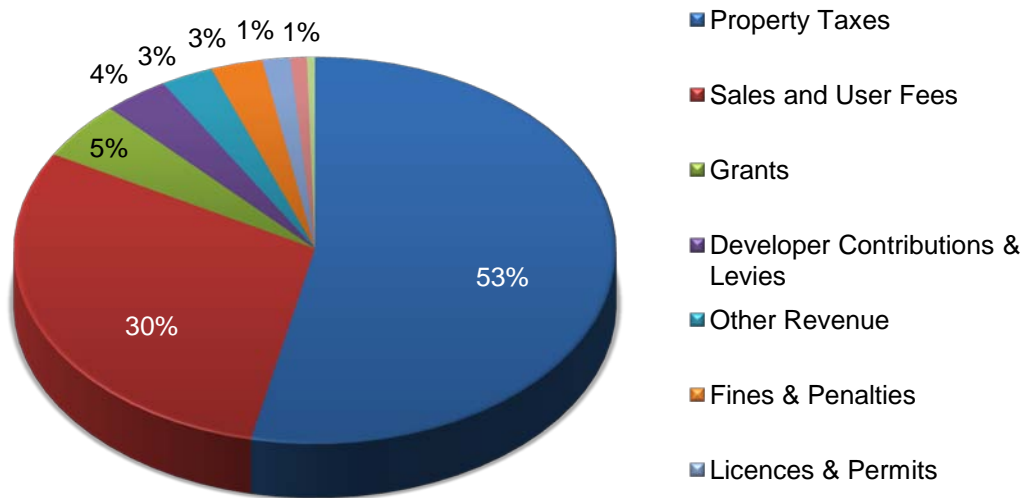


Property Tax Rates – An Overview

What Determines the Tax Rate?

The tax rate is determined by the amount of the tax levy. There are several steps involved in determining the tax levy. First the City of St. Albert develops and adopts a budget. Revenue from all sources other than the property tax (user fees, grants, off-site levies, permits, fines, etc.) is determined. These revenues are subtracted from the original budget and the remainder becomes the tax levy. It is the amount of this remaining tax levy that is raised through the property tax.

In 2009, approximately 53% of the \$125,000,000 in revenues required to fund the budget came from the property tax levy. This is illustrated below:



How Is My Tax Bill Figured?

Remember that property tax is an *ad valorem* tax, or a tax based on the value of real property (land and buildings). It is not a tax based on municipal services used or received. Two owners of residential property having equal value will pay the same amount in property taxes regardless of what city services they receive or choose to use. Also, the owner of more valuable property will pay more in property taxes than the owner of less valuable property. Ad valorem taxation is the predominant method of property taxation across North America.

The property tax differs from the income tax and the sales tax because it does not depend on how much money you earn or on how much you spend. It is based completely on how much the property you own is worth.

For example, if the assessor assesses a residential property at a market value of \$400,000, then it is this \$400,000 assessment which is then multiplied by residential tax rate, for the tax year in question.

The tax rate is determined by dividing the total amount of money that has to be raised from that class of property (residential or non-residential) by the taxable assessment base for that class of property within the municipality. If, for example, the total residential municipal tax levy is \$54,600,000, and St. Albert has a taxable residential assessment base (the sum of the assessments of all taxable residential properties) of \$7.8 billion, the tax rate would be \$7.00 for each \$1,000 of taxable assessed value:

$$\$54,600,000 / \$7,800,000,000 = .0070000 \times \$1,000 = \$7.00, \text{ or } 7.0000 \text{ (as a tax rate)}$$

The municipal tax bill for a property with an assessment of \$400,000 would be \$2,800. The \$2,800 results from dividing the assessment of \$400,000 by \$1,000 to get \$400 (because the tax rate is based on each \$1,000 of assessed value). Then, the \$400 is multiplied by the tax rate to get the municipal tax bill of \$2,800.

$$\$400,000 / \$1,000 = 400 \times 7.0000 = \$2,800 \text{ (municipal tax bill)}$$

The size of the tax bill depends on both the assessment and the tax rate, which is based on the tax levy.

What Else May Occur Before the Tax Rates Are Final?

Municipal taxes make up only one portion of your overall tax bill. Also included in your tax bill is the provincial education tax levy and the Sturgeon Foundation tax levy. These are both called requisitions. The City must wait until it receives both tax requisitions from these bodies, before setting its tax rates. The province of Alberta tells the City (requisitions) how much education tax we must levy and collect on the province's behalf. The City has no control over the amount of the education tax levy or of the Sturgeon Foundation levy.

What Makes My Tax Bill Change?

Tax bills increase for one or more of the following reasons: increased budgets are adopted, revenue from sources other than the property tax shrink, the assessed value of your property changes relative to your neighbours, or the tax levy is apportioned differently between assessment classes. Changes to your market value assessment do not automatically change your tax bill. If your assessment increased or decreased by an amount similar to the overall average, then you will experience a municipal property tax increase/decrease that is also average.

Taxpayers unhappy with growing property tax bills should not concern themselves just with assessments. They also should examine the scope of budgets and expenditures of the taxing jurisdiction and address those issues in the appropriate available forums, such as meetings of the city council, or school boards.