxation

It may be helpful to start with a consideration of what may be regarded as the principles of good taxation and, in particular, the principles of a good local tax.

IPTI has experience in dealing with property tax systems in many different jurisdictions around the world. IPTI has used this knowledge to develop its own “guiding principles” for a good local property tax system.

However, it is important to note that, based on IPTI’s experience, there are two important points that need to be borne in mind. These are:

- there is no “perfect” or “ideal” property tax system anywhere in the world; and
- all property tax systems must be “tailored” to suit the environment within which they operate.

Principles of good taxation

Although taxes of one form or another have been around for many thousands of years, it is generally accepted that the economist Adam Smith set out what were regarded as the four main principles (or “canons”) of good taxation in his book “The Wealth of Nations” (1776). He argued that taxation should follow the four principles of:

- Fairness
- Certainty
- Convenience, and
- Efficiency

Economists (and others) have since developed those four principles into a variety of complex frameworks, many of which are laden with jargon and only capable of being understood by academics who have spent a lifetime studying the topic.

IPTI notes the relatively simple approach adopted by the Association of International Certified Professional Accountants (AICPA) which published what it called a framework of ten “guiding principles of good tax policy”. They are:

- **Equity and fairness**
Similarly situated taxpayers should be taxed similarly. This includes horizontal equity (taxpayers with equal ability to pay should pay the same amount of taxes) and vertical equity (taxpayers with a greater ability to pay should pay more taxes). Note: Equity is best measured by considering a range of taxes paid, not by looking just at a single tax.

- **Certainty**
Tax rules should clearly specify when and how a tax is to be paid and how the amount will be determined. Certainty may be viewed as the level of confidence a person has that a tax is being calculated correctly.
- **Convenience of payment**
A tax should be due at a time or in a manner most likely to be convenient to the taxpayer. Convenience helps ensure compliance. The appropriate payment mechanism depends on the amount of the liability, and how easy (or difficult) it is to collect. Those applying this principle should focus on whether to collect the tax from a manufacturer, wholesaler, retailer or customer.
- **Economy of calculation**
The costs to collect a tax should be kept to a minimum for both the government and the taxpayer.
- **Simplicity**
Taxpayers should be able to understand the rules and comply with them correctly and in a cost-efficient manner. A simple tax system better enables taxpayers to understand the tax consequences of their actual and planned transactions, reduces errors and increases respect for that system.
- **Neutrality**
The tax law's effect on a taxpayer's decision whether or how to carry out a particular transaction should be kept to a minimum. A tax system's primary purpose is to raise revenue, not change behavior.
- **Economic growth and efficiency**
A tax system should not impede productivity but should be aligned with the taxing jurisdiction's economic goals. The system should not favor one industry or type of investment at the expense of others.
- **Transparency and visibility**
Taxpayers should know that a tax exists, and how and when it is imposed on them and others. Taxpayers should be able to easily determine the true cost of transactions and when a tax is being assessed or paid, and on whom.
- **Minimum tax gap**
A tax should be structured to minimize noncompliance. The tax gap is the amount of tax owed less the amount collected. To gain an acceptable level of compliance, rules are needed. However, a balance must be struck between the desired level of compliance and the tax system's costs of enforcement and level of intrusiveness.
- **Appropriate government revenues**
A tax system should enable the government to determine how much tax revenue it likely will collect and when - that is, the system should have some level of predictability and reliability.

Principles of good local taxation

Having regard to the fundamental principles considered above, but adapting them to the particular requirements of local taxation, the principles below provide a useful “yardstick” against which any local tax system can be measured:

- *Fairness based on ability to pay:* the tax is perceived to be fair in terms of people’s ability to pay the tax.
- *Fairness based on benefits received:* the tax is fair if the burden is distributed in accordance with the benefits received.
- *Efficiency:* distortions in economic behaviour (such as where to live or work, whether to invest in home improvements, where to locate a business, or other economic decisions) should be minimised.
- *No harmful competition:* the tax does not result in harmful competition between local governments or local governments and senior levels of government.
- *Sufficient, stable and predictable revenues:* the tax generates sufficient, stable and predictable revenues for local governments plus the tax should not result in changes over time that cannot reasonably be anticipated by taxpayers.
- *Visible, transparent, and accountable:* the tax is visible and transparent to taxpayers so that governments can be held accountable to taxpayers for the cost of government services.
- *Ease of administration:* the tax is easy to administer locally.

Principles of good local property taxation

Building on the foregoing principles of a good local tax, but looking specifically at recurrent local property taxes, IPTI has developed the following “guiding principles” that may be considered helpful:

- *Purpose:* the property tax is intended to contribute towards the cost of providing local goods, services and other facilities that people living and/or working in a particular jurisdiction require.
- *Benefit:* taxpayers will benefit directly or indirectly from the local goods, services and other facilities provided which are funded, at least in part, from the property tax; in general, it is assumed that property owners will be the ones liable to pay the tax as the value of their property will reflect the availability and quality of the local goods, services and other facilities provided.
- *Ability to pay (1):* setting the tax rate (or rates) should take into account the required “balance” between the ability to pay of taxpayers and the overall cost of providing the local goods, services and other facilities they require; property tax rate setting should also take into account the revenue available from other sources, including transfers from other levels of government.

- *Cost/yield ratio*: the overall cost of the property tax system must be reasonable in relation to the revenue it generates; a cost of less than 1% of the revenue generated may be regarded as an indication of a reasonable and efficient system.
- *Accountability*: as setting the tax rate (or rates) is a critical part of the property tax system, those responsible for this important task must be subject to the democratic process (i.e., elections) on a regular basis; they must be able to explain and justify any changes in tax rate (or rates) on an annual basis.
- *Ability to pay (2)*: property tax systems assume that differences between the market values of properties reflect, at least to some extent, a taxpayer's relative ability to pay; however, where necessary, adjustments (i.e., some form of relief) may have to be made to the amount of tax otherwise payable by a taxpayer who can demonstrate lower than average ability to pay for the type of property concerned.
- *Fairness*: all properties are assessed on the same basis, i.e., to ensure a comprehensive tax base, all real properties (i.e., no exemptions from the tax base) are assessed on the basis of their open market value (reflecting their highest and best use) as at the relevant valuation date; this enables the opportunity cost of any reliefs or abatements being considered to be demonstrated which, in turn, supports transparency in local decision-making.
- *Unit of Assessment*: assuming the property owner is the taxpayer, the unit of assessment (i.e., the property to be valued/taxed) should be the parcel owned by the taxpayer; the assessed value should include the land, any buildings, structures or other improvements that form part of the land.
- *Revaluation*: all properties should be revalued on a regular basis; the frequency of revaluation will be a matter to be determined in the light of property market conditions, but as property tax is generally an annual tax, annual revaluations are preferred where resources allow.
- *Valuation date*: the valuation date to be adopted for each revaluation should be set as close as practicable to the date that the new assessed values come into force; ideally, the valuation date should be no longer than 12 months before the date that the assessed values come into force.
- *Information*: all stakeholders in a property tax system must recognise, and comply with, the need for relevant information to be shared with others; taxpayers and municipalities must supply relevant information to assessors to assist them in providing accurate valuations; assessors must supply relevant information to taxpayers and municipalities to enable them to understand and comply with their role in the property tax system.
- *Reliability*: the assessed values on which tax bills are based must be accurate, up-to-date, and visible; those carrying out the property assessment process must be suitably qualified and experienced and apply their skills diligently.

- *Transparency*: the assessed values produced must be publicly available for all taxpayers to see in a format that is easily understood.
- *Accessibility*: the assessed values and accompanying explanations must be available via an easily accessed website that contains all the information that a taxpayer might reasonably require; this will include legislation, relevant case law, valuation evidence, guidance on how different types of properties are valued, etc. (with suitable methods of providing that information to those unable to access online facilities).
- *Communications*: it is important that all stakeholders receive clear, understandable information, at the appropriate time, about matters that are relevant to them; this will include assessment information, tax rate information, any reliefs, abatements or other adjustments that may be available/applicable, time limits for appeal, etc.
- *Appeals*: where appropriate, taxpayers must be able to challenge the assessed values of their properties using a freely available, responsive, appeal process which involves access to the assessor at the first stage and an independent third party at the next stage; time limits governing the appeal process must be reasonable for all parties.

It should be noted that open market values can only be realistically established where there is sufficient reliable evidence of transactions upon which to base assessed values.

IPTI reiterates that none of the property tax systems it has studied over many years has achieved “perfection” in respect of the foregoing guiding principles. However, IPTI considers the above list provides a useful framework for analysing any property tax system to determine how effective and efficient it may be, and what areas for improvement may be identified.

Section 3: Overview of the Property Tax System in Saskatchewan

We start this Section of the report with a brief overview of the type of property taxes that can be found in Saskatchewan. We then refer to the key organisations involved in administering the property tax system in the province. Following that brief introduction, we move on to consider the role of the provincial government in property taxation. We then include a review of the different types of municipalities within the province. That is followed by looking at the role of the suppliers of valuation services. We also outline the assessment appeals process in the final part of this Section.

It should be noted that this Section is primarily a description of the property tax system; our observations about the system are contained in later Sections of this report.

Property Tax Components

There are two key components of the annual property tax in Saskatchewan:

- the education property tax – this is set by the provincial government and levied, by municipalities, on all properties throughout the province
- municipal property tax – this is set by each municipality based on their annual budgetary requirements and levied on all taxable properties in the municipality

In setting their tax rate or tax rates, each municipality will determine their annual budget and decide how much of that forecast expenditure is to be paid for by property taxes. It should be noted that property tax provides the highest source of local revenue for most municipalities.

Once those budget decisions are taken, the municipality will consider the total assessed value of properties in their jurisdiction and calculate the tax rate (or rates) they need to apply to those properties in order to generate the revenue required. The tax rate is referred to as the “mill rate”.

Taxable properties are divided into three broad classifications:

- agricultural
- residential
- commercial/industrial

Municipalities have a variety of “tax tools” available to them in terms of setting different tax rates for different classes of property; the larger urban municipalities have more powers to set tax rates for additional sub-classes of property.

In addition to setting a mill rate or rates, municipalities can set a “mill rate factor” which can be applied to vary the effective mill rate for each of the property classes. They can also set a “minimum tax” and/or a “base tax”.

The highest mill rate factor that can be used by a municipality is limited; it must not be more than 9 times the lowest mill rate factor.

The tax tools chosen by a municipality must be included in a bylaw to make them enforceable. Municipalities also have power to pass a special tax bylaw to raise revenue for a specific purpose or service, but this cannot be used for major capital investments.

Municipalities can provide “abatements” in respect of the municipal property tax if they consider it to be appropriate. They can also decide to provide an “exemption” from property tax – in whole or in part – in cases where they consider it to be appropriate.

Municipalities can also offer “incentives” (i.e., discounts) to encourage early payment of property taxes and they can impose penalties for late payment. Municipalities also have powers to enforce collection where property tax payments are not forthcoming.

A further factor to be taken into account in understanding the property tax system in Saskatchewan is what is referred to as the “percentage of value” (POV). POVs are set by the provincial government and must be applied by the municipality.

For the 2021 revaluation, the POVs are:

- non-arable (range or pasture) land - 45 per cent
- other (cultivated) agricultural land - 55 per cent
- residential, multi-unit residential and seasonal residential - 80 per cent
- commercial, industrial, elevator, railway, resource and pipeline - 85 per cent

The assessed value of a property must be multiplied by the POV to arrive at its “taxable assessed value” to which the mill rate and/or other factors are applied.

Example of a Property Tax Calculation

To provide an indication of how property tax is calculated, we will assume a residential property has a current assessed value of \$250,000.

The assessed value has to be adjusted by the application of the provincial “percentage of value” which, for residential properties, is currently 80%.

$$\text{Assessed value } (\$250,000) \times \text{Percentage of Value } (80\%) = \text{Taxable Assessed Value } (\$200,000)$$

The taxable assessed value is then multiplied by the appropriate (adjusted) mill rate set by the municipality.

Taxable Assessed Value (\$200,000) x Adjusted Mill Rate (0.016650) = Tax Bill (\$3,330)

The above tax bill calculation, using a fictitious mill rate, may be subject to further adjustment where a municipality has set either a minimum or base tax.

A minimum tax may apply to all properties within a specified class with a taxable assessed value of less than a specified amount. It effectively increases the amount of tax generated from properties with lower assessments.

A base tax may be applied to any or all of the property classes within a municipality. It may be applied to land, improvements or all property (i.e., land and improvements). It effectively reduces the difference in property taxes between lower and higher assessed properties.

The foregoing relates to the calculation of municipal property tax. The final property tax bill will include the provincial education property tax.

Taking the above example, i.e., the property with a taxable assessed value of \$200,000, the appropriate education property tax mill rate to be applied is 4.46 which means the education property tax will add another \$892 to the bill meaning the overall property tax for the current year will be \$4,222.

Assessed Values

All taxable properties in Saskatchewan are revalued every 4 years. The latest revaluation came into effect in 2021. The values are assessed by reference to a “base date” which is set 2 years before the revised values come into effect. The base date for the 2021 revaluation is January 1, 2019.

The next province-wide revaluation is due to come into effect in 2025 and will have a base date of January 1, 2023.

There are two valuation “standards” which apply to different types of property in Saskatchewan:

- the “market valuation standard” – this applies to residential, commercial and industrial properties
- the “regulated property assessment valuation standard” – this applies to agricultural land, resource production equipment, railway roadway, heavy industrial and pipelines

We provide more commentary on these valuation standards later in this report.

Key Organisations

The role of the key organisations in the Saskatchewan property tax system are as follows:

- *provincial government* – determines overall property tax policy which is set out in the legislative framework; the provincial government also sets the annual education tax which is based on the assessed values of properties and collected by municipalities as part of their property tax function
- *municipalities* – each municipality determines its own property tax policies within the guidelines provided by the provincial government; they are provided with guidance from the Ministry of Government Relations when undertaking their budget and tax rate deliberations – this guidance is contained in the “Municipal Tax Policy Guide”
- *valuation suppliers* – most municipalities use the valuation services provided by the independent Saskatchewan Assessment Management Agency (SAMA), although four of the larger municipalities (Saskatoon, Regina, Prince Albert and Swift Current) have their own in-house valuation resources

The Role of the Provincial Government

The part of the provincial government that is responsible for property tax policy and administration is the Ministry of Government Relations. The Ministry is responsible for municipal relations, building and technical standards, First Nations, Métis and northern affairs.

Two recent documents helpfully provide more detailed information about the Ministry’s responsibilities. They are the “Annual Report for 2020-21” and the “Plan for 2021-22”. These documents are available via the links below:

[file:///C:/Users/Paul/Downloads/2020-21GovernmentRelationsAnnualReport%20\(1\).pdf](file:///C:/Users/Paul/Downloads/2020-21GovernmentRelationsAnnualReport%20(1).pdf)

<file:///C:/Users/Paul/Downloads/GovernmentRelationsPlan2021-22.pdf>

IPTI notes that the Annual Report states: “The percentages of value for commercial, industrial, elevator, railway, resource and pipeline properties were reduced from 100 per cent to 85 per cent to improve tax fairness and recognize the COVID-19 challenges faced by businesses and industry.”

IPTI also notes that the Annual Report states: “In June 2020, the federal government announced that funding through the Gas Tax Program would be accelerated to help communities recover from the COVID-19 pandemic as quickly as possible, and to assist in their role to safely restart the economy. Saskatchewan’s allocation of \$62.57 million for 2020-21 was received in full and the ministry distributed both instalments for 2020-21 to municipalities by August 2020. As of March 15, 2021, the ministry is managing 1,128 active project agreements through this program.”

One of the Ministry's responsibilities that is particularly relevant to the financing of municipalities is what is referred to as the "Municipal Revenue Sharing" scheme.

According to its website, in 2021-22, the Government of Saskatchewan will distribute \$275 million to municipalities in Municipal Revenue Sharing (MRS). This is the equivalent of .75 of one full point of Provincial Sales Tax (from 2019-20 Public Accounts).

For 2021-22, \$132.075 million or 47.9 per cent is allocated to the cities, \$44.668 million or 16.2 per cent to towns, villages and resort villages, \$78.583 million or 28.5 per cent to rural municipalities, and \$20.404 million or 7.4 per cent to northern communities.

The website continues, the Ministry implemented annual eligibility requirements for municipalities to receive their unconditional MRS Grants. There are six eligibility requirements:

- Submission of the Audited Annual Financial Statement to the Ministry;
- Submission of the Public Reporting on Municipal Waterworks to the Ministry (if applicable);
- Ensure Education Property Taxes (EPT) are in good standing, with respect to EPT reporting and remittance;
- Adoption of a Council Procedures Bylaw;
- Adoption of an Employee Code of Conduct; and
- Filing and annually updating Public Disclosure Statements from all members of council, as required.

In terms of the distribution of MRS grants, the scheme is as shown below.

- Urban Municipalities:
 - Cities - the 2021-22 distribution for the cities is \$199.88 per capita based on the 2016 census populations.
 - Towns, Villages and Resort Villages - the 2021-22 distribution for the towns, villages and resort villages is a \$2,025 base amount, plus \$224.35 per capita based on the 2016 census populations.
- Rural Municipalities
There are three components to the Rural Revenue Sharing grant:
 - Unconditional Grants
 - Organized Hamlet Grants
 - Conditional Rural Revenue Sharing Grants

Another extract from the Ministry's Annual Report IPTI considers relevant states:

- “Support the 2021 property tax revaluation, including establishing percentages of value and property classes and continuing to improve public understanding of the property tax system.
 - o A provincial revaluation updates property assessments every four years by determining new property values as of a specific base date. For the 2021 revaluation, this base date is January 1, 2019. This means all properties now reflect the value they had as of that date.
 - o As part of each revaluation, the ministry supports the consideration of the percentages of value to be applied to the assessed values of property classes. In December 2020, the ministry announced the percentage of value for commercial, industrial, elevator, railway, resource and pipeline properties will be 85 per cent compared to 100 per cent set in 2017 when the previous revaluation occurred. This will be applied to properties starting in 2021 as part of the revaluation cycle across the province.
- Work with the municipal sector to renew the approach to the first level of property assessment appeals.
 - o The ministry continues to work towards implementing improvements to the first-level property assessment appeals process for the 2023 property tax year to ensure fair hearings and clear decisions.”

One further item of note from the Annual Report is that Education Property Taxes amounted to \$645 million in 2020-21.

A relevant comment from the Ministry's “Plan for 2021-22” is a commitment to: “Continue to work with our partners to ensure the fairness of the provincial property assessment and tax system by:

- o Supporting the implementation of the 2021 property tax revaluation;
- o Working with the municipal sector to renew the approach to the first level of property assessment appeals; and,
- o Supporting Saskatchewan Assessment Management Agency's review of oil and gas assessment methodology.”

The Ministry's Plan also set out the 2021-22 Budget Highlights:

- \$275.7 million for municipal revenue sharing funding, consisting of:
 - o \$176.7 million to urban municipalities;

- o \$78.6 million to rural municipalities; and,
- o \$20.4 million to northern municipalities.
- \$244.6 million for municipal infrastructure programs, consisting of:
 - o \$173.6 million to meet project commitments under infrastructure programs, including:
 - \$123.9 million under the Investing in Canada Infrastructure Program; and,
 - \$49.7 million under the New Building Canada Fund.
 - o \$69.5 million in flow-through municipal infrastructure funding provided by the Gas Tax Program.
 - o \$0.8 million for Transit Assistance for People with Disabilities.
 - o \$0.7 million for Communities in Transition under Rural Revenue Sharing.
- \$35.0 million for emergency pandemic support to First Nations and Métis organizations.
- \$7.9 million to support the Provincial Capital Commission.
- \$0.7 million to support the Saskatchewan Centre of the Arts.

Education Property Tax Mill Rates

Education property tax collected by municipalities is paid to the provincial government's General Revenue Fund in most cases. Separate school divisions have a right to levy taxes in order to fund their educational system. Each separate school division decides whether to establish its own property tax mill rates or to participate in the provincial funding structure. Municipalities with a separate school division that has set its own mill rates remit EPT directly to the separate school division.

The 2021 EPT mill rates are as follows:

	2020 Mill Rates	2021 Mill Rates
Agricultural	1.43	1.36
Residential	4.12	4.46
Commercial/Industrial	6.27	6.75
Resource	9.68	9.79

It will be seen that the EPT mill rates changed from 2020 to 2021.

IPTI adds that it had a very helpful meeting with various officials from the Ministry which greatly assisted in gaining an understanding and insight into some of the issues that are covered elsewhere in this report.

Municipalities in Saskatchewan

As already indicated, as with many other provinces in Canada, responsibility for the property tax system rests with the provincial government which has, in turn, devolved many powers, functions and responsibilities to municipalities.

In particular, municipalities have been given the power to raise revenue by imposing property taxes within their jurisdiction.

A helpful overview of the number and different types of municipalities in Saskatchewan is available from the following website:

<https://www.saskatchewan.ca/government/government-structure/local-federal-and-other-governments/your-local-government/about-the-saskatchewan-municipal-system#types-of-municipalities>

Extracts from that website are provided below.

Municipalities

“Saskatchewan's *The Municipalities Act*, *The Cities Act* and *The Northern Municipalities Act*, 2010 provide the basic legislative framework for all of the province's municipalities and give municipalities what is referred to as “Natural Persons Power”.

This term is commonly understood to mean that municipalities possess all of the same powers that a normal person would. Natural person powers generally do not give municipalities more jurisdiction than they already had; and they do not confer or expand any law-making, bylaw or taxing powers since natural persons don't have any such authority. What does change is the 'default' authority and flexibility for municipalities regarding administrative or corporate matters. Essentially, a municipality can take any action that a natural person or business could to carry out its purposes unless or until legislation prohibits an action or places limitations or conditions on an action.

The three Acts also describe the general purpose of municipalities. Section 4(2) of these Acts specify that municipalities have the following purposes:

- To provide good government;
- To provide services, facilities and other things that, in the opinion of council, are necessary or desirable for all or a part of the municipality;

- To develop and maintain a safe and viable community;
- To foster economic, social and environmental well-being; and
- To provide wise stewardship of public assets.

Municipalities within the boundaries of the Northern Saskatchewan Administration District operate pursuant to *The Northern Municipalities Act, 2010*.

As the environment in which municipalities operate becomes increasingly complex, it isn't simple to categorize all of the things that municipalities do on a day-to-day basis to fulfil their purposes. Generally speaking, however, it is the municipal level of government that has the most direct impact on the daily life of citizens.”

Types of Municipalities

Saskatchewan currently has **772** urban, rural and northern municipalities. For listings, see the [Municipal Directory](#).

In southern Saskatchewan there are **747** incorporated municipalities:

- **451** are urban municipalities. These include:
 - 16 cities
 - 147 towns
 - 246 villages
 - 42 resort villages
- **296** are rural municipalities

In northern Saskatchewan, there are **25** incorporated municipalities:

- 2 northern towns
- 11 northern villages
- 11 northern hamlets
- The Northern Saskatchewan Administration District (NSAD).

Unincorporated areas of Southern Saskatchewan include hamlets and organized hamlets. There are **144** Organized Hamlets established by Minister's Order.

Unincorporated areas of northern Saskatchewan are part of the Northern Saskatchewan Administration District (NSAD) and are administered by the Northern Municipal Services Branch. There are 11 northern settlements within the NSAD.

Urban Municipalities

In Saskatchewan, cities, towns, villages and resort villages are all defined as urban municipalities. These municipalities are created by a ministerial order that describes the municipal boundaries. Each is governed by an elected council that can hire staff to manage daily administration and maintain municipal services (e.g., roads, utilities, recreation facilities). A municipal council has the power to adopt bylaws:

- to provide for the health and safety of the municipality's residents;
- to decide what type and level of municipal services will be provided;
- to control land development and zoning provisions;
- to borrow money for municipal improvements; and
- to set local tax policies & rates to cover the costs of municipal services.

The latter bullet point is of particular relevance to IPTI's report.

Saskatchewan's cities are governed by *The Cities Act*, while the remaining municipalities are governed by *The Municipalities Act*.

IPTI reviews the provisions of the Cities Act in Section 4 of this report.

Rural Municipalities

A rural municipality is created by a ministerial order that describes the municipal boundaries and divisions therein.

A rural municipality is a defined territory incorporated under *The Municipalities Act*. These municipalities may include hamlets which may or may not be organized (see below). A rural municipality is governed by an elected council that can hire staff to manage daily administration and maintain municipal services (e.g., roads, utilities, recreation facilities).

A municipal council has the power to adopt bylaws to:

- provide for the health and safety of the municipality's residents;
- decide what type and level of municipal services will be provided;
- control land development and zoning provisions;
- borrow money for municipal improvements; and
- set local tax policies and rates to cover the costs of municipal services.

Organized Hamlets

An organized hamlet is an area within the rural municipality. It is created by a ministerial order and is governed by the rural municipality in which it is located. An organized hamlet is not incorporated and does not have legal authority.

Voters of an organized hamlet elect a three-member board that reports to the rural municipal council. Some organized hamlets may be designated as a division and be represented by a division councillor on the rural municipal council.

Northern Municipalities

A northern municipality is a northern town, northern village or northern hamlet incorporated under [The Northern Municipalities Act, 2010](#). These municipalities are located in the Northern Saskatchewan Administration District. A northern municipality is created by a ministerial order that describes the municipal boundaries. Each is governed by an elected council that can hire staff to manage daily administration and maintain municipal services (e.g., roads, utilities, recreation facilities).

Northern settlements are created under the same legislation; but each is governed by elected local advisory committee that reports to the Minister of Government Relations to provide for the health and safety of the municipality's residents to:

- decide what type and level of municipal services will be provided;
- control land development and zoning provisions;
- borrow money for municipal improvements; and
- set local tax policies and rates to cover the costs of municipal services.

IPTI Comment

Whilst the number and nature of municipalities is not specifically part of IPTI's review, given the large number of relatively small municipalities in the province, there are scale and capacity issues that limit the way in which property tax assessment can be effectively undertaken.

In these circumstances, it makes sense to have a body at the provincial level (i.e., SAMA) which can undertake the assessment function for those municipalities that are not large enough to recruit their own inhouse expertise.

Those smaller municipalities could, at least in theory, contract out their assessment work to the private sector. However, IPTI understands that this type of outsourcing was used in the past but the municipalities that did use the private sector have all decided to use SAMA as their valuation supplier.

Valuation Suppliers

Municipalities can decide what type of valuation supplier they want to use. There are three main choices:

- inhouse valuation supplier
- outsourced valuation supplier
- SAMA

The cities of Prince Albert, Regina, Saskatoon and Swift Current have their own inhouse valuation resources.

As already indicated, IPTI understands that some municipalities have used outsourced private sector valuation suppliers in the past, but no longer use such resources.

All municipalities other than the four listed above use SAMA.

IPTI considers that the main valuation supplier for the province – SAMA – warrants a separate Section of this report. More detailed information about SAMA can be found in Section 5.

Assessment Appeals

There is a helpful guide on the appeals process called “Assessment Appeals Guide in Saskatchewan for Citizens” dated April 2021; a copy can be found via the following link:

<https://publications.saskatchewan.ca/api/v1/products/84339/formats/97762/download>

In brief, an appeal can be made by a taxpayer if they consider there has been an error in:

- the assessed value
- the classification
- the contents of the assessment roll
- the assessment notice

Before making a formal appeal, taxpayers are encouraged to discuss their concerns either with the municipality or the assessment appraiser to see whether any issues can be resolved by agreement.

If agreement is not possible, a taxpayer can appeal to the Board of Revision (BoR). The BoR is usually a local body set up by the municipality concerned to hear such appeals.

It should be noted that taxpayers cannot appeal the level of taxes owing to a municipality to the BoR. Tax policy is a decision made by the municipality and any concerns a taxpayers may have about that must be addressed to the municipal council. The BoR only hears assessment appeals.

Appeals may also be filed by the municipality, another taxing authority or SAMA.

Each municipality prepares an assessment roll every year. All municipalities must give notice to the public when the assessment roll is complete by advertising in a local newspaper. Municipalities other than cities must also advertise completion of the assessment roll in the Saskatchewan Gazette.

In addition, assessment notices may be mailed to all property owners. Sometimes assessment notices are mailed just to owners whose property assessment changed from the previous year. In a revaluation year, all property owners will receive an assessment notice.

A taxpayer wishing to appeal must do so within 30 days (60 days in a revaluation year) of the assessment roll being advertised or of the mailing of the assessment notice.

Appealing an assessment requires the completion of a notice of appeal form which is available from the municipal office. An appeal form must be sent with any assessment notice received from the municipality.

The municipality may set an appeal fee. The fee must be paid to the municipality before the deadline to appeal. Failing to do so will result in the appeal being dismissed. The fee is refunded where:

- the appeal is successful in whole or in part
- an appeal is withdrawn; or
- the appeal is deemed insufficient by the BoR or its secretary

During the appeal period, but before the appeal is heard by the BoR, parties to an appeal may:

- Agree to a new valuation or classification of a property; or
- Agree to changing the taxable or exempt status of a property.

This agreement must be in writing and is commonly known as the “agreement to adjust”. If this agreement resolves all matters on the appeal, the assessor makes any changes necessary to reflect the agreement between the parties and the appeal is withdrawn with any fee refunded.

There is a “simplified appeal process” that can be used when the appeal involves:

- a single-family residential property
- any other property valued under \$100,000 within a rural municipality; or
- any other property valued under \$250,000 for properties within other municipalities

If the appeal proceeds to a hearing, the BoR is expected to make its decisions within 180 days of publishing the notice respecting the mailing of assessment notices.

Any party to the appeal is entitled to appeal the decision of a BoR to the Assessment Appeals Committee (AAC) established by the Saskatchewan Municipal Board.

An appeal to the AAC must be made within 30 days of being served with a decision of the BoR. The record of the BoR hearing will be examined for any errors made by the Board. New evidence cannot be filed with the AAC, except in limited circumstances.

Taxpayers may appeal directly to the AAC when:

- there are several assessments being appealed on the same grounds; or
- the assessed value of a commercial or industrial property exceeds the amount set in the regulations (currently \$1 million).

Fees are required when filing an appeal with the AAC. The fees and appeal form must be filed within a 30-day appeal period or the appeal will be dismissed. The fee will be refunded if the appeal is successful.

The final level of appeal for property assessments is to the Provincial Court of Appeal. This type of appeal may only be made on a question of law or jurisdiction. If the Court of Appeal agrees to hear an appeal of the AAC decision, the Court of Appeal decision is final. If the Court of Appeal denies the appeal application, the decision of the AAC is final.

IPTI notes that the provincial government recently initiated a review of the appeals system. In the report following this review, the introduction states:

“In recent years, the Government of Saskatchewan has been receiving a number of complaints from the assessment appeal community with regard to the efficiency and effectiveness of the current property assessment appeal system. Stakeholders see significant challenges arising from the quality of hearings, lack of a proper record of the hearing, and unsubstantiated decisions made at the board of revision level.

These complaints have prompted the Ministry of Government Relations (Ministry) to review the assessment appeal process, specifically at the board of revision level, to understand the challenges and opportunities for improvement.”

A copy of the report following that review is available via the link below:

<https://pubsaskdev.blob.core.windows.net/pubsask-prod/113887/Assessment-Appeal-Report-Praxis-Consulting-Final.pdf>

The Ministry has also taken a number of steps to improve the operation and administration of the BoR system. A Registrar has been appointed to oversee the operation of the system and

a new training program has been set up to provide guidance to members of the BoR. Details of the training program are available via the link below:

<https://www.schoolofpublicpolicy.sk.ca/executive-education/board-of-revision-training-program.php#ProgramOverview>

The website states:

“The Board of Revision (BoR) Training Program has been designed for current or future members, chairs and secretaries of boards of revision in Saskatchewan. This program focuses on:

- Principles of Administrative Justice
- Property Assessment Concepts in Saskatchewan
- Effective Hearings/Administrative Tribunal Proceedings
- Rules of Evidence for Administrative Tribunals
- Post Administrative Tribunal Hearing Deliberation and Decision Writing
- Plain Language in Administrative Tribunal Proceedings and Decisions
- Interpreting Legislation/Application of Legal Tests
- Compiling a Proper Record of Hearing
- Administrative Tribunal Case Management
- The Role of the Chairperson
- The Role of the Secretary”

We return to the issue of the existing appeals system later in this report.

.....

To put a bit more “flesh on the bones” of the foregoing descriptions, and to see what type of information about property tax systems is provided to the public by a municipality, we attach at Appendix A some selected extracts from the City of Saskatoon’s website.

It will be seen that the website refers to, inter alia:

- assessment notices
- amended and supplementary assessment notices
- assessment appeals
- appeal fees
- information to be included with a notice of appeal
- the board of revision
- the simplified appeal process
- the assessment appeals committee
- the three components of property tax:

- municipal tax
- library tax
- education tax
- the 2021 reassessment
- property tax notices and payments
- payment options (including payment by instalments using TIPPS)
- explanations of what property taxes are used for, i.e., 57% for local services, 37% for schools and 6% for libraries
- requests for information
- tax rates, i.e., mill rates and mill rate factors
- percentages of value
- tax ratio policy, i.e., residential 1; non-residential 1.59

There are a number of useful links in Appendix A to other relevant information.

IPTI adds that it is not suggesting Saskatoon's website is any better (or worse) than the websites of any other municipality. However, as Saskatoon is the largest city by population in the province, and has its own in-house valuation team, IPTI considered it would be helpful to review the information it provides to its taxpayers and other stakeholders.

Section 4: Review of Key Legislation

IPTI's review of any property tax system starts with a consideration of the legislation that governs the operation of the system.

Existing property tax policy, determined at the provincial level, can be found in the main legislation that deals with property tax.

As mentioned in Section 3 of this report, the key legislation that governs the property tax system can be found in the following three Acts:

- The Cities Act
- The Municipalities Act, and
- The Northern Municipalities Act

As the provisions concerning property tax assessment are similar in all three Acts, IPTI concentrated its attention on the Cities Act as that governs the system in the main urban parts of the province.

To assist an understanding of our analysis, a copy of the relevant parts of the Cities Act can be found in Appendix B.

However, before we report on our review of the Cities Act, we should make clear that a number of other Acts also govern different parts of the property tax system in the province; they are:

- The Education Property Tax Act (which deals with school taxes)
- The Assessment Management Agency Act (which relates to SAMA)
- The Municipal Board Act (which deals with, inter alia, assessment appeals)

In addition to those main Acts, there are also a number of different regulations made under powers contained in the foregoing Acts. Where relevant, we will make reference to those as necessary.

There are also a significant number of bylaws and orders – that have legal force – which therefore also need to be taken into account as part of the legislative framework.

IPTI Comment

As indicated above, there is a significant amount of legislation that governs the operation of the property tax system in Saskatchewan. This makes it difficult for anyone unfamiliar with the system, particularly taxpayers, to navigate their way through it to find answers to any questions they may have.

It would be preferable for the province to review the legislation to see what could be consolidated to make access to it – and understanding – easier for all stakeholders.

However, for the purposes of this report, IPTI focussed its attention on the main legislation that governs the property tax system.

The Cities Act

As already indicated, as the Cities Act is the legislation that applies to the larger, main urban municipalities, IPTI undertook a detailed analysis of the assessment provisions it contains. Our observations on the relevant provisions of the Act are set out below.

The Market Valuation Standard

Section 163 provides a list of definitions of terms used in the Act. Among these definitions (f1) is the definition of the “market valuation standard” which, it states:

“... means the standard achieved when the assessed value of property:

- (i) is prepared using mass appraisal;*
- (ii) is an estimate of the market value of the estate in fee simple in the property;*
- (iii) reflects typical market conditions for similar properties; and*
- (iv) meets quality assurance standards established by order of the agency;”*

On the face of it, the foregoing definition appears to be an acceptable description of how property tax assessments should be determined. However, the way in which the definition is interpreted and applied creates some of the issues that IPTI found from its research.

Section 163 (f.2) continues:

“market value” means the amount that a property should be expected to realize if the estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli;”

The foregoing definition is broadly in line with the definition of “market value” set out by many professional organisations.

For example, the International Valuation Standards Committee (IVSC) defines market value as follows:

“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after

proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The Appraisal Institute of Canada (AIC), in its publication “Canadian Uniform Standards of Professional Appraisal Practice” (CUSPAP), defines market value as follows:

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and the seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

So, the definition of “market value” in the Act is broadly in line with accepted definitions published by recognised national and international professional valuation organisations.

However, it is the strict limitation of the way in which “mass appraisal” is interpreted and applied in Saskatchewan which means that the assessed values arrived at by SAMA or other valuation suppliers in the province may not equate to actual market value.

The Act continues:

(f.3) “mass appraisal” means the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing;

That definition is also recognisable as an acceptable description of mass appraisal. In their “Standard on Mass Appraisal of Real Property”, the International Association of Assessing Officers (IAAO) defines mass appraisal as:

“Mass appraisal is the process of valuing a group of properties as of a given date and using common data, standardized methods, and statistical testing.”

It will be seen that the IAAO definition of mass appraisal is very similar to that contained in the Act.

Regulated Property Assessment

The Act continues:

(h.1) “regulated property assessment” means an assessment for agricultural land, resource production equipment, railway roadway, heavy industrial property or pipelines;

(h.2) “regulated property assessment valuation standard” means the standard achieved when the assessed value of the property is determined in accordance with the formulae, rules and principles set out in this Act, the regulations made pursuant to this Act, the assessment

manual and any other guideline established by the agency to determine the assessed value of a property;

The foregoing definitions makes clear that there are two valuation standards to be applied to taxable properties in Saskatchewan:

- (a) the market valuation standard which applies to all non-regulated properties; and
- (b) the regulated property assessment standard which applies to the defined properties

In simple terms, properties valued using the market valuation standard should be assessed at their market value as at the base date; regulated properties are valued using the formulas prescribed by SAMA which may or may not result in an assessed value that equates to the market value of the properties concerned.

The position is confirmed by Section 164 which states:

Regulated and non-regulated property assessments

164.1(1) Regulated property assessments shall be determined according to the regulated property assessment valuation standard.

(2) Non-regulated property assessments shall be determined according to the market valuation standard.

Annual Assessments

The issues for concern start to arise with the following part of the Act:

“Preparing annual assessments

165(1) An assessment shall be prepared for each property in the city using only mass appraisal.

(2) All property is to be assessed as of the applicable base date.

(3) The dominant and controlling factor in the assessment of property is equity.

(3.1) Each assessment must reflect the facts, conditions and circumstances affecting the property as at January 1 of each year as if those facts, conditions and circumstances existed on the applicable base date.”

In IPTI’s view, Section 165 (3.1) is a helpful explanation of what has to be valued, i.e., the property as it stands as at January 1 each year, but on the assumption that the relevant facts, condition and circumstances that existed as at January 1 on the year in question existed at the relevant base date which is set 2 years prior to the date of the revaluation. That part of the definition ensures consistency in the application of the valuation hypothesis.

The issues of concern arise in connection with Section 165(1) and (3).

Section 165(1) is very clear that valuations can only be provided by using mass appraisal. That may be quite acceptable for valuing what may be described as “bulk classes” of property, i.e., those that are very similar to each other. However, it creates problems when having to value a property or properties that are either somewhat out of the ordinary and/or for which there is limited evidence on which to base a valuation.

Section 165(3) then exacerbates the challenges facing an assessment appraiser as equity, i.e., comparison with the assessments of other similar properties, is stated to be the most important factor.

The “accuracy v equity” issue arises in many property tax jurisdictions; i.e., is it more important to have accurate assessments (i.e., of market value) or ones that are uniform and consistent?

The policy in Saskatchewan, as enshrined in the legislation, is clearly to place the priority on equity. Of course, in theory, if all properties are assessed at their true market values, equity is achieved and no issue arises.

However, as the emphasis in this legislation is so clearly on linking mass appraisal and equity, it means that taxpayers owning higher value properties may be able to successfully demonstrate that their assessed value is too high in comparison with other properties in the same class, even if the assessed value ascribed to their property is, in fact, correct in terms of its market value as at the base date.

Section 165 continues:

“(4) Equity in regulated property assessments is achieved by applying the regulated property assessment valuation standard uniformly and fairly.

(5) Equity in non-regulated property assessments is achieved by applying the market valuation standard so that the assessments bear a fair and just proportion to the market value of similar properties as of the applicable base date.”

The foregoing provisions highlight what the equity policy is intended to achieve; they again emphasise that equity is regarded as being more important than accuracy (in relation to market value) when it comes to assessed values.

Percentage of Value

Section 166 of the Act deals with “percentage of value”; it states:

“166(1) The Lieutenant Governor in Council may make regulations:

(a) establishing classes of property for the purposes of this section; and

(b) setting percentages of value that are applicable to classes of property established pursuant to clause (a).

(2) Classes of property established pursuant to subsection (1) may be all or any of the following:

(a) classes of land;

(b) classes of improvements;

(c) classes of land, improvements or both.

(3) The assessor shall determine to which class established pursuant to the regulations, if any, any property belongs.

IPTI has already described (in Section 3 of this report) how the percentage of value system operates. In simple terms, the assessed value of a property has to be multiplied by the prescribed percentage of value to arrive at the “taxable assessment”.

Section 167 provides:

“167 After calculating the assessment of property that belongs to a class of property established pursuant to subsection 166(1), the assessor shall determine the taxable assessment of the property by multiplying the assessment by the percentage of value applicable to the class of property to which the property belongs.”

Whilst IPTI is aware of similar schemes in other jurisdictions, e.g., in New York City (see Appendix G), we consider that this approach “interferes” with one of the guiding principles (see Section 2 of this report) for property tax systems which is that the assessed value (market value) should form the basis of the property tax system without further adjustment.

Any adjustment to the independent assessed value adds to the complexity of the system and runs the risk of creating unfairness between different groups of taxpayers.

It is not unusual for different tax rates to be applied to different classes of property, particularly distinguishing residential and non-residential properties, but it is not helpful for transparency and taxpayer understanding to have the additional adjustment to assessed values, i.e., the percentage of value, imposed by the provincial government.

Furthermore, at least in theory, it would be possible for a municipality with appropriate tax tool powers to negate the percentage of value by simply adjusting the tax rate to obviate the impact of the relevant percentage of value. As far as IPTI is aware, municipalities do not use their tax rate powers to do this, but it remains a possibility.

Leaving aside whatever political reasons there may be for the use of percentages of value, IPTI considers this to be an unhelpful aspect of the property tax system in Saskatchewan.

Farmland

IPTI notes that the provisions of Section 168 of the Act, which relates to the assessment of farmlands, may result in favourable treatment of one group of taxpayers – i.e., farmers, who are able to bring themselves within the provisions – in comparison with other taxpayers.

Machinery and Equipment

Section 169 of the Act identifies what elements of “machinery and equipment” may, and may not, be included in the assessed value of pipelines, petroleum oil and gas wells. The issue of the extent to which machinery and equipment is included in the assessed value of properties for property tax purposes is one that all jurisdictions have to deal with.

The arguments are relatively simple: it is generally accepted that small items of machinery and equipment are regarded as “tools of the trade” and should not be included in assessments. However, some large items of machinery and equipment, particularly those that are structural in nature and perform a similar function to buildings (e.g., a silo which stores material performs the same function as a warehouse which stores material), arguably should be included in the assessed value of the property concerned.

Whilst this is very much a matter for consideration by the policy-making body – in the case of Saskatchewan, the provincial government – IPTI suggests that it would be helpful to review the position on a regular basis to see if the existing provisions are fair between taxpayers.

IPTI notes that, for example, there is much more machinery and equipment included in assessed values in Alberta than is the case in Saskatchewan. Similarly, in the UK, there is much more “plant and machinery” (as it is called in the UK) included in assessed values than Saskatchewan.

Provision of Information

Section 171 of the Act provides the assessor with powers to request information from owners and others that is necessary for the assessor to have in connection with the valuation of the property.

IPTI understands that SAMA obtains a generally good response to its requests for information. However, IPTI notes that some other property tax jurisdictions require the

regular reporting of relevant value-significant information to the assessing agency; this might be an improvement which should be considered for Saskatchewan.

The powers to obtain information are coupled with a requirement to treat the information obtained confidential. Section 171 provides:

(5) Subject to subsection (6), every person who, in the course of his or her duties, acquires or has access to any information or document obtained pursuant to subsection (1), (2), (3) or (4.1) shall:

(a) keep that information or document confidential; and

(b) not make any use of or disclose that information or document without the consent of the person to whom the information or document relates.

Whilst not disclosing confidential information obtained is not unusual, on the face of it, the foregoing provision precludes an assessor from *using* the information. IPTI notes, in passing, that such a constraint cannot be taken at face value otherwise there would be no point in collecting the information!

However, on a more important point, the legislation does not appear to provide reciprocity on the issue of information sharing. In other words, while “... *the assessor may, at any time, request any information or document that relates to or might relate to the value of any property from any person who owns, uses, occupies, manages or disposes of the property*”, there is no legislative obligation on the assessor to disclose relevant information that has been used in arriving at the assessed value.

Whilst it is important to safeguard confidential information obtained by an assessor, there needs to be a balance between confidentiality and transparency when it comes to the assessor explaining to a taxpayer (or a professional representative) what evidence has been used in arriving at a particular valuation.

The same Section of the Act contains specific provisions requiring the owner or operator of a resource property (oil, gas, etc.) to provide information, on an annual basis, to the assessor in connection with resource production equipment which is necessary for the application of the regulated property provisions.

This, hopefully, ensures that the calculation used for the assessment of such properties is based on accurate, up-to-date information which should assist the taxpayers in being satisfied that the facts on which a regulated valuation is based are correct.

As mentioned above, consideration might be giving to extending the requirement to provide the assessor with value-significant information for other types of property.

Section 172(5) provides a significant sanction for failure to comply with the information provision requirements; it states:

(5) If the person whose assessment is the subject of an appeal or his or her agent seeks to introduce the following evidence at the hearing of the appeal, the board of revision or appeal board shall not take that evidence into consideration in making its determination:

(a) any information or document that was not provided to the assessor as required by section 171 when it was required to be provided;

(b) any information that is substantially at variance with information provided to the assessor pursuant to section 171.

There are some “safeguards” against possible misuse of those powers by an assessor, e.g., a Board of Revision or the appeal board may allow an appeal to proceed if they are satisfied that a request for information by the assessor was unreasonable or if the information requested by the assessor was not relevant to the assessment.

Returning to the issue of disclosure of assessment information mentioned above, IPTI notes that the Act provides:

173(1) If a city authorizes information to show how an assessor prepared the assessment of a person’s property to be furnished to that assessed person or an authorized agent of that assessed person, the city may charge a fee for furnishing that information.

(2) For the purposes of subsection (1), the fee must not exceed the reasonable costs incurred by the city for furnishing the information.

On the face of it, such a fee – based on reasonable costs – is not, in itself, inappropriate. However, in today’s environment of more open data, it is for consideration whether such information should be provided – free of charge – in the interests of transparency.

As already mentioned, a related issue to consider is whether it may be preferable to put the onus on property owners to provide information to SAMA (or the relevant assessor) at regular intervals rather than relying on the assessor to serve notice on the owner to provide that information.

Assessment Rolls

The next Division of the Act refers to assessment rolls.

Section 174 provides:

(1) The assessor shall prepare an assessment roll for each year for all assessed property in the city.

(2) The assessment roll must be prepared not later than April 1, but may be prepared on or after September 1 in the year before the year to which the assessment roll relates.

It is interesting that a complete assessment roll is produced every year even though a full revaluation takes place every 4 years. An alternative would be to prepare a complete roll every 4 years and simply make alterations to it as necessary. However, IPTI assumes it is considered more convenient for municipalities to prepare a complete assessment roll for each year.

Section 175 sets out what information must be shown in an assessment roll. It is interesting to note that both the “assessed value” and the “assessed value of the property after applying the applicable percentage of value” must be shown. It may be confusing to a taxpayer having both those values shown.

If the property is exempt from taxation, that fact must be shown. This is interesting from the point of view both of transparency, i.e., making it clear that a property is treated as exempt, and also, as the value is shown, it enables the opportunity cost of the exemption to be calculated. IPTI understands that SAMA keep exemptions under review to ensure they remain appropriate.

Section 175 also makes it clear that the “unit of assessment” is the parcel of ownership; however, Section 176 allows the assessor to merge two or more parcels in the same ownership if that is considered appropriate.

Section 177 sets out who is the “assessed person”, i.e., the taxpayer. In most cases it is the registered owner of the property but, in some cases, it may be the occupier (e.g., a leaseholder) if there is an appropriate agreement with the owner that the occupier will pay the property tax.

Section 178 allows the assessor to make a correction to the roll if an error or omission is discovered through the use of an “amended assessment notice”. It also allows an appeal to be made against such a notice. IPTI understands that, in practice, there are relatively few amended assessment notices issued.

In terms of publishing the roll, Section 183 provides:

(1) The assessor shall make the assessment roll available for public inspection during normal business hours from the day of completion of the assessment roll to the last day for lodging an appeal.

(2) The council may authorize that the assessment roll or portions of the assessment roll be available for public inspection at any additional times that the council may determine.

It is important that taxpayers are made aware that the assessment roll is available for inspection. A later part of the Act (Section 187) requires the publication of a notice informing

the public that assessment notices have been sent and confirming the last date on which appeals may be lodged against the assessment.

Assessment Notices

Division 3 of this Part of the Act deals with the preparation and service of assessment notices. Section 184 provides:

- (1) *Except as provided in subsection (2), the assessor shall annually prepare assessment notices for all assessed property shown on the assessment roll of the city.*
- (2) *A council may dispense with the preparation of assessment notices if the assessed value of a property:*
 - (a) *has not changed from the previous year's assessed value; or*
 - (b) *the increase or decrease in assessed value does not exceed the lesser of:*
 - (i) *\$1,000 from the previous year's assessed value; and*
 - (ii) *1% of the previous year's assessed value.*
- (3) *A bylaw or resolution passed pursuant to subsection (2) is effective with respect to the year in which it is passed and all subsequent years, other than a year in which a revaluation is directed by the agency.*

Section 185 sets out what must be contained within an assessment notice which, in broad terms, is the information that is shown in the assessment roll together with information about the appeal period.

The appeal period is relatively short, being 30 days after an assessment notice, or amended assessment notice, has been sent. In the case of an assessment notice served following a revaluation year, the time limit for making an appeal is 60 days.

In terms of sending the assessment notice, Section 186 provides:

- The assessor shall send the assessment notice to the assessed person not later than the date on which the tax notices are required to be sent.*
- (2) *The assessment notice and the tax notice relating to the same property may be sent together or may be combined on one notice.*

IPTI notes, in passing, that some jurisdictions prefer to keep assessment and taxation functions and notices completely separate; others prefer to link them as they are clearly related. There are advantages and disadvantages in both approaches. From a taxpayer's perspective, it may be helpful for the two components, i.e., the assessment notice and the tax

notice, to be brought together as they are so interdependent. However, combining them may lead taxpayers to question the independence of the assessment process.

Supplementary Assessments

Division 4 of this Part of the Act deals with “supplementary assessments” which refer to changes to the assessed value of properties that need to be reflected in the assessment roll.

Section 189 provides:

(1) Subject to subsection (2), the assessor shall make any supplementary assessment that may be necessary to reflect a change if, after assessment notices are sent but on or before December 1 of the taxation year for which taxes are levied on the assessment referred to in the notices, it is discovered that the assessed value of any property is not the same as the value entered on the assessment roll by reason of:

- (a) destruction of or damage to the property;*
- (b) demolition, alteration or removal of an improvement;*
- (c) construction of an improvement;*
- (d) change in the use of the property;*
- (e) subdivision of the property; or*
- (f) issuance of titles pursuant to a condominium plan that is approved by the Controller of Surveys.*

(2) If a change is made to the roll pursuant to subsection (1), the assessor shall send an assessment notice to the persons affected.

The issue of a supplementary assessment notice enables an appeal to be made on the same basis as other appeals, i.e., within 30 days, etc.

Interestingly, the Act also provides for what it describes as a “cut-off date” after which no supplementary assessments can be made:

(5) A city may determine a cut-off date for supplementary assessments, after which no supplementary assessments may be prepared for any property in the city.

(6) For the purposes of subsection (5), the cut-off date may not be earlier than September 30 in any year.

It is assumed that a cut-off date is included in the legislation as a practical expedient to avoid the assessor having to carry out this type of work throughout the year.

However, it is not clear to IPTI why such a cut-off date is required when changes take place to properties throughout the year and there seems to be no reason why changes to the assessed

values cannot be made throughout the year. Not providing a supplementary assessment may lead to unfairness for a taxpayer whose property has been reduced in value due to, for example, the demolition of a building. Equally, if a taxpayer extends a property, they gain an unfair advantage if the alteration is not reflected in the assessed value up until the following tax year.

Section 189 goes on to make clear:

(7) A supplementary assessment must reflect:

- (a) the value of any property that has not been previously assessed; or*
- (b) the change in the value of any property since it was last assessed.*

Board of Revision

Division 5 of this Part of the Act refers to the Board of Revision which is the body charged with dealing with appeals at the first, local level.

Section 192 of the Act states:

(1) A council shall appoint not less than three persons to constitute the board of revision for the city.

Although the Act goes on to identify who cannot sit as members of the board of revision to avoid any obvious conflict of interest, i.e., a member of the council or an employee, IPTI understands that it is, in practice, difficult to attract people to undertake this work, particularly in the more remote parts of the province with relatively small populations. We comment further on the steps being taken to address this problem in Section 6 of this report.

Section 196 provides for payment of a fee to make an appeal to the Board of Revision and the circumstances in which such an appeal may be refunded.

Division 6 of this Part of the Act goes on to set out a framework for appeals to a Board of Revision.

Section 197 provides:

(1) An appeal of an assessment may only be taken by a person who:

- (a) has an interest in any property affected by the valuation or classification of any property; and*
- (b) believes that an error has been made:*
 - (i) in the valuation or classification of the property; or*

(ii) in the preparation or content of the relevant assessment roll or assessment notice.

Section 197(3) of the Act makes clear that the city or other taxing authority is allowed to make an appeal. Section 197(4) also makes clear that SAMA has to be made a party to an appeal if:

- (a) the agency prepared the valuation or classification of any property being appealed; or*
- (b) the appeal is by a city or other taxing authority.*

Section 197(6) sets out what must be contained in a notice of appeal which must be in line with the relevant regulations prescribed by the minister.

Interestingly, Section 197(6) goes on to state that the notice of appeal must include:

- (i) a statement that the appellant and the respondent have discussed the appeal, specifying the date and outcome of that discussion, including the details of any facts or issues agreed to by the parties; or*
- (ii) if the appellant and the respondent have not discussed the appeal, a statement to that effect specifying why no discussion was held*

This presupposes that the taxpayer (appellant) has had the opportunity to discuss the matter with the assessor (respondent) which is clearly desirable, but it appears to put the onus on the taxpayer to initiate such contact.

Section 198 confirms the time limits for making an appeal to the board of revision, i.e., 30 days after service of a notice of assessment or 60 days in the case of a revaluation, along with the payment of a fee where that is required.

Section 198 continues:

- (3) On receiving a notice of appeal, the secretary of the board of revision shall, as soon as is reasonably practicable, provide the assessor with a copy of the notice of appeal.*

It is not obvious to IPTI why the appellant is not required to send a copy of the notice of appeal to the assessor; that would appear to be a more appropriate course of action, but it is not a matter of particular importance for the purposes of this report.

Section 199 sets out the duties of the secretary of the Board of Revision to, where necessary, arrange a hearing and give the parties at least 30 days' notice of the hearing.

Section 200 of the Act deals with disclosure of evidence relating to a hearing and requires the service of various documents and other materials to be used at the hearing on all parties to the appeal at specified dates before the hearing.

Section 203 of the Act provides:

(1) Boards of revision are not bound by the rules of evidence or any other law applicable to court proceedings and have power to determine the admissibility, relevance and weight of any evidence.

On the face of it, this provision is presumably intended to ensure that the Board of Revision can, if it chooses to do so, operate on a relatively informal basis, i.e., it is not bound by the strict rules of evidence that apply in other courts, tribunals, etc.

However, it also opens the door to potentially unfair, possibly arbitrary, practices which may prove prejudicial to any party appearing before the Board.

The Act deals with the position whereby the parties may reach agreement to adjust the assessment that is the subject of the appeal:

204(1) The parties to an appeal may agree to a new valuation or classification of a property, or to changing the taxable or exempt status of a property, if, during the appeal period but before the appeal is heard by the board of revision, all parties to the appeal agree:

(a) to a valuation or classification other than the valuation or classification stated on the notice of assessment; or

(b) to a change in the taxable or exempt status of a property from that shown on the assessment roll.

IPTI understands that, in practice, most appeals result in either an agreement being reached between the assessor and the taxpayer and relatively few appeals proceed to a hearing by the Board of Revision.

The decision-making power of the Board of Revision is limited by the following provision of the Act:

210(1) After hearing an appeal, a board of revision or, if the appeal is heard by a panel, the panel may, as the circumstances require and as the board or panel considers just and expedient:

(a) confirm the assessment; or

(b) change the assessment and direct a revision of the assessment roll accordingly:

(i) subject to subsection (3), by increasing or decreasing the assessment of the subject property;

(ii) by changing the liability to taxation or the classification of the subject property; or

(iii) by changing both the assessed value of the subject property and its liability to taxation or its classification.

(1.1) Notwithstanding subsection (1), a non-regulated property assessment shall not be varied on appeal using single property appraisal techniques.

It will be seen that Section 210(1) appears to give the board of revision very wide powers to change the value of the assessed property, and/or its classification, but then Section 210(1.1) imposes a most unusual constraint; it states, very clearly, that the value of a non-regulated property cannot be varied using single property appraisal techniques.

This provision appears to preclude any party, but most probably the taxpayer, from being able to demonstrate that the application of a particular mass appraisal model by the assessor produces an assessed value that is incorrect. The usual way in which a taxpayer, or tax agent, is able to demonstrate an error is by submitting a separate appraisal of the market value of the taxable property, as at the relevant valuation date, using appropriate evidence and employing one or more of the recognised professional valuation approaches, i.e., the sales comparison approach, income approach or cost approach.

In IPTI's experience, most jurisdictions produce initial property tax valuations at a time of revaluation using a form of mass appraisal, usually employing a series of automated valuation models (AVMs) within a software package described as computer assisted mass appraisal (CAMA). This is the most cost-effective way in which to produce a large number of valuations at a point in time.

However, if a challenge or appeal against the valuation produced by a CAMA/AVM facility arises, the assessor in other jurisdictions is required to look at the individual valuation produced and, through the application of "single property appraisal techniques", consider whether the valuation produced through the mass appraisal process is correct.

The Saskatchewan Act is the only legislation of which IPTI is aware that precludes the use of what most other systems would allow, i.e., an individual appraisal of the property, on the relevant statutory definition of market value, to ensure that the result of the CAMA/AVM approach is acceptable.

Section 201 continues:

(3) Notwithstanding subsection (1), an assessment shall not be varied on appeal if equity has been achieved with similar properties.

Again, in IPTI's experience, it is unusual to require an individual (accurate) market value assessment to be adjusted to bring it into line with the (incorrect) assessments of other similar properties; this is the "equity v accuracy" debate we have mentioned previously. The appropriate course of action in such a situation is to correct the incorrect values.

The underlying premise of an *ad valorem* property tax system is that the overall amount of tax required to be raised (i.e., the budgeted revenue required from property tax within the jurisdiction) is spread fairly over the tax base by reference to the different assessed values of the properties within the jurisdiction. Those taxpayers with higher assessed values are presumed to be able to pay more property tax than others with lower property values.

However, for such a system to be accepted as “fair”, the values comprising the tax base must reflect the correct relativity between the market values of the taxable properties. If a particular assessed value is clearly incorrect, the appeal system should provide the appropriate avenue through which it can be corrected.

Depending on how the wording in Section 201(3) is interpreted and applied, i.e., “equity” and “similar properties”, it seems that the assessor may only need to show that the same “model” has been applied to a particular group of properties to demonstrate that equity has been achieved, even where the results are manifestly incorrect.

This must be, and is, extremely frustrating for taxpayers, and probably to Boards of Revision, as we found from the interviews conducted; see Section 6 of this report.

Saskatchewan Municipal Board.

Division 7 of this part of the Act deal with appeals from the Board of Revision to the Saskatchewan Municipal Board, specifically, to the Assessment Appeal Committee (AAC) of the Municipal Board.

Section 213(1) of the Act allows a person to appeal an assessment directly to the AAC in particular circumstances, e.g., where the person has an interest in property in more than one city or municipality.

Section 214 of the Act also allows an appeal to be made directly to the AAC where, for example, the property or properties concerned have an assessed value in excess of a prescribed amount (currently \$1 million).

Payment of a fee is required to make an appeal to the provincial AAC either directly, or following a decision of the Board of Revision.

In terms of the procedure before the AAC, Section 215 of the Act provides:

215(1) The procedure respecting appeals to a board of revision apply, with any necessary modification, to an appeal pursuant to section 213 or 214.

(2) Subject to subsection (3), on the hearing of an appeal pursuant to section 213 or 214, the appeal board, in addition to its powers and responsibilities, has all the powers and responsibilities that a board of revision would have with respect to the appeal.

On the face of it, those procedures and powers appear to be quite normal. However, the Act goes on to provide that no new evidence can be called, with the limited exceptions shown below, and the appeal board makes its decision based on the “record” of proceedings at the Board of Revision. The Act states:

222 Subject to section 223, and notwithstanding any power that the appeal board has pursuant to The Municipal Board Act to obtain other information, an appeal to the appeal board pursuant to this Act is to be determined on the basis of the materials transmitted pursuant to section 220.

New evidence

223(1) The appeal board shall not allow new evidence to be called on appeal unless it is satisfied that:

(a) through no fault of the person seeking to call the new evidence, the written materials and transcript mentioned in section 220 are incomplete, unclear or do not exist;

(b) the board of revision has omitted, neglected or refused to hear or decide an appeal; or

(c) the person seeking to call the new evidence has established that relevant information has come to the person’s attention and that the information was not obtainable or discoverable by the person through the exercise of due diligence at the time of the board of revision hearing.

(2) If the appeal board allows new evidence to be called pursuant to subsection (1), the appeal board may make use of any powers it possesses pursuant to The Municipal Board Act to seek and obtain further information.

In IPTI’s experience, it is unusual for an appeal body to be limited in this way and it would appear to constrain the AAC in a way which may, in some cases, prevent it from achieving a just outcome to the appeal process.

It also relies heavily on the Board of Revision having taken and noted all relevant evidence and other materials and provided a sufficient note of its analysis and conclusions to allow the AAC to fully understand the Board of Revision’s reasoning and decide whether or not to uphold it.

In terms of the decision which can be made by the AAC, Section 226 of the Act provides:

(1) After hearing an appeal, the appeal board may:

(a) confirm the decision of the board of revision;

(b) modify the decision of the board of revision to ensure that:

(i) errors in and omissions from the assessment roll are corrected; and

(ii) an accurate, fair and equitable assessment for the property is placed on the assessment roll; or

(c) set aside the assessment and remit the matter to the assessor to ensure that:

(i) errors in and omissions from the assessment roll are corrected; and

(ii) an accurate, fair and equitable assessment for the property is placed on the assessment roll.

(2) If the appeal board decides to modify the decision of the board of revision pursuant to subsection (1), the appeal board may adjust, either up or down, the assessment or change the classification of the property.

(3) Notwithstanding subsections (1) and (2), a non-regulated property assessment shall not be varied on appeal using single property appraisal techniques.

(3.1) Notwithstanding subsections (1) and (2), an assessment shall not be varied on appeal if equity has been achieved with similar properties.

It will be seen from the foregoing that the AAC has the same “constraints” on what it can do as the Board of Revision in terms of not being allowed to vary a valuation based on single property appraisal techniques, or if equity has been achieved with similar properties.

Whilst it is arguably necessary that the appeal board is subject to the same limitations as the Board of Revision in these respects to avoid providing an incentive to appeal, it nevertheless means that the appeal board may not be able to achieve justice in its decisions.

Confirmation of Assessment Roll

Division 8 of the Act relates to the “confirmation of the assessment roll”. Section 228 provides:

(1) On or after January 1 of the year to which the assessment roll relates, the assessor shall make returns to the agency, in the forms and at times required by the agency, showing:

(a) the particulars of any alterations that have been made in the assessment roll since it was last confirmed by the agency; and

(b) any additional information related to the particulars mentioned in clause (a) that may be required by the agency.

(2) Notwithstanding that there may be further appeals pending, the agency, on receipt of a return and after making any inquiries that it considers advisable, may confirm the assessments in the roll as the assessment of the city as at the date of the return.

It is important to note that these provisions apply to all assessors, i.e., those employed by SAMA as well as the inhouse valuation resources used by four of the cities, as SAMA retains responsibility for auditing all assessments throughout the province and therefore needs to “confirm” all assessment rolls.

IPTI notes Section 228 goes on to provide:

(6) Taxes levied on an assessment are not recoverable pursuant to this Act or The Tax Enforcement Act until the assessment is confirmed by the agency.

IPTI understands that, in practice, assessments and assessment rolls have always been confirmed rather than rejected; however, there is a significant amount of activity undertaken by SAMA (through its Quality Assurance Division) to ensure the assessed values meet the required standards.

In this connection, SAMA publishes what it calls a “Quality Assurance Standard Report” setting out the results of its audit. A copy of the latest report (dated January 20, 2022) is available via the link below:

<https://www.sama.sk.ca/sites/default/files/2022-01/2022QualityAssuranceStandardAggregateReportJanuary262022.pdf>

Property Tax

We continue our review of the Act by looking at the next part of it – Part X – which relates to property tax.

Division 2 deals with the tax roll. Section 233 provides:

- (1) A city shall prepare a tax roll annually.*
- (2) The tax roll may consist of:*
 - (a) one roll for all taxes imposed pursuant to this Act and any other Act; or*
 - (b) a separate roll for each tax.*
- (3) The tax roll may be a continuation of the assessment roll or may be separate from the assessment roll.*

IPTI understands that this language may be related to the use of old paper records; in practice, these rolls are digital and separate.

In terms of liability for taxation, Section 235 makes clear:

Subject to the other provisions of this Act, taxes are to be levied on all property.

Section 236 goes on to clarify:

(1) Taxes imposed with respect to a financial year of a city pursuant to this Act or any other Act are deemed to have been imposed on January 1.

(2) Subsection (1) does not apply to supplementary property taxes.

In summary, the owners of all properties in the province are liable to pay property tax in respect of their properties (unless they are exempt, etc.) and the taxes are due with effect from January 1 each year.

The Act continues to outline the process that is required to be followed:

237(1) A city shall annually:

(a) prepare tax notices for all taxable property shown on the tax roll of the city; and

(b) send the tax notices to the taxpayers before the end of the year in which the taxes are imposed.

Section 237 continues:

(4) The assessment notice and the tax notice relating to the same property may be sent together or may be combined on one notice.

This raises the issue we touched upon earlier, i.e., should the assessment notice and the tax notice be completely separate documents, possibly sent to taxpayers at different times of the year, or should they be combined into one notice, or at least sent to taxpayers at the same time, but as two separate documents?

IPTI considers the appropriate test is whether taxpayers consider that the assessed value of their property has been arrived at independently from the tax consequences of the assessment. There are certainly advantages in taxpayers having both documents at, or about, the same time so the link between them is clear. However, there may be disadvantages if taxpayers consider the two notices are too closely linked.

Section 242 of the Act allows councils to provide “incentives” (e.g., a discount for early payment by a due date) and permit payment of property taxes by instalments. The Act also provides powers to allow councils to cancel, reduce, refund or defer taxes where appropriate.

Section 245 makes clear that property taxes can be recovered as a debt due to the city and become a special lien on property which enables enforcement action to be taken to recover the debt if necessary.

The Act (Section 249) goes on to deal with the imposition of penalties for non-payment of property tax within the required time.

Imposing and Calculating Property Tax

The next part of the Act (Division 7) sets provisions relating to the imposition and calculation of the property tax. Section 253 provides:

- (1) *A council shall pass a property tax bylaw annually.*
- (2) *The property tax bylaw authorizes the council to impose a tax on all taxable assessments, as determined in accordance with section 167, in the city:*
 - (a) *at a uniform rate considered sufficient to raise the amount of taxes required to meet the estimated expenditures and transfers, having regard to estimated revenues from other sources, set out in the budget of the city; and*
 - (b) *at any other rates required by this or any other Act.*

It will be noted from the above that a bylaw is required to be passed annually; this is helpful in terms of transparency, but IPTI notes that some other jurisdictions have power to simply pass a resolution to legalise the setting of property tax rates.

Classes and sub-classes of property

In terms of classes and sub-classes, and associated tax rates, the Act gives the following powers to councils:

- 254(1) *A council may establish classes and sub-classes of property for the purposes of establishing tax rates.*
- (2) *The assessor shall determine to which class or sub-class any property belongs.*

Tax rates

- 255(1) *A council may pass a property tax bylaw setting mill rate factors.*
- (2) *The mill rate factors set pursuant to subsection (1), when multiplied by the uniform rate described in clause 253(2)(a), establish a tax rate for each class or sub-class of property mentioned in section 254.*
- (3) *The tax rate may be different for each class or sub-class of property mentioned in section 254.*

The intention of the legislation is that a council must first set a uniform mill rate (tax rate) which is sufficient to raise the amount of revenue required to meet its estimated expenditures and then, if it considers it appropriate, to apply a “mill rate factor” to adjust the uniform mill rate for a particular class or sub-class of property. In simple terms, it results in a different mill rate (tax rate) for defined classes or sub-classes of property.

The Act continues:

257 The amount of property tax to be imposed pursuant to this Act or any other Act with respect to a property is calculated by multiplying the taxable assessment determined in accordance with section 167 for the property by the tax rate to be imposed on that property.

On the face of it, this is a simple, straightforward requirement but, in practice, the process is rather more complicated with the use of the assessed value, the application of the percentage of value to produce the taxable assessed value, then the application of the mill rate and/or mill rate factor and then further considerations involving the use of a minimum tax or base tax. As IPTI has already indicated, the more adjustments that are made in calculating the property tax payable, the more complex the system becomes and the less transparent it may be to taxpayers.

Section 258 of the Act provides powers for a council to set a minimum tax. It should be noted that Section 258 provides:

(4) The property tax bylaw may provide different amounts of minimum tax or different methods of calculating minimum tax for different classes or sub-classes of property.

The ability to set different minimum taxes has the advantage of giving considerable flexibility to municipalities, but adds complexity to the system and may lead to unfairness in the burden of property tax, particular for the owners of properties with lower assessed values.

Section 259 of the Act provides councils with another “tax tool”, this time in the form of a “base tax”. Unlike a minimum tax which might be determined through use of a formula (e.g., a rate per acre), a base tax is a specific amount of money levied against either all properties, or properties within a different class, sub-class, etc.

Another tax tool available to cities is the use of a tax phase-in plan following a revaluation. The Act states:

260(1) Subject to the regulations, a council may:

(a) phase in a tax increase or decrease for taxable property, or a class or sub-class of taxable property, resulting from a revaluation pursuant to The Assessment Management Agency Act; ...

(1.1) No tax phase-in plan established pursuant to subsection (1) is to extend over a period that is longer than the period between revaluations as set out in subsection 22(1) of The Assessment Management Agency Act.

IPTI is aware that similar phase-in plans are used in other jurisdiction to “soften” the impact of a revaluation. Interesting, in Ontario, any increase in the assessed value is phased in over a

period of 4 years whereas in most other jurisdictions (e.g., the UK where it is called transitional relief), phase-in applies only to the tax bill.

Section 260 of the Act requires cities to submit (to the minister) information respecting the tax tools, tax rates and any other taxes and rates levied or proposed to be levied. IPTI notes that the results of mill rate surveys are published by the provincial government; copies of the mill rate survey results (2016-2020) are available via the link below:

<https://publications.saskatchewan.ca/#/products/72573>

An interesting table from the 2020 mill rate survey shows the extent to which the various types of tax tool are used by different types of municipalities:

	Base Tax	Minimum Tax	Mill Rate Factors	Phase-in
Cities	75%	19%	100%	6%
Towns	80%	35%	65%	NA
Villages	60%	46%	36%	NA
Average Urban	67%	42%	48%	0%
Rural Municipalities	22%	38%	81%	NA
Northern Towns, Villages, Hamlets	13%	46%	25%	NA

The mill rate surveys contain a large amount of detailed information which is of interest, but far too detailed to be analysed further for the purposes of this report.

Exemptions from taxation

Section 262 contains a list of properties that are exempt from taxation. In broad terms, the list is similar to many other jurisdictions both in Canada and around the world (see the appendices to this report for more information about exemptions in selected jurisdictions).

Some of the detail relating to exemptions are interesting.

For example, Section 262 (1)(e) exempts a place of public worship, but goes on to provide the following detail:

(e) every place of public worship and the land used in connection with a place of public worship subject to the following limits:

(i) the maximum amount of land that is exempt pursuant to this clause is the greater of:

(A) 0.81 hectares; and

(B) 10 square metres of land for every one square metre of occupied building space used as a place of public worship;

(ii) the place of public worship and land must be owned by a religious organization;

(iii) the exemption does not apply to any portion of that place or land that is used as a residence or for any purpose other than as a place of public worship;

IPTI observes that some aspects of this exemption require careful measurement, calculation and, if it is properly to be applied, regular inspections to check that the qualifications for exemption continue to apply.

The Section also contains a list of bodies whose occupation of properties is to be treated as exempt. The potential problem of such a list is keeping it up to date, checking the facts surrounding the exemption (e.g., has the body changed its name, does it still occupy the property for exempt purposes, etc.), and, quite probably, dealing with claims for exemption by similar bodies whose name is not included in the Act.

Possibly to deal with the foregoing point, Section 262 provides:

(3) A council may exempt any property from taxation in whole or in part with respect to a financial year.

(4) Subject to section 263, a council may:

(a) enter into an agreement with the owner or occupant of any property for the purpose of exempting that property from taxation, in whole or in part, for not more than five years; and

(b) in an agreement entered into pursuant to clause (a), impose any terms and conditions that the council may specify.

IPTI notes that Section 262 continues:

(4.1) If a council exempts property from taxation pursuant to subsection (3) or (4), the assessment for that property must appear on the assessment roll in each year of the exemption.

IPTI considers the foregoing provision helpful for both transparency and calculating the opportunity cost of any exemption afforded by the council.

IPTI notes that Section 266 provides:

(1) If the owner of an improvement situated on land belonging to another person or the owner of an improvement that is not attached to the land on which it is placed is assessed, the

improvement is liable to taxation as an improvement on the land and is subject to a lien for taxes.

(2) Subsection (1) applies whether or not the land on which the improvement is situated is exempt from taxation.

IPTI assumes that this is to cover a situation where, for example, a mobile home owned by one person is placed on land owned by another person. In such a case, the owner of the mobile home would be liable for the property tax in respect of the mobile home (assuming it has an assessed value) with the owner of the land on which it stands remaining liable for any property tax due on the land itself ignoring the value of the mobile home.

Supplementary property tax roll

The Act makes provision for a supplementary property tax roll as follows:

268(1) The city shall prepare a supplementary property tax roll.

(2) A supplementary tax roll may be:

- (a) a continuation of the property assessment roll prepared pursuant to Part X; or*
- (b) separate from the roll mentioned in clause (a).*

(3) A supplementary property tax roll must show:

- (a) the same information that is required to be shown on the property tax roll; and*
- (b) the date for determining the tax that may be imposed pursuant to the property tax bylaw.*

(4) Sections 231, 233 and 234 apply with respect to a supplementary property tax roll.

(5) The city shall:

- (a) prepare supplementary property tax notices for all taxable property shown on the supplementary property tax roll of the city; and*
- (b) send the supplementary property tax notices to the persons liable to pay the taxes.*

(6) Sections 237 to 241 apply with respect to supplementary property tax notices.

The foregoing provisions tie in with the provisions relating to supplementary assessment notices mentioned earlier.

Section 269 of the Act allows for in-year adjustment of property tax in cases where construction is commenced/completed/occupied and/or where improvements are removed or demolished, or the land is sub-divided.

Section 275 of the Act allows a council to pass a “special tax bylaw” to raise revenue to pay for any specific service or purpose to be completed within the taxation year.

Section 276 authorises the council to impose a special tax in relation to property that will benefit from the specific service or purpose stated in the bylaw.

.....

That concludes IPTI’s review of, and initial commentary on, the key legislation relating to property assessment and property taxes.

As stated at the beginning of this Section, there is a significant amount of other legislation that applies to the property tax system in Saskatchewan, but IPTI considers that the Cities Act covers most of the main points that give rise to concerns as identified in other parts of this report.

Section 5: Overview of SAMA

As the Saskatchewan Assessment Management Agency (SAMA) provides property tax assessments for most municipalities in the province, IPTI considers it warrants a separate Section of this report to outline its responsibilities and the way in which it undertakes them.

This Section of the report is essentially a factual description of the organisation, its responsibilities, etc. We comment about SAMA partly in this Section, but also in the later parts of this report.

History

SAMA was established in 1987 following a review carried out by a Saskatchewan Local Government Finance Commission. The Commission issued a number of reports one of which was entitled “Property Assessment in Saskatchewan”.

That report called for multiple changes to the property assessment system then in place in Saskatchewan. Among their recommendations, the Commission called for the formation of SAMA and the creation of the Agency’s Board of Directors. In particular it stated:

- The Commission recommends that a new assessment act be passed to establish an independent Saskatchewan Assessment Management Agency (SAMA) which would have the responsibility for conducting the appraisal and assessment of all properties and businesses in the Province.
- The Commission recommends that the Saskatchewan Assessment Management Agency be headed by a Board of Directors which would have the authority and responsibility for assessment policies and for the general functioning of the assessment system.

The SAMA Board was charged with a mandate to develop, deliver and promote a cost-effective property assessment system for Saskatchewan that is accurate, up-to-date, universal, equitable and understandable. Since its 1987 inception, the Board’s focus has been to move Saskatchewan’s property assessment to national and international standards.

Functions

In broad terms, SAMA now has the following functions:

- to develop assessment policy and standards
- conduct property valuation services
- audit assessed values, and
- confirm municipal assessment rolls

We will look at these functions in more detail later in this Section.

Responsibilities

SAMA states that it focuses on: “six key responsibilities:

1. Governance. We provide leadership in methods of valuation, rules, and oversight of assessment.
2. Assessment Services. We provide property assessment valuation services.
3. Information. We manage a comprehensive source of property assessment information for local governments, the Province, and other clients.
4. Quality. We promote and practice quality control and conduct quality assurance audits.
5. Communications. We consult with and inform local governments and the public about property assessment.
6. Innovation. We incorporate best practices and utilize appropriate new technologies.”

Revaluations

The 1997 revaluation marked the beginning of SAMA’s oversight responsibility for updating and maintaining property values throughout the province (values were previously based on 1965 data). The 2009 Revaluation is said to have completed SAMA’s task of modernizing Saskatchewan’s assessment valuation policies.

However, further revaluations have been carried out since 2009; in particular, revaluations have been carried out in 2013, 2017 and, most recently, in 2021.

SAMA states on its website that all properties in Saskatchewan are valued using an *ad valorem* (according to value) standard. Values placed on properties are based on market values or regulated rates that reflect the same valuation base date.

SAMA goes on to explain that “agricultural properties are assessed using a current regulated system based on productive value. Heavy industrial property, railway, pipeline and resource production equipment use a regulated system based primarily on replacement costs.

For all other properties, Saskatchewan’s assessment system is based on a market value assessment, mass appraisal system, the valuing of properties using standard methods and allowing for statistical testing.”

SAMA adds, “In most North American jurisdictions, assessment techniques have improved greatly over the years. Computer assisted mass appraisal (CAMA) combines computer technology, statistical methods and regulations to make possible reasonably accurate property assessments.”

IPTI concurs with that statement, but notes that SAMA may not be applying the same type of computer-assisted mass appraisal and automated valuation models as other provinces.

Advisory Committees

In accordance with The Assessment Management Agency Act, SAMA maintains a number of advisory committees to:

- review policies and practices respecting assessment and
- make recommendations to the board concerning these policies and practices.

The agency maintains four advisory committees:

Urban Advisory Committee

The Urban Advisory Committee is responsible for urban and northern municipalities, excluding cities with a population exceeding 30,000.

City Advisory Committee

The City Advisory Committee is responsible for cities with a population exceeding 30,000 (i.e., Moose Jaw, Prince Albert, Regina and Saskatoon).

Rural Advisory Committee

The Rural Advisory Committee is responsible for rural municipalities.

Commercial Advisory Committee

The Commercial Advisory Committee is responsible for reviewing policies and practices respecting assessment, especially as they relate to commercial property.

SAMA holds an annual meeting at which municipalities and assessment stakeholders advise the Board of Directors on current and proposed assessment policy. SAMA consults with stakeholders on all policy changes. The present system was developed – and is refined and maintained – in consultation with the province and local governments.

IPTI has reviewed some of the minutes from recent meetings of SAMA’s various advisory committees and can confirm that they deal with relevant matters to keep stakeholders up to date and take their advice on future policy.

Funding

SAMA is funded:

- partly by the provincial government for its core services, and
- partly through “requisitions” that municipalities pay for SAMA services

The latter source of funding is important, as far as IPTI is concerned, as it creates the relationship of client and supplier between municipalities and SAMA.

More detail on SAMA's recent funding is provided later in this Section under the side-heading "Facts & Figures".

Mandated Provincial Services

SAMA states that the following services are mandated to it by the provincial government, and paid for by the province:

Policy

- Establishing and administering the policies that govern assessment practices in Saskatchewan.
- Maintaining a public document – called an Assessment Manual – that municipalities can use to understand and apply assessment policies and practices.

Periodic Revaluations

- Conducting revaluations on a regular basis to keep property assessments current. Some of this responsibility also belongs to municipalities and is paid for by municipalities.

Confirmations, Primary and Secondary Audits

- Undertake confirmation audits of municipal assessment rolls based on assessment returns for all municipalities in Saskatchewan. On passing the audit, recommend same for confirmation by the SAMA Board of Directors.
- This mandate is undertaken with direct accountability to the SAMA Board by the Managing Director, Quality Assurance Division, independent from the CEO.

Public Awareness

- Providing information to the public so that property owners can better understand their assessments and the assessment system.

Consulting

- Consulting extensively with local governments, advisory committees, liaison groups and the public on assessment issues.

Advising

- Advising the provincial government on changes to provincial policy and legislation regarding assessment.

- Advising municipal governments on assessment practices.

IPTI has discussed these various services both with SAMA senior officials and stakeholders. We report on the outcome of those discussions in Section 6.

Contract Services to Local Governments

SAMA states that the following services are paid for by municipalities:

Periodic Revaluation

Provincial law requires municipalities to have their properties revalued every three [sic] to four years. This does not involve onsite inspections, but rather is done at SAMA's central office, using formulae and existing property data.

Reinspection

Provincial legislation requires that municipalities have all their properties periodically reinspected onsite. Reinspection ensures that information on file is accurate and includes changes to each property that may have increased or decreased its value.

Maintenance

From time to time, municipalities may request SAMA to reinspect individual properties. This is usually done where municipalities are aware of specific changes that have been made to a property's physical data.

Support of Assessment Appeals

SAMA is automatically required to participate in any ratepayer appeals regarding site valuations. SAMA provides a “support of assessment appeals” - an explanation of how the property valuation was determined. The first level of the appeal process occurs under the auspices of the municipality.

Quality Assurance: Vision, Mission, Principles

SAMA states that its Board adopted the following “Vision” and “Mission” statements along with corresponding “Principles” on April 24th, 2009. These statements define the SAMA Board’s position on its property assessment oversight mandate relative to the formal, and independent quality assurance function.

These statements are in addition to the Board’s existing agency’s Vision, Mission and Values statements, to specifically address the quality assurance function.

Vision

The SAMA Board, through its independent and directly accountable Quality Assurance Division, fosters public trust by ensuring property assessments meet prescribed statutory requirements.

Mission

To provide unbiased, responsive, professional and collaborative audits of mass appraisal valuation processes and municipal assessment rolls through an independent and directly accountable Quality Assurance Division (QAD).

Principles

1. **Accountability.** Defines responsibility relationships. The principle of accountability requires a reasonable accountability framework be adopted and implemented, addressing both the auditor (QAD) and the auditees (Municipalities and Assessment Service Providers [ASPs]) to ensure a functional property assessment oversight program.
2. **Transparency.** Defines what shall be undertaken (the quality assurance audits, and provision of information), by whom, what results are reported and when, and to whom those results shall be reported, to ensure confidence and trustworthiness in the property assessment oversight program. Further, this principle requires clearly establishing the authority, who(m) shall be solely responsible for the interpretation and adjudication of audit findings, with full independence for such undertaking from all auditees.
3. **Fairness.** Defines the requirement for a consistent and impartial property assessment oversight program, and that the programs be undertaken by the auditors in a manner to ensure unbiased, and legitimate treatment of all auditees. Further, this principle addresses a broader desire of the agency, to provide auditees with the opportunity to improve their property assessments where identified by the program, on a continual improvement basis, without the fear of statutory reprisal for error where the order of magnitude is deemed largely compliant.
4. **Equity.** Defines the focus on property assessment equity (similar properties in similar markets are valued and assessed similarly), ensuring the desired outcome in an *ad valorem* system (but this principle does not extend to equity in property taxation).
5. **Sustainability.** Defines the need to have an ongoing, functional, and operational property assessment oversight program, ensuring the SAMA Board of Directors has access to reliable, and timely information concerning property assessments for purposes of advising Stakeholders that they may have general confidence and trust in municipal assessments. This principle addresses the need to ensure the property assessment oversight program does not adversely affect the ability of auditees to carry on their day-to-day functions.

6. Confidentiality. Defines the need for the auditor to keep confidential, all audit working files, including data and information provided to the auditor by the auditee. This principle sets out the requirement to specify what shall be confidential (i.e., source audit data, and working files), and what information shall not be confidential (i.e., audit reports). The purpose of this principle is to ensure the ongoing stability of assessment rolls, which may be subject to adverse consequences if the auditor released certain data and/or information publicly.

The foregoing principles helpfully identify the key role that SAMA plays in respect of the quality assurance approach it takes to assessed values provided both by its own assessors and those employed by the four cities which carry out their own valuations for property tax.

Organisation

SAMA explains that it delivers services through the Agency's five divisions. These divisions are responsible for providing assessment services for client municipalities, developing assessment policy, providing audit and roll confirmation services, and maintaining computer systems.

Quality Assurance Division

- Roll Confirmations Audit Services
- Primary Audits
- Secondary Audits
- Lloydminster Equivalency Assessments
- Statutory reporting

The Managing Director of Quality Assurance is responsible directly to the SAMA Board to independently ensure property assessments meet the requirements set out in provincial legislation and regulations and agency board orders, and for the preparation of equivalency assessments, aggregate confirmed assessment totals and taxable assessment totals.

The Division conducts primary audits annually to ensure the overall level of appraisal for each municipality meets the Province's regulated standards, and recommends for confirmation those municipal assessment rolls that pass the confirmation and primary audits.

The Division may also conduct secondary audits to ensure that property assessments have been determined in accordance with Provincial legislation and regulations, and any applicable Agency board orders. The Division also undertakes any ad hoc quality assurance initiatives, audits or reviews as assigned by the SAMA Board.

As previously indicated, IPTI understands that SAMA carries out the primary audit function but, so far, has not undertaken any secondary audits.

Administration Division

- Communications
- Human Resources
- Information Services

The Administration Division's responsibilities include the branches of Communications, Human Resources Services and Information Services.

Communications services include corporate communications and public relations. The Branch is responsible for ensuring effective communications externally with the Agency's clients, stakeholders and the public, and internally with the Agency's employees. The Branch manages public education services, community and media relations, corporate branding and promotion and the Agency's public website. The Branch also oversees the Agency's employee website, annual meeting and preparation of the Agency's annual report.

Human Resources Services include providing leadership and strategic human resource advice to ensure the Agency has a skilled and experienced workforce focused on business improvement and value creation for its clients and stakeholders. The Branch provides human resources services, including recruiting, selecting and retaining employees, training and development, personnel records management and compensation and benefits programming and administration. The Branch is also responsible for promoting innovation and best practices in human resources management, developing and implementing human resources policy, employee relations, workforce planning, organizational development, leadership development, performance management and collective bargaining and contract administration with the local unit of the Saskatchewan Government and General Employees' Union.

Information Services include technical support for the Saskatchewan Property Assessment Network (SPAN), and for the Agency's administrative systems. The Branch operates, maintains and supports the Saskatchewan Property Assessment Network, which is the central property assessment database system used to value properties, and to store and report assessment information for client municipalities. The Branch's administrative systems support responsibilities include internal services such as procurement of all hardware and software, technical support for financial and human resources management systems, custom applications that support data collection, quality control and coordination, policy research and assessment roll confirmations. External services supported by the Branch include access to SPAN by external assessment service providers, provision of assessment information to the Province and the Agency's website and SAMAView.

As IPTI makes clear in several parts of this report, the communications role that SAMA plays is made more challenging by the large number of municipalities with which it needs to liaise in order to ensure the assessment function performs satisfactorily.

Assessment Services Division

- Revaluation
- Field work (maintenance and reinspections)
- Support of value
- Data entry

The Assessment Services Division is responsible for providing property assessment valuation services to 760 urban, northern and rural municipalities, which involves the valuation of over 1,036,300 accounts – 464,859 agricultural land accounts, 251,182 urban land accounts, 209,256 residential and commercial building accounts and 111,010 industrial accounts. The foregoing data has been obtained from SAMA’s website; more recent data is shown under the side-heading “Facts & Figures” later in this Section of the report.

Services to client municipalities include verification of property data services to maintain property records (annual maintenance reviews and targeted reinspections), revaluation services and assessment values support services.

The Division also contracts to provide assessment services to the City of Moose Jaw, and to non-municipal clients such as First Nations communities.

Technical Standards and Policy Division

- Liaison and policy development
- Technical standards development (assessment manuals, training, interpretation and guidance support)

The Technical Standards and Policy Division’s responsibilities include researching and studying assessment valuation policy and best practices in assessment valuation standards and guidelines. The Division advises the Province with respect to property assessment legislation, prepares board orders to establish rules of assessment for the valuation of regulated properties and prepares valuation handbooks and guidelines for the market valuation of residential, commercial, seasonal and light industrial properties.

The Division is also responsible for liaising with the external assessment service providers, advising and training appraisers on valuation procedures and use of the Saskatchewan Property Assessment Network (SPAN), developing technologies that support the appraisal

process, internal quality coordination and the provision of assessment information to municipalities and school divisions, the Province and the public.

Finance Division

- Budgeting
- Accounting
- Asset management
- Financial reporting
- Procurement
- Office administration

The Finance Division's responsibilities include management of the Agency's financial resources and administrative operations. The Division is responsible for budgeting, financial forecasting, planning, internal controls and external audit, treasury functions, management of assets, insurance and risk and financial and public accounts reporting.

The Division is also responsible for corporate administrative policies and procedures, payroll administration, billing and accounts receivable, purchasing and accounts payable, office services and accommodations and fleet management services.

SAMAView

SAMA has an online database of assessment information known as SAMAView. SAMAView provides public access to search, view and compare individual property assessments in all SAMA's client jurisdictions. Access is free of charge for non-commercial users.

The Assessment Process and its Relation to Taxes

SAMA explains that its role in determining assessed value for properties is just the first part of a process established by provincial legislation. The second part is the application of provincial government established tax policy, such as property classes, percentage of value, and statutory exemptions. The third and final part of the process involves a provincial education mill rate factor, and the local mill rate factor which is determined annually by the local municipalities based on local budget needs. They then multiply the taxable assessment by these mill rates to determine your property tax bill.

In addition to determining mill rates, local governments have the authority to apply a series of tax tools, such as mill rate factors by local property class, minimum tax, and base tax. Cities also have the ability to create additional tax subclasses to apply mill rate factors. As well, cities can phase-in tax changes due to a revaluation. These tax tools further impact the specific tax bill received by a taxpayer.

SAMA provides the following information about how it goes about assessing properties:

1. First, a methodology is applied to calculate the assessed value of a property. The methodology varies according to different types of properties.
2. Second, all assessments are determined according to a base date. This helps ensure fairness between properties. That base date is periodically moved forward by provincial legislation so that assessments can be kept more up to date. Currently, a new base is set every four years.
3. In addition, SAMA conducts a full revaluation of all properties in the province every four years to coincide with the change to a new base date.

Current revaluation: 2021 using the base year 2019

Next revaluation: To be done in 2025

Like the base date, the four-year cycle is determined by provincial government legislation. Some larger cities conduct the revaluation themselves, according to the professional standard of principles and practices laid down by SAMA. The cities which do this are: Saskatoon, Regina, Swift Current and Prince Albert.

4. Finally, SAMA conducts an ongoing suite of activities (services) that protect what it describes as a fair property assessment system.
 - General Reinspections: periodically municipalities must have all their properties reinspected onsite to verify that physical data and valuations are accurate. SAMA's experts conduct these reinspections on behalf of most municipalities.
 - Maintenance Reinspections: on a regular cycle, municipalities request SAMA to do onsite inspections of specific individual properties. This usually happens where significant developments or changes have been made that have altered the physical data on a property.
 - Appeals and Support of Assessment Appeals: the assessment system in Saskatchewan has an extensive appeal system for ratepayers who disagree with the assessed value of their property.

SAMA explains that it is required to participate in appeals and provide full disclosure of how property values are determined. This responsibility for openness and full disclosure is part of what SAMA calls “support of assessment appeals”.

The Concept of Mass Appraisal

SAMA explains that the Saskatchewan system of assessment uses the “mass appraisal” methodology so that assessments are done according to the fairest, most defensible system available. Mass appraisal, it explains, means valuing a group of properties as of a given date,

using standard methods and statistical analysis. This includes developing valuation models capable of valuing all properties.

The Assessment Management Agency Act

As this Act governs the way in which SAMA operates, IPTI carried out a review of its provisions. We identify below some of the key Sections of the Act which are relevant to this report.

Section 12 of the Act sets out the main powers and duties of SAMA. Selected extracts from the Section state:

“12(1) In addition to any other duty imposed on it by this Act or the regulations, the agency shall:

(a) establish bylaws respecting the conduct of the board’s meetings and the practice and procedures of the agency;

(b) establish and diligently maintain assessed values and undertake valuations in a manner consistent with and in accordance with this Act, the regulations and the appropriate municipal Act;

(c) subject to section 12.1, determine, by order, methods of valuation;

(d) subject to section 12.1, prepare and establish, by order, any assessment manuals, guidelines, handbooks and other materials required for the valuation of property that:

(i) in the opinion of the agency, are appropriate; or

(ii) are required by a municipal Act;

and make orders governing the use of such manuals and materials;

(e) supervise the administration of the assessment provisions of any municipal Act to ensure that each assessment is made in accordance with the requirements of the appropriate Act;

(f) ensure that the public, municipal councils and the Government of Saskatchewan are adequately informed respecting methods and orders relating to property assessment in Saskatchewan and, in pursuit of that objective, shall prepare and make available to the public, municipal councils and the Government of Saskatchewan projections of shifts in assessments that may result from:

(i) the agency establishing a new base date for valuation in accordance with this Act and the regulations;

(ii) changes in the assessment manual or other rules or orders established by the agency;
or

(iii) changes in legislation;

(g) consult with the public, municipal councils, the Government of Saskatchewan, local government organizations and taxpayer organizations before revaluation and in:

- (i) the preparation and revision of manuals;
- (ii) the review of assessment policy and legislation; and
- (iii) the carrying out of any research or study;

(h) undertake research and studies into valuation practices and procedures and shifts in assessments;

(h.1) by serving written notice on a municipality and its assessment appraiser, require the municipality and its assessment appraiser to provide to the agency any information that the agency considers necessary to maintain a central database respecting property assessments in Saskatchewan;

(k) review and, as the agency considers advisable, recommend changes to the minister relating to principles and methods of property assessment;

(l) if more than one level of assessment is in use, determine methods for equalizing assessments and prepare and maintain equalized assessments respecting individual municipalities and school divisions;

(n) without limiting the generality of clause (m), by March 1 in each year provide to departments of the Government of Saskatchewan, and to any other person prescribed by the board, an accurate listing of the aggregate values of the confirmed assessments for any or all municipalities as at December 31 of the preceding year, including all supplementary assessments made during the preceding year:

(i) showing total assessments, taxable assessments, assessments exempt from taxation that may be provided by the agency and equalized assessments for individual municipalities if determined pursuant to clause (l); and

(ii) aggregated for municipalities by categories as required by the department;

(n.1) on or before the date prescribed in the regulations, provide to the minister a preliminary assessment for each property that is being revalued;

(p) confirm, by order, the assessment roll according to the provisions of the appropriate municipal Act if satisfied that the roll is accurate and that the provisions of the applicable municipal Act have been complied with, after conducting any review or audit that the agency considers appropriate, including a primary audit within the meaning of section 22.1;

(q) exercise and carry out any other powers and duties that may be necessary to meet the agency's responsibilities, or that may be required by another Act, or required by orders or by regulations made pursuant to this Act by the Lieutenant Governor in Council.

(1.1) Subject to section 12.1, for the purposes of clauses (1)(c) and (d), the agency may:

(a) by order:

(i) adopt by reference all or part of any code, standard, manual or other reference material respecting property assessment, valuation or methods of valuation, as amended from time to time or otherwise; and

(ii) amend, repeal or replace any provision of any code, standard, manual or other reference material adopted pursuant to subclause (i); and

(b) make orders governing the use of any code, standard, manual or other reference material adopted pursuant to clause (a).

(2) In addition to any other power conferred on it by this Act or the regulations, the agency has the power to:

(a) enter into agreements with the cities of Regina, Saskatoon, Moose Jaw and Prince Albert to provide for the agency carrying out valuations and revaluations in any of those municipalities, which agreements may include provisions relating to the transfer of municipal assessment employees to the agency;

(b) establish bylaws authorizing its employees to perform technical or professional services at the request of any department or agency of the Crown, or of any other person, and fixing and charging fees for those services;

(c) subject to clauses (1)(m) and (n), establish bylaws regarding dissemination to persons, other than persons employed by a municipality, of:

(i) information respecting both aggregate assessments and assessments for individual properties, including information developed by the agency in carrying out valuations; and

(ii) records, reports, documents, contracts, bylaws, minutes of the board or its committees, or other information;

(d) subject to clauses (1)(m) and (n), fix and charge fees for items and information disseminated pursuant to clause (c);

(e) publish any materials required for the valuation of property or to fulfil any other duty or responsibility imposed on the agency by this Act or any other Act.

(3) Subject to section 12.1, an order or rule of the agency has the effect of law on the publication in the Gazette of:

- (a) the rule or order; or*
- (b) in the case of an order made pursuant to clause (1)(d), a notice:
 - (i) stating the date on which the order was made;*
 - (ii) indicating that the order was made pursuant to clause (1)(d); and*
 - (iii) stating where and when the order may be inspected.**

Minister to approve certain orders

12.1(1) The agency shall apply to the minister to have the following orders approved by the minister:

- (a) an order to establish a base date pursuant to clause 2(e.1);*
 - (b) an order to determine methods of valuation pursuant to clause 12(1)(c);*
 - (c) an order to establish any assessment manuals, guidelines, handbooks and other materials pursuant to clause 12(1)(d);*
 - (e) an order respecting codes, standards, manuals or other reference materials pursuant to subsection 12(1.1).*
 - (2) No order mentioned in subsection (1) has any effect until the minister approves the order pursuant to this section.*
 - (3) When submitting an order for the minister's approval, the agency shall include:
 - (a) a report on the proposed order, including an analysis of the expected effect of the proposed order; and*
 - (b) any other information required by the minister.**
 - (4) The minister may, by order:
 - (a) if the minister is satisfied that the order is in the public interest, approve the order in whole, in part or with amendments as directed by the minister;**
- or*
- (b) reject the order."*

The foregoing are wide-ranging powers and appear to cover all the work that SAMA is required to, or may, undertake. The real issue is the extent to which the powers that SAMA has are used to provide an effective system of assessment in the province. IPTI returns to that issue later in this report.

Section 18 of the Act provides:

“18(1) In this section and in section 18.01, “parties” means the minister, SARM and SUMA.

(2) On or before September 1 of the year preceding the year in which the agency is to commence a revaluation in accordance with subsection 22(1), the board shall submit for review to the parties a four-year funding plan for the four fiscal years covered by the revaluation.

(3) The four-year funding plan submitted pursuant to subsection (2) must indicate:

(a) the activities to be undertaken by the agency in the four fiscal years covered by the next revaluation;

(b) the financial resources required for each fiscal year and for the four-year period mentioned in clause (a);

(c) how the financial resources mentioned in clause (b) will be used; and

(d) the amount of funding to be provided by the Government of Saskatchewan and municipalities in each fiscal year of the plan.

(4) After consulting with the parties, the agency shall establish the four-year funding plan as the plan to be used by the agency in preparing its annual budget for each fiscal year of the four-year period mentioned in clause (3)(a).”

IPTI has obtained a copy of the latest funding plan (“Four-Year Funding Plan 2022-25”) which has been discussed with SAMA and other stakeholders. Further commentary on this funding plan can be found later in this report. A copy of the latest funding plan is available via the link below:

<https://www.sama.sk.ca/sites/default/files/2021-08/2022to2025FundingPlan.pdf>

IPTI notes that Section 18.01 refers to the annual funding of the organisation which makes clear that the agency must be paid partly by the Government of Saskatchewan and partly by the municipalities which use SAMA’s services.

Section 20 of the Act deals with the requirement for SAMA to prepare an annual report; it states:

“20(1) In each fiscal year, the board shall submit to the minister, SARM and SUMA:

(a) a report on:

(i) the activities of the agency for the preceding fiscal year; and

(ii) the progress that the agency is making in achieving the goals of the current four-year funding plan;

(b) a financial statement that:

(i) shows the business of the agency for the preceding fiscal year prepared in accordance with generally accepted accounting principles as recommended by Chartered Professional Accountants of Canada; and

(ii) includes a schedule of expenditures of amounts provided to the agency pursuant to subsections 18.011(3) to (5) sufficient to show whether the amounts have been expended for the purposes for which the amounts were provided; and

(c) a statement of agency public accounts prepared in accordance with subsection (2).

IPTI obtained a copy of SAMA's latest annual report which covers the year 2020. The 2021 annual report has not yet been published on the agency's website.

A copy of SAMA's 2020 Annual Report is available via the link below:

<https://www.sama.sk.ca/sites/default/files/2021-04/2020AnnualReport.pdf>

A copy of SAMA's 2022 Business and Financial Plan is available via the link below:

<https://www.sama.sk.ca/sites/default/files/2021-11/2022BusinessPlan.pdf>

IPTI provides extracts from both the Annual Report and the Business Plan later in this Section – see under the side-heading “Facts & Figures”.

Section 22 of the Act sets out the legislation concerning valuations. It states:

“22(1) Notwithstanding any other Act, commencing on January 1, 1997, all assessable properties in every municipality are to be revalued under the direction and supervision of the agency once every four years.

(2) Unless an agreement is entered into with the agency pursuant to clause 12(2) (a), Regina, Saskatoon, Moose Jaw and Prince Albert are responsible for carrying out their own valuations and revaluations in accordance with the appropriate municipal Act and any rules, orders and manuals that the agency may make or establish.

(3) With the written consent of the agency and after obtaining written consent from the minister, the council of a municipality not mentioned in subsection (2) may decide that the municipality shall carry out its own valuations and revaluations in accordance with the appropriate municipal Act and any rules, orders or manuals that the agency may make or establish.

(4) A council that decides pursuant to subsection (3) to carry out its own valuations and revaluations shall:

(a) provide the agency with any notice of the decision that the agency may require, which decision is to take effect on January 1 of the following year;

and

(b) if the agency has undertaken a general inspection or reinspection in the municipality in any of the three previous years, pay a fee set by the agency to compensate the agency for the prorated costs of the inspection or reinspection.

(5) Subject to subsection (6), a municipality whose council decides pursuant to subsection (3) to carry out its own valuations and revaluations may do so:

(a) with its own employees;

(b) by agreement with another municipality or another organization; or

(c) by any other means.

(6) A person shall be certified by the SAAA pursuant to section 24.1 in order to carry out a valuation or revaluation for assessment purposes or for the purposes of subsection (5).

(7) If a council that carries out its own valuations and revaluations pursuant to subsection (3) wishes to change the means by which it carries out its valuations and revaluations in accordance with subsection (5), the council must obtain prior written consent from the minister.

(8) A council that carries out its own valuations and revaluations pursuant to subsection (3) may decide to have the agency reassume responsibility for carrying out the municipality's valuations and revaluations, subject to:

(a) obtaining written consent from the minister;

(b) providing the agency with any notice that the agency may require;

(c) obtaining the agency's consent;

(d) in the first fiscal year for which the agency reassumes responsibility for carrying out the valuations and revaluations, paying a start-up fee in an amount that the agency considers necessary to facilitate reassuming responsibility for carrying out the municipality's valuations and revaluations; and

(e) in the first fiscal year for which the agency reassumes responsibility for carrying out the valuations and revaluations and in each subsequent fiscal year, paying a requisition fee required by the agency.

(8.1) The agency shall determine the requisition fee to be paid by a municipality pursuant to clause (8)(e) having regard to the factors mentioned in subsection 18.03(2).

(8.2) For the purposes of clause 18.03(1)(d):

(a) in the case of a municipality mentioned in subsection (8):

(i) the agency may requisition the fees mentioned in clauses (8)(d) and (e);

(ii) if the council of the municipality decides pursuant to subsection (3) to again carry out its own valuations and revaluations and complies with the requirements of this section respecting that decision, the municipality is no longer required to pay the requisition fee mentioned in clause (8)(e) for the fiscal years in which it again carries out its own valuations and revaluations; and

(b) municipalities that are required to pay the amounts determined by the board pursuant to section 18.03 in a fiscal year continue to be required to pay those amounts.

(9) If Regina, Saskatoon, Moose Jaw, Prince Albert or any other municipality undertakes its own valuations and revaluations, it shall pay the cost of its valuations and revaluations.

(10) For every revaluation, the agency or any municipality that carries out its own valuations and revaluations shall prepare and submit to the minister on or before the date prescribed in the regulations a preliminary assessment for each property that is being valued or revalued.

(12) In accordance with the rules of assessment of the appropriate municipal Act, the agency may revise the valuation of any municipality generally or in part or with respect to any individual property in the municipality.

(12.1) If the appeal board has issued a decision with respect to a property, an assessment appraiser:

(a) shall apply the decision of the appeal board in subsequent valuations and revaluations of that property; and

(b) in applying the decision pursuant to clause (a), may make any necessary modification to reflect any change in the facts of the decision, in the conditions or circumstances of the property or in market value as defined in the municipal Act.

(13) In each year, the agency shall:

(a) determine, by order, the taxable assessment, and equalized assessment if more than one level of assessment is in use, of each municipality as of December 31; and

(b) subject to clause 12(1)(p) and subsection 18.04(3), notify the clerk or administrator of the municipality promptly after making the determination.

(14) Notwithstanding any municipal Act but subject to subsection (15), the agency shall provide assessed values to municipalities.

(15) When the agency acts pursuant to subsection (14), the assessment appraiser is, for assessment purposes including defence of value and the provision of information to an assessor, deemed to act in the place of, and have the powers and duties of, the assessor appointed pursuant to the appropriate municipal Act, but all other powers and duties vested in an assessor by that Act are retained by the assessor, including the responsibility for the preparation and maintenance of the assessment roll.

(16) If Regina, Saskatoon, Moose Jaw, Prince Albert or any other municipality undertakes its own valuations and revaluations, subsections (14) and (15) do not apply to it.

(19) On the sale of any land, improvement, land and improvement, or business, when requested by the agency or, if a municipality carries out its own valuations and revaluations, when requested by the municipality's assessor, the vendor and the purchaser shall notify the agency or the assessor, as the case may be, of the purchase and sale, in the prescribed form."

As already indicated earlier in this report, the municipality of Swift Current carries out its own valuations. Moose Jaw now contracts with SAMA to provide its valuations.

Section 22 of the Act deals with "assessment audits". Part of that Section provides:

"(2) For residential and commercial buildings and structures together with the land on which they are situated, the agency shall conduct a primary audit each year to ensure that the overall level of appraisal for a municipality falls into the acceptable range, as prescribed in the regulations, of the median assessed value to sale price ratio for the sales used to determine the assessed value for the applicable properties in the municipality.

(3) The agency may conduct one or more secondary audits and may determine the frequency and method of doing so, to ensure that a municipality's assessments:

(a) are based on properly collected sales data, physical data and any other applicable data; and

(b) have been carried out in accordance with all applicable Acts and regulations and in accordance with the assessment manual and any other materials established by the agency pursuant to clause 12(1)(d).

(4) By serving written notice on a municipality and its assessment appraiser, the agency may require that the municipality and its assessment appraiser provide to the agency any information that the agency considers necessary to conduct a primary audit or secondary audit or to carry out a duty mentioned in clause 12(1)(l), (n) or (p).

(5) Within 30 days after being served with a written notice pursuant to subsection (4), the municipality and its assessment appraiser must provide to the agency, in a form acceptable to the agency, the information required.

- (6) *The agency may withhold confirmation of the assessment roll until the municipality and its assessment appraiser provides the information required pursuant to subsection (4).*
- (7) *The agency shall prepare and deliver to the municipality and its assessment appraiser an audit report of the primary audit or secondary audit conducted by the agency.*
- (8) *In the case of a primary audit, the agency must deliver its audit report within 60 days after receiving all information required by the agency pursuant to subsection (4).*
- (9) *Every audit report must state:*
- (a) whether or not the municipality's assessments are in compliance with the applicable audit requirements; and*
 - (b) if the municipality's assessments are not in compliance with the applicable audit requirements, the corrective action to be taken by the municipality to comply with the applicable audit requirements.*
- (10) *On receipt of an audit report, if the municipality's assessments are not in compliance with the applicable audit requirements, the municipality shall:*
- (a) take corrective action to comply with the applicable audit requirements:*
 - (i) before the end of the taxation year; or*
 - (ii) if there is insufficient time for the municipality to comply with the applicable audit requirements before the end of the taxation year, before the end of the following taxation year; and*
 - (b) submit a written report to the agency of the corrective action taken by the municipality to comply with the applicable audit requirements.*
- (11) *Subject to the decision of the appeal board pursuant to section 22.2 but notwithstanding the confirmation of assessments or any other Act or law, if the municipality fails to comply with subsection (10), the taxes levied by the municipality on its assessments are not recoverable by the municipality pursuant to the appropriate municipal Act or pursuant to The Tax Enforcement Act until the corrective action has been taken."*

As previously mentioned, IPTI understands that SAMA completes a primary audit for each municipality every year, but has not undertaken any secondary audits so far. The results of its primary audits are published on SAMA's website.

Section 23 of the Act provides assessment appraisers with a right of entry in order to carry out inspections of properties; inspections are normally carried out by agreement with a property owner or occupier, but this right of entry is available to deal with a situation where permission to inspect is not granted.

Section 23 also provides:

“(3) Every person who has property that is liable to assessment shall, either personally or through an agent:

(a) provide an assessment appraiser with the particulars required by the assessment appraiser for the purpose of making a valuation of the real property or the fixtures, machinery or other equipment valuation;”

This is an important power which enables SAMA or other authorised assessment appraiser to obtain the information that is required for preparing the assessed value of a property.

Section 24 of the Act prevents disclosure of confidential information obtained by an assessment appraiser. IPTI heard from some stakeholders that this requirement may prevent taxpayers or their agents from obtaining evidence that would help to explain how SAMA or other assessment appraisers have valued a particular property or group of properties. We return to this issue later in this report.

Section 24 of the Act provides:

“24.1(1) The SAAA shall certify whether persons who propose to undertake valuations for assessment purposes meet the standards for competency and proficiency prescribed in the regulations made pursuant to subsection 18(2) of The Assessment Appraisers Act.

(2) The SAAA may certify a person pursuant to subsection (1) who produces evidence satisfactory to the council that the person meets the requirements for registration as a member of the SAAA prescribed in the regulations made pursuant to subsection 18(2) of The Assessment Appraisers Act.

(3) Licensed members of SAAA are deemed to be certified for the purposes of this section.

(4) On or before February 1 in each year, the SAAA shall file with the agency a list, certified by the registrar to be a true list, showing the names of all persons certified pursuant to this section as at January 1 of that year.”

The SAAA is the Saskatchewan Assessment Appraisers’ Association and, as the foregoing provision indicates, it certifies assessment appraisers in the province. As the SAAA website states:

“The Saskatchewan Assessment Appraisers’ Association (SAAA) was legislated under The Assessment Appraisers Act of Saskatchewan in November 2002. The SAAA is a professional association of property assessment professionals and has origins dating back to 1939. The SAAA is an affiliate member of the International Association of Assessing Officers (IAAO) and maintains strong relationships with assessment associations across Canada.”

Its mission is stated to be:

“The Saskatchewan Assessment Appraisers’ Association protects the public interest by:

- *Regulating and improving the practices of assessment professionals in Saskatchewan;*
- *Providing and encouraging professional development for our members; and*
- *Promoting the highest forms of ethical conduct and professional practice.”*

It is interesting to note that not all assessing jurisdictions require their assessors to be members of a recognised professional body or hold recognised professional/assessment qualifications.

IPTI contacted the SAAA and obtained its views about various aspects of the property tax system in the province; their views are reflected in some of the points referred to in Section 6 of this report.

IPTI notes that there is a very close connection between the SAAA and SAMA; the current President of the SAA works for SAMA, the past President of the SAAA works for SAMA and the next President of the SAA works for SAMA.

Assessment Manual

The Assessment Manual, Assessment Handbook and Cost Guide referred to below are not available online as “composite” documents. SAMA’s website provides them in “parts” which makes accessing them more time-consuming than it should be. However, IPTI assumes it is easier for SAMA to maintain/update them in this format.

To get an idea of what the Manual contains, a copy of the Table of Contents for the Manual is available via the link below:

<https://www.sama.sk.ca/sites/default/files/2019-06/19Manual03ToC.pdf>

The Manual, which has the force of law, is divided into two main parts:

- Part I deals with the median assessed value to sale price ratio
- Part II deal with regulated property and is split into five chapters:
 - Chapter 1 Formulas, Rules and Principles
 - Chapter 2 Agricultural Land
 - Chapter 3 Heavy Industrial Improvements
 - Chapter 4 Resource Production Equipment
 - Chapter 5 Pipelines

Each chapter is divided into sections, subjects, and topics.

Part 1 of the Manual states:

“Pursuant to clause 22.1(1)(d) of The Assessment Management Agency Act, the median assessed value to sale price ratio shall be determined by:

- 1. identifying all sales used to develop the assessed value for improved residential and commercial properties in the municipality;*
- 2. determining for each sale in (1) the assessed value of the land and improvements, which reflects the property characteristics on the sale date, and the adjusted sale price;*
- 3. for each sale in (1), dividing the assessed value by the adjusted sale price to determine the median ratio of the assessed value to the adjusted sale price; and*
- 4. selecting the median ratio of the assessed value to the adjusted sale price.”*

A copy of that Part of the Manual can be found via the link below:

<https://www.sama.sk.ca/sites/default/files/2019-06/19Manual07Part1Median.pdf>

For the purposes of this report, IPTI does not consider it necessary to include a review of the detail contained in either Part of the Manual.

However, IPTI has obtained a copy of the Manual and has looked at parts of it in order to gain an understanding of what it contains and how it is intended to be applied.

Some of those interviewed by IPTI made comments about the Manual and, where appropriate, those comments have been included in Section 6 of this report.

IPTI notes that Chapter 1 of the Manual, titled “Fair Value”, contains the following statement in the introductory text:

“The assessed value of regulated property shall not be determined by any procedure which takes into consideration income or benefits attributable to the property.”

On the face of it, that is a remarkable statement as the value of any property is likely to be a reflection of the income or other benefits it may generate. However, IPTI assumes the above statement is intended to reinforce the fact that the assessed value of a regulated property is only permitted to reflect the application of the formulas, etc., contained in the Manual.

Another interesting statement in the same Chapter of the Manual states:

“Notwithstanding the inclusion in this Manual of rates and schedules of rates to be used to determine assessed values for regulated property, where assessed values are calculated using a computer assisted mass appraisal system (CAMA System) that uses calculations developed from the rates or schedules of rates in this Manual, the assessed values determined by the CAMA System are deemed to be correct, even if they differ slightly from the assessed values

determined using the rates and schedule of rates in this Manual, as long as the difference between the assessed values determined by the CAMA System and the assessed values determined using the rates and schedule of rates in this Manual is less than three percent.”

Again, on the face of it, this is somewhat surprising language as it appears to acknowledge that, even if the computer produced value is incorrect (albeit less than 3%), that error must be ignored. IPTI notes that, for a property with a substantial assessed value, a 3% error might amount to a significant sum in terms of property tax payable.

It may be the use of this type of language which appears to give some taxpayers the view that SAMA’s assessed values are not intended to be challenged!

As agricultural properties form the largest number of properties in Saskatchewan, it may be helpful to note that the assessed value of such properties is to be calculated as follows in accordance with the Manual:

“Arable Agricultural Land

The assessed value of arable agricultural land shall be determined by application of the following formula:

$$LV = PR \times E \times PF \times U$$

where: LV = assessed value of land

PR = productivity rating

E = economic factors

PF = provincial factor

U = number of land units

Non-Arable Agricultural Land Except Waste Land

The assessed value of pasture land shall be determined by application of the following formula:

$$LV = R \times PF \times U$$

where: LV = assessed value of land

R = rating

PF = provincial factor

U = number of land units

Non-Arable Agricultural Waste Land

The assessed value of non-arable agricultural waste land shall be determined by the application of the following formula:

$$LV = R \times U$$

where: LV = assessed value of land

R = base land rate

U = number of land units”

Chapter 2 of the Manual prescribes the factors, etc., that are to be used in the application of the calculation to a particular agricultural property. There are more complex formulas prescribed in the Manual, for example:

The formula for determining the assessed value of arable land using the schedule of rates method is:

$$\text{“}LV = (C+OM+T+(P \times PAF)) \times A\text{-dep} \times Phys \times Econ \times PF \times U$$

where: LV = assessed value of arable land

C = climate rate

OM = organic matter rate

T = texture rate

P = profile rate

PAF = profile adjustment factor

A-dep = A-depth factor

Phys = physical factors

Econ = economic factors

PF = provincial factor

U = number of land units”

IPTI notes that the foregoing formula is quite detailed and, presumably, tries to capture and reflect the value-significant features of agricultural properties. However, it is unclear to what extent the assessed values derived from using these formulas may equate to the property’s market value as at the relevant base date.

Similarly, the Manual sets out the regulated approach to be used in the valuation of heavy industrial buildings and structures, oil and gas well resource production equipment, mine resource production equipment and pipelines.

In broad terms, the Manual sets out a cost approach to determining the assessed values of such properties using either costs derived from the Marshall & Swift Valuation Services (e.g., the calculator method, the unit-in-place cost method, the segregated cost method, etc.) or, where appropriate, the trended original cost method. IPTI can confirm that Marshall & Swift tables are widely used throughout North America for property tax valuations using the cost approach.

Although the Manual is quite detailed, IPTI notes that the outcome of the prescribed methodology may or may not be in line with the market value of the property concerned as at the relevant base date.

As with other parts of the Saskatchewan property assessment system, the emphasis in the Manual appears to be on consistency rather than necessarily taking into account all the factors that may be of value significance.

The other factor to consider when standing back and looking at the outcome of the use of the Manual is the relationship between assessed values derived from the regulated assessment property valuation standard as opposed to assessed values derived from the market valuation standard. It would be interesting to know whether the assessed values derived from one approach are significantly higher or lower than the actual market values of the properties concerned.

As far as IPTI is aware, no studies have been undertaken in that respect, so we do not know the answer. We are not necessarily advocating that such studies should be undertaken, but it would be interesting to know whether the system skews the burden of property tax in one direction or the other as a consequence of the two different valuation standards adopted. However, there are other factors (e.g., percentage of value, tax rates, etc.) that probably exert a greater influence on where the burden of property taxes in the province fall.

[Assessment Handbook](#)

The other major valuation guide published by SAMA is the Assessment Handbook. Unlike the Assessment Manual, the Assessment Handbook does not have the force of law. However, it provides guidance on the valuation of property types that are to be valued in accordance with the market valuation standard. It is intended to provide a consistent approach to the valuation of such properties whether the assessed values are being provided by SAMA or other assessment appraisers.

A copy of the Table of Contents for the Handbook is available via the link below:

<https://www.sama.sk.ca/sites/default/files/2021-10/2021MVAHandbook02TableOfContents.pdf>

The introduction to the Handbook states:

“This document is a derivative work based upon a handbook entitled the "Market Value and Mass Appraisal for Property Assessment in Alberta" ("Alberta Handbook"), which has been adapted for use by the Saskatchewan Assessment Management Agency under license granted by the co-owners of the Alberta Handbook, the Alberta Assessors' Association and Alberta Municipal Affairs, Assessment Services Branch.”

On the face of it, there is nothing wrong with adapting guidance from another assessing jurisdiction. However, it is for consideration whether SAMA is large enough, and has sufficient expertise, to develop its own Handbook.

As stated in the Preface:

“The primary function of the Handbook is to provide guidance for the assessment of properties valued using the Market Valuation Standard. The Handbook provides a general outline of the market value based assessment process as well as individual Valuation Guides on multi-residential, manufactured home communities, warehouses, general commercial properties, office buildings, enclosed shopping centres, gas stations, hotels/motels, golf courses, special purpose properties and grain elevators. The Handbook describes the three approaches to value but primarily focuses on the income approach.”

The Introduction to the Handbook continues:

“The Handbook has been created for assessors within the province who are responsible for preparing market value based assessments for municipalities according to legislation in Saskatchewan. The Handbook is not a detailed instructional manual and is not meant to be prescriptive. Its purpose is to provide a summary view, frequently to a lay audience, of how market value based assessments are determined for a given group of properties.”

This explanation helpfully mentions the two-fold nature of the Handbook; it is partly for the use of assessors to assist them in carrying out their valuations, but also partly for the benefit of taxpayers to provide information about how their properties have been valued.

It is interesting to note that, in relation to the purpose of the Handbook, it states:

“Property assessment is the cornerstone of municipal and education financing. Therefore, the importance of ensuring that the highest quality assessment services are provided to every urban and rural municipality cannot be overemphasized.

There are many assessment industry clients including all property taxpayers, mayors, reeves, council members, other assessment jurisdictions, the provincial government, school boards, assessment appeal tribunals and the courts. In preparing market value based assessments it is critical that Saskatchewan assessors make a concerted effort to ensure that their respective assessment bases are as fair and equitable as possible to ensure the provision of a stable tax base to benefit all municipalities and their citizens.

Tax revenue losses would inevitably result if tribunals and courts find inequities in property assessments.

Developing property assessments of the highest quality will minimize such losses.

SAMA wishes to ensure that valuation principles are applied by assessors throughout the province in an objective, consistent and equitable manner.”

IPTI notes the emphasis is on fairness, equity and stability. Although there is mention of market value, there is no mention of accuracy in achieving market value. Of course, as we have already seen, the legislation places the emphasis on assessment equity, so it is not surprising that the Handbook repeats that objective.

However, in IPTI’s view, there is a somewhat misleading impression given by the foregoing wording that the objective is to produce market value assessments which, in reality, is not what happens in practice. On this point, the Handbook goes on to state:

“Assessment legislation in Saskatchewan requires that non-regulated property assessments be determined pursuant to the Market Valuation Standard. Throughout this Handbook the term “market value based assessments” is used to refer to non-regulated property assessments. Unlike single property appraisals, market value based assessments must be prepared using mass appraisal and “... shall not be varied on appeal using single property appraisal techniques”. All Handbook references to market value are subject to the requirements of the Market Valuation Standard.”

Again, this reinforces the difference between “market value” and “assessed value” which goes to the root of what some commentators consider to be one of the fundamental issues in connection with the property tax system in the province.

At the risk of labouring this point, later on, the Handbook states:

“Market value is a term commonly used in general appraisal theory. In Saskatchewan, for the purpose of determining assessed values pursuant to the Market Valuation Standard, market value is defined in the municipal Acts as “... the amount that a property should be expected to realize if the estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli”.

As previously mentioned in this report, the foregoing definition of market value is in line with most other professional appraisal institutions' definition of market value; however, the issue for consideration is whether it is misleading to use this definition when "assessed value" in Saskatchewan may not fairly represent the market value of a property.

The Handbook helpfully sets out the following explanation in connection with the interaction between sale prices and market values:

"Sale price information is used by assessors to help develop market value based assessments. Assessments are calculated by analyzing the sale prices of groups of properties at a specific point in time. Sales of similar properties are compared to determine market value based assessments of specific types of properties that have similar characteristics.

While the actual sale price of a property might be in the same range as the sales of similar properties, the resultant market value based assessment is derived from a composite analysis of all of the similar sales."

One of the issues that has been raised by some stakeholders relates to what they consider to be the restrictive way in which SAMA interprets and applies the use of sale price data in preparing models for use in mass appraisal. Some commentators consider that SAMA will only use evidence derived from verified arm's length sales registered through the Information Services Corporation (ISC) and nothing else. We return to this matter in Section 6 of this report.

IPTI notes that the Handbook helpfully explains the need to establish the highest and best use of a property when determining its market value. It states:

"The principle of highest and best use is defined as that use which, at the date of valuation, is most likely to produce the greatest net return in money or amenities over a given period of time. The highest and best use must be legally permissible, physically possible, economically feasible and maximally productive.

The highest and best use must also be the most probable of those uses that are possible. For this reason, highest and best use is more or less a synonymous term for most probable use.

The purpose of determining a property's highest and best use or probable use is to provide a basis for establishing its market value. It is the marketplace that determines highest and best use and it is up to the assessor to analyze the marketplace to determine what this use is. Usually the present use of a property is its highest and best use."

The explanation is clear; what is less clear, according to some commentators, is whether SAMA adequately establishes the highest and best use of all properties when applying its valuation models. It was suggested to IPTI that "present value" used to be the basis for

property tax valuations in Saskatchewan and assessors are reluctant to move away from that approach.

The Handbook proceeds to provide outline explanations about the three main approaches to value, i.e., the sales comparison approach, the income approach and the cost approach.

The Handbook also provides a helpful explanation about the use of multiple regression analysis in developing valuation models. It states:

“MRA contains a rich set of diagnostic statistics that aid the assessor in evaluating the accuracy and reliability of the model.

The assessor specifies the model by determining which variables to include in the model based on a combination of judgment and experience and exploratory data analysis. The assessor may write transformations to create the appropriate variables. This process is known as specification.

The assessor then uses MRA to calibrate the model. Model calibration is the process of solving for unknown quantities in a model associated with the independent variables in the model. For example, construction costs, depreciation in the cost model, valuation rates and adjustments in a sales comparison model, and market rents and capitalization rates in an income model.

MRA can also be used to estimate parameters for the income approach to value (rent per unit, expense ratios, gross income multipliers, and capitalization rates) from an analysis of many variables. In mass appraisal, rents, expenses, GIMs, and overall rates can all be estimated in one of two basic ways: by developing typical per-unit values through stratification, often using spreadsheet software, or by using statistical techniques such as MRA.”

Some commentators expressed the view that SAMA appeared to be reluctant to disclose details of the mass appraisal models it uses when valuing properties. We return to this issue in Section 6 of this report.

IPTI has looked at a selection of the Valuation Guides provided as part of the Handbook, but does not analyse them any further as that is a level of detail that is not required for the purposes of this report. Suffice it to say they are helpful in providing both assessors and taxpayers with information about how particular types of property are normally assessed for mass appraisal purposes.

Cost Guide

We should add that SAMA publishes a third guide which is to be used when valuing a property using the market valuation standard through use of the cost approach rather than either a sales comparison or income approach. Like the Handbook, the Cost Guide provides guidance; it does not have the force of law.

A copy of the Table of Contents for the Cost Guide is available via the link below:

<https://www.sama.sk.ca/sites/default/files/2019-06/19Guide03ToC.pdf>

The costs in the Cost Guide are derived from the Marshall & Swift Valuation Services which, as explained previously, are widely used throughout North America for this type of valuation.

The Cost Guide sets out how to approach a valuation using the cost approach and includes the usual components of replacement cost new, adjustments for physical deterioration, functional depreciation, etc.

Functional obsolescence is defined in the Cost Guide as follows:

“Functional obsolescence is the loss in value from replacement cost new less physical deterioration due to the inability of the building or structure to adequately perform the function for which it is used.

Functional obsolescence is caused by changes in demand, design and technology that result in a loss in the utility of the building or structure.

No allowance shall be made for functional obsolescence except as may be accounted for in the calculation of functional obsolescence and the calculation of the replacement cost new less physical deterioration.”

IPTI notes, in passing, that this definition does not appear to distinguish between “curable” and “incurable” physical or functional obsolescence, or identify “external obsolescence” as a separate factor when applying the cost approach. However, that is a level of detail not regarded as relevant for the purposes of this report.

Resources

SAMA informed IPTI that, whilst the adequacy of resources was always an issue, in general the agency considered it has about the right number of staff with the right type of experience, and the necessary funding and other resources necessary to do the work that they are required to undertake.

SAMA explained to IPTI that it has a policy of “grow your own” when it comes to professional staff, preferring to recruit staff and train them to become assessors rather than trying to recruit qualified staff. The staff involved in assessment are licensed members of the SAAA.

As already mentioned, IPTI understands that there is a close working relationship between SAMA and the SAAA which might give rise to some concerns about independence and objectivity, but no particular problems were mentioned by stakeholders in this respect.

As far as funding is concerned, we have already referred to the 4-year funding plan that is now in place to take SAMA through to 2025.

Data Supply

IPTI was informed that SAMA has a contractual relationship with the Saskatchewan Information Services Corporation (ISC) which provides them with a regular supply of transaction information.

Municipalities provide SAMA with details of building permits and other information which may indicate the need for a change in a property's assessment.

SAMA obtains data from property owners using its statutory powers (mentioned earlier) to obtain value-significant information.

Other data required by SAMA for valuation purposes is obtained from field inspections and the use of modern technology (e.g., desktop facilities). SAMA has access to imagery provided for the provincial government and has its own geographic information system (GIS). IPTI understands that SAMA is currently considering upgrading its GIS facility to provide additional layers of information.

Relations between SAMA and Municipalities

One of the issues that IPTI explored both with SAMA and the municipalities with which it interacts is the nature of the relationship between them and how it is regarded by both parties.

IPTI notes that SAMA has a total of over 750 municipalities to deal with either directly through the valuation and other services it provides or through its audit function with those municipalities that have their own inhouse valuation resources.

More information about the way in which these relations are regarded is provided in Section 6 of this report, but it may be helpful to point out at this stage that, in general, relations appeared to be mutually satisfactory, although there are some “niggles” from time to time, mostly in connection with communications.

IPTI is aware of a recent independent survey (“2021 Client Survey”) carried out by a firm of consultants for SAMA. In broad terms, the survey of around 150 municipalities found that most clients were very positive about SAMA's customer service and there were equally positive results on the overall satisfaction rating.

We pick up some of the comments, positive and otherwise, made by SAMA clients and other stakeholders IPTI interviewed in Section 6 of this report.

On a separate point, IPTI considers it would be helpful for SAMA to arrange for an independent survey of other stakeholders, in particular taxpayers and tax agents, to get a more “rounded” view of the services they provide.

Relations between SAMA and other Valuation Suppliers

One of the issues that IPTI also explored both with SAMA and other valuation suppliers (i.e., those municipalities that have their own inhouse valuation resources) is the relationship between them.

Again, some further detail is provided in Section 6 of this report, but IPTI was informed that relations between SAMA and the relevant inhouse assessors is generally good and they work together effectively.

The potential difficulty, it seems to IPTI, is when SAMA has to audit the assessed values and confirm an assessment roll provided by an inhouse team. However, IPTI was not made aware of any particular problems in this connection.

IPTI identified another potential difficulty which is to ensure consistency between the levels of assessed value adopted for similar properties located in different municipalities, some of which are valued by SAMA and some by an inhouse municipal valuation team. Although there was some concern expressed by stakeholders about this possibility arising, IPTI was not provided with any factual information which indicated a significant problem.

SAMA informed IPTI that it undertakes a variety of assessed value coordination activities to ensure there is consistency across municipal boundaries in the preparation of a revaluation.

Facts & Figures

To provide a bit more insight into the work that SAMA undertakes, IPTI reviewed the latest Annual Report and Business Plan mentioned earlier and discussed performance issues both with Irwin Blank, the recently retired CEO of SAMA, and Betty Rogers, the newly appointed CEO of SAMA.

Looking at the 2020 Annual Report, IPTI notes the following interesting facts and figures:

- the annual operating expenses of SAMA were shown as \$20.763 million
- that cost equates to \$23.90 per property
- the cost per property for preceding years are shown as:
 - 2016 - \$21.58
 - 2017 - \$22.26
 - 2018 - \$22.99
 - 2019 - \$22.85
- the province paid a total of \$11.388 million towards SAMA's operations costs
- municipalities paid a total of \$8.958 million towards SAMA's operations costs
- total operating revenues were \$21.478 million
- SAMA has a \$20 maintenance fee-for-service charge
- the agency completed the 2021 revaluation of properties throughout the province

- the property tax base comprises a total of \$265 billion
- the property tax generated is \$2.1 billion
- the agency is directly responsible for the assessment of 869,000 properties in the province
- the agency provides assessment valuation services to a total of 759 urban, northern and rural municipalities
- SAMA’s plan is to inspect every property in the province over a 12 year period
- the agency carried out a total of 117,231 property reviews (against a target of 110,000)
- included in the 117,231 figure - 29,839 maintenance changes were completed in 2020
- also included in the 117,231 figure - 87,392 property reviews were undertaken in 2020
- the agency received a total of 2,095 appeals (compared with 1,741 in 2019)
- 1,511 appeals were resolved by agreement or withdrawal
- 340 appeals were heard by boards of revision (with 203 in progress)
- 62 appeals were forwarded to the Saskatchewan Municipal Board (SMB)
- the SMB heard 70 appeals from previous years
- SAMA states that appeals are of increasing complexity and cost
- the budgeted number of employees was 163.25 permanent positions
- this includes 118.5 positions in the Assessment Services division

SAMA helpfully provided the following data with regard to the number of appeals received and how many were resolved through discussion, agreement and withdrawal.

Those that cannot be resolved in this way go forward to be considered by the appellate bodies.

Year	Total Appeals	Agreements & Withdrawn	Percentage	Agreements	Withdrawn
2017	7213	5304	73.53	4389	915
2018	2620	1827	69.73	1290	537
2019	1736	1175	67.68	944	231
2020	2097	1521	72.53	1238	283
2021	3588	2632	73.36	2273	359

SAMA also helpfully provided the following update on the total number of properties in the province, total assessed value, etc.

SAMA Assessment Totals / Provincial Property Counts			
SAMA:	Property Count	Appraised (100%)	Taxable (after POV)
Market Value Standard	287,710	\$69,194,868,805	\$44,543,700,368
Regulated	584,633	\$93,725,885,317	\$54,893,200,616
Total Property Count	872,343	\$162,920,754,122	\$99,436,900,984
Provincial:	Total Property Count		
SAMA	872,343		
City of Regina	85,000		
City of Saskatoon	98,676		
City of Prince Albert	12,997		
City of Swift Current	7,760		
	1,076,776		
Appeals:			
2021 Appeals	3,588		
*2022 Appeals (as of Feb. 1)	0		
*Only 9 rolls are open and the first village's roll closes on Feb. 7, 2022			

Looking at the 2022 Business and Financial Plan, IPTI notes the following strategies, actions and performance measures in terms of looking forward.

“Strategy: Deliver core assessment services while simplifying and streamlining policies and procedures to improve efficiency and effectiveness

Key Actions and Performance Measures:

- Provide annual maintenance and reinspection reviews of at least 110,000 properties per year (between 30,000 and 40,000 residential, commercial, agricultural and industrial maintenance property reviews and between 70,000 and 80,000 reinspection review properties per year).
- Deliver assessment maintenance data to municipalities by the specified date to 85% of municipalities and to 95% of municipalities within three weeks of the specified date.
- Update approximately 95,000 oil and gas well assessments annually via standardization in addition to the overall 110,000 property inspections target.
- Continue towards a 12-year reinspection cycle, targeting municipalities that are furthest out of date and adding assessment / tax revenue sources to municipalities and the education sector. At the end of 2025 SAMA will have completed eight years of the twelve-year cycle.

- Provide support of value services to client municipalities for an estimated 12,000 appeals during 2022-25.
- Maintain current support of value service levels including professional management of property assessment appeals, one-on-one assessment reviews with property owners, and attending to appeals filed with local boards of revision, the Saskatchewan Municipal Board and the Saskatchewan Court of Appeal.
- Increase support of value resources as required annually for expected increases in appeals associated with the increased level of property reinspections.
- Focus on support of value training for employees and more specialized training for key staff in dealing with high risk or complex appeals.
- Procure third-party legal counsel when required for appeals and add an internal legal resource if fiscally and strategically advantageous.
- Provide client municipalities, the provincial government, stakeholders and property owners with reliable and timely access to property assessment records, confirmed municipal assessment totals and information on property value trends in Saskatchewan.
- Through informational materials, training workshops and other initiatives, continue to work with client municipalities, stakeholders and property owners to educate and raise awareness of the property assessment system, and assessment policies and practices. SAMA's goal is to keep municipal client satisfaction surveys above 90% positive.
- Confirm municipal assessment rolls that are accurate and have been completed in 100% accordance with the municipal acts.
- Utilize a structured business process improvement process to review all major SAMA functions at least once during 2022-25 and make changes to work processes when appropriate."

IPTI notes that the foregoing provides some interesting metrics on the work SAMA will be doing over the forthcoming period, particularly in relation to what might be described as "business as usual" work.

"Strategy: Use research and technology to improve services for stakeholders"

Key Actions and Performance Measurements

- Revalue approximately 869,000 properties in 757 client municipalities for the 2025 Revaluation.
- Maintain current continuous sales verification service levels.
- Update all assessment models, rates and costs for the January 1, 2023 base date and implement them in SAMA's CAMA system.
- In 2023 complete the market analysis of all properties.

- Complete income approach analysis of entire inventory of income approach properties by April 1, 2024.
- In Q2 2024 provide preliminary values to the Province and client municipalities.
- In Q1 2025 finalize and provide assessed values to client municipalities.
- Conduct a full provincial agricultural productivity review, a full transmission pipeline assessment model review and a full provincial oil and gas assessment policy review with development complete by February 2023 and implementation of the new models in time for the 2025 revaluation.
- Author and release the 2023 Base Year Manual, the 2023 SAMA Cost Guide and Market Value Assessment in Saskatchewan Handbook.
- Operate and maintain the Govern.net system, the computer assisted mass appraisal system used to derive and store property assessments.
- Enact enhanced cybersecurity features to protect system integrity and performance.
- Explore new opportunities and implement GIS mapping enhancements.
- Further enhance the current web portal and enterprise service bus to improve the flow of data and the reporting function between SAMA and client municipalities.
- Coordinate the consistent application of assessment valuation methodologies by appraisers.
- Maintain or upgrade the current fleet of remote data collection devices (handheld computers) that appraisers use in the field.
- In addition to traditional methods, leverage digital tools to have reliable, frequent, and convenient communication with stakeholders as well as amongst staff.
- Develop and maintain computer-assisted technologies that optimize the Agency's business operations.
- SAMA plans to further leverage its portal with clients to increase the ease of receiving and distributing reports. SAMA also plans to use GIS mapping to increase the accuracy and efficiency of agricultural assessments.
- Conduct a software application upgrade for a more efficient and effective assessment reporting process.
- Facilitate meetings for the rural, urban, city, city assessor and commercial advisory committees and make necessary policy changes in response to issues raised by committees.

The foregoing list identifies the key tasks that SAMA will be undertaking in connection with preparing for the next revaluation due to come into effect in 2025 and other matters.

There are additional strategies designed to “Strengthen the capabilities of all employees” and “Maintain and enhance SAMA’s stakeholder supported funding model” which we do not need to detail here.

It is clear that SAMA has set itself some challenging targets in the 2022 Business and Financial Plan; this will need to be borne in mind in relation to any changes that might be proposed for SAMA over the next few years.

Statistics Canada

For context, the following statistics have been obtained from Statistics Canada, although they are not up to date:

	Saskatchewan	Canada
Population (2016 Census)	1,098,352	35,151,728
Total private dwellings	495,582	15,412,443
Private dwellings	432,622	14,072,079
Population density per square kilometre	1.9	3.9
Land area in square kilometres	588,243.54	8,965,588.85
Single-detached house	314,340	7,541,495
Semi-detached house	12,705	698,800
Row house	18,535	891,305
Apartment or flat in a duplex	9,385	784,300
Apartment in a building (five or more storeys)	10,520	1,391,040
Apartment in a building (fewer than five storeys)	57,115	2,539,390
Other single-attached house	700	36,005
Movable dwelling	9,325	189,755

According to Wikipedia, as of Q1 2020, Saskatchewan's population was estimated at 1,181,987.

Section 6: Findings from Interviews

As indicated in Section 1, IPTI interviewed a number of key stakeholders seeking both factual information and their views on different aspects of the property tax system in Saskatchewan.

The nature and content of the interviews varied depending upon which stakeholder was involved in the discussions with IPTI.

However, in broad terms, the views of stakeholders were sought on the following aspects of the current property tax system in Saskatchewan:

- the legislative framework
- exemptions, reliefs, allowances and abatements
- the person liable to pay property tax (i.e., the owner)
- maintaining an up-to-date list of property owners (i.e., taxpayers)
- the unit of assessment (i.e., the ownership parcel)
- what is included in the assessment (i.e., land, buildings, other improvements, etc.)
- the basis of assessment (i.e., the market valuation standard and the regulated property assessment valuation standard)
- the frequency of revaluations
- the antecedent valuation date (i.e., the base date)
- current valuation suppliers (i.e., inhouse teams, SAMA, etc.)
- current assessment processes
- current assessment accuracy
- the assessment appeal system
- setting property tax rates (at both the municipal and provincial level)
- the use of percentages of value set by the provincial government
- property tax billing, collection and enforcement procedures
- phasing-in changes in property tax bills following a revaluation
- the contribution of property tax revenue for municipalities in comparison with other sources of revenue
- communications between stakeholders
- stakeholders' knowledge of other property tax systems
- any other issues they wanted to draw to IPTI's attention

We report our findings from the interviews below under side-headings taken from the above list. We repeat that we are not attributing any of the views or information shown in this Section of the report to particular individuals. However, IPTI would like to make clear that it has endeavoured to capture as many relevant views on the particular topics as possible; nothing has been omitted which we consider to be of interest.

Names and organisations of people interviewed

The following list is provided in order of the individual's surname.

Abayomi Akintola, Director of Property Tax and Assessment, Policy and Program Services, Ministry of Government Relations

Irwin Blank, CEO (retired Jan 2022), Saskatchewan Assessment Management Agency; based in Regina (Irwin was interviewed twice during the project)

Mark Cathro, Director Energy & Industrial Property Tax, Altus Group; (formerly Chair of the CPTA Western Chapter) based in Calgary, Alberta

Cameron Choquette, Chief Executive Officer, Saskatchewan Landlord Association Inc; based in Saskatoon (also a member of the Saskatoon Board of Revision)

Shaun Cooney, Chief Assessment Governance Officer, Saskatchewan Assessment Management Agency; based in Regina

Joe Day, City Manager, City of Humboldt,

Mohammed Falogah, Senior Property Tax and Assessment Policy Analyst, Policy and Program Services, Ministry of Government Relations

Mike Jordan, Chief Public Policy & Government Relations Officer at City of Saskatoon

Lonnie Kaal, City Manager, City of Yorkton

Ian Magdiak, CPTA (also a member of the SAMA Commercial Advisory Committee)

Norman (Norm) Magnin, Senior Consultant, Altus Expert Services, Altus Group, Saskatchewan; based in Regina

Kristin McKee, Research and Policy, Saskatchewan Chamber of Commerce; based in Regina

Sean McKenzie, Director of Advocacy Services, Saskatchewan Urban Municipalities Association

Jay Meyer, Executive Director, Saskatchewan Association of Rural Municipalities (SARM) (also an observer of the SAMA Rural Advisory Committee)

Kelly Munce, Senior Property Assessment and Taxation Policy Analyst, Ministry of Government Relations

Grace Muzyka, Partner, Brunsdon Lawrek & Associates; official representative of the Appraisal Institute of Canada (AIC). Also, a member of the SAMA Commercial Advisory Committee. Based in Regina.

Brent Nadon, Director of Finance, City of North Battleford



Rod Nasewich, Executive Director, Policy and Program Services, Ministry of Government Relations; based in Regina

Brendan Neeson, Managing Director, Colliers Property Tax Services, Western Canada (official Canadian Property Tax Association (CPTA) representative); based in Calgary

Randy Patrick, City Manager, City of North Battleford

Chandra Reilly, President of the Saskatchewan Assessment Appraisers Association (also Regional Manager, SAMA, North Battleford Region)

Betty Rogers, CEO (from Jan 2022), Saskatchewan Assessment Management Agency; based in Regina

Robert (Bob) Smith, City Manager, City of Warman

Bryce Trew, City Assessor, City of Saskatoon

Jeff Ward, City Manager, City of Estevan

Steve Ward, City Assessor, City of Regina (also a member of the SAMA City Advisory Committee)

In addition to the information provided by the foregoing list of people, IPTI also researched the websites of the various organisations they represent.

Apart from information obtained via interviews, IPTI also received facts, comments, data, etc., from various additional stakeholders via emails, documents, links, and other references.

IPTI would like to record its appreciation to all those who kindly shared their views with us through the interviews and other processes.

Clearly it is not possible, or necessary, to record below all the views expressed to IPTI in the following text; however, we hope we have captured and summarised the main comments and concerns of relevance to this project.

[The legislative framework](#)

Most of the people IPTI interviewed were very familiar with the current legislative framework and can find their way round it without any particular problem.

However, many stakeholders acknowledged that the plethora of legislation – Acts, Regulations, Bylaws, Orders, etc. – seemed unnecessarily complicated.

Several of those interviewed thought it would be sensible to bring the relevant legislation, particularly that relating to assessment, together in one place so that it would be easier for taxpayers and other stakeholders to find what they needed to know.

Interestingly, some commented that the legislative framework was broadly satisfactory; it is the way in which it is interpreted and implemented that, according to them, gives rise to the issues that cause people to criticise it.

Having said that, it is clear that particular parts of the existing legislative framework create some of the issues that arise as far as stakeholders are concerned, as set out below.

Exemptions, reliefs, allowances and abatements

In general, there were no significant concerns raised in connection with the existing exemptions set out in the legislation which apply across the province, or the additional powers given to municipalities in relation to creating further exemptions at the local level and/or grant abatements where it was considered appropriate to do so.

There were some minor concerns over the incentive created by the existence of exemptions, particularly, discretionary exemptions, abatements, etc., for taxpayers to try to put themselves in a position to obtain them.

This particularly applied to named organisations (rather than property types) which were exempt; other organisations that were broadly similar to those that are exempt, perhaps not unreasonably, sought parity of tax treatment by having the exemption extended to themselves.

There were also some concerns over whether legislative exemptions were being properly applied consistently throughout the province. Anecdotal evidence appeared to suggest that exemptions were sometimes provided which were not in line with the statutory terms and conditions.

However, overall, the current exemptions regime was not considered to be a particular issue in Saskatchewan.

Person liable to pay property tax

None of the stakeholders interviewed considered there were any particular issues arising out of the fact that the property owner is the person liable to pay the tax.

There were, however, some minor concerns expressed. One of these related to the owners of mobile homes located on the land of other people. The owner of such a mobile home is liable for property tax in respect of the home with the owner of the land on which it stands being liable for property tax in relation to the assessed value of the land. It was not unknown

for the owner of a mobile home, especially an old one, not to pay the tax due and then simply abandon the mobile home to avoid payment.

Another potential problem was where there are multiple occupiers of a property, in some cases, making different use of the various parts, e.g., mixed-use properties with residential, commercial occupiers, etc. It is necessary to apportion the value between the various uses to make sure that the appropriate tax rate was applied. However, this was not considered to create insurmountable problems and there were no calls from stakeholders interviewed for a change to the owner being the person liable to pay property tax.

It was also mentioned that, in Saskatchewan, the provisions in leases or other legal documents made the lessee liable for property tax rather than the property owner but, again, this did not appear to create problems either for taxpayers or municipalities.

Maintaining an up-to-date list of property owners

Maintaining an up-to-date list of property owners, and details of transactions, is a critical part of any property tax system. This data is important to both municipalities and the assessment providers.

Stakeholders generally considered the present arrangements whereby municipalities are informed about changes to the ownership of properties by the Information Services Corporation (ISC) worked satisfactorily.

The ISC website - <https://www.isc.ca/About/SaskRegistry/Pages/default.aspx> - states:

We are the exclusive provider of the Land Titles Registry, Land Surveys Directory, Personal Property Registry and Corporate Registry in the Province of Saskatchewan. These registry services are outlined in a service agreement between ISC and the Government of Saskatchewan. In addition, we are responsible for the technology and activities related to the development, management and distribution of geographic information and information service portals for businesses in Saskatchewan.

There were some concerns about whether information about changes was acted upon quickly enough by assessors (in SAMA or inhouse), but the availability and regularity of the data provided by ISC was not an issue.

The unit of assessment

The “unit of assessment” refers to the extent (i.e., legal boundary) of the property to be assessed/taxed. In Saskatchewan, the parcel owned is generally taken to be the legal unit of assessment and stakeholders considered this to work satisfactorily in most cases.

There were some examples mentioned where one or more properties owned by the same person could be assessed together; this arrangement seemed to make sense to all parties and was not therefore a problem.

The issue of mixed-use properties – referred to above – was also mentioned in connection with the unit of assessment, but no particular issues appear to arise.

What is included in the assessment

For the purpose of property tax, the property to be assessed may include the parcel of land owned, the buildings and other improvements constructed on it, and possibly some items of machinery and equipment.

In Saskatchewan, the legal definition of “property” for property tax purposes has already been mentioned and, according to stakeholders interviewed, did not give rise to particular issues.

It was noted by some stakeholders that the extent of machinery and equipment included in the assessed values of properties in Saskatchewan is not as extensive as that which falls to be assessed in some other provinces, e.g., Alberta.

However, whilst that may be a concern for some municipalities in terms of tax revenue, understandably, it was not regarded as an issue by taxpayers, particular those in the heavy industrial and/or resource industries which did not have as much of their machinery and equipment taxed in Saskatchewan as they did in other parts of Canada.

The basis of assessment

The basis of assessment in Saskatchewan depends on what type of property is being considered. By way of a reminder, there are two “standards”:

- the “market valuation standard” which applies to all non-regulated properties; e.g., residential, commercial, smaller industrial properties, and
- the “regulated property assessment valuation standard” which applies to agricultural land, resource production equipment, railway roadway, heavy industrial properties and pipelines

The main concern of many stakeholders interviewed is the way in which these two standards are applied by assessors.

Many stakeholders considered the way in which the market valuation standard is applied in the province creates a variety of problems. In particular, they considered that it “dumbs down” the system and produces “automated” assessed values that are wholly unrelated to market values.

They say that the priority given by assessors to the requirement for “equity” results, in some cases, in assessed values that are clearly incorrect in terms of a property’s market value. Some non-residential properties are valued by reference to valuation models which, in their view, “throw together” too many different types of property that should not be valued by reference to the same valuation model. This is done, they say, because the assessor feels obliged to include as much sales evidence as possible when creating valuation models, but goes too far in using sale prices for wholly unrelated property types.

In turn, some of the assessors say that it is necessary to group properties together in a way that maximises the use of the relatively scant market evidence that is available in order to create a model that is capable of applying mass appraisal techniques.

Some commentators considered that “history” was part of the problem. They suggested that many assessors had grown up in an era of widespread regulation and use of the cost approach in the province which did not require much in the way of individual property appraisal knowledge and/or market experience. This “plug and play” approach – as one called it – created a mentality of using a valuation model that was designed to produce consistency at all costs, irrespective of the accuracy of the outcome.

The issue of “unfairness” is said, by some, to be exacerbated by the fact that neither the assessor or the appeal bodies (i.e., the BoR and the AAC) are allowed to take into account what they regard as a “realistic” valuation of the property as the legislation makes clear that:

“... a non-regulated property assessment shall not be varied on appeal using single property appraisal techniques.”

In the view of many of those interviewed by IPTI, the system in Saskatchewan is heavily “skewed” in favour of assessors because taxpayers, and their agents, are precluded from supporting an appeal against the assessor’s valuation through the use of market evidence. They say that it is a “misnomer” to say that the system in Saskatchewan is a “market value” system when, according to them, market value evidence is not allowed to be used in the appeal system.

Critics also pointed out that, in their view, some assessors “hide behind” the legislation; they were not willing to look for evidence beyond the relatively narrow scope they employ in building their valuation models. Furthermore, some said assessors were reluctant to use their “discretion”, i.e., professional valuation judgement, to adjust valuations in a way that would make them more credible.

IPTI was referred to case law in the province regarding the use of “assessor discretion” and a related topic of the “onus of proof” in relation to appeals, but we do not consider it necessary to go into these legal decisions in detail for the purposes of this report.

Many of those who commented on this aspect of the system said they were only able to challenge the assessed values produced by the assessor by “attacking” the valuation models that had been used. This, in turn, required information to be provided by the assessor about both the way in which the model had been created and the evidence on which it had been based, neither of which, they said, was readily forthcoming.

Moving on to the regulated property assessment valuation standard, this did not give rise to as much criticism from stakeholders as the market valuation standard. The main issue concerning the regulated property standard was what they described as the “inflexible way” in which the methodology prescribed in the legally enforceable “Assessment Manual” was applied.

Some stakeholders considered that the regulated approach did not produce values that were in line with market values; some also thought that regulated values might be out of line with the assessed values of broadly similar properties assessed by reference to the market valuation standard.

One commentator said that Saskatchewan should develop its own cost tables and, in particular, its own depreciation tables that were a more accurate reflection of the position within the province.

It was suggested that the “special” treatment of agricultural land, which is required to be valued as a regulated property, results in under-assessment of a category of property that, in their view, could and should be valued on the basis of market evidence.

The frequency of revaluations

This was probably the most contentious issue that was considered in IPTI’s interviews. However, there was no consensus on whether the existing 4-year revaluation cycle was right or wrong for Saskatchewan.

One of the big issues raised both by municipalities and some taxpayer groups was the large “swings” in assessed value that occur due to the current 4-year gap between revaluations.

Most of those interviewed considered the 4-year cycle should be shortened to bring assessed values more into line with current values. Of those interviewed, the majority thought Saskatchewan should move to an annual cycle of revaluations. Many were aware of the number of jurisdictions within Canada which currently use an annual cycle which, as far as they were aware, did not give rise to particular problems.

Some, who were in favour of more frequent revaluations, thought moving to a 2-year cycle would be better than going directly from a 4-year cycle to an annual cycle.

Those in favour of retaining the existing 4-year cycle considered that the benefits of stability and certainty for a 4-year period brought advantages – to both taxpayers and municipalities – that would be lost by moving to an annual cycle.

Some of those interviewed pointed out that moving to an annual cycle might create problems in terms of limiting the amount of market evidence available. They also said it would require an increase in assessor resources as more work would have to be undertaken in a shorter amount of time.

On this issue, IPTI notes that SAMA produced a paper called “Considerations for a Shorter Assessment Cycle” which was prepared for SAMA Advisory Committees in November 2021.

A copy of the notes from one of those committee meetings – the City/Commercial Advisory Committees – is available via the SAMA website via the link below:

<https://www.sama.sk.ca/sites/default/files/2021-12/CityCommercialNov2021.pdf>

The note of the meeting contains a helpful summary of the discussion that took place and the different views expressed.

The note also includes many items of relevance to IPTI’s report, but the discussion on the revaluation cycle is of particular interest.

A few selected extracts from the notes of the committee meetings are set out below:

“City of Swift Current: The major issue currently is the linkage between the reassessment cycle and the municipal election cycle.”

“SAMA CEO: The decision to change the revaluation cycle rests with Government Relations. There will be amendments to the legislation required as well.

The 2010 report to government found that the medium sized and larger urban communities supported a shorter cycle, but the smaller communities and the rural sector did not support a shorter cycle.

Essentially, SAMA’s report to the Ministry only reported the findings, but was silent regarding what direction the Ministry should choose to go. The Ministry ultimately decided against a shorter cycle at that time because there was no consensus among the various stakeholders.

A further issue regarding a shorter cycle is the legislated time required by the Ministry to analyze the preliminary values submitted by the assessment providers. The current legislation requires each assessment provider to submit its preliminary assessment values nine months in advance of the implementation of the reassessment for property tax policy considerations. Any consideration of a shorter cycle or a collapsing of the time between the base date and implementation date would require a significant change to the province’s property tax policy program.”

“WGEATC Member: Is there more impetus now than in the past to move to a shorter cycle and, if so, which general group of stakeholders is asking for the change?”

SAMA Administration TS&P: It is the larger urban stakeholder group, specifically the cities, that is leading the way. The cities have also requested a report from IPTI on the assessment system in general and specifically the shorter assessment cycle.”

“SAMA CEO: This issue has come up in every revaluation. In certain municipalities there will be shifts in the assessments. With that it may come as a bit of a shock to the council members and in some cases where there are newly elected officials, more of a surprise.

Because the elections are so close to the reassessment, the newly elected officials are then asked to make difficult tax policy decisions about three months into their tenure. It is very difficult for the newly elected officials especially when they may not have a full understanding of the assessment system. This is a trend SAMA has seen since 2009.

In the current cycle, the feedback has been whether the commercial property, within a city, can be considered separately with the two-year cycle and leave the other property groups on a four-year cycle.

If that were to occur, the result is a doubling up of all the processes, procedures, publications, and computer programming required to administer a piece-meal system.

In addition, the market analysis is complicated by a city and non-city commercial markets that essentially could be linked in a typical analysis. This process would have to be de-linked if a city and commercial split were to occur. This type of complexity would also considerably complicate an already burdensome assessment appeal process.

Finally, any piece-meal approach would not only require the doubling up of certain program aspects of the reassessment, but would also require the province to consider the implementation of an equalization program that adjusts the assessments to a common standard or level.

At the end of the day, the costs and effort required for a piece-meal system would be very similar to implementing a two-year cycle overall.”

“SAMA Board Member: Speaking as a reave and not a SAMA Board member, the rural sector is not in favour of a shorter assessment cycle. The rural sector is pleased with a four-year cycle which is working well.

Alberta is on an annual cycle with its agricultural land valuation model based on a productivity basis. Their assessment model hasn’t changed since 1986. For example, Alberta will cap its agricultural land at \$350 per acre, whereas a similar productive acre in Sask. is valued at \$2,000 per acre. So, Alberta claims it’s on annual basis, but the values for certain sectors are frozen at a historical level.

So, if the rural sector is asked to cover its portion of any cost increase moving to a shorter cycle without any clear benefit, the response would be no to a shorter cycle.

Finally, work is already starting on the preparation for 2025 reassessment, thus a shorter cycle would not be feasible until sometime afterwards.

A two-year cycle would result in a constant state or reassessment.

That said, as a SAMA Board member, I am willing to listen to the concerns of the urban and commercial sectors.”

“SAMA CEO: If there are ways the system can be improved and if the IPTI review can identify ways to improve the system, the SAMA Board would be open to these considerations.”

The paper prepared for the SAMA Advisory Boards contains the following note (taken from an earlier report) on the advantages and disadvantages of moving to a shorter revaluation cycle:

Advantages of a Shorter Revaluation Cycle:

- *Allows assessments to better reflect current economic conditions.*
- *Should reduce the impact of major assessment shifts between revaluations.*
- *Property owners perceive that their market value-based assessments should equate to current market value.*
- *Reduces the risk of a valuation base date set at the peak of the market being fixed for up to six years.*

Negatives of a Shorter Revaluation Cycle:

- *Significant increased administrative costs to SAMA, assessment service providers, local and provincial government.*
- *More revaluations have potential for higher level of appeals and increased costs with each implementation of updated assessments.*
- *Requires more frequent review of tax policy by some local governments.*
- *Smaller municipalities with less active markets will face increased cost and capacity issues administering more frequent revaluations, for limited benefit.*
- *A shorter revaluation cycle may impact other assessment service provider programs like property inspections.*

Another part of the SAMA note helpfully summarises the list of actions that would be needed if a shorter revaluation cycle was to be introduced:

“Therefore, any consideration of shortening the cycle before the end of the 2021 revaluation and the existing four-year cycle (2021 to 2024), would require adequate lead time to prepare for the requirements of a shorter revaluation cycle including: enacting legislative

amendments, developing processes for more frequent assessment publication updates, reprogramming mass appraisal computer systems, planning shorter market analysis and quality coordination timelines, building additional assessment appeal capacity, and the training of new and existing staff on the new business processes. This does not include the additional work that municipalities and provincial government would need to undertake in advance of a shorter cycle.”

It was suggested by some commentators that the large swings in value resulting from a 4-year revaluation cycle could, at least in part, be reduced if assessors were able to take into account more evidence than is currently the case. For example, it was suggested that listing prices, professional appraisals, new construction costs, etc., should all be taken into account to supplement sale price evidence when creating valuation models.

The Lloydminster Experience

One of the interesting comments made to IPTI about the revaluation cycle was what had happened in Lloydminster. Lloydminster is a city which “straddles” the provincial border between Saskatchewan and Alberta.

IPTI had a meeting with Dion Pollard, the City Manager at Lloydminster and Scott Pretty, the Director of Assessment & Taxation at Lloydminster. We obtained the following information from that meeting:

- Lloydminster switched from Saskatchewan to Alberta just over 20 years ago
- It operates under the Lloydminster Charter (Alberta Regulation 212/2012) which contains, inter alia, details of how the property tax system operates
- There are just over 12,000 assessed properties in Lloydminster
- Approximately 78% of their property assessments (by value) are on the Alberta side of the border and 22% on the Saskatchewan side
- The “split” between provinces causes some practical problems for Lloydminster as they have to deal with Alberta legislation and policy for some things and Saskatchewan legislation and policy for others
- Lloydminster moved to having annual revaluations for property tax which, in their view, has produced considerable improvements
- They consider that having an annual revaluation cycle helps to level out many of the “ups and downs” of the property market and avoids big changes in taxation for taxpayers
- Lloydminster has a base date of July 1 which is 6 months ahead of the date when the new assessed values become effective (January 1), although the relevant notices normally go out in the following weeks (with a deadline of February 28)

- The “condition date” in Lloydminster is December 31 of the year before the new values come into effect
- Lloydminster use the Alberta appeals system which involves having their own Assessment Review Board (ARB)
- The number of appeals is very low – last year (2021) they had 2 appeals relating to residential properties; there were no appeals relating to commercial properties. Prior to that, in 2020, they had 3 commercial property appeals and no residential appeals
- In the view of the assessor, the very low number of appeals is mainly due to the annual revaluation cycle and the avoidance of major changes of value
- Lloydminster used to outsource the assessment function but decided to bring it inhouse a few years ago, primarily to increase quality, control and customer service; they found that the annual costs of hiring inhouse professionally qualified assessors were not significantly different to using the private sector

In IPTI’s view, the Lloydminster “experience” supports the type of change we are putting forward for consideration by Saskatchewan, particularly in relation to shortening the revaluation cycle and moving the base date closer to the date when the new assessed values come into force.

The antecedent valuation date

The use of a “base date” (i.e., an antecedent valuation date) is an important aspect of any properly functioning property tax assessment system. The position in Saskatchewan, where the base date is set 2 years prior to the date when the revalued assessments come into force, was another issue which attracted different views from stakeholders.

However, most of those interviewed considered that 2 years was probably too long a gap and, combined with the current 4-year revaluation cycle, resulted in values being up to 6 years out of date by the time the next revaluation was due.

The note from SAMA mentioned above in connection with the recent Advisory Committee meetings also referred to the base date as follows:

Shortening the Base Date Lag

Another component of the 2009-2010 revaluation cycle discussions was consideration for shortening the base date lag, or the period between the base date and the revaluation implementation date. A positive outcome of the 2009 Business Process Review event was a determination by the group that the base date lag could be shortened from the current 30-month period to 24 months. This has the effect of making assessments for a new revaluation six months more current. To achieve this improvement, the Ministry of Government Relations agreed to shorten the time they normally require for provincial tax policy modelling and consultation from 12 months to 9 months preceding a revaluation. The recommendation was

implemented for the 2013 revaluation by establishing of a January 1, 2011 base date and through a change in Regulations that amended the reporting date for preliminary values for the 2013 revaluation to Government Relations from January 1, 2012 to April 1, 2012.

Many of the stakeholders interviewed considered that shortening the base date from 2 years to 12 months prior to the date when the new assessed values come into effect would be a significant improvement. Some thought this change should be made anyway, even if a 4-year revaluation cycle was maintained. However, most thought that shortening the base date to 12 months should be made as well as shortening the revaluation cycle.

Some stakeholders were aware that Alberta and British Columbia use a 6-month base date, but no-one interviewed was pressing for a 6-month base date in Saskatchewan.

Current valuation suppliers

In theory, there are three potential types of valuation suppliers available for municipalities in Saskatchewan to use:

- SAMA, the provincial agency
- an inhouse team, as currently used in Saskatoon, Regina, Prince Albert and Swift Current
- a private sector, outsourced, contractor

IPTI was informed that Moose Jaw does not quite “fit” into the above arrangements; it is empowered to have its own inhouse assessment team, but decided to contract out the assessed value work to SAMA via a separate agreement.

IPTI was also informed by stakeholders that some municipalities used to contract out the assessment work to private sector suppliers, but none do so currently.

In general, stakeholders were satisfied with the work that was undertaken by either their inhouse team of assessors or by SAMA.

Those municipalities with their own assessors liked the direct control that gave them and the increased responsiveness they provided. Those which used SAMA were generally content with the services provided, but had some concerns over the timeliness of responses to queries and questions.

They were also concerned about SAMA’s reinspection program and how long it took to ensure that all assessed values accurately reflected the up-to-date physical/factual circumstances of a property.

For some stakeholders, their concerns with SAMA revolved around communications in general, and dealing with enquiries and appeals in particular.

Current assessment processes

As already mentioned, some of the current assessment processes in Saskatchewan were considered to be rather “opaque” by taxpayers and their agents.

In addition to the limitations imposed by legislation in terms of the two “valuation standards” and how they are applied, one stakeholder described the assessment processes used in the application of the legislative requirements as a “mystery”.

Others took the view that the assessment processes in themselves were relatively straightforward, it was the outcome of applying them which was the main issue.

More detail and comment on the various processes, i.e., revaluations, provision of assessment rolls, assessment notices, supplementary assessments, etc., is contained in Section 4 of this report and is not repeated here.

One of the main concerns raised by municipalities is the length of time taken by SAMA to deal with reinspections; this was a source of irritation for municipalities and a matter that has revenue implications for them.

An issue that was not raised by stakeholders, but which seems to IPTI to be one that needs to be considered, is the interaction between the current assessment timetable and the municipalities taxation activities.

Although it varies between different municipalities, it seems that most receive details of the new assessed values in the case of a revaluation, or the updated assessment values in other years, a considerable time after the date when property tax is due for the year, i.e., January 1 of the tax year in question.

This means that much of the budget and tax rate setting process takes place before details of the new assessed values are received. It also means that assessment notices and property tax bills (tax notices) are sent out well after the date the tax is due.

In IPTI’s view, it would be preferable to adjust the timetable for the annual process as follows:

- assessed values to be provided to the provincial government and municipalities not later than September 1 in the year before the tax year
- municipalities to prepare their budgets in September-October based on “actual” assessed value data rather than estimates
- municipalities to set their tax rates (and other tax tools) not later than November 1 in the year before the tax year
- the provincial government to do the same for setting the education property tax
- assessment notices and tax notices sent out to taxpayers not later than December 1 in the year before the tax year

- tax due (as now) from January 1 of the tax year

The foregoing timetable brings much of the current timetable forward which, it seems to IPTI, could be achieved if the provincial government and municipalities agreed it was beneficial to all parties and were prepared to change their existing processes accordingly.

No doubt SUMA will have a view on the desirability and practicality of this suggestion which we include in the “Options for Change” outlined in Section 8 of this report.

Current assessment accuracy

It was interesting to ascertain the many different views expressed about whether or not the assessed values in Saskatchewan were generally regarded as falling within what might be described as an acceptable range of accuracy or not.

Unsurprisingly, taxpayers and their agents were less favourable in their views on valuation accuracy than some of the municipalities and assessors interviewed.

There were some examples mentioned of large changes in the assessed value of particular properties following appeal. Some of these changes were made by assessors, others by the appeal bodies.

The relatively low number of appeals received was mentioned as an indication of the accuracy of assessed values in the province; however, it should be noted that numbers of appeals may give a false impression of accuracy. Taxpayers may be motivated to make appeals for a variety of reasons, not the least of which is what they may consider to be a high property tax bill.

It was mentioned that both taxpayers and tax agents know how difficult it may be to make a successful appeal in the province; that may be another factor to take into consideration in connection with the number of appeals.

One other related factor that came up in the interviews was that, even where the taxpayer or agent could show that an assessed value was inaccurate, i.e., out of line with market value as at the base date, appeals may not be made if it was considered that the assessor would not take into account what might be considered to be a “single property appraisal”.

They said that “accuracy” for this purpose was limited to whether or not the assessor had applied the same approach to other properties within the same “valuation scheme”, i.e., the model used for valuation purposes. If it was considered that the assessed value was “wrong”, but nevertheless in line with the assessed value of other properties, the assessor would be able to show “equity” which, in Saskatchewan, was more important than accuracy.

We have already mentioned some of the valuation accuracy issues that were raised in connection with the revaluation cycle, i.e., that assessors should be able to use a broader range of evidence when preparing their mass appraisal models. Limiting themselves to just

information obtained from the ISC and then applying market adjustment factors detracted from valuation accuracy, it was stated by several commentators.

One of the particular concerns raised about the application of the regulated property assessment valuation standard was that the adjustments made for depreciation were regarded as inadequate, particularly for older assets. In the view of some taxpayers, the costs new were not unreasonable, but when adjusting those costs for much older assets, they considered there was not enough allowance made for the real difference in value. This, in turn, resulted in assessed values that were not accurate.

Some taxpayers suggested more properties should be valued using the income approach rather than a cost-based approach as this was in line with the approach taken by the market and would produce more accurate assessments.

It was also mentioned that assessors were getting better at applying the income approach, but it was suggested that assessors felt more comfortable using the cost approach as that had been the main method of valuation used in the province for many years.

One issue brought up by some stakeholders in relation to accuracy was the preference for assessors to base assessed values on present use rather than highest and best use. One example of this mentioned to IPTI was the situation with land on the fringe of an urban area that clearly had development value but was valued having regard to its present use; it was suggested that this was not an uncommon practice, although IPTI cannot comment on the accuracy of this assertion.

As explained in Section 5 of this report, SAMA undertakes a variety of official “audits” and other tests to ensure that assessed values meet the necessary requirements in terms of levels of value and equity. However, many stakeholders remain concerned over the accuracy of the assessed values provided.

One of the tax agents to whom IPTI spoke said that Saskatchewan was the only province in Canada that refused to accept any evidence that looked even “remotely” like a single property appraisal but, at the same time, the assessor would go through, in great detail, the various parts of the actual property when explaining the cost approach that had been applied in deriving the assessed value; this, it was suggested, was a case of double standards. The tax agent added that this refusal to countenance normal valuation issues created problems for the assessors as the agents were now becoming more expert at “attacking” assessed values on the basis of equity rather than using normal valuation methodology.

[The assessment appeal system](#)

Many of the criticisms levelled at the current assessment processes and accuracy were repeated again in relation to the appeal system.

One of the issues raised was the relatively short period within which a taxpayer is allowed to make an appeal, i.e., 30 days from the date of the assessment notice and 60 days in the case of a revaluation.

This was regarded as too short by some taxpayers and their agents. It was also pointed out that where an appeal notice is issued some way ahead of a tax notice, taxpayers may not appreciate the link between their assessed value and the property tax bill. When they receive a tax bill some time later, they may have missed the opportunity to make an appeal.

Some commentators mentioned the unfairness, as they saw it, of the onus/burden of proof in assessment appeals with the taxpayer having to show that an assessed value was, at least on the face of it, incorrect before the assessor was required to explain how it had been arrived at. Not everyone thought this was unfair, but several did mention it.

IPTI was provided with a recent Court of Appeal decision in which the issue of the current onus of proof was considered and the Court acknowledged that, although the legislation is clear about the onus of proof being on the appellant, it was particularly challenging for a taxpayer to show that an error had been made if information about the way in which an assessed value had been derived was not provided.

Another area of concern was the existing Board of Revision (BoR) system which was criticised by some of those interviewed for a number of reasons.

The processes and procedures surrounding the BoR, particularly those located outside the main urban areas of the province, were considered to be inadequate. It was said that some BoRs did not have sufficient members and/or the members were not properly trained in dealing with assessment appeals. Hearings at some BoRs were considered to be poorly organised and managed. Some BoRs issued decisions that did not reflect the evidence submitted; some, it was said, clearly did not understand the evidence, and some appeared to be too focussed on the tax consequences of their decisions.

The BoRs were said to provide minimal notes about the reasoning for their decisions and, in some cases, took a long time to issue those decisions.

Similar criticisms were made of the part of the Saskatchewan Municipal Board which deal with appeals from BoRs, i.e., the Assessment Appeal Committee (AAC). One of the main criticisms of the AAC is that, in most cases, the appeal is limited to a review of the BoR's decision and whether or not it followed the rules about how it should operate. A recent Court of Appeal decision confirmed that the AAC can only review a BoR decision for an "error on the record".

Some stakeholders considered it would be better to have one BoR for the whole province with experienced and able members and allow *de novo* hearings at the AAC where new evidence could be considered if appropriate.

Probably the major criticism of the appeal system was that both the BoR and the AAC are limited by legislation to exclude consideration of any evidence based on single property appraisal. Whilst that is in line with the legislation that governs the assessment system in the province, it was widely considered to be unfair.

IPTI notes that the provincial government recently completed a review of the appeal system and initiated a number of changes to improve it, particularly the BoR part of the process; more detail about these changes are set out in Section 3 of this report. However, it is too early to say whether these changes will provide the improvements sought.

A further issue that was raised related to the number of appeals being made by tax agents who did not hold recognised professional qualifications and did not comply with any code of ethics or standards. These people, it was said, put in a minimal amount of effort to support their appeal and wasted everyone's time by pursuing unmeritorious appeals with little or no evidence to support them.

One stakeholder suggested that most appeals should go directly to the provincial board rather than the local board; this, it was said, would expedite the overall appeals process and save costs.

The use of percentages of value set by the Provincial Government

As a reminder, the percentages of value (POV) for the 2021 revaluation are as follows:

- commercial, industrial, elevator, railway, resource and pipeline properties - 85 per cent (compared to 100 per cent set in 2017 when the previous revaluation occurred)
- Non-arable (range or pasture) land - 45 per cent.
- Other (cultivated) agricultural land - 55 per cent.
- Residential, multi-unit residential and seasonal residential - 80 per cent.

Perhaps inevitably, comments from stakeholders varied considerably on this point.

Most municipalities regarded the use of the “percentage of value” (POV) system as an unnecessary imposition which interfered with their right to set tax rates in a manner they consider most appropriate for their tax base.

On the other hand, the provincial government considers the use of POVs to be a necessary mechanism which, in its view, assists the distribution of taxes across the tax base in what the provincial government considers to be a fair manner. At the time the latest POVs were announced, the provincial government stated:

“This change improves tax fairness by narrowing the range of percentages of value that apply to property assessments. The adjustment also recognizes the COVID-19 challenges faced by businesses and industries so they remain competitive to help create jobs for Saskatchewan

families. All other percentages of value remain unchanged from the previous revaluation cycle”

Taxpayers seemed to either be unaware of the POVs or, where they were aware of them, did not understand their purpose.

Some comments were made to the effect that, like other parts of the property tax system, the POVs appeared to give the agricultural sector favourable treatment at the expense of other taxpayers.

As will be seen from earlier comments, it was also considered that the POV system builds in delay because the provincial government needs data on the proposed assessed values for a forthcoming revaluation in plenty of time to allow it to analyse the figures and decide what POVs are considered appropriate.

It was suggested that time could be saved if the provincial government was prepared to use “trended values” provided by assessors rather than waiting for receipt of the final assessed values when preparing its POV analysis.

Setting property tax rates

We invited views from stakeholders on tax rate setting at both the provincial and municipal level.

At the provincial level, the primary concern is to set the Education Property Tax (EPT) rate. As with the POV system, this requires assessed value data to be provided by assessors to the provincial government in plenty of time to permit detailed analysis of the data in order to determine the appropriate EPT rates.

Many municipalities considered it would be preferable for the EPT to be administered as a completely separate system to municipal property tax. In their view, the EPT complicates the tax billing system and causes confusion for taxpayers.

Moving on to setting the municipal property tax rates, most municipalities were content that they had sufficient powers in connection with tax rate setting, along with their additional tax tools (e.g., base tax, minimum tax, etc.), to achieve their financial objectives.

Some pointed out that the smaller municipalities had fewer tax tools at their disposal than the larger urban municipalities, but concerns were expressed about the capacity of some of the smaller municipalities to utilise the additional tax tools properly.

Some of those interviewed considered that this issue could be addressed by reducing the number of municipalities in the province and giving them all the same tax tools. However, this was also recognised to be a controversial view that would be opposed by the smaller, more

rural communities which, it was said, preferred to retain their existing form of municipal government at the local level.

There was concern expressed by some taxpayer groups that municipal mill rates were “dramatically” different between various municipalities for the same types of property which, in their view, created unfairness.

It was also stated by some stakeholders that there was a “disconnect” between the amount of tax paid and the value of services received; this, it was suggested, was particularly acute in the non-residential sector.

Some taxpayers, particularly those in the non-residential sector, considered they were too heavily taxed as a result of the higher tax rates that were applied to their properties by municipalities. They expressed concerns about the amount they paid in relation to the services received. They also considered they were “penalised” in comparison to the residential sector as they did not vote!

It was interesting to hear that some taxpayers considered there used to be, in their view, clear “abuse” of the tax rate setting process with, for example, large industrial or resource properties being taxed at mill rates which were far in excess of residential and agricultural properties. The limit that was imposed to deal with this issue, i.e., that the highest tax rate can be no more than 9 times the lowest tax rate, was appreciated by those taxpayers; however, one commented that the limit should be reduced so that the highest tax rate was no more than 5 times the lowest tax rate.

It was mentioned to IPTI that both the percentage of value and the restriction on mill rate factors (i.e., the 9 times limit) can be avoided by municipalities simply levying a base or minimum tax for a class, or sub-class, of properties that they wanted to tax heavily.

Although IPTI did not interview the SK Growth Coalition, we were provided with a letter the organisation sent to the provincial government in June last year in which, inter alia, they said:

“One of the most challenging competitiveness issues in Saskatchewan today is rural municipality property tax policy decisions and the resulting effective mill rates on the commercial/industrial property class. While the issue presents significant challenges, we believe that there are opportunities for the province to address the structural weaknesses and ultimately build resilient communities that will benefit from a successful Saskatchewan.”

They went on to say:

“Recommendation #1: Limit the range of the effective mill rate (EMR) ratio on all property classes to 0.75 to 2.0 in order to produce a more equitable distribution of the property tax burden among the various classes.”

They continued:

Saskatchewan municipalities have access to a broad range of property tax tools to satisfy their revenue requirements. These tools were designed to provide municipalities with flexibility to raise revenue while meeting various tax policy objectives, as mentioned above. However, this level of flexibility for municipalities has and continues to create uncertainty for the business community. With over 750 municipalities in the province, Saskatchewan’s municipal property tax system continues to create significant challenges for businesses. The current system has led to tax inequities for industries operating in Saskatchewan, particularly in rural areas.

It is clearly important for the property tax system to be “balanced” in terms of the level of expenditure funded by property tax, the ability of taxpayers to pay the level of tax sought, and the distribution of the tax across the various property sectors.

The Greater Saskatoon Chamber of Commerce also sent a letter to the provincial government last year, in which it set out three recommendations for change:

“Recommendation #1 Competition and Stability

Shift from the current 4-year assessment cycle process to a province wide 2-year assessment cycle to ensure that re-valuations and baseline data reflects a more current market value. If moving to a shortened assessment cycle is not viable at this time, consider allowing larger urban centers, with assessment capabilities, the jurisdictional authority to complete reassessments on shorter cycles.

Recommendation #2 Equity

Remove the tiered classification system for different property types so that all properties are assessed based upon 100% of their value.

Recommendation #3 Simplification and Transparency

Formulate a committee comprised of community stakeholders and tax experts to begin with the end in mind, by breaking down the property tax system ensuring simplicity and ease of use. End user understanding of the process will lead to less confusion and unnecessary appeals based upon lack of knowledge.”

IPTI understands that the Greater Saskatoon Chamber of Commerce letter was supported by the Saskatchewan Chamber of Commerce. IPTI further understands that the provincial government has not formally responded to the foregoing letters and recommendations, but has told the various bodies that it has the matter under review.

The theme of unfair tax distribution was also the subject of a slide deck prepared by the Canadian Association of Petroleum Producers (CAPP.CA) which was provided to IPTI showing

municipal tax revenues rising over recent years at a time when resource sector activity was slowing in Saskatchewan.

The level and distribution of property tax is clearly a matter for policy makers, i.e., politicians, in Saskatchewan and needs to be looked at against a wider background of taxation in the province than is part of IPTI's study. However, we include comments on it here for the information of SUMA as they were brought to our attention.

Property tax billing, collection and enforcement procedures

It was interesting that very few problems were raised in connection the current billing, collection and enforcement system.

Most considered that the billing and tax collection processes were satisfactory, although perhaps a move to online systems might be beneficial.

Some municipalities regarded the enforcement measures, i.e., ultimately leading to a sale of the property to discharge an outstanding tax liability, were unduly protracted. They considered that taxpayers could "play the game" by paying a small amount of overdue tax and forcing the municipality to start the enforcement possession process again.

However, they recognised that taking possession of properties to sell them and recover the tax due was a power that needed to be exercised with proper safeguards to avoid possible misuse and they were not unduly concerned about the process.

It was suggested by some stakeholders that assessment notices should be sent to taxpayers every year, not just in revaluation years. Although this would increase costs slightly, they said it would improve transparency and fairness, in particular in relation to the opportunity to make appeals. Although taxpayers are able to make an appeal whether or not they receive an assessment notice, in practice it was the assessment notice that alerted most taxpayers to their assessed value and reminded them of the opportunity to appeal.

Phase-in changes to property tax bills following a revaluation

It was interesting to find that very few (6%) of municipalities that had the power to use phase-in actually chose to use this tax tool.

Of the municipalities interviewed by IPTI, most seemed to think this was not a tool that they were under pressure from taxpayers to use.

IPTI found this somewhat surprising as, in most cases, one of the big issues for taxpayers was a large increase in property tax from one year to another, particularly following a revaluation.

The contribution of property tax revenue for municipalities in comparison with other sources of revenue

It was clear that municipalities recognised the importance of property tax as a source of funding the provision of local services. In general, property taxes contribute at least 50% of local sources of revenue for the municipalities interviewed with the other main sources being grants, service charges, user fees, utility payments, franchise fees, investment income, etc.

There was a recognition that municipalities had a duty to ensure that the property tax system worked satisfactorily for all stakeholders, of whom taxpayers were the most important group. Municipalities also understood the need for fairness in the property tax system.

However, it was also recognised that the burden of property taxes was regarded by many stakeholders as being unfairly distributed among taxpayers with agricultural and residential properties receiving favourable treatment in terms of their contribution in comparison with other property sectors.

It was often mentioned that it was challenging for stakeholders, particularly taxpayers, to understand the current complex property tax system in the province.

It was said by many municipalities interviewed that transparency over the contribution of property taxes to their funding – and what they paid for – was a perennial issue.

An interesting view expressed by several stakeholders was that municipalities were too reliant on property tax revenue and they needed to explore alternative sources of revenue to reduce their dependence on property taxes; however, it is not clear to IPTI how realistic this suggestion might be.

Communications with stakeholders

Good communications between the provincial government, municipalities, assessors and taxpayers are an important part of an effective property tax system.

IPTI found there were mixed views about communications between the main stakeholder groups in Saskatchewan. Part of the problem stems from the very large number of municipalities in the province which, inevitably, makes effective communications between the various stakeholders more challenging.

The websites of the larger organisations, i.e., the provincial government, the cities, SAMA, etc., were regarded as generally helpful. However, the smaller municipalities were often seen as deficient in this respect. This is likely to be an issue of capacity.

SAMA was regarded by many as doing the best it could in terms of communication with stakeholders, particularly through the use of its various advisory committees. However, for

one organisation to try and communicate effectively on a regular basis with over 750 municipalities to which it provides services was regarded as extremely challenging.

Most taxpayers considered that the only communication they received on a regular basis was the tax notice and this, several mentioned, was not satisfactory.

Knowledge of other property tax systems

It was noticeable that many of those interviewed were aware of the property tax systems operating in other provinces of Canada, particularly the system in neighbouring Alberta. It was also noticeable how many people interviewed regarded the property tax system in Saskatchewan as being “unusual” with some stating it was “unique”.

The main issue mentioned by stakeholders who expressed a view on the point was that the property tax system in other provinces was, in their opinion, much more of a true market value based system than the existing system in Saskatchewan. That, in their opinion, made other property tax systems more fair and transparent than the system in Saskatchewan.

However, it was noted by some of those interviewed, that property tax systems in other provinces were not quite as market value based as many commentators assumed. Reference was made, for example, to regulated assessments in British Columbia and Alberta.

Several people interviewed were also aware that the current 4-year revaluation cycle in Saskatchewan was not completely out of line with other provinces; mention was made of Manitoba with a 2-year cycle, Quebec with a rolling 3-year cycle and Ontario with a 4-year cycle which was currently extended beyond 4 years due to the coronavirus pandemic.

But many of those interviewed were also aware that other Canadian provinces have annual revaluation cycles and took the view that if they could do it, so could Saskatchewan.

It was also interesting to note that some regarded the relationship between assessment and taxation in Alberta as too close; they preferred the clear separation between SAMA and municipalities in Saskatchewan, although expressed some concern about the independence of the assessment function in those cities that have inhouse valuation teams.

Other matters drawn to IPTI’s attention

As already indicated, one of the other matters drawn to IPTI’s attention was the timing of municipal elections and its interaction with the revaluation and municipal budget-setting process. It was pointed out that many newly elected, inexperienced council members were called upon to make important policy decisions on property tax rates and the use of other tax tools when they did not have sufficient knowledge about the system and the impact of their decisions on tax bills.

It was also mentioned to IPTI that both tax policy makers and tax officials would benefit from some at least introductory training on property assessment issues so they could understand the system and make better decisions.

Another matter drawn to IPTI's attention was the need for investment in more technology to improve the operation of the property tax system in the province. It was suggested that many taxpayers and municipalities would prefer the property tax system to operate completely online with much greater automation of the processes.

It was also thought that the time may have come for all stakeholders in the province to be able to share relevant databases – with appropriate safeguards in place regarded security and confidentiality – to streamline the processes and reduce costs. Some stakeholders representing the larger industries said they would find it particularly helpful to have all the data held at provincial level in a form that they could access for financial planning and other related purposes.

In IPTI's view, such a move would require a more detailed investigation than we have undertaken for this report, but we flag it up as an issue that SUMA may want to consider.

Another interesting observation made was that the regulated industries in Saskatchewan could undertake self-assessment as the Assessment Manual was very clear in terms of what rates should be applied, etc., and the taxpayers knew exactly what taxable assets they have. This, it was suggested, would save time and effort on the part of assessors in trying to identify all the taxable assets, particularly those that were underground or located in remote areas. Again, this is an issue that goes beyond the scope of this report, but we include it as a point for further consideration by SUMA if it is of interest to pursue.

Section 7: Jurisdictional Scans

An important part of IPTI's research for the purposes of this project has been to compare and contrast key aspects of the property tax system in Saskatchewan with other selected jurisdictions.

For this purpose, IPTI undertook research in respect of 3 Canadian Jurisdictions and 3 jurisdictions outside Canada. The jurisdictions selected were:

- Alberta, Canada (Appendix C)
- British Columbia, Canada (Appendix D)
- Ontario, Canada (Appendix E)
- New York City, USA (Appendix F)
- England, United Kingdom (Appendix G)
- The Netherlands (Appendix H)

To make direct comparisons easier, at Appendix I we have provided the equivalent information for Saskatchewan in the same template.

Although details about the property tax system in the selected jurisdiction is available in the respective appendices, in this Section of the report, we look at the following key elements to see how the other property tax systems reviewed compare with the position in Saskatchewan:

- exemptions from property tax
- who is liable to pay property tax
- the unit of assessment
- the basis of assessment
- the extent of property included in assessment
- who provides the assessed values
- how often are properties revalued
- is there an antecedent valuation date
- valuation notices
- appeal procedures
- how property tax is calculated
- who sets the tax rates
- an indication of current tax rates
- the use of phasing
- other relevant factors

We consider each of the foregoing 15 key factors under the following side-headings.

Exemptions from property tax

Whilst it is important to know what is assessed in any particular jurisdiction, it is helpful to start with what is not assessed.

It is important to know what types of property, or people, may be exempt from payment of property tax because the more exemptions there are, the narrower the tax base becomes and the more those who are not exempt have to pay.

A good property tax system will provide easily understood legislation in relation to exemptions which are clearly explained on the jurisdiction's website. Similarly, links to the reliefs, abatements, etc., provided in a municipality should be signposted.

The availability of exemptions may also have an impact on appeals as they may provide an incentive to pursue the possibility of gaining an exemption, relief, abatement, etc., which may lead to greater savings in property tax than simply pursuing a reduction in the assessed value of a property.

Similarly, there may be an incentive to try to move from one tax class (or sub-class) to another if tax rates are significantly different.

Most of the jurisdictions considered (in common with many jurisdictions across the world) provide total exemption, or lower tax rates, to a similar range of properties including those used for the purposes of public worship, education, charity or non-profit organisations, etc., and public property (i.e., properties owned or occupied by federal, provincial or municipal government).

In contrast to exemptions, property tax reliefs are generally aimed at the taxpayer rather than the property. Where they are of a general nature, such as those related to age or disability, as with other elements of taxation policy, if they do not take into account ability to pay, they may reduce the tax base for no good reason.

Other than referring to the legislation, there is little reference to standard exemptions on the SAMA or municipality websites. Saskatchewan grants exemptions to a significant number of the typical property classifications mentioned above. This is in line with the other Canadian provinces and most other jurisdictions considered in this report. One exception is the UK where agricultural land and buildings are totally exempt from property tax (business rates) whereas in Saskatchewan, farmland is not exempt, although some would say that it is underassessed and undertaxed in the province.

Saskatchewan offers a Senior Education Property Tax Deferral Program which does address the question of ability to pay by establishing eligibility criteria based on age and income limits. This is similar for the Saskatoon Seniors Property Tax Deferral Program.

There is a similar Seniors Property Tax Deferral Program in Alberta where eligibility is not based on income, and a Homeowners Grant Program in British Columbia where eligibility is limited by a ceiling on the assessed value of the property.

Similar types of relief are provided in the UK in the form of a Council Tax Reduction scheme for residential properties owned by those on limited incomes and varying types of relief for non-residential properties that fall into various categories, e.g., charities, etc.

Liability for payment of property tax

In most jurisdictions studied, it is the property owner who is liable to pay the property tax, as is the case in Saskatchewan.

The UK is different in that the occupier of non-residential properties is primarily liable for business rates, although the owner becomes liable if the property is empty for a specified period. For residential properties in the UK, it is the “resident” who is liable for council tax; in most cases this will be the property owner; however, it will be the occupier/the tenant where the property is not owner-occupied.

Whilst the owner is liable for residential property tax in the Netherlands, the amount of tax is increased for a non-residential property taxpayer as both the owner and the occupier pay taxes, and owner-occupier must pay both.

In most jurisdictions, as in Saskatchewan, there is an opportunity for a landlord to either pass the property tax liability on to a tenant via the terms of the lease, or by recovering from the tenant (or tenants) the property tax paid.

The unit of assessment

By “unit of assessment”, we mean the legal boundaries of the property that falls to be assessed for property tax purposes.

In most cases, this will be the parcel of land that is owned by a “legal person”, i.e., an individual, co-owners, partnership, company, etc.

Saskatchewan, along with the other Canadian jurisdictions considered and New York City, defines the unit of assessment as the parcel of ownership. This is similar to The Netherlands which specifies that the unit of assessment is the *smallest* parcel of ownership that has one owner and one occupier but, in common with most jurisdictions, contiguous properties in one ownership may be assessed together.

England is different in that the unit of assessment is based on the unit of occupation rather than ownership, so contiguous parcels owned, but not occupied by the same person, will not form a single assessment. Although UK legislation defines the unit of assessment as the “hereditament”, the definition is circular in that it is defined as follows: “*hereditament means*

property which is or may become liable to a rate, being a unit of such property, which is, or would fall to be, shown as a separate item in the valuation list”.

In most cases, a hereditament will comprise a separately occupied property, but this definition does give rise to problems in the UK where there is more than one occupier of a property, e.g., a licensee or a lodger.

The basis of assessment

The basis of assessment refers to the defined valuation base to be used for property tax valuations, e.g., market value; however, even in a market value (*ad valorem*) system it may be the capital value, rental value or land value that is required.

Although land value (i.e., unimproved land value) is the basis of assessment in some property tax systems (e.g., Australia, Denmark, Estonia, etc.), IPTI has not spent time looking at such systems as they form only a minority of property tax systems and are not considered relevant for comparison with Saskatchewan.

All of the jurisdictions reviewed for the purposes of this report use a market value based system. This is generally considered to be the optimum system in countries which have well-developed property markets and sufficiently large numbers of reliable transactions from which to derive credible assessments for property tax purposes.

Market values normally have a reasonably close relationship with property taxes in that they will reflect the level and quality of local amenities and services provided in a specific location.

Most jurisdictions IPTI has studied have similar definitions of market value to that used in Saskatchewan and most use a capital value-based system.

The exception to this is England which adopts a market value system based on annual rental value.

In theory, the choice between using market capital values and market rental values as the basis of value should be determined by the preponderance of market evidence. If more properties are owner-occupied than rented, and there is plenty of sales evidence, that points to using a capital value system. On the other hand, if most properties are rented, that points to using a rental value system.

Problems with a rental based system centre around the fact that rental information, in the format required, is usually not readily available from public sources (e.g., titles registries) and must be collected from landlords or occupiers which limits the efficiency of the jurisdiction.

Most of the jurisdictions studied, including Saskatchewan, use computer assisted mass appraisal (CAMA) to a greater or lesser extent to arrive at market value. CAMA systems increase efficiency, but still require some subjective valuation input in the creation of the

appropriate automated valuation models (AVMs) and the analysis and interpretation of the results.

The fact that valuation is regarded by many as being as much an “art” as it is a “science” means that there is always likely to be a need for professional valuation judgement. This, in turn, almost inevitably means that an appeals system is required, particularly to deal with disputes of a subjective nature.

Although legislated definitions of market value vary slightly in most jurisdictions, they generally reflect the definition contained in the International Valuation Standards definition:

“The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.”

Saskatchewan has developed the “Market Valuation Standard” for residential and non-regulated commercial property which reflect the use of mass appraisal. The Market Value Standard is defined as the:

“standard achieved when the assessed value of property:

- (i) is prepared using mass appraisal;*
- (ii) is an estimate of the market value of the estate in fee simple in the property;*
- (iii) reflects typical market conditions for similar properties; and*
- (iv) meets quality assurance standards established by order of the agency.”*

However, as has been considered in other parts of this report, Saskatchewan does not use true market value despite the foregoing definition.

One of the issues that arises in connection with using a market value based assessment system is that of “ability to pay”. Property market values do not provide a direct correlation with people’s income, business profits etc., so may not be an accurate reflection of the ability of taxpayers to pay a “fair share” of the overall burden of property tax required to fund the cost of local services.

Saskatchewan has tried to ameliorate this problem through the use of the “percentage of value” system and other tax tools which vary the amount of property tax payable by different classes of property and/or different types of property owner.

Many other property tax systems also use different tax tools to “soften” the impact of relying solely on market values as the basis for distributing the tax burden across the entire tax bases.

The extent of property included in assessment

Here IPTI is referring to which parts of a separately taxable parcel of property are required to be included in the assessed value.

This will normally include the land owned together with any “improvements” on the land, i.e., buildings, structures, fixtures and, in some cases, items of machinery and equipment.

It is often the case that machinery and equipment will be included in the assessed value if it forms part of the real estate (e.g., a legal fixture), although in many jurisdictions machinery and equipment used for manufacturing will be exempted.

The definition used in Saskatchewan (see Section 4 of this report) excludes more machinery and equipment than many other Canadian jurisdictions. It also excludes more machinery and equipment than England, New York and The Netherlands.

Who provides the assessed values

Uniformity and consistency of approach is a key aspect of any property tax system and is particularly important when looking at the provision of assessed values.

The jurisdictions considered by IPTI for the purposes of this report vary from:

- single valuation agencies providing assessments across the whole jurisdiction as government agencies (e.g., the VOA in England)
- jurisdiction-wide assessment corporations (e.g., BC Assessment in British Columbia and MPAC in Ontario)
- assessment corporations which provide assessments in part of the jurisdiction and that have oversight and audit responsibilities over municipalities that either provide their own assessors or contract out the work to licensed assessors (e.g., SAMA in Saskatchewan)
- oversight/government agencies tasked with the supervision, monitoring and auditing of the quality of real estate property assessment carried out by the municipalities (e.g., The Netherlands Council for Real Estate Assessment (NCREA) in The Netherlands and the Commissioner of Taxation and Finance in New York State)
- to assessors employed by, or contracted in by, individual municipalities (e.g., Alberta and some of the larger municipalities in Saskatchewan).

Uniformity and consistency of approach is generally made easier to achieve when there is a centralised assessment agency/corporation. The jurisdictions considered that have a full or partial oversight role (including SAMA) usually provide a standard assessment manual including valuation instructions and assessment protocols that it expects municipal assessors and contacted private assessors to follow in order to achieve consistency in the tax base.

Saskatchewan, to a greater degree than any other of the jurisdictions considered in this report, has strict educational requirements for assessors which means only those who are licensed by an approved appraisal association (i.e., the SAAA) can undertake valuations and prepare assessments.

In the other Canadian provinces considered, MPAC (Ontario) requires those in senior positions of the organisation to hold membership of a recognised professional body; BC Assessment requires senior assessors and appraisers to be members of the Real Estate Institute of BC or the Appraisal Institute of Canada; and Alberta requires assessors to be registered as an accredited municipal assessor or possess equivalent qualifications or experience.

In England, although a significant number of the VOA's valuation staff hold a recognised professional qualification (mostly RICS or IRRV), it is only a *requirement* for certain senior grades. Finally, New York does have license/experience requirements, but the standards are generally regarded as weak.

How often are properties revalued

It is widely acknowledged the frequency of revaluations is essential for a market value based property tax system. Keeping assessed values in line with changes in the property market should lead to greater stability, improved understandability and mean fewer “shocks”, particularly for taxpayers.

Long periods between revaluations means tax bills are based on out of date valuations – albeit in some cases updated by coefficients or “market adjustment factors” – that do not reflect the changes in value, and relative value, of different property types/classes. This approach also risks sudden, substantial changes in the property tax burden when a revaluation eventually takes place.

Although opinions vary, the optimum length between revaluations is generally accepted as being between 1 and 3 years. Many jurisdictions have annual revaluations which work well, keeping abreast of the changes in the property market. However, some commentators consider that it is inefficient for assessors to have to carry out full revaluations and also deal with all resultant appeals on an annual basis.

In terms of the frequency of revaluations, it is important for policymakers to achieve a balance between (a) the need to ensure that the property values on which property taxes are based are up to date and a fair reflection of the relativity between different types of property and (b) the need for stability and predictability, both on the part of taxpayers and municipalities.

In IPTI's view, regular revaluations are essential and annual reassessments provide the appropriate balance between reflecting changing market conditions before they are out of date and providing stability within the property tax system.

It is also important to ensure that property taxpayers can understand the valuations on which their property taxes have been based. This means they need to be based on assessed values that are sufficiently contemporaneous so that taxpayers can ascertain whether they are an accurate reflection of market values as at the relevant date.

Of the jurisdictions considered in this report, the UK government has very recently reconsidered the question of the frequency of revaluation for business rates, i.e., for non-residential properties.

Until recently, the business rates system for non-residential properties was based on a 5-year revaluation cycle (although there was a 7-year period between the latest 2017 revaluation and the previous 2010 revaluation). In a reform of the system, the next revaluation was legislated to take place in 2021 reflecting a 4-year cycle although, because of the COVID-19 pandemic, this has now been put back to 2023. However, the UK government is now proposing 3-yearly revaluations from this date, reflecting the view that this enables full consideration at the valuation stage and adequate time to consider all appeals (which should theoretically have reduced in number).

In respect of residential properties in the UK, there has not been a revaluation in England or Scotland since the inception of the council tax system in 1993. This has led to the situation whereby a residential taxpayer wishing to challenge a property banding must try to compare their own property with property sales dating back to 1991 (the valuation date) which is particularly difficult.

Of the other jurisdictions considered, the municipalities in New York State range from a 1-year revaluation cycle in some municipalities, including New York City, whilst at the other extreme, other parts of New York State have not had a revaluation in several decades.

Alberta, British Columbia and The Netherlands all revalue properties annually. Ontario carries out reassessments every four years, although the last reassessment due in 2021, has been postponed due to COVID-19.

In carrying out revaluations every 4 years, Saskatchewan is clearly out of line with many of the jurisdictions studied.

[The use of an antecedent valuation date](#)

The main reasons for introducing an antecedent valuation date (AVD) are:

- to allow sufficient time for the assessing agency to collect appropriate property market transaction and other value-significant data (e.g., revenues, expenses, building cost information, etc.) to provide credible, accurate valuations;
- to ensure that the valuations produced are sufficiently close to current market values to allow taxpayers to understand them;

- to promote fairness to property taxpayers and equity across the tax base; and
- to minimise financial risks for the jurisdiction/municipalities

IPTI considers that it is important to set the AVD sufficiently close to the date at which the new valuations come into effect to ensure taxpayers can understand them, but far enough ahead of the valuation date to allow assessors to collect sufficient value-significant data and identify property market trends at or around the valuation date so they can produce valuations that are an accurate reflection of the real and true market value of the properties as at the valuation date.

All of the assessing jurisdictions considered for the purposes of this report (with the exception of those municipalities in New York State that have not undertaken regular revaluations), use a prescribed AVD.

Saskatchewan and England have one of the longest gaps (i.e., 2 years) between the AVD and the date that the property tax values come into effect. In the UK, this issue is currently the subject of a consultation paper with the UK government proposing to retain the 2-year AVD whilst most stakeholders maintain that it should be shortened to no more than 12 months.

It is interesting to note that in Ontario, recent announcements indicate that the AVD for the next reassessment will be changing from 1 year prior to the date of reassessment to 2 years.

Of the other jurisdictions studied, The Netherlands and New York City each use a 12-month AVD, whilst the remaining Canadian provinces in this report – Alberta and British Columbia – both use a 6-month AVD.

In IPTI's view, depending on the movement in market values, a twelve-month gap between the AVD and the date of the list coming into effect is the generally likely to be the maximum period that can be justified. A 6-month gap may be preferable where the valuation agency has the benefit of relevant modern technology at its disposal, but this is probably the minimum gap that can be sustained in a credible property tax assessment system.

Valuation notices

Providing clear and transparent information to taxpayers is necessary to allow understanding of how an assessed value has been arrived at, how it compares with similar properties in the location and to ensure that taxpayers are able to make an informed judgement on whether to accept it or appeal an assessment which they feel is incorrect.

Most jurisdictions provide taxpayers with a valuation notice, but this may be limited to instances where the property value has changed. Some valuation notices are included with the property tax bill or provided solely online.

The valuation and/or tax notice should be clear, include all relevant information relating to how the assessment was carried out, how the tax rate was determined and applied, how to appeal, and be easy for a lay person to understand.

In Saskatchewan, assessment notices are typically sent out at a time of revaluation. However, thereafter, an assessment notice may only be mailed to the taxpayer where there has been a change to a property's assessment from the previous year, tax status, or ownership.

New York City limit notices to only those where there has been an increase in the assessment. In England, efforts to move to a paperless system have resulted in assessed values being shown only online with the new assessments being included on the property tax bills.

In The Netherlands, a similar situation to that of the UK can be found. Assessed values are notified with the property tax bill, but taxpayers are able to view the assessments online and can access detailed property appraisal reports for their own property, giving details of how the valuation was derived.

The remaining Canadian provinces considered in this study mail out assessment notices at revaluation, although it is increasingly possible to opt-in to receive the notice online. Other Canadian provinces also include a wealth of information on relevant websites about the subject property, comparable properties, valuation schemes, etc.

Appeal procedures

A property tax appeals system should be fair, transparent, and unbiased.

Ideally, the taxpayer should be given the opportunity to approach the assessor on an informal basis initially so that any factual or other anomalies can be quickly sorted out, the assessor can explain the assessment to the taxpayer, and the views of the taxpayer in relation to the valuation can be considered by the assessor.

A fair appeals system should allow adequate time for appeals to be made and considered, and for decisions – either by the assessor or a third party – to be provided in a timely manner. Correctly administered appeals systems should avoid large amounts of property tax – that has been paid by the due date – having to be refunded by municipalities at a future date due to poor timeliness in processing taxpayer's appeals; this helps to avoid uncertainty – and financial problems – for municipalities.

It is generally accepted that a fair appeals system will not put an unfair onus/burden of proof on the taxpayer, and will allow a *de novo* hearing at a subsequent appeal stage.

Finally, it is important that appeals can be pursued at a limited/reasonable cost, particularly for taxpayers, to allow them to correct perceived errors in assessment without facing large, upfront costs.

The foregoing factors, and comparison between jurisdictions, are considered in more detail below.

Informal Discussions

Most of the jurisdictions considered in this report are willing to engage in informal discussions with taxpayers about factual or valuation matters after receipt or publication of assessment notices.

An exception to this is the UK where non-residential taxpayers in England must submit a formal “Check” to correct any factual matters or to consider the effect of something external to the property; this is a prerequisite of the right to “Challenge” the assessed value (rateable value) of the property.

Timeliness

Most of the jurisdictions considered in this report have reasonable timescales for the appeal process, although some are quite tight.

Taxpayers and others with an interest in the assessed value in the Netherlands have a 6-week period to submit an objection to the municipality, after which assessment values are fixed.

In New York City, a Request for Review may be made following the issue of the Notice of Property Value at the beginning of the year and, for 2022, have until March 15 to submit for most residential properties, and April 1 for other types of property.

In Ontario, the time limit is 120 days to submit a Request for Reconsideration to MPAC, the assessing corporation. In British Columbia, a Notice of Complaint must be submitted to the Property Assessment Review Panel (PARP), which is independent of BC Assessment, by January 31 with hearings taking place in February and March.

A complaint (appeal) may be made to either the Local or Composite Assessment Appeal Board in Alberta, depending on the property class. The complaint must be made within 60 days of the date the Assessment Notice is sent.

In the UK, England has experienced large numbers of appeals which have often taken far too long to be resolved. The high property tax rate is probably the main driver for the very large number of appeals. The high number of appeals, in turn, creates problems for their handling and clearance. A factual “Check” can take up to 12 months (in cases where the assessing agency has not given a decision) to reach the “Challenge” stage, which is a review by the assessing agency. The Challenge stage can then take up to 18 months (in cases where the assessing agency has not given a decision) to reach the point where an appeal to an independent tribunal may be made.

In Saskatchewan, any person with an interest in the assessed property can appeal the property assessment. Municipalities provide public notices when the assessment roll is open for inspection. In a revaluation year the time limit for appeal is 60 days from the advertisement or the mailing of the notice; in other years, there is a 30-day time limit for making an appeal.

The first level of appeal in Saskatchewan is to the local Board of Revision (BoR). A further appeal beyond the local BoR can be made to the provincial Municipal Board – the Assessment Appeal Committee.

Onus/Burden of Proof

In most of the jurisdictions considered, it is usually the assessing authority that bears the burden of proof but, in some cases, the taxpayer must first show that there is a case to answer.

In British Columbia the taxpayer has the burden of proof at the first level of appeal to the Property Assessment Review Panel (PARP) but, if the cases progress on appeal to the Property Assessment Review Board (PARB), the burden of proof moves to the assessor.

In New York, the taxpayer bears the burden and must prove that the value of the property is less than its effective market value. This also applies in England whereby the taxpayer must submit a full evidential statement in order to “Challenge” the assessment of the assessing agency.

The situation in Saskatchewan is that the burden of proof lies with the taxpayer. Because market value based assessments in the province must be prepared using mass appraisal, it is specified that neither the assessor nor the BoR can vary a non-regulated property assessment using single property techniques or change the assessment when the original assessment was comparable to similar properties. The taxpayer in Saskatchewan is therefore subject to a considerable burden of proof when challenging an assessment on valuation grounds.

De Novo Hearing

The right to a *de novo* hearing on appeal to a second level of court/tribunal/board, etc., is common to most jurisdictions, but may differ depending on the route that is followed.

On this point, Saskatchewan differs from the other jurisdictions. A second level of appeal to the Assessment Appeals Committee of the Saskatchewan Municipal Board against a BoR’s decision is limited to a review of the appeal to the BoR and, in most cases, no new evidence can be filed.

Fees

The imposition of fees for making an appeal varies between jurisdictions; the position is set out below.

The Netherlands – no fees are charged when an objection is made to a municipality, but fees are payable on appeal to the District Court, Court of appeal and Supreme Court.

England – no fees are payable when a challenge is made to the assessing agency, nor when a council tax (residential property) is made to the independent Valuation Tribunal of England. However, there is a filing fee for non-residential property types (i.e., those liable for payment of business rates). It is £150 for a “small proposer” (a business that, in the last 12 months has employed fewer than 10 people and has had a turnover of less than £2 million) and £300 for any other proposer. Appeals are free where the assessing agency has not given a decision in respect of the original Challenge. Higher filing fees are charged for further appeals to the Upper Tribunal (Lands Chamber) and the Court of Appeal.

In New York City a \$175 fee is charged for applications for correction to the New York City Tax Commission where the assessed value on the (Notice of Provisional Value) NOPV for 2021/22 is \$2 million or more. The fee will be included on the property tax bill. A further appeal by way of either a Small Claims Assessment Review Petition (subject to eligibility) or direct to the Supreme Court will attract fees.

In Ontario, no fees are charged for lodging a Request for Reconsideration with MPAC. The fees to file an appeal to the independent Assessment Review Board are \$132.50 for each roll number for residential, farm, managed forest and conservation land properties and \$318 for each roll number for multi-residential, commercial, industrial and other properties. For both, a \$10 reduction is given for e-filing. In certain circumstances, an ARB decision can be appealed to the Ontario Superior Court of Justice which will involve the payment of additional fees.

In British Columbia, a Notice of Complaint to the Property Assessment Review Panel (PARP) does not attract a fee; however, there is a fee payable for an appeal from the PARP to Property Assessment Review Board (PARB), but it is only \$30. A further appeal to the Supreme Court will be subject to a filing fee which must be paid by the party requesting the Stated Case.

In Alberta, municipalities may establish a complaint filing fee. The fee must be paid at the time the complaint is filed or the complaint will not be valid. The fee will be returned if an agreement is made with the assessor or if the Assessment Review Board finds in favour of the complainant. Both Calgary and Edmonton adopt filing fees of \$50 for all residential properties with 3 or fewer dwellings, and farmland, and \$650 for residential with 4 or more dwellings and non-residential properties. A filing fee is payable for appeal to the Queen’s Bench but will be returned to a taxpayer if the decision is in their favour.

By comparison, in Saskatchewan a municipality may charge a filing fee for an appeal to the Board of Revision. Where the appeal is withdrawn, the fee will be refunded. In Saskatoon and Regina, filing fees are \$30 for residential properties. For multi-unit residential and commercial properties, the fees are \$150 where a total assessment is \$500,000 or less, \$500 where the total assessment falls between \$500,000 and \$1m, and \$750 where the total assessment is \$1m

or more. Fees are chargeable for appeals from BoR decisions to the Assessment Appeals Committee. The fees are applied province-wide and increase by \$50 for \$100,000 of assessed value; they start at \$50 for \$100,000 or less, and increase to a maximum of \$600 for assessed values over \$1,100,000. Further appeals may be possible to the Saskatchewan Court of Appeal where appropriate additional fees will be charged.

From this, it can be seen that the filing fees for appeals in Saskatchewan are at the higher end of the range in comparison with the other jurisdictions considered.

How property tax is calculated

To be fair and transparent, the way in which property tax is calculated should be simple and clear. In its most easily understood form, the calculation should be:

$$\text{Assessed Value} \times \text{Tax Rate} = \text{Property Tax Payable}$$

Unfortunately, many property tax systems have moved away from this simple, easily understood calculation and they have become complicated by further alterations, adjustments, additions, etc., to the tax calculation.

The type of changes to the simple calculation include those shown below.

Alteration of Assessed Value

Jurisdictions may impose an adjustment to the assessed value to alter the tax base. Examples are the “percentage of value” scheme in Saskatchewan which has to be applied to the assessed value to give the “taxable assessed value”. A similar calculation is used in New York and is known as the “assessment ratio”.

Phasing

Some jurisdictions use a form of phasing for either increases or decreases in property tax at the time of revaluation.

Examples include phasing of tax (e.g., England, Saskatoon), phasing of assessed values (e.g., Ontario), capping (e.g., Alberta) and land assessment averaging (e.g., British Columbia). Some of these schemes are referred to in more details under the side-heading “Use of Phasing”.

Variable Tax Rates

Many jurisdictions use variable tax rates for different types of property class. The number of property classes usually varies by municipality.

For business properties in England, there are only two tax rates – the standard rate and a (slightly lower) small business rate. Municipalities in The Netherlands set rates according to whether the property is owned residential, owned non-residential or occupied non-residential.

For Saskatchewan, the number of tax rates varies by municipality. For example, Saskatoon has 7 classes and Regina has 8.

Education Mill Rates

Canadian jurisdictions have additional taxes (and mill rates) for that part of the property tax that contributes to the cost of education. In Saskatchewan, the education property tax rates are set by the province annually.

Additions or Deductions

This may include alterations to the tax calculation for either some form of exemption (which may be partial), relief (usually age or disability related), penalty payment (e.g., England's Empty Property Rate), or improvements (e.g., Business Improvement Areas).

Tax Tools

The tax base and simple property tax calculation can be further “complicated” by the use of additional tax tools.

Saskatchewan uses such tools at the municipal level; jurisdictions can set a minimum tax, a base tax, a variable tax rate, phase-in, or a combination of these (see below under the side-heading “An Indication of Current Tax Rates”).

In comparison with other jurisdictions, Saskatchewan has a more complex property tax calculation that is likely to be less than transparent for taxpayers and may be regarded as overly complicated.

Who sets the tax rates

Historically, there has been a heavy reliance for property tax to fund local government (i.e., municipal) activities rather than those of upper tiers of government. Local control of tax rates may be seen to offer voters a better choice in respect of the services and facilities they want to fund.

Across the world, it is not unusual for municipalities to have responsibility and freedom to set their own tax rates. In general, local “ownership” of property tax rate setting powers is regarded as an important aspect of accountability in terms of prioritising funding for local services.

The majority of the jurisdictions considered in IPTI’s study allow municipalities to set their own tax rates based on the revenue needs determined through their annual budget setting processes.

In Canada, the provincial government is generally responsible for setting the education portion of the property tax but, in many cases, including Saskatchewan, it is collected by

municipalities. Saskatchewan allows each school division to decide whether to establish its own property tax mill rates or to participate in the provincial funding structure.

In the UK, council tax for residential properties is locally administered, including setting the tax rate for “bands” of value (although the proportions between bands are governed by legislation) and billing, collection and enforcement.

However, business rates (for non-residential properties) are a national tax collected locally. The tax rate is set by central government, collected by local government, pooled centrally (in part) and then redistributed back to local government according to need. More recently, a scheme was developed to return 100% of the tax (“business rates retention”) to local government.

Most local authorities in England currently retain 50% of their non-domestic rates revenue. Plans to increase this to 100% have now been scaled back to a maximum of 75% with the roll out commencing in 2022-23.

An indication of current tax rates

It should be noted that looking at tax rates alone may not provide a reliable comparison between jurisdictions as there may be other adjustment factors (e.g., “percentage of value” in Saskatchewan or “assessment ratio” in New York City) which prevent a reliable “like for like” comparison to be made.

Also, the basis of valuation (e.g., capital v rental values) and the date of valuation (i.e., the latest revaluation) may prevent reliable tax rate comparisons to be made.

However, IPTI provides examples of tax rate information from other jurisdictions in the various appendices to this report which may be of interest.

Clearly tax rates can differ significantly within any particular jurisdiction and/or country, especially one such as Saskatchewan which has a large number of municipalities, each of which can set its own tax rates. This is, in part, impacted or limited by the province as, for each municipality, the highest mill rate factor for a particular class cannot be higher than nine times the lowest rate factor for another class.

A noticeable trend across various international jurisdictions has been the effect of the differences in tax rates for different classes of property and the way that this has impacted commercial properties. Higher differential property tax rates on commercial properties ultimately means that the owners of business properties are subsidising the cost of local service provision for the owners of residential properties.

Saskatchewan has tax rates and other tax tools which provide municipalities and other taxing authorities with tax policy choices that enable them to shift the burden by varying the taxes levied for particular property classes.

In addition to varying the mill rate between local property classes, Saskatchewan municipalities have the following tax tools available to them:

- A “base tax” which allows municipalities to set a particular sum of property tax in one or more of the property classes;
- A “minimum tax” which allows municipalities to set a minimum amount of property tax for one or more of the property classes; and
- Phase-in which allows cities to set limits on property tax changes over a maximum of four years following a revaluation.

Immediately prior to the COVID-19 pandemic, cities in Alberta saw the largest uplift in commercial tax rates among major cities in Canada due to the dramatic reduction in demand for office properties. This led to lower office assessed values and the transfer of the tax burden to other non-residential properties. In recent years, a report by the Canadian Federation of Independent Business (CFIB) addressed the large gap between commercial and residential tax rates, requesting that tax rate ratios be capped at 2:1.

In Ontario, the 2016 reassessment doubled the property tax liability for some small businesses in specific locations whose value was affected by rezoning (highest and best use values exceeding existing use values); this led to the introduction of a 50% discretionary relief which enabled the transfer of part of the property tax burden to other classes of property.

The use of phasing

Many jurisdictions have power to use of some form of phasing-in of large increases (or decreases) in property taxes either at a time of revaluation or even between different tax years. We provide an indication of the different types of phasing used in the jurisdictions studied.

For jurisdictions that have annual revaluations, it is unlikely that they will experience unusually large changes in property assessments or, consequently, property taxation. The Netherlands does not employ phasing. New York State has a “Property Tax Cap”, but it does not apply to New York City. New York State laws limiting how much assessed values can increase each year for certain tax classes are aimed at those municipalities that do not revalue on a regular basis.

The other Canadian jurisdictions considered in this study that have annual revaluations, i.e., British Columbia and Alberta, allow municipalities to adopt their own phasing scheme if considered necessary. These are usually in the major cities where significant changes in market values are more likely. Examples include Calgary, Alberta where a 10% cap was applied to non-residential properties showing very large increases in a recent revaluation, and the City of Vancouver in British Columbia where “land averaging” is used to provide phasing relief for

so-called “hot properties” in certain classes where the taxable value has increased over a threshold since the previous year.

Of the jurisdictions studied that have longer revaluation periods, and arguably a greater variance in values, it is common to find a scheme of phasing.

In England, the phasing scheme (called “transitional relief”) is both complicated and, arguably, unfair. It is applied to both increases and decreases in property taxes, and is generally available until the last year of the revaluation period; this makes it difficult to clearly define the tax base.

Ontario, unlike many other jurisdictions, phases in increases (not decreases) in assessment values (rather than property taxes) over the normal 4-year revaluation cycle to provide some stability and predictability for the taxpayer.

In Saskatchewan, cities may phase in property taxes, but not assessed values. Phasing has been targeted to offset large changes between classes; for example, the City of Regina approved a phase-in adjustment over 3 years for properties in the commercial and industrial classes which were experiencing volatility.

In some jurisdictions, municipalities have used phasing to address specific, market changing events; for example, the impact of the COVID-19 pandemic.

Other relevant factors

Just focussing on the foregoing factors may not tell the whole story that needs to be understood when carrying out a “compare and contrast” review. In the final section of each of the jurisdictional appendices, we have included some further information which may help in gaining a better understanding of how property tax systems operate in the various jurisdictions.

Section 8: Options for Change

Rather than put forward a series of firm recommendations, IPTI considers it is more helpful to outline a number of options for change that may help to improve the property tax system in Saskatchewan.

Taking into account the guiding principles we set out for property tax systems, the research we have undertaken both in relation to Saskatchewan and selected other jurisdictions, the views of those we have interviewed for this project and our knowledge of what works well and what does not in connection with property tax systems, we set out below possible changes that we would be pleased to discuss with SUMA.

We recognise that some of the options we outline may be seen as somewhat radical and, for that reason, may not be changes that SUMA would consider pursuing. However, at this stage, we think it is helpful to identify what changes would have the biggest impact on the property tax system and then discuss them with SUMA.

We should add that, because of the need to obtain SUMA's response to these options, we have not, at this stage, set out a possible implementation timetable. That can be done as a separate exercise once SUMA has had the opportunity to consider our initial suggestions and made a preliminary decision about which may be realistic to take forward.

However, in terms of projected timetable, it is clear that options that require broader consultation and legislative change will take longer to implement than those that may not require such a lengthy process.

We provide the list of options under the following side-headings each of which has some explanatory text outlining the main reasoning for its suggestion.

Move to using true market values

Saskatchewan purports to have an *ad valorem* property tax system; however, in reality it is not a true market value based system.

The majority of properties in the province are required to be assessed using a regulated approach, the components of which are very strictly prescribed in an Assessment Manual which has the force of law.

The benefits of such an approach are said to be stability, consistency and equity. However, the assessed values produced by the regulated approach could equally be argued to be artificial, unrealistic and unfair. They are unlikely to reflect true market values at the relevant valuation date.

Looking at the non-regulated properties, the assessed values are arrived at by the use of broad-brush mass appraisal techniques that appear to “lump together” properties of widely differing nature into one valuation model, partly to maximise the use of limited market evidence, but also to make them difficult to challenge.

A major change that could revolutionise the property tax system in Saskatchewan would be to move to a “true” market value system that would ensure all properties were assessed on the same basis at the same date.

If undertaken properly, by experienced assessors using all available evidence and professional judgement, this option would significantly improve the property tax system in Saskatchewan and lead to enhanced fairness and equity among taxpayers.

We should emphasise that making such a change does not mean that the province would not be using mass appraisal techniques. In most jurisdictions around the world, assessors provide their initial valuations using mass appraisal, but there are two main differences after that in comparison with Saskatchewan.

The first is that the initial valuations are reviewed, with the help of statistical tools, to ensure that those assessments are in line with market values before they are released/published.

The second is that, if an appeal is received, the assessor is required to look again at that valuation – on an individual basis – to ensure that the initially approved assessed value is a fair reflection of the property’s market value.

It is the latter stage that is currently “outlawed” by the existing legislation in Saskatchewan but, in IPTI’s view, there is no justification for such a strict limitation on either the taxpayer’s rights or the assessor’s obligations.

We recognise that there may be considerable apprehension on the part of some assessors and municipalities about the impact of such a change; however, comfort can be derived from the fact that most other jurisdictions operate such a market value system and they work well.

We also recognise that moving to this option would probably result in a marginal increase in the overall cost of the system. We are aware that SAMA is proud that its unit costs (i.e., cost per property) are among the lowest in Canada. However, moving to a true market value system would significantly improve transparency and fairness; it might also generate increased revenue in cases where properties are currently under-assessed as a result of the present approach to mass appraisal.

IPTI should add that it has undertaken benchmarking exercises in the recent past comparing the cost per property/valuation across many international jurisdictions and found that some jurisdictions have lower unit costs than SAMA.

Move agricultural property out of regulation

Even if it was decided not to move to true market values for all properties, there may be benefits in moving agricultural properties out of the group of properties that are subject to the regulated valuation standard.

The current approach to deriving assessed values for agricultural properties by the application of the complex formulas prescribed by the Assessment Manual may provide a degree of certainty and stability to that sector, but using mass appraisal techniques for assessing farmland should not create insurmountable challenges for assessors.

Some might argue that there not enough open market, arm's length transactions of farm land in Saskatchewan to enable accurate valuations to be undertaken. However, it seems to IPTI that the position in Saskatchewan is unlikely to be significantly different to other provinces in Canada, so it should be possible to derive credible models for valuing these properties using normal mass appraisal valuation methodologies.

Remove the provincial percentage of value

Again, this may be seen as a significant change and one that the provincial government might be reluctant to embrace, but in terms of the external perspective that IPTI brings, the use of percentages of value (POVs) is an unnecessary and unhelpful complication which adversely impacts the simplicity, consistency and transparency that are the hallmarks of a good property tax system.

Whilst IPTI understands what the provincial government is trying to achieve through the use of POVs, in our view, they cannot be justified in terms of either their application in principle or the differing levels of taxable assessed values they produce.

If it is accepted that the concept of market value provides a sound base for the way in which the property tax system – at least initially – distributes tax liabilities among taxpayers, any other “adjustments” to the way in which the tax burden can be shared between taxpayers is better, and more usually, achieved through the use of tax rates.

IPTI considers the use, and publication, of the “uniform mill rate” by municipalities is a helpful starting point for transparency in the process of distributing the tax burden among taxpayers in an overt and accountable manner.

Whilst setting different “mill rate factors” for different types of property may depart from the concept of tax burden distribution being based purely on different market values, this approach does allow municipalities flexibility to make local decisions on this important issue and be subjected to the “test” of facing the electorate in order to justify their decisions.

Shorten the current 4-year revaluation cycle

As indicated in Section 6 of this report, this was a topic that generated a large amount of debate, but with mixed views about whether change was necessary and, if so, what that change should be.

It will be clear from IPTI's notes about other property tax systems that there is no "ideal" revaluation cycle; some jurisdictions in our study (e.g., British Columbia, Alberta, New York City, The Netherlands) use annual revaluation cycles, others use significantly longer (e.g., 4 years – normally – in Ontario, 5 years in the UK – but reducing to 3 years shortly).

Clearly, in market value systems, it is necessary to have regular revaluations if assessed values are to reflect changes in the market. In IPTI's view, annual revaluations are likely to provide the most effective method of ensuring values are kept up to date. Annual revaluations are also likely to create less "turbulence" than revaluations carried out at longer intervals. Annual revaluations are more likely to produce values that taxpayers can understand as they will be more familiar with current levels of value. Annual revaluations are also likely to generate fewer appeals.

In simple terms, if many other jurisdictions in Canada can provide annual revaluations, there is no reason, at least in principle, why Saskatchewan cannot do the same.

However, IPTI recognises that, in Saskatchewan, there may be a case for shortening the revaluation cycle from 4 years to 2 years initially to allow all parties, SAMA in particular, to introduce the changes that would be necessary to support a move to more frequent revaluations.

One of the arguments advanced to retain the existing 4-year cycle is that parts of the province have very few sales and it requires a long period to obtain sufficient sales evidence to build reliable valuation models. If that is correct, moving to a 2-year cycle might provide a better "balance" between the need to have more regular revaluations and allowing sufficient time for evidence of value to be found.

Some have suggested to IPTI that the larger cities in Saskatchewan could move to a 2-year cycle leaving the remainder of the province on a 4-year cycle. However, in our view, that would create a significant number of practical and presentational problems that would hinder the transition to an improved overall system.

One other related issue that was drawn to IPTI's attention was that the present 4-year revaluation cycle creates problems due to its interaction with the municipal election cycle, i.e., tax rate setting may be made more difficult if those taking the decisions are either relatively inexperienced or unaware of the implications of their decisions at the time they are made.

Changing to a system of annual revaluations, or even a 2-year cycle, would hopefully resolve that issue.

Change the base date

The current base date is set 2 years prior to the date that revaluations come into effect. In IPTI's view, a 2 year "gap" between the antecedent valuation date and the date when the new assessed values come into effect is too long. Although it may give assessors plenty of time to collect, collate and analyse the evidence they need to use for a revaluation, it means that those values are at least 2 years out of date by the time they come into force.

The position in Saskatchewan may, in practice, be worse than that; if sales and other evidence is gathered over a 4-year period leading up to the base date, the likelihood is that the values generated will reflect circumstances earlier than 2 years before they come into effect.

As will be seen from the information about other jurisdictions provided by IPTI, many jurisdictions use a base date set 12 months prior to the date that the new assessed values come into effect. Some (e.g., British Columbia and Alberta) have a base date of only 6 months prior to the date the new values become effective.

On balance, IPTI considers that the base date in Saskatchewan could helpfully be reduced from 2 years to 12 months. A base date set 12 months before new assessed values come into effect would be more appropriate, at least initially, to allow a reasonable "balance" to be achieved between (a) allowing assessors time to gather the value-significant evidence they need and (b) ensuring values are sufficiently up to date to ensure taxpayers can understand them.

It would be advantageous to change the base date from 2 years to 12 months alongside a move to reduce the revaluation cycle from the current 4-year cycle as the two aspects of the system are closely related.

However, shortening the base date from 2 years to 12 months could be introduced as a "standalone" improvement to the property tax system if necessary.

Change the assessment/taxation timetable

IPTI found that, although dates vary between different municipalities, most receive details of the new assessed values in the case of a revaluation, or the updated assessment values in other years, a considerable time after the date when property tax is due for the year, i.e., January 1 of the tax year in question.

This means that much of the budget and tax rate setting process takes place before details of the new assessed values are received. It also means that assessment notices and property tax bills (tax notices) are sent out well after the date the tax is due.

In IPTI's view, it would be preferable to adjust the timetable for the annual process as follows:

- assessed values to be provided to the provincial government and municipalities not later than September 1 in the year before the tax year
- municipalities to prepare their budgets in September-October based on "actual" assessed value data rather than estimates
- municipalities to set their tax rates (and other tax tools) not later than November 1 in the year before the tax year
- the provincial government to do the same for setting the education property tax
- assessment notices and tax notices sent out to taxpayers not later than December 1 in the year before the tax year
- tax due (as now) from January 1 of the tax year

The foregoing timetable brings much of the process forward which, it seems to IPTI, could be achieved if the provincial government and municipalities agreed it was beneficial to all parties and were prepared to change their existing processes accordingly.

Reform the appeals system

The current property tax appeals system in Saskatchewan suffers from a number of disadvantages.

The problems start with the timing of sending out assessment notices and the time limit allowed for making appeals. In many cases, the assessment notices are sent out in advance of the tax notices so taxpayers may not understand the link between them. They may not appreciate the impact of the assessment notice, particular at a time of revaluation, on their property tax liability.

By the time they receive their tax bill, the time limit for making an appeal may have passed, and so they cannot make an appeal until the following tax year.

That issue could be easily addressed by extending the period in which an appeal against the assessment notice may be made.

Moving on, the next issue in connection with the current appeal system is the "mixed" performance of the Boards of Revision (BoRs).

Before moving on to look at the way in which BoRs operate, IPTI considers that the title of the BoR may be misleading. Using the word "revision" implies that they may be focussed on revising assessed values. Clearly that is not their function. It would be better, in our view, to change their title to "Board of Review" which would more accurately reflect their function.

However, more important than the name is the way in which BoRs currently operate. IPTI understands that some BoRs find it hard to attract members, do not have experienced

members, do not sit on a regular basis, and/or do not provide clear, well-reasoned decisions. Furthermore, there is said to be considerable inconsistency in the way in which the BoRs go about their task and in the decisions they make.

Anecdotally, it seems that some BoR decisions are overturned at the next stage of appeal – the Assessment Appeal Committee – simply because they have not been properly documented.

IPTI is aware that the provincial government is in the process of introducing changes that are intended to improve the way in which the BoRs operate and that is clearly to be welcomed.

However, IPTI considers that there may be further benefits obtained by moving to having a provincial BoR rather than a series of local BoRs. That would help to ensure that the BoR was properly resourced with appropriate staffing and that sufficient numbers of experienced members could be recruited to discharge the functions of the appeal body effectively. Equally importantly, it would lead to greater consistency – and fairness – in decision making.

Clearly there would be some additional costs involved at the provincial level in making such a change, but there would also be some cost savings at local level. More importantly, it would lead to a significant improvement in the present system and give stakeholders, particularly taxpayers, more confidence in the way in which their appeals were dealt with.

Another issue that may need to be reconsidered is the onus of proof in connection with assessment appeals. At present, the appellant (normally the taxpayer) is required to demonstrate that the assessed value of the property being appealed is incorrect.

In many jurisdictions, when a challenge is made through the appeals system, it is for the assessor to show how the assessed value has been arrived at and explain any aspect of it that the taxpayer disagrees with. That explanation is provided initially to the taxpayer and subsequently, if the matter remains unresolved, to an independent third party.

It is arguably unfair to expect a taxpayer, particularly one that may be unrepresented, to be able to prepare a case to show that the assessed value being appealed is incorrect in the absence of a full explanation being provided by the assessor.

A related issue is that of “disclosure”. IPTI was informed that it is very difficult for taxpayers or their professional representatives to obtain full disclosure from the assessors in relation to the evidence on which their assessed values have been based.

Clearly, there must be necessary safeguards to ensure that confidential or commercially sensitive information is not disclosed without good reason, but there appears to be a case for greater openness and transparency on the part of assessors in dealing with appeals.

The BoR is also explicitly prevented (by legislation) from varying an assessed value “using single property appraisal techniques”. That seems to IPTI to be completely out of line with

what a BoR, or any other appeal body in any other jurisdiction, can and should take into account.

We appreciate that this provision is in line with the current requirements of the legislation in the province but, even if a move to true market values is not made, IPTI suggests that consideration is given to relaxing this limitation to allow taxpayers to put forward evidence at the BoR to show that their assessed value is incorrect.

The overall impression given to many commentators is that the present appeals system in Saskatchewan is heavily “stacked” against the taxpayer which is not only unfair, but may also explain why there are so few appeals and, in particular, so few successful appeals.

Having a relatively low appeal rate may be interpreted by some as an indication that the assessed values are accurate; however, it is more likely that taxpayers know that it will be difficult to mount a successful appeal within the current framework.

For those reasons, IPTI suggests a change to the onus/burden of proof to ensure that it is the assessor who has to demonstrate that an assessed value is correct rather than the taxpayer having to prove that it is incorrect.

Moving on to the second level of appeal, i.e., to the Assessment Appeal Committee (AAC), consideration should be given to giving the AAC power to hold a *de novo* hearing rather than its present limited power to review a BoR decision.

Whilst IPTI recognises that, to enlarge the responsibilities of the AAC in this way might lead to some increased cost at the provincial level, it would result in a considerable, and desirable, improvement to the appeals system in Saskatchewan.

Like the BoR, the AAC is also explicitly prevented from varying an assessed value “using single property appraisal techniques”. As already indicated, that appears to IPTI to be out of line with what an appellate body in most other jurisdictions can, and should, take into account. IPTI suggests that AAC should be allowed to make a just determination of the assessed value of a property based on the evidence put before it without the current constraints.

IPTI adds that, one of the “benefits” of the restrictions imposed to limit the spread of the COVID-19 pandemic was that many jurisdictions moved to online appeal hearings as in-person hearings were not possible.

Online hearings present some challenges but, on balance, they provide a more cost-effective way to handle appeals than in-person hearings.

A related option for consideration is to prescribe that all hearings at the BoR and AAC will be online in future, subject to an exception that may be granted for an in-person hearing to be held where it is considered necessary.

Training needs

There are two aspects to this issue:

- training/education needs within the present system
- training/education needs connected with changes to the existing system

In IPTI's opinion, there is a need for additional education of policy makers operating within the existing system, particularly those at the municipal council level who are making important decisions on tax policy. There is also a continuing need to provide education for other stakeholders, in particular, to improve the awareness of taxpayers about the existing system.

Many of our suggested options for change would assist in improving transparency in the existing system, but they will need to be accompanied by enhancing understanding among stakeholders.

Depending upon which changes might be considered for possible introduction in Saskatchewan, there will be training needs for those involved in designing the detail of any changes that might be introduced along with additional training for those who will be required to implement the training.

IPTI would be pleased to discuss with SUMA the nature of the training needs that are related to particular options for change when initial decisions have been taken about which of the options may be taken forward.

IPTI should add that it has considerable experience of designing and delivering training for all aspects of property tax systems, i.e., policy development, legislation, administration, management, assessment, appeals, billing, collection and enforcement.

Risks of continuing with the present system

The main risk associated with continuing with the existing system is that aspects of it are already the subject of considerable criticism due to the deficiencies identified by stakeholders and outlined in this report. Those criticisms are likely to become more vociferous if they are not addressed.

Furthermore, the current property tax assessment system in Saskatchewan is widely regarded as "different" to the systems that operate in other provinces in Canada and, in particular, considered to be less sophisticated than those other systems and more unfair to taxpayers.

There are risks of further reputational damage, and loss of confidence, if steps are not taken to improve the property tax system in the province.

However, it is important to retain a sense of perspective and IPTI reminds those who are calling for change that the current system does generate a significant amount of annual

revenue (\$2.1 billion in 2020) and it provides the most important source of local funding for municipalities.

For those reasons, any proposed changes must be carefully considered and only introduced if they are necessary, reasonable and seen to lead to improvements in the system.

In IPTI's view, the options for change we have outlined in this Section of the report meet these tests, i.e., they are necessary, reasonable and will be seen as improvements to the system.

Concluding comments

IPTI recognises that many of the options for change outlined above are likely to give rise to legitimate concerns over timing, additional costs, increased responsibilities, practical implementation, etc.

However, in our view, it is important to identify changes that could be made to improve the current property tax system and then discuss the implications of their implementation.

We should add that there are a number of other, relatively minor, points we have identified in the earlier Sections of this report where changes might be made, but we have brought together the more important ones in this concluding Section of the report.

Perhaps an additional suggested change should be mentioned in this part of the report; that is to consolidate all the legislation relating to at least the assessment provisions. As these provisions are broadly the same in different Acts, it would be helpful to bring them together in one place, ideally with other parts of the regulatory framework. That would make the position much easier for anyone who needs to understand the system to find the relevant provisions. However, IPTI does not put this suggestion into the most important category of improvements.

Another secondary option for change to consider relates to improvements to the existing arrangements for data sharing by the different bodies in the province.

IPTI understands that SAMA maintains a centralised assessment database with respect to their various client municipalities. Those client municipalities use municipal tax software to administer their respective assessment and tax rolls. The four cities that provide assessed values via their inhouse assessors maintain their own independent assessment/taxation databases. The provincial government has its own central database for determining percentages of value. The provincial government prescribe the file format for SAMA and the four cities to provide assessment information to them electronically for importing into the Ministry's system. This information is used by the Ministry to model impacts for provincial tax policy consultations and to help determine new percentages of value.

Whilst IPTI has not studied the existing IT/database systems in any detail, it seems likely that there would be benefits – and cost savings – from the use of shared databases by the

assessing/taxing bodies in the province rather than each of them continuing to provide and maintain their own system. However, SUMA will be in a better position than IPTI to consider whether this possibility is worth further research.

Another relatively minor improvement might be achieved if property owners were required to submit value-significant information to the relevant assessor on a regular basis rather than the assessor relying on sending out requests for information not all of which prove to be effective in terms of compliance. Again, in our view this is not as important as the main options for change outlined earlier in this Section.

IPTI should add that, in its discussions with officials from the Ministry of Government Relations, it was made clear that the provincial government would be receptive to ideas for change, so long as they were beneficial and could be justified.

We look forward to discussing the various options we have outlined with SUMA once the association has had the opportunity to digest this report.

Map of Saskatchewan



Appendices

The Appendices, which are contained in a separate document, are as follows:

Appendix A: City of Saskatoon – Extracts from Website

Appendix B: Extracts from The Cities Act

Appendix C: Alberta, Canada

Appendix D: British Columbia, Canada

Appendix E: England, United Kingdom

Appendix F: Ontario, Canada

Appendix G: New York City, USA

Appendix H: The Netherlands

Appendix I: Saskatchewan, Canada