

ITEM 7
 MANAGER'S REPORT NO. 25
 COUNCIL MEETING 1983 04 05

RE: 1983 ASSESSMENT ROLL AND VARIABLE MILL RATES

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

* * * * *

1983 March 31
 File: T5-24

TO: MUNICIPAL MANAGER
 FROM: DIRECTOR FINANCE
 RE: 1983 ASSESSMENT ROLL AND
 VARIABLE MILL RATES

RECOMMENDATION

1. THAT this report be received and tabled until the Annual Budget is presented.

SUMMARY

This report provides information about the 1983 assessment roll and variable mill rates.

The assessment roll shows an overall decrease in actual value assessments of 15.63%. It also shows that without the introduction of variable mill rates, in 1983 the property tax load would shift away from residential and utility assessment classes onto business and industrial assessment classes. Residential would pay about 5.4% less of the total tax load in 1983 than in 1982. Utilities would pay about 16.3% less, while industrial would pay 4.2% more, and business 8.4% more.

This report recommends that a variable mill rate be used in 1983, determined on a basis whereby each assessment class paid the same proportion of the property tax load in 1983 as it did in 1982.

REPORT

1983 ASSESSMENT ROLL

The B.C. Assessment Authority has provided us with the 1983 authenticated assessment roll figures. The figures provided are all at actual value. Assessments using taxable percentages as determined by Order-in-Council (Option A as selected by Council) will not be provided to us by the B.C. Assessment Authority in 1983.

The following is a comparison of the actual value of assessments 1983 vs 1982:

	<u>1982</u> \$	<u>1983</u> \$	<u>%(Decrease)</u> <u>vs 1982</u>
Residential	4,847,904,980	3,962,781,994	(18.26)
Utilities	82,754,660	59,865,912	(27.66)
Industrial	295,856,700	266,430,802	(9.95)
Business	1,294,838,233	1,212,997,060	(6.32)
Recreation	9,214,650	7,813,600	(15.20)
Farm	<u>857,610</u>	<u>837,162</u>	<u>(2.38)</u>
TOTAL	<u>6,531,426,833</u>	<u>5,510,726,530</u>	<u>(15.63)</u>

FIGURE 1

The largest reductions are in residential and utility classes. In 1982 and prior years, these reductions would have caused a portion of the annual property tax load paid by residential and utility classes to be shifted onto business and industrial classes. In 1983 such a shift can be prevented through the use of variable mill rates.

The following table shows the proportion of the total assessed value by class of assessment expressed as a percentage of the total assessment roll 1983 vs 1982. Also shown is the change in proportion vs 1982.

	Proportion of Total Actual Assessed Value		Change in Proportion vs 1982	
	1982 %	1983 %	Percentage Points	Percentage
Residential	74.224	71.910	(2.314)	(3.118)
Utilities	1.267	1.086	(0.181)	(14.285)
Industrial	4.530	4.835	0.305	6.733
Business	19.825	22.012	2.187	11.032
Recreation	0.141	0.142	0.001	0.709
Farm	0.013	0.015	0.002	15.385
TOTAL	<u>100.000</u>	<u>100.000</u>	-	-

FIGURE 2

In 1982 and prior years, when there was one mill rate applied to all classes, this comparison shows that as an entire class, residential would pay 3.118% less of the total property tax load in 1983 than in 1982; utilities, 14.285% less; industrial, 6.733% more; and business, 11.032% more. In 1983 these shifts can be controlled through the use of variable mill rates.

The percentage shifts are not completely accurate because the value of new construction added to the 1983 assessment roll is not known. As a result, we don't know by how much each class of assessment has been affected by new construction. A rough estimate of the actual value of new construction added during 1983 is \$70 million for residential and \$47 million for non-residential, and these amounts are included in the actual assessment values shown in Figure 1. We have asked the Assessment Authority to provide us with this new construction information but to date they have not been able to do so. They are endeavouring to have it available for the 1984 roll.

As pointed out, the assessment figures provided now are at actual value. Council in 1977, in accordance with the Assessment Act, passed By-law No. 7131 which selected Option A in determining Burnaby's annual assessment base. Option A causes actual value assessments to be adjusted to a taxable value at a rate set by Order-in-Council, e.g. residential, 10%; business, 24.5%, etc. That by-law is still in force. The Provincial Government has announced that legislation to enact tax reforms will be introduced at the next Legislative session and will be fully retroactive so as to be applicable for all of 1983. Legislation amending the Assessment Act will be required.

VARIABLE MILL RATES

To date, we have not received official notification from the Province concerning the variable mill rate legislation proposed to be introduced for the 1983 municipal property taxation year. However, we were able to obtain a copy of the news release dated 1983 March 18, Appendix A attached.

We have made calculations to show what variable mill rates might be in 1983 from two different perspectives:

- A - What the 1983 mill rate would be, based on each class of assessment paying the same proportion of the property tax load as in 1982. FIGURE 3.
- B - What the 1983 mill rate would be if the 1983 actual assessments were converted to taxable assessments on the same Order-in-Council rates as in 1982, e.g. residential, 10%; business, 24.5%, etc. FIGURE 4.

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Both calculations have been made using the 1982 property tax levy of \$43,645,142.

Perspective A gives us the following:

1983 Tax Levy and Mill Rate with Each
Assessment Class Paying the Same Proportion
of the Property Tax Load as in 1982

	Tax Levy \$	Tax Levy %	Variable Mill Rate (1)
Residential	22,688,054	51.983	5.7253
Utilities	1,355,618	3.106	22.6439
Industrial	4,707,565	10.786	17.6690
Business	14,846,768	34.017	12.2397
Recreation	43,209	0.099	5.5300
Farm	3,928	0.009	4.6920
TOTAL	<u>43,645,142</u>	<u>100.000</u>	<u>7.9200</u>

FIGURE 3

In 1982, all classes of assessments paid a common mill rate of 46.8 mills on a taxable assessment that was determined by percentages taxable as set by Order-in-Council. That mill rate of 46.8 produced \$43,645,142 in property taxes and was distributed among classes as shown, e.g. residential, 51.983%, paid \$22,688,504. Using 1983 actual value assessments to produce the same \$43 million in property taxes, and each class of assessment paying the proportion shown in Figure 3 would require the mill rates as shown above, e.g. residential, 5.7253 mills; business, 12.2397 mills. The variable mill rate in 1983 is to be expressed in \$ of tax levy per \$ thousand of actual assessed value, according to the Provincial Government announcement.

Perspective B gives us the following:

1983 Tax Levy and Mill Rate Based on
1983 Actual Assessments Converted to
Taxable Assessments on the Same Order-
in-Council Rates as in 1982

O-i-C Classes & Taxable	Tax Levy \$	Tax Levy \$	Variable Mill Rate (1)
Residential	49.174	21,462,062	5.4159
Utilities	2.600	1,134,774	18.9549
Industrial	11.241	4,906,150	18.4143
Business	36.878	16,095,455	13.2692
Recreation	0.097	42,336	5.4182
Farm	0.010	4,365	5.2140
TOTAL	<u>100.000</u>	<u>43,645,142</u>	<u>7.9200</u>

FIGURE 4

The tax burden distribution with Perspective B shifts the tax load away from residential and utilities to other classes, reflecting the shift in actual assessed values by class, as shown in Figure 1, and the effect of the fixed Order-in-Council rates, e.g. residential, 10%; business, 24.5%, upon those assessments.

Note (1) Variable mill rate is \$ of tax levy per \$ thousand of actual assessed value.

The following compares Perspectives A and B.

	Proportion of Total Annual Tax Levy Paid by Each Class of Assessment		Change in Proportion	
	Perspective A	Perspective B	Percentage Points	Percentage
Residential	51.983	49.174	(2.809)	(5.404)
Utilities	3.106	2.600	(0.506)	(16.291)
Industrial	10.786	11.241	0.455	4.218
Business	34.017	36.878	2.861	8.411
Recreation	0.099	0.097	(0.002)	(2.020)
Farm	0.009	0.010	0.001	11.111
TOTAL	<u>100.000</u>	<u>100.000</u>	-	-

FIGURE 5

This table shows that if variable mill rates were set in 1983 using assessments determined on the same basis as in 1982 (applying Order-in-Council percentages), then there would be a shift in taxation during 1983 with residential paying 5.404% less than in 1982, and business 8.411% more than in 1982.

This shift in tax load by assessment class can be negated through the use of variable mill rates. In doing so, we could maintain the same proportion of tax load by assessment class in 1983 as in 1982, or any other sharing proportion that Council desired, and still raise the required 1983 taxes.

It is recommended that for 1983 variable mill rates be determined with each assessment class paying the same proportion of the property tax load as in 1982.

Rather than have Council adopt the recommendation at this time, it is considered prudent that the subject be discussed at the same time that the Annual Budget is debated.

Prior to finalizing the 1983 variable mill rates, the proportion of the tax load borne by each class will be adjusted to reflect new construction to the best of our ability.

Current legislation does not permit municipalities to levy variable tax rates. However, as mentioned in the assessment section of this report, the Provincial Government is proposing to introduce legislation that will be fully retroactive, so that the variable mill rate is applicable in 1983.

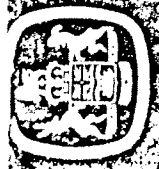
Details of 1983 assessments by individual property are not yet available. As a result, we cannot produce statistics as they apply to the median single family residence. It is expected to have this information available when the annual budget is presented to Council.



Howard Kardas
DIRECTOR FINANCE

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APPENDIX A



Province of
British Columbia

NEWS RELEASE

Honourable Hugh Curtis
Minister of Finance

Honourable Jack Heinrich
Minister of Municipal Affairs

Date: March 18, 1983

Number: 31/83

RE: VARIABLE TAX RATE

Finance Minister Hugh Curtis and Municipal Affairs Minister Jack Heinrich today announced the Government's property tax reform package. The package has been prepared following a series of public meetings held by Curtis and Heinrich throughout the Province from November to January and a subsequent study of the views on property taxation and assessment procedures expressed at those meetings.

Heading the list of property tax reforms is the introduction of the variable tax rate system for the 1983 municipal property taxation year. The tax rate will no longer be expressed as a mill rate but will be expressed as dollars per one thousand dollars of actual value.

"Last year property taxation was characterized by wide fluctuations in the property taxes paid by many taxpayers," Curtis said. "This wide and unacceptable fluctuation was caused in large part by the present, inflexible property taxation system which does not permit adjustments due to local market conditions."

"The variable tax rate system will allow municipal councils complete autonomy to set different tax rates for each of the eight classes of property within their boundaries. It will thus enable councils to maintain a fair, stable and predictable distribution of taxes in each municipality," Curtis said.

Heinrich said the introduction of the new system comes in response to the request of municipalities and their taxpayers for improvements to the property tax system.

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"Legislation to enact these reforms will be introduced at the next Legislative Session and will be fully retroactive so that the variable tax rate is applicable in 1983."

"Stability and predictability in property taxation are basic to the province's economic recovery," Heinrich added. "Residents and businesses can now make their plans for economic recovery knowing they will not be subject to the wild shifts in the burden of property taxation of the last few years."

Other elements of the property tax reform package which will come into effect in 1984 include:

- the timing of the assessment cycle will be changed so that the evaluation date is July 1 of each year rather than December 31;
- for ease of comparison, assessment notices will show current and previous year's values;
- Court of Revision procedures will be further improved;
- interest will be paid on tax overpayments;
- landlords will be obliged to provide assessment notices to commercial tenants;
- the machinery and equipment exemption will be increased to \$50,000 of actual value;
- an exemption of \$10,000 of actual value will be introduced for the business and industrial classes. This exemption is comparable to the Home Owner Grant for residential properties.

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"These improvements should be welcomed by all taxpayers as they will contribute to a more equitable and stable property tax structure," Curtis said.

Heinrich said he has conferred with the Executive of the Union of British Columbia Municipalities on the property tax reform measures. "The UBCM Executive have assured me that they will urge their members to use variable mill rates to prevent unfair shifts in the tax burden among classes of property in 1983."

"As a transitional measure 1983 - the second year of the provincial restraint guidelines - the Government will closely monitor the performance of municipalities in this regard and will take appropriate action in the unlikely event any inequitable shifts in tax burdens occur.

"Taken with the commitment of British Columbia municipalities to limit to zero-to-five per cent their expenditure increases -- as their contribution to Restraint on Government spending -- these measures will enable municipalities to hold the line on taxation for general municipal purposes in 1983.

"I have previously expressed my concern on a number of occasions over the inability of property owners to bear tax increases in the present economic climate," Heinrich said.

"I am encouraged to see that many municipalities are projecting no increase in expenditures, and to see that many will in fact spend less than they did last year." As a result of these reforms property tax levels in 1983 are expected to remain at or very close to 1982 levels and may actually decline in many areas," he concluded.

Statement Made by the Honourable Hug. A. Curtiss
Minister of Finance
March 18, 1983

PROPERTY TAX REFORM

On November 5 of last year, I made a statement regarding property tax reform. At that time, I announced the Government's approval in principle of a variable tax rate system.

Since that announcement, my colleague the Honourable Jack Heinrich, Minister of Municipal Affairs, and I have undertaken a province-wide tour involving meetings in 14 communities. Our purpose was to determine the views and suggestions of interested individuals and groups on property assessment and taxation issues in general and on the variable tax rate proposal in particular.

Today, we announce the Government's decisions on the variable tax rate proposal and on other issues raised during the public discussion of this matter. I would note, with appreciation, the contribution of many individuals and organizations who gave of their time in making their views known to us. The Government's property tax reform decisions are better because of their contribution.

The main element of the property tax reform package is the introduction of the variable tax rate system for 1983 municipal property taxation purposes.

The 1982 property taxation year was characterized by wide fluctuations in the tax burden carried by various property owners in areas throughout the Province. This wide and unacceptable variance was caused in large part by the present, inflexible property taxation system which does not permit adjustments in response to local market conditions.

The present system of setting province-wide assessment ratios, while adequate for some municipalities, was found to be totally inadequate and insensitive to the conditions which

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prevailed in other municipalities. The variable tax rate system, whereby municipal councils will be given complete autonomy to set different tax rates for each of the eight classes of property within their boundaries, will enable those councils to maintain a fair, stable and predictable distribution of taxes within each municipality.

The variable tax rate system will make local municipal governments entirely responsible for changes in general purpose taxes. As a result of the new system, Changes in local taxes will become a direct result of local expenditure and taxation decisions. The variable tax rate system thus becomes a vehicle to provide municipalities with the ways and means of creating stability and predictability in property taxation. Residences and businesses can now make their plans for economic recovery knowing they will not be hit with the random shifts in the tax burden that have characterized the field of property taxation during the last few years.

The variable tax rate system will also allow for the simplification of the taxation formula. The present formula for most municipalities is now:

$$\begin{array}{l} \text{Actual value x Assessment} = \text{Assessed} \\ \text{Ratio} \qquad \qquad \qquad \text{Value} \\ \text{and then:} \qquad \qquad \qquad \text{Assessed} \quad \times \text{ Mill} = \text{Tax} \\ \qquad \qquad \qquad \text{Value} \qquad \qquad \text{Rate} \quad \text{Payable} \end{array}$$

The new formula under the variable tax rate system for municipal purposes will be:

$$\text{Actual Value x tax rate} = \text{tax payable}$$

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This change will greatly simplify the formula and will better enable taxpayers to understand the property taxation system.

In addition to the major initiative outlined above, this tax reform package involves a number of other changes. These changes reflect the various positive suggestions received in our series of meetings.

Firstly, the timing of the assessment cycle is to be changed. At present properties are valued and assessment notices are sent out December 31 of each year. This means, in actual fact, that the various properties have to be valued before December 31 in order that the notices can be sent out at calendar year end. In previous years this has resulted in estimates which may not have reflected the true value as of December 31. The assessment cycle will be changed so that properties will be valued on July 1 of each year for taxation purposes in the subsequent calendar year. There will be a period of two months after July 1 which will allow the assessors to prepare the assessment roll and mail out the assessment notices to property owners.

The Courts of Revision will sit throughout the Fall instead of February and March. A supplementary roll will subsequently be compiled to assess new construction completed since July 1.

This new cycle is a major improvement.

A second decision will see elimination of the phrase "mill rate". From now on the tax rate will be expressed as dollars of tax per one thousand dollars of value.

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Using an example to illustrate this point, a house with a value of \$100,000 could have a rate of \$5 of tax per thousand dollars of value, and will thus pay \$500 tax. This will more clearly indicate to taxpayers the rate at which their property is taxed. We are striving to simplify the formula.

A third improvement will be in the assessment notices which, beginning in the 1984 taxation year, will show the current and the previous year's total actual values for purposes of easy comparison.

It is also our intention to ensure that landlords are obliged to convey assessment notices to commercial tenants. This will give these tenants, many of whom pay the taxes which flow from these assessment notices, the opportunity to voice their own concerns regarding assessments.

We also intend to ensure that the improvements in the Court of Revision procedures, which were evident this year, continue in order to ensure that optimum efficiency is achieved and that the impartiality of the Courts is maintained and strengthened.

There will also be a number of changes which will affect property owners in business and industry, who at present bear a significant portion of the property tax burden.

One of these changes will be the increase in the exemption level for Machinery and Equipment to \$50,000 of actual value starting in 1984. The present exemption level of \$1,500 of assessed value has been in existence a long time and is badly in need of adjustment. This change will reduce the number of properties which pay Machinery and Equipment tax by nearly 15,000

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to a new level of 5,400 and will ensure that many small businesses in British Columbia will pay little, if any, property tax on their Machinery and Equipment.

Another change will see the introduction of a \$10,000 exemption on actual value for the Business and Industrial classes. This change, to be effective in 1984, will be of assistance to all businesses but particularly those small businesses which have the potential to create jobs and so assist the Province's economic recovery.

Another improvement will be the structuring of a specialized Assessment Appeal Board to handle very technical appeals from business and industry. Repeatedly in our local meetings the issues of the inability of the assessment system to deal with highly specialized assessments was raised.

Another small irritant which was brought to our attention will also be addressed. Starting in 1984, interest will be paid by the taxing authorities on all property tax refunds.

The introduction of the variable tax rate system and the other changes mentioned above will provide the tools for local government to create stability and predictability in general purpose taxation. These changes will make the property tax system more simple and fairer. As a result, the improvements should be welcome by all taxpayers, as they are of benefit to all who pay municipal taxes.