Government of Saskatchewan

Municipal Tax Policy

June 2015

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Introduction

The following information is intended to help elected officials and administrators develop a sound tax policy for their municipalities. Please use the material provided in this guide for reference purposes only and not as a replacement to the actual legislation. References to the pertinent legislation can be found in the footnotes and refer to *The Municipalities Act* ("*The Act*") unless otherwise stated.

Decision Making

To be effective, decision making should be outcome driven. When making a decision, council members should ask:

- "What do we want to achieve?"
- "How does this fit into the big picture?"
- "What level of service should we provide?"
- "How do we make sure that the municipality is a sustainable service provider?"

Level of Service

Level of service refers to the amount, quality and kind of municipal services provided[1].

Level of service encompasses the idea that the services provided:

- are appropriate to the needs and desires of citizens;
- are financially feasible to provide; and
- may include municipal road networks, policing, fire protection, water, sewer, recreation facilities, and/or solid waste disposal.

Council determines the level of service provided to the community by:

- consulting with the public;
- setting measurable performance goals;
- ensuring minimum service standard requirements are met;
- developing policies after careful analysis of information provided by administrators; and
- determining the cost associated with the level of service provided.

Budget Deliberations

Council decisions help ensure that the municipality raises the required revenue to pay for the cost of services provided[2]. Priorities that may shape budget decisions include:

- operating costs;
- proposed capital projects;
- infrastructure maintenance program – how to maintain current infrastructure to provide the level of service desired;
- infrastructure renewal plan – how to ensure infrastructure will continue to provide the level of service desired in the future;
- planning for growth; and
- financial commitments to maintain the health, safety and welfare of the residents residents.

Key questions council members should consider about revenue and spending include:

- "How much will this cost the municipality?"
- "How much revenue is required to meet the goals and objectives of council?"
- "Are the costs associated with providing this level of service feasible?"
- "Will spending in this area create a desirable cost/benefit return?"

[1] Section 4 (2) (b) discusses municipal purpose as a service provider
[2] Section 155-156

- "Are the risks associated with not doing this acceptable?"

Budget and Tax Rate

Council members determine the tax rate used to generate the revenues required to balance the approved budget[3]. Relying on analysis and information provided by the administrator, council members decide:

- the amount of revenues generated by taxation;
- the distribution of taxation across assessment; and
- the distribution of taxation between property classes.

The nature of the tax structure that is implemented will form the municipality's tax policy. It is important to bear in mind that council members are accountable to citizens and should be able to discuss why decisions regarding budget allocation and tax policy were made.

Tax Policy Principles

Determining the tax policy for a municipality is generally guided by three predominant schools of thought regarding taxation.

1. Those with higher assessed property should pay more taxes as they have a greater ability to pay.
2. Some classes of property should pay more than others because certain properties receive a higher level of service than others.
3. Everyone should pay a specific number of dollars to cover the basic services that all properties have equal access to.

All three ways of thinking about taxation lead to the question "How do we, as council, distribute the tax burden fairly and equitably?".

Ad Valorem or Mill Rate

The historical approach to taxation is called the ad valorem method[4] which is also known as establishing the mill rate.

- Taxes owed are calculated based on the assessed value of the property.
- The taxable assessed value of property is multiplied by the mill rate to determine the amount of taxes payable (taxable assessment x mill rate = taxes).
- Property taxes change proportionately with the assessed value of the property.

Basics of Tax Tools

Tax tools are a mechanism enabling council to redistribute the cost of public service within its tax base. Three tax tools are available for use within each property class in order to vary results across assessment and to vary results between property classes[5].

1. Mill rate factor
2. Minimum tax
3. Base tax

[3] Section 156(1)(c)
[4] Section 283(1)(a)
[5] All assessed properties are categorized into three classes for the purpose of municipal taxation (Agriculture, Residential or Commercial). Cities are able to create subclasses within the three property classes.

Municipalities may choose to use one or more tools or none at all. Council, as municipal government, decides on how much of the tax revenue each of the property classes will bear. Basically, council must determine “what will the tax pie look like?”

Tax tools do not increase a municipality’s tax revenue.

- A tax reduction for one property class usually results in increased taxes from another property class.
- If the owners of lower assessed properties pay more taxes the owners of higher assessed properties will pay less.

Municipalities must pass a bylaw to use any of the tax tools.

- Changes to rates must also be made by bylaw.
- Failure to pass a bylaw to implement a tax tool could result in a court challenge of council’s authority to collect the levy for the year.

1. Mill Rate Factors[6]**:**

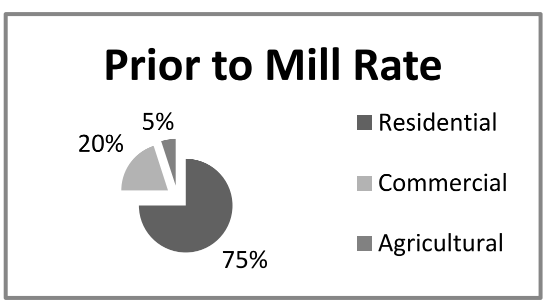
- vary the uniform mill rate factor that has been set by council;
- apply a ratio to increase or decrease the effective mill rate in each of the property classes[7]; and
- apply to all properties within a property class.

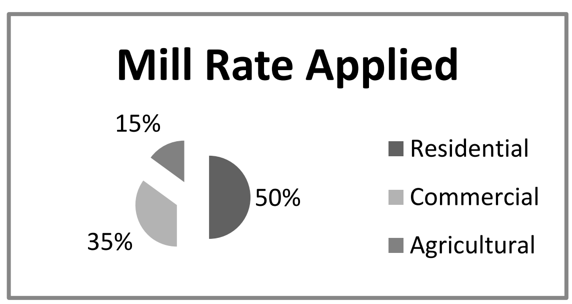
(Note: The highest mill rate factor used by a municipality cannot be more than nine times (9x) the lowest mill rate factor[8]. Most municipalities achieve tax polices well below the maximum ratio.)

In rural municipalities, a mill rate factor within an organized hamlet may be different than that applied elsewhere in the municipality. This requires the hamlet board to either request or consent to the rate which will be specific to the organized hamlet[9].

A mill rate factor within a special service area that is established by the Minister at the time of restructuring may be different than applied elsewhere in the municipality.

The two pie charts below demonstrate how mill rate factors may be applied to shift tax allocation among property classes. The original allocation shown in the first chart is altered using mill rate factors so that, as shown in the resulting second chart, 50 per cent of the levy will generate from properties within the residential class. The remaining levy is split – 15 per cent agriculture and 35 per cent commercial. Council members may determine what their particular tax pie will look like by using mill rate factors.





Minimum Tax and Base Tax

A minimum tax and a base tax reduce assessment driven variances within a property class.

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[6] Section 285

[7] Section 285 (2)

[8] Section 42.1 *The Municipalities Regulations*

[9] Section 285(3)

To calculate a Minimum Tax or a Base Tax that is easily discussed with the ratepayers:

1. Identify services that all ratepayers have equal access to that will be paid for by the minimum tax or the base tax.
2. Average the past three to five years of expenses for those service areas.
3. Divide the average expenses by the number of assessed parcels in the municipality to calculate a defendable minimum or base tax.

2. Minimum Tax[10]:

- increases the amount of taxation revenue generated from lower assessed properties;
- benefits properties with higher assessed values;
- may be applied to any or all of the local property classes;
- may be a specific minimum amount of money levied against the property;
- may be an amount determined by a formula established by council such as a rate per front foot for each lot or a rate per acre of land;
- will apply to a specific property if the minimum tax amount set exceeds the property tax calculated using the ad valorem approach;
- produces minimal impact on the established mill rate because a property pays either the minimum tax or taxes calculated using the ad valorem method; and
- is applied to all land, all improvements or all property including land and improvements within each of the affected local property classes. In addition:
  - A minimum tax may differ between classes of property[11].
  - In rural municipalities a minimum tax within an organized hamlet may be different than that applied elsewhere in the municipality. This requires the hamlet board to either request or consent to the rate which will be specific to the organized hamlet[12].
  - A minimum tax within a special service area that is established by the Minister at the time of restructuring may be different than applied elsewhere in the municipality.
  - A minimum tax set for residential land will apply to three acre yard sites in rural municipalities.

Note: Property receiving a statutory tax exemption is not subject to minimum tax.

3. Base Tax[13]:

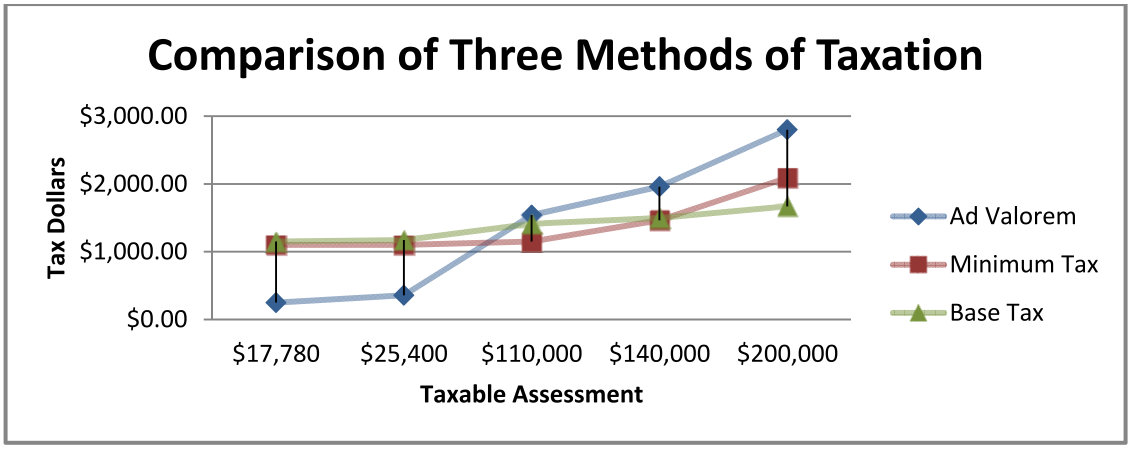
- reduces the difference in property taxes between lower and higher assessed properties;
- may be applied to any or all of the local property classes;
- is a specific amount of money levied against the property;
- significantly impacts the established mill rate because the total property taxes for a specific parcel of land will consist of an ad valorem levy (assessment multiplied by mill rate) added to the base amount of tax[14]; and
- is applied to all land, all improvements or all property including land and improvements within each of the affected local property classes. In addition:
  - A base tax may differ between classes of property[15].
  - In rural municipalities, a base tax within an organized hamlet may be different than that applied elsewhere in the municipality. This requires the hamlet board to either request or consent to the rate which will be specific to the organized hamlet[16].
  - A base tax within a special service area that is established by the Minister at the time of restructuring may be different than applied elsewhere in the municipality.
  - A base tax set for residential land will apply to three acre yard sites in rural municipalities

Note: Property receiving a statutory tax exemption is not subject to base tax.

[10] Section 289
[11] Section 289 (2)(b)
[12] Section 289 (3)
[13] Section 290
[14] Section 290(3)
[15] Section 290 (2)(a)
[16] Section 290 (4)

The following graph demonstrates how the choice of tax tools impacts the distribution of tax across the taxable assessment.

- Employing the ad valorem method of taxation will create the greatest variance between assessed properties.
- Choosing a minimum tax will create a slight shift from high assessed properties to those with a lower assessment.
- Using a base tax will create the greatest shift, closing the variance of taxes paid across taxable assessment.
- In all cases, the total tax revenue raised by the municipality is the same.



Assessment Revaluation-Impact

Generally a municipality's tax policy may remain fairly consistent from year to year. However, this may change significantly during a revaluation year.

Every four years, the properties in a municipality will be revalued[17]. The next revaluation will take place in 2017.

In a revaluation year:

- All assessed values of property are reviewed and adjusted if required, in order to bring them up-to-date to the latest base date.
- The assessed value of all properties in a municipality may change significantly.
- The municipality retains the same number of taxable properties.

Revaluation may change each individual property's "share" of the required tax revenue. Council may decide to maintain the tax allocations that result from revaluation. However; it is advisable to look at the impact that revaluation has on the current tax policy in order for council to make an informed decision regarding any changes that may be necessary.

Other Strategies

In addition to tax tools, legislation provides council with the authority to use other means to further develop tax policy.

[17] Section 22(1) *The Assessment Management Agency Act*

Special Tax

After providing the required public notice council may choose to pass a special tax bylaw to raise revenue for a specific purpose or service. A special tax[18]:

- must be for a purpose or service expected to be completed within the tax year;
- must match revenues to expenditures; and
- cannot be used for major capital undertakings when the repayment period is greater than one year.

Local Improvement

A local improvement is a project that benefits a part of the municipality more than the municipality as a whole. Local improvement projects:

- include work such as sidewalks, paving, curbing, water distribution and sewage collection lines;
- are paid in whole or in part by the benefitting property owners through a special assessment levy; and
- must follow procedures set out in *The Local Improvements Act, 1993*.

For further information, please refer to the *Local Improvements Manual* available on the Government of Saskatchewan's website.

Abatement

Council may choose to abate municipal taxes if[19]:

- There is a change to the property that makes it inappropriate to collect.
- An agreement such as a lease or permit has expired on property that is exempt from taxation.
- Council feels that:
  - the taxes owing are not collectable;
  - the taxes are uncollectable due to unforeseen hardship; or
  - the tax compromise/abatement is in the best interest of the community and is a result of a policy passed by bylaw/resolution (public notice required).

In most cases, council must obtain agreement from other taxing authorities prior to extending the abatement to their portion of the levy[20].

Exemption

Council may choose to exempt certain properties from taxation starting in the current financial year[21]. Council:

- may exempt taxation in whole or in part;
- may not enter into an agreement that exceeds five years;
- may impose terms and conditions as specified[22]; and
- shall raise an amount equal to the amount made exempt for other taxing authorities unless the other taxing authority agrees otherwise[23].

The municipality does not need to replace lost revenues for the term of the agreement if the exemption is for economic development purposes[24]. However; written notice of the exemption to

[18] Section 312
[19] Section 274 1-2
[20] Section 274 2.1-4
[21] Section 295
[22] Section 295(2)(b)
[23] Section 298(1)- 298(2)
[24] Section 298(5)

any other taxing authority must occur before February 1 of the first year that the agreement is in place[25].

Incentives

To encourage earlier payment of municipal taxes council may choose to offer payment incentives[26]. An incentive:

- must be established by bylaw;
- may apply to the prepayment of current taxes;
- may apply to the payment of arrears and penalties; and
- does not apply to taxes levied for a school division.

The maximum incentive allowable is 60 per cent of the penalties as of January 1 of the year that the incentive is applied[27].

- The incentive must decrease by 1/12 in each month after January[28].

Penalties—Current Year

Council may choose to use penalties to encourage payment of current year taxes[29]. In order to do so council must:

- set a due date for tax payment that is before December 1 and show the established due date on the tax notice;
- establish the penalty amount by bylaw; and
- apply the penalty amount to taxes levied on behalf of other taxing authorities.

Current year penalties must:

- be imposed on the first of each month after the due date[30];
- not be less than 0.5 per cent and not more than 1.5 per cent of the unpaid tax at the first day of the month; and
- be applied as the same percentage for each month after the due date[31].

Penalties—Past Years

Council shall impose penalties on taxes that remain unpaid after December 31 of the year that the taxes were levied[32]. Penalties on arrears:

- must be established by bylaw;
- apply to unpaid taxes owed to other taxing authorities; and
- must not be less than nine per cent and not more than 25 per cent of the unpaid taxes as of January 1[33].

Penalties on unpaid taxes may be applied in one of three different methods.

1. As a simple rate charged once per annum[34].
    - o Rate must be between nine and 25 per cent.
2. As a simple monthly rate charged on the first day of each month on outstanding taxes only[35].

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[25] Section 298(6)
[26] Section 272
[27] Section 49(2)(a) *The Municipalities Regulations*
[28] Section 49(2)(b) *The Municipalities Regulations*
[29] Section 279
[30] Section 46.1(4) *The Municipalities Regulations*
[31] Section 46.1(5) *The Municipalities Regulations*
[32] Section 280(1)
[33] Section 46.2(2) *The Municipalities Regulations*
[34] Section 46.2 (2)

- o Rate must be between 0.75 per cent and 2.08 per cent.

3. As a compound monthly rate charged on the first day of the month on outstanding taxes and penalties[36].
    - o Rate must be between 0.72 per and 1.876 per cent.

Implementation

It is important for municipality administrators and councillors to note that tax tools and tax policies do not work in isolation.

Municipal officials should:

- discuss tax policy and the reasoning behind the decisions that have been made;
- review the impact of any tax tools and other authorities employed in the tax policy;
- monitor collectables to determine if a change in policy might enhance the ability to collect; and
- communicate with the public.

No matter which tax policy decisions are made it is a good idea to communicate the rationale behind the decisions. Keep ratepayers informed of current tax policy and the reasons that taxation choices were made. It is important to discuss tax policy and budget allocation as it relates to the levels of service with the public. Council members and administrators should be able to clearly explain the tax policy including the use of any tax tools or other authorities to their taxpayers.

[35] Section 46.2(3)(a)
[36] Section 46.2(3)(b)

Additional Resources

The Government of Saskatchewan has prepared sample bylaws for:

- each of the property tax tools;
- employing tax incentives and/or penalties;
- tax exemption for economic development; and
- special tax.

Websites:

Municipal Sample Bylaws:
http://www.saskatchewan.ca/government/municipal-administration/management-resources/guides-samples-and-resources/bylaw-samples#municipal-sample-bylaws

Municipal Property Tax Tools:
http://www.saskatchewan.ca/government/municipal-administration/taxation-and-service-fees/municipal-property-tax-tools

Local Improvements Manual:
http://www.saskatchewan.ca/government/municipal-administration/community-planning-land-use-and-development/resources/local-improvements-manual

Establishing Additional Service Areas in Rural Municipalities:
https://www.saskatchewan.ca/~/media/files/government%20relations/policy/additional%20service%20areas%20guide%20april%202015.pdf

Advisory Services:

Further information may be obtained by contacting a municipal advisor.

Advisory Services and Municipal Relations
Ministry of Government Relations, Government of Saskatchewan
1010 – 1855 Victoria Avenue
Regina SK S4P 3T2

Phone: (306) 787-2680
Email: muninfo@gov.sk.ca

Additional Information

A. General Calculations

B. Calculating the Levy When a Minimum Tax is Set on Land and Improvements Separately

C. Taxation in Organized Hamlets

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   2. The Rural Municipality of Over There

General Calculations

The following section provides the following calculations for municipalities to use in developing a municipal tax policy.

1. To determine the uniform mill rate required:

$$\frac{\text{Taxes required for current year}}{\text{Current year taxable assessment}}$$

2. To calculate property class revenues as a percentage of total revenue:

$$\frac{\text{Revenue generated for property class}}{\text{Total tax revenue}}$$

3. To calculate the mill rate factor:

   - Calculate the property revenues as a percentage of total revenue (current year percentage).

$$\frac{\text{Revenue generated for property class}}{\text{Total tax revenue}}$$

   - Determine the mill rate factor.

$$\frac{\text{Desired percentage for the property class}}{\text{Current year percentage}}$$

4. To calculate the factored mill rate:

(Mill Rate Factor) x (Uniform Mill Rate) = Factored Mill Rate

Calculating Separate Minimum on Tax on Land and Improvement

It is important to treat land and improvements separately if a minimum tax is being considered. Do not calculate the total taxable assessment – land and improvements – when determining if the minimum tax applies as this will lead to the improper use of the tax tool.

- Determine the ad valorem calculation on assessed land and assessed improvement individually.
- Apply the minimum tax if the ad valorem rate is less than the minimum set.

In this example:

- The uniform mill rate for the municipality is 9.0.
- The minimum tax established for:
  - Land is $175 per parcel, and
  - Improvements is $580**.**

Tax Levy: Land		**Tax Levy: Improvements**		**Municipal Tax Levy**
Minimum	Ad Valorem	Minimum	Ad Valorem	
~~175.00~~	212.94 (23660/1000 x 9.0)	~~580.00~~	2839.41 (315490/1000 x 9.0)	3052.35
MT less than AV; therefore use AV [37]		*MT less than AV; therefore use AV*		
175.00	~~129.78~~ (14420/1000 x 9.0)	580.00	~~220.50~~ (24500/1000 x 9.0)	755.00
MT more than AV; therefore use MT		*MT more than AV; therefore use MT*		
175.00	~~155.25~~ (17250/1000 x 9.0)	0 (no improvements)	0 (no improvements)	175.00
MT more than AV; therefore use MT		*MT not applicable*		
0 (no land)	0 (no land)	~~580.00~~	688.59 (76510/1000 x 9.0)	688.59
Land assessed and taxed to another party		*MT less than AV; therefore use AV*		

[37] MT means Minimum Tax; AV means Ad Valorem calculation.

Taxation in Organized Hamlets

Special programs or services requested in an organized hamlet may be financed directly by that area using the base tax, minimum tax or mill rate factor tax tools[38].

The rural municipal council may provide for:

- different mill rate factors;
- a different base tax; and
- a different minimum tax.

Using a different tax tool than applied elsewhere in the municipality must be:

- established by bylaw; and
- be at the organized hamlet board's request or consent.

Open communication between an organized hamlet board and the rural municipal council will be important to determine the need and viability for setting a different mill rate factor, base tax or minimum tax within the organized hamlet. Although a formal process is not addressed in legislation it is suggested that rural municipalities work closely with organized hamlets to facilitate a consultation process for this purpose.

A rural municipality may administer and organized hamlet. In that case, an amount between 40 per cent and 75 per cent of the taxes collected may be allocated to the organized hamlet special account.

- The amount is to be determined by the municipal council in consultation with the hamlet board.
- All taxes collected whether based on a uniform mill rate or the use of tax tools, are shared in accordance with the percentages agreed to by the council and the organized hamlet board[39].

The organized hamlet board may request a special levy. In that case the organized hamlet receives 85 per cent or any other amount agreed to of the special levy requested.

[38] Sections 285, 289, and 290
[39] Section 69

Taxation in Special Service Areas

Special Service Areas are specially designated areas established within a rural municipality's (RM) boundaries by a Minister's Order for a restructuring of the municipality[40]. The designated area for the Special Service Area is defined in the Minister's Order and is typically determined in a voluntary restructuring agreement between the RM and the affected ratepayers.

There are two purposes for designating a Special Service Area.

1. Provide different service levels than the rest of the RM.
2. Apply different tax rates and use different tax tools than the rest of the RM.

RMs involved in a potential restructuring may wish to consider the designation of special service areas in order to mitigate substantial shifts in services or changes in tax rates.

Each special service area must have separate ledger accounts for tracking all revenues and expenditures, including:

- all grants and own source revenues collected on behalf of the special service area, and
- all requisitions and expenditures paid on behalf of the special service area.

These accounts form part of the financial statement of the RM.

[40] Section 53(3)(i)

Taxation in Additional Service Areas

Additional Service Areas are specially designated areas within a rural municipality's (RM) boundaries that require different or separate services than the remainder of the RM[41].

In order to designate a geographic area as an Additional Service Area the rural municipality must:

- establish the Additional Service Area, the additional services to be provided and the strategy employed to raise revenues by bylaw. A public notice and a public meeting are required;
- allocate additional taxes collected within the designated area towards the specific service or purpose detailed in the establishing bylaw;
- track revenues and expenditures related to the Additional Service Area in separate accounts; and
- prepare an annual statement for the Additional Service Area to present to council.

The RM mill rate applies to properties within an Additional Service Area. Funds generated from the mill rate finance the basic services that are provided to all ratepayers within the RM. In addition to the RM mill rate, council can use three financing options or a combination of these options, to cover the costs of the additional or increased services or infrastructure for the area.

The three options are[42]:

1. Levy a mill rate that is in addition to the mill rate in the rest of the RM.
    - The tax exemptions noted in sections 292 and 293 of the "*The Act*" do not apply to the additional levy.
    - All properties within the Additional Service Area are subject to the additional levy.
    - Tax exemptions in sections 292 and 293 continue to apply to the RM mill rate.
2. Set a schedule of fees to ratepayers of the Additional Service Area in addition to the mill rate in the rest of the RM.
    - The tax exemptions in sections 292 and 293 do not apply to the fees.
    - All properties within the Additional Service Area are subject to the fees.
    - Tax exemptions in sections 292 and 293 continue to apply to the RM mill rate.
3. Designate a percentage of the property tax levy collected from within the Additional Service Area to cover the cost of additional or increased services or infrastructure.
    - No additional charges or levies are incurred in this case.
    - The tax exemptions in sections 292 and 293 continue to apply.

[41] 48.1(1)
[42] 283(2.01-2.03)

Examples of Developing a Tax Policy

1.The Town of Anywhere

The following table lists the taxable assessment, revenue and levy required for the Town of Anywhere.

Taxable Assessment:

Agriculture: $88,300 (0.1 per cent of total taxable assessment)

Residential: $75,500,500 (87.7 per cent of taxable assessment)

Commercial: $10,500,250 (12.2 per cent of taxable assessment)

Total Taxable Assessment: $86,089,050

Budget:

Total Revenue Required: $2,065,000

Revenue Share/Grants: $200,000

Fees: $265,000

Levy Required: $1,600,000

1. A) Establish the mill rate that will generate the levy required (no tax tools)

- (Total budget/total taxable assessment) x 1000 = Mill rate
- ($1,600,000/$86,089,050) x 1000 = 18.585
- The mill rate is 18.585

Generating the Levy By Establishing the Mill Rate			
Class of Property	**Taxable Assessment**	**Mill Rate**	**Levy**
Agriculture	$88,300	18.585	$1,641.06
Residential	$75,500,500	18.585	$1,403,176.79
Commercial	$10,500,250	18.585	$195,147.15
Total	**$86,089,050**		**$1,599,965.00**

It is good practice to show council how each taxation decision impacts assessed properties using a cross section of unidentified taxable properties. When creating a cross section table:

- use high assessed, middle assessed and low assessed properties;
- include properties from each property class;
- keep the cross section to a manageable number of properties; and
- use the same properties for all comparisons.

The following table compares a cross section of unidentified taxable properties. The administrator may find it useful to provide council with this information.

Mill Rate Applied To A Cross Section Of Properties			
Class of Property	**Taxable Assessment**	**Mill Rate**	**Municipal Tax**
Residential	$360,000	18.585	$6,690.60
Residential	$225,000	18.585	$4,181.63
Residential	$140,000	18.585	$2,601.90
Residential	$95,000	18.585	$1,765.58
Residential	$50,000	18.585	$929.25
Residential	$25,000	18.585	$464.63
Residential	$17,780	18.585	$330.44
Commercial/Ind	$350,000	18.585	$6,504.75
Commercial/Ind	$200,000	18.585	$3,717.00
Commercial/Ind	$75,000	18.585	$1,393.88
Commercial/Ind	$25,400	18.585	$472.06
Agriculture	$30,000	18.585	$557.55
Agriculture	$25,000	18.585	$464.63
Agriculture	$15,000	18.585	$278.78

1. B) Property Tax Shift Using a Mill Rate Factor

Council chooses to adjust taxation amongst the property classes to reflect:

- Agriculture 0.2 per cent;
- Residential 79 per cent; and
- Commercial 20.8 per cent.

In order to establish the set percentages for each property class a mill rate factor must be calculated. Establish mill rate factors by dividing the desired percentage of total revenue by the current percentage of total revenue.

Note: (Desired per cent of Total Revenue) / (Current per cent of Total Revenue) = Mill Rate Factor

Mill Rate Factor Calculation			
Class of Property	**Desired % of Total Revenue**	**Current % of Total Revenue**	**Mill Rate Factor**
Agriculture	0.2	0.1	2.000
Residential	79	87.7	0.901
Commercial	20.8	12.2	1.705

To determine how the mill rate factor impacts the established mill rate:

- Multiply the mill rate by the millrate factor established for each property class.

The resulting adjusted mill rate will achieve the desired percentage of total revenue set by council. The total amount of levy required remains the same.

Calculating the Levy when Mill Rate Factors Apply					
Class of Property	**Taxable Assessment**	**Mill Rate**	**Mill Rate Factor**	**Adjusted Mill Rate**	**Levy**
Agriculture	$88,300	18.585	2.000	37.170	$3,282.11
Residential	$75,500,500	18.585	0.901	16.745	$1,264,255.87
Commercial	$10,500,250	18.585	1.705	31.687	$332,721.42
Total	**$86,089,050**				**$1,600,259.40**

The council can evaluate the impact that using mill rate factors has on assessed properties by reviewing a table that applies the adjusted mill rate to the same cross section of taxable properties.

Note: Municipal Tax = (Taxable Assessment) x (Adjusted mill rate) / 1000

Mill Rate Factor Applied To A Cross Section Of Properties					
Class of Property	**Taxable Assessment**	**Mill Rate**	**Mill Rate Factor**	**Adjusted Mill Rate**	**Municipal Tax**
Residential	$360,000	18.585	0.901	16.745	$6,028.20
Residential	$225,000	18.585	0.901	16.745	$3,767.63
Residential	$140,000	18.585	0.901	16.745	$2,344.30
Residential	$95,000	18.585	0.901	16.745	$1,590.78
Residential	$50,000	18.585	0.901	16.745	$837.25
Residential	$25,000	18.585	0.901	16.745	$418.63
Residential	$17,780	18.585	0.901	16.745	$297.73
Commercial/Ind	$350,000	18.585	1.705	31.687	$11,090.45
Commercial/Ind	$200,000	18.585	1.705	31.687	$6,337.40
Commercial/Ind	$75,000	18.585	1.705	31.687	$2,376.53
Commercial/Ind	$25,400	18.585	1.705	31.687	$804.85
Agriculture	$30,000	18.585	2.000	37.170	$1,115.10
Agriculture	$25,000	18.585	2.000	37.170	$929.25
Agriculture	$15,000	18.585	2.000	37.170	$557.55

1. C) Minimum Tax and Base Tax

Council chooses to ensure that specific services are paid for by every assessed property in the residential and commercial classes. Council also decides that agricultural land is not included because use of the services included is minimal. Current year budget projections for the selected services total $382,500. The selected services include:

- Street lights;
- Policing;
- Fire Protection;
- Public Park Maintenance; and
- Landfill.

There are 850 assessed properties within the residential and commercial classes. If the same figure of $382,500 is used for both classes the cost for each residential and commercial property in the Town of Anywhere is $450. The council may choose to implement a minimum tax or a base tax to collect the revenue from each property. Although each property owner is responsible for the same cost for the selected services the impact of choosing each tax tool is very different.

1.C) i Minimum Tax Option

Minimum tax applies only in instances where (adjusted mill rate) x (assessment) is less than $450. In cases where the $450 required for the selected services is not generated the minimum tax will apply. The selected services will be paid for by a combination of minimum tax revenues and assessment driven taxation. To determine the assessment threshold where the minimum tax will apply:

- (minimum tax) x (1000) / Adjusted mill rate[43]

- Residential: (450) x (1000) / 16.475 = $27,314

The minimum tax will apply to all properties in the residential class with taxable assessment at or under $27,314.

- Commercial: (450) x (1000)/31.687 = $14,201

The minimum tax will apply to all properties in the commercial class with taxable assessment at or under $14,201.

Tally the number of properties affected to determine the amount of revenue that will be generated from the minimum tax.

Revenue Generated from Minimum Tax			
Class of Property	**Number of Properties**	**Minimum Tax**	**Revenue**
Agriculture	0	$0	$0
Residential	65	$450	$29,250
Commercial	4	$450	$1,800
Total			**$31,050**

Because some of the revenue required to operate will be generated by minimum tax it is necessary to adjust the amount of levy required by the mill rate accordingly. Reduce the mill rate to reflect the difference between the amount of revenues required less the revenue generated by minimum tax.

- $1,600,000 - $31,050 = $1,568,950

Calculating the Levy When both a Mill Rate Factor and Minimum Tax Apply					
Class of Property	**Taxable Assessment**	**Mill Rate**	**Mill Rate Factor**	**Adjusted Mill Rate**	**Levy**
Agriculture	$88,300	18.225	2.000	36.450	$3,218.54
Residential	$75,500,500	18.225	0.901	16.421	$1,239,793.71
Commercial	$10,500,250	18.225	1.705	31.074	$326,284.77
Total	**$86,089,050**				**$1,569,297.02**

Once the revenue that will be generated by the minimum tax and the resulting levy that will be generated has been determined apply the new tax calculations to the cross section of properties to evaluate the impact.

Note: Municipal Tax = (Taxable Assessment) x (Adjusted Mill Rate) / 1000; unless minimum tax applies

[43] Adjusted Mill Rate = (mill rate factor) (mill rate)

Mill Rate Factor & Minimum Tax Applied To Cross Section Of Properties						
Class of Property	**Taxable Assessment**	**Mill Rate**	**Mill Rate Factor**	**Adjusted Mill Rate**	**Minimum Tax**	**Municipal Tax**
Residential	$360,000	18.225	0.901	16.421	-	$5,911.56
Residential	$225,000	18.225	0.901	16.421	-	$3,694.73
Residential	$140,000	18.225	0.901	16.421	-	$2,298.94
Residential	$95,000	18.225	0.901	16.421	-	$1,560.00
Residential	$50,000	18.225	0.901	16.421	-	$821.50
Residential	$17,780	18.225	0.901	16.421	$450	$450.00
Commercial/Ind	$350,000	18.225	1.705	31.074	-	$10,875.90
Commercial/Ind	$200,000	18.225	1.705	31.074	-	$6,214.80
Commercial/Ind	$75,000	18.225	1.705	31.074	-	$2,330.55
Commercial/Ind	$25,400	18.225	1.705	31.074	-	$789.28
Agriculture	$30,000	18.225	2.000	36.450	-	$1,093.50
Agriculture	$25,000	18.225	2.000	36.450	-	$911.25
Agriculture	$15,000	18.225	2.000	36.450	-	$546.75

1. C) ii Base Tax Option

In contrast, if council chooses to use a base tax, the base tax of $450 will apply to all 850 assessed properties. The total cost of the selected services will be paid for by base tax revenues.

Revenue Generated from Base Tax			
Class of Property	**Number of Properties**	**Base Tax**	**Revenue**
Agriculture	0	$0	$0.00
Residential	800	$450	$360,000.00
Commercial	50	$450	$22,500.00
Total			**$382,500.00**

Because some of the revenue required to operate will be generated by the base tax, adjust the amount of levy required by the mill rate accordingly. Reduce the mill rate to reflect the difference between the amount of revenues required less the revenue generated by base tax.

- $1,600,000 - $382,500 = $1,217,500

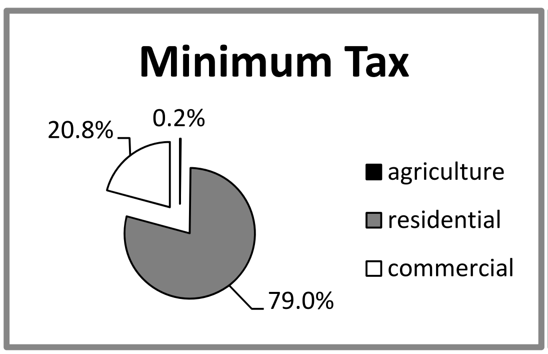
Calculating the Levy When both a Mill Rate Factor and Base Tax Apply					
Class of Property	**Taxable Assessment**	**Mill Rate**	**Mill Rate Factor**	**Adjusted Mill Rate**	**Levy**
Agriculture	$88,300	14.142	2.000	28.284	$2,497.48
Residential	$75,500,500	14.142	0.901	12.742	$962,027.37
Commercial	$10,500,250	14.142	1.705	24.112	$253,182.03
Total	**$86,089,050**				**$1,217,706.88**

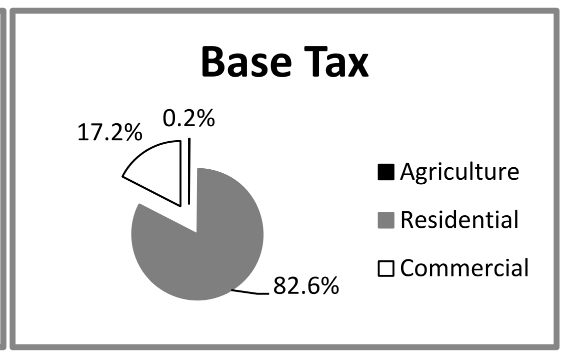
Apply base tax calculations to cross section of properties to evaluate the impact.

Note: Municipal Tax for Residential and Commercial Property Class = (Taxable Assessment) x (Adjusted Mill Rate) / 1000 + (Base Tax)
Municipal Tax for Agriculture Property Class = (Taxable Assessment) x (Adjusted Mill Rate) / 1000

Mill Rate Factor And Base Tax Calculations Applied To Cross Section Of Properties						
Class of Property	Taxable Assessment	Mill Rate	Mill Rate Factor	Adjusted Mill Rate	Base Tax	Total Municipal Tax
Residential	$360,000	14.142	0.901	12.742	$450.00	$5,037.12
Residential	$225,000	14.142	0.901	12.742	$450.00	$3,316.95
Residential	$140,000	14.142	0.901	12.742	$450.00	$2,233.88
Residential	$95,000	14.142	0.901	12.742	$450.00	$1,660.49
Residential	$50,000	14.142	0.901	12.742	$450.00	$1,087.10
Residential	$25,000	14.142	0.901	12.742	$450.00	$768.55
Residential	$17,780	14.142	0.901	12.742	$450.00	$676.55
Commercial/Ind	$350,000	14.142	1.705	24.112	$450.00	$8,889.20
Commercial/Ind	$200,000	14.142	1.705	24.112	$450.00	$5,272.40
Commercial/Ind	$75,000	14.142	1.705	24.112	$450.00	$2,258.40
Commercial/Ind	$25,400	14.142	1.705	24.112	$450.00	$1,062.44
Agriculture	$30,000	14.142	2.000	28.284	-	$848.52
Agriculture	$25,000	14.142	2.000	28.284	-	$707.10
Agriculture	$15,000	14.142	2.000	28.284	-	$424.26

Choosing to use a minimum tax or choosing to use a base tax amount will further shift the percentage of allocation between the property classes. It is important to determine and discuss the impact.





Providing a table to council that compares the impact that each potential decision has on a cross section of assessed properties can be useful when establishing tax policy.

Comparison Of Property Tax Calculations					
Class of Property	**Taxable Assessment**	**Mill Rate**	**Mill Rate Factor**	**Mill Rate Factor & Minimum tax**	**Mill Rate Factor & Base Tax**
Residential	$360,000	$6,690.60	$6,028.20	$5,911.56	$5,037.12
Residential	$225,000	$4,181.63	$3,767.63	$3,694.73	$3,316.95
Residential	$140,000	$2,601.90	$2,344.30	$2,298.94	$2,233.88
Residential	$95,000	$1,765.58	$1,590.78	$1,560.00	$1,660.49
Residential	$50,000	$929.25	$837.25	$821.50	$1,087.10
Residential	$25,000	$464.63	$418.63	$450.00	$768.55
Residential	$17,780	$330.44	$297.73	$450.00	$676.55
Commercial/Ind	$350,000	$6,504.75	$11,090.45	$10,875.90	$8,889.20
Commercial/Ind	$200,000	$3,717.00	$6,337.40	$6,214.80	$5,272.40
Commercial/Ind	$75,000	$1,393.88	$2,376.53	$2,330.55	$2,258.40
Commercial/Ind	$25,400	$472.06	$804.85	$789.28	$1,062.44
Agriculture	$110,000	$557.55	$1,115.10	$1,093.50	$848.52
Agriculture	$75,000	$464.63	$929.25	$911.25	$707.10
Agriculture	$25,000	$278.78	$557.55	$546.75	$424.26

Other Best Practices

Prior to determining the tax policy chosen:

- Compare how the preferred tax policy impact individual properties in comparison to previous year's calculations.
- Consider how the tax policy may impact the ability to collect.
- Consider how the combination of options used affects the distribution of taxes:
  - across assessment; and
  - across property classifications.
- Refine the tax policy using other authorities such as incentives and penalties.
- Proactively communicate budget decisions and the resulting tax policy with the public:
  - discuss short-term and long-term priorities;
  - describe the level of service benchmark that can be expected;
  - talk about planned capital projects and how they will be funded;
  - describe the tax policy; and
  - explain why the individual aspects of the tax policy were used.

It is important to explain the choices made and why those decisions benefit the municipality. Information may be shared:

- on a municipal website;
- at a ratepayers meeting; or
- by a mail out such as a newsletter or a question and answer.

2.The Rural Municipality of Over There

The following lists the taxable assessment, revenue and levy required for the Rural Municipality of Over There.

Taxable Assessment:

Agriculture: $47,050,500 (65 per cent of total taxable assessment)

Residential: $11,050,050 (15 per cent of taxable assessment)

Commercial: $14,000,500 (19 per cent of taxable assessment)

Total Taxable Assessment: $72,101,050

Budget:

Total Revenue Required: $1,500,000

Revenue Share/Grants: $175,000

Fees: $75,000

Levy Required: $1,250,000

2.A) Establish the mill rate needed to generate the levy required (no tax tools):

- (total budget/total taxable assessment) x 1000 = mill rate
- ($1,250,000/ $72,101,050) x 1000 = 17.337
- The mill rate is 17.337

Generating the Levy By Establishing the Mill Rate			
Class of Property	**Taxable Assessment**	**Mill Rate**	**Levy**
Agriculture	$47,050,500	17.337	$815,714.52
Residential	$11,050,050	17.337	$191,574.72
Commercial	$14,000,500	17.337	$242,726.67
Total	**$72,101,050**		**$1,250,015.90**

It is good practice to show the council how each taxation decision impacts assessed properties by using a cross section of unidentified taxable properties. When creating a cross section:

- use high assessed, middle assessed and low assessed properties;
- include properties from each property class;
- keep the cross section to a manageable number of properties; and
- use the same properties for all comparison.

The following table compares a cross section of unidentified taxable properties. The administrator may find it useful to provide council with this information during tax policy development.

Mill Rate Calculations Applied To Cross Section Of Municipalities					
Class of Property		**Taxable Assessment**	**Mill Rate**	**Municipal Tax**	**Total Municipal Tax**
Residential	Land	$1,120	17.337	$19.42	
	Improvement	$41,370	17.337	$717.23	$736.65
Residential	Land	$560	17.337	$9.71	
	Improvement	$64,470	17.337	$1,117.72	$1,127.43
Residential	Land	$630	17.337	$10.92	
	Improvement	$59,240	17.337	$1,027.04	$1,037.97
Residential	Land	$1,820	17.337	$31.55	
	Improvement	$70,680	17.337	$1,225.38	$1,256.93
Residential	Land	$1,560	17.337	$27.05	
- Exempt	Improvement	$0	17.337	$0.00	$27.05
Residential	Land	$1,280	17.337	$22.19	
- Exempt	Improvement	$0	17.337	$0.00	$22.19
Commercial/Ind	Land	$23,500	17.337	$407.42	
	Improvement	$39,500	17.337	$684.81	$1,092.23
Commercial/Ind	Land	$39,100	17.337	$677.88	
	Improvement	$43,000	17.337	$745.49	$1,423.37
Commercial/Ind	Land	$55,000	17.337	$953.54	
	Improvement	$250,000	17.337	$4,334.25	$5,287.79
Commercial/Ind	Land	$75,000	17.337	$1,300.28	
	Improvement	$500,000	17.337	$8,668.50	$9,968.78
Agriculture	Land	$16,580	17.337	$287.45	$287.45
Agriculture	Land	$25,680	17.337	$445.21	$445.21
Agriculture	Land	$33,220	17.337	$575.94	$575.94
Agriculture	Land	$45,650	17.337	$791.43	$791.43
Agriculture	Land	$59,785	17.337	$1,036.49	$1,036.49
Agriculture	Land	$63,885	17.337	$1,107.57	$1,107.57

2.B) Increase revenue to residential land and commercial land to reflect the increased level of service received.

Council wishes to use a tax tool to generate a minimum of 10 per cent of the total levy ($125,000) from residential land assessments. There are 500 residential land assessments within the RM. In order to raise 10 per cent of the levy from residential land the owner of each parcel needs to pay $250.

Council wishes to use a tax tool to generate a minimum of 10 per cent of the total levy ($125,000) from commercial land assessments. There are 250 commercial land assessments within the RM. In order to raise 10 per cent of the levy from commercial land the owner of each parcel needs to pay $500.

Council can employ one of two tools to ensure that residential land assessments and commercial land assessments generate the desired amount of the total levy.

2.B) i Minimum Tax Option

Minimum tax applies only in instances where:

- (mill rate) x (residential land assessment) is less than $250;
- (mill rate) x (commercial land assessment) is less than $500.

If council chooses to use the minimum tax the minimum 10 per cent of revenue desired will be generated either by minimum tax or by the ad valorem method.

To determine the assessment threshold where the minimum tax will apply:

- (minimum tax) x (1000) / mill rate
- Residential Land: (250) x (1,000) / 17.337 = $14,420
- Commercial Land: (500) x (1,000) / 17.337 = $28,840

Tally the number of properties affected to determine the amount of revenue that will be generated from the minimum tax.

Revenue Generated from Minimum Tax			
Class of Property	**Number of Land Parcels Affected**	**Minimum Tax**	**Revenue**
Agriculture	0	$0	$0.00
Residential	489	$250	$122,250.00
Commercial	200	$500	$100,000.00
Total			**$222,250.00**

Because some of the revenue required to operate will be generated by the minimum tax it is necessary to adjust the amount of levy required by the mill rate accordingly. Reduce the mill rate to reflect the difference between the amount of revenues required less the revenue raised by minimum tax.

- $1,250,000 - $222,250 = $1,027,750

Adjust the mill rate to reflect the difference between the amount of revenues required less the revenue raised by minimum tax.

Calculating the Levy When a Minimum Tax Applies			
Class of Property	**Taxable Assesment**	**Mill Rate**	**Levy**
Agriculture	$47,050,500	14.254	$670,657.83
Residential	$11,050,050	14.254	$157,507.41
Commercial	$14,000,500	14.254	$199,563.13
Total	**$72,101,050**		**$1,027,728.37**

After determining the revenue that will be generated by the minimum tax and the resulting levy apply the new tax calculations to the cross section of properties to evaluate the impact.

Note: Total Municipal Tax [unless minimum tax applies] = (Taxable Assessment) x (Mill Rate) / 1000

Minimum Tax Calculations Applied To Cross Section Of Municipalities						
Class of Property		**Taxable Assessment**	**Mill Rate**	**Municipal Tax**	**Minimun Tax**	**Total Municipal Tax**
Residential	Land	$1,120	14.254	$15.97	$250.00	
	Improvement	$41,370	14.254	$589.69	-	$839.69
Residential	Land	$560	14.254	$7.98	$250.00	
	Improvement	$64,470	14.254	$918.96	-	$1,168.96
Residential	Land	$630	14.254	$8.98	$250.00	
	Improvement	$59,240	14.254	$844.41	-	$1,094.41
Residential	Land	$1,820	14.254	$25.94	$250.00	
	Improvement	$70,680	14.254	$1,007.47	-	$1,257.47
Residential	Land	$1,560	14.254	$22.24	$250.00	
- Exempt	Improvement	$0	14.254	$0.00	-	$250.00
Residential	Land	$1,280	14.254	$18.25	$250.00	
- Exempt	Improvement	$0	14.254	$0.00	-	$250.00
Commercial/Ind	Land	$23,500	14.254	$334.97	$500.00	
	Improvement	$39,500	14.254	$563.03	-	$1,063.03
Commercial/Ind	Land	$39,100	14.254	$557.33	-	
	Improvement	$43,000	14.254	$612.92	-	$1,170.25
Commercial/Ind	Land	$55,000	14.254	$783.97	-	
	Improvement	$250,000	14.254	$3,563.50	-	$4,347.47
Commercial/Ind	Land	$75,000	14.254	$1,069.05	-	
	Improvement	$500,000	14.254	$7,127.00	-	$8,196.05
Agriculture	Land	$16,580	14.254	$236.33	-	$236.33
Agriculture	Land	$25,680	14.254	$366.04	-	$366.04
Agriculture	Land	$33,220	14.254	$473.52	-	$473.52
Agriculture	Land	$45,650	14.254	$650.70	-	$650.70
Agriculture	Land	$59,785	14.254	$852.18	-	$852.18
Agriculture	Land	$63,885	14.254	$910.62	-	$910.62

Choosing a minimum tax method will ensure that the land assessment generates 10 per cent of the total levy using a combination of minimum tax revenues and assessment-driven taxation.

2.B) ii Base Tax Option

If council chooses to use a base tax the base tax will apply to all residential and commercial land assessments.

- Residential and commercial land assessments would be responsible for both the base tax as well as the amount generated using the ad valorem method.
- Using a base tax will generate 10 per cent in addition to the amount generated using the ad valorem method.

Revenue Generated from Base Tax			
Class of Property	**Number of Land Parcels Affected**	**Base Tax**	**Revenue**
Agriculture	0	$0	$0.00
Residential	500	$250	$125,000.00
Commercial	250	$500	$125,000.00
Total			**$250,000.00**

Because some of the revenue required to operate will be raised by the base tax it is necessary to adjust the amount of levy required by the mill rate accordingly. Reduce the mill rate to reflect the difference between the amount of revenues required less the revenue generated by base tax.

- $1,250,000 - $250,000 = $1,000,000

Calculating the Levy When a BaseTax Applies			
Class of Property	**Taxable Assessment**	**Mill Rate**	**Levy**
Agriculture	$47,050,500	13.869	$652,543.39
Residential	$11,050,050	13.869	$153,253.14
Commercial	$14,000,500	13.869	$194,172.93
Total	**$72,101,050**		**$999,969.46**

After the revenue that will be raised by the base tax and the resulting levy that will be generated has been determined apply the new tax calculations to the cross section of properties in order to evaluate the impact.

Note: Total Municipal Tax for Residential and Commercial Property Class = (Taxable Assessment) x (Mill Rate) / 1000 + (Base Tax)
Total Municipal Tax for Agriculture Property Class = (Taxable Assessment) x (Mill Rate) / 1000

Base Tax Calculations Applied To Cross Section Of Municipalities						
Class of Property		**Taxable Assessment**	**Mill Rate**	**Municipal Tax**	**Base Tax**	**Total Municipal Tax**
Residential	Land	$1,120	13.869	$15.53	$250.00	
	Improvement	$41,370	13.869	$573.76	-	$839.29
Residential	Land	$560	13.869	$7.77	$250.00	
	Improvement	$64,470	13.869	$894.13	-	$1,151.90
Residential	Land	$630	13.869	$8.74	$250.00	
	Improvement	$59,240	13.869	$821.60	-	$1,080.34
Residential	Land	$1,820	13.869	$25.24	$250.00	
	Improvement	$70,680	13.869	$980.26	-	$1,255.50
Residential	Land	$1,560	13.869	$21.64	$250.00	
- Exempt	Improvement	$0	13.869	$0.00	-	$271.64
Residential	Land	$1,280	13.869	$17.76	$250.00	
- Exempt	Improvement	$0	13.869	$0.00	-	$267.76
Commercial/Ind	Land	$23,500	13.869	$325.92	$500.00	
	Improvement	$39,500	13.869	$547.83	-	$1,373.75
Commercial/Ind	Land	$39,100	13.869	$542.28	$500.00	
	Improvement	$43,000	13.869	$596.37	-	$1,638.65
Commercial/Ind	Land	$55,000	13.869	$762.80	$500.00	
	Improvement	$250,000	13.869	$3,467.25	-	$4,730.05
Commercial/Ind	Land	$75,000	13.869	$1,040.18	$500.00	
	Improvement	$500,000	13.869	$6,934.50	-	$8,474.68
Agriculture	Land	$16,580	13.869	$229.95	-	$229.95
Agriculture	Land	$25,680	13.869	$356.16	-	$356.16
Agriculture	Land	$33,220	13.869	$460.73	-	$460.73
Agriculture	Land	$45,650	13.869	$633.12	-	$633.12
Agriculture	Land	$59,785	13.869	$829.16	-	$829.16
Agriculture	Land	$63,885	13.869	$886.02	-	$886.02

Choosing to use a minimum or base tax amount will shift the percentage of allocation between the property classes. It is important to determine and discuss the impact of each potential choice.

Minimum Tax						
Class of Property	**Taxable Assessment**	**Mill Rate**	**Levy**	**Minimum Tax**	**Total Municipal Tax**	**Percent**
Agriculture	$47,050,500	14.254	$670,657.83	$0.00	$670,657.83	53.6%
Residential	$11,050,050	14.254	$157,507.41	$122,500.00	$280,007.41	22.4%
Commercial	$14,000,500	14.245	$199,437.12	$100,000.00	$299,437.12	24.0%
Total	**$72,101,050**	**14.254**	**$1,027,728.36**	**$222,500.00**	**$1,250,228.36**	**100.0%**

Base Tax						
Class of Property	**Taxable Assessment**	**Mill Rate**	**Levy**	**Minimum Tax**	**Total Municipal Tax**	**Percent**
Agriculture	$47,050,500	13.869	$652,543.39	$0.00	$652,543.39	52.2%
Residential	$11,050,050	13.869	$153,235.14	$125,000.00	$278,235.14	22.3%
Commercial	$14,000,500	13.869	$194,172.94	$125,000.00	$319,172.94	25.5%
Total	**$72,101,050**	**13.869**	**$999,969.47**	**$250,000.00**	**$1,249,951.47**	**100.0%**

Providing a table that compares the impact that each potential decision has on a cross section of assessed properties is useful when establishing tax policy.

COMPARISON OF PROPERTY TAX CALCULATIONS					
Class of Property		**Taxable Assessment**	**Mill rate**	**Minimum Tax**	**Base Tax**
Residential	Land	$1,120			
	Improvement	$41,370	$736.65	$839.69	$839.29
Residential	Land	$560			
	Improvement	$64,470	$1,127.43	$1,168.96	$1,151.90
Residential	Land	$630			
	Improvement	$59,240	$1,037.97	$1,094.41	$1,080.34
Residential	Land	$1,820			
	Improvement	$70,680	$1,256.93	$1,257.47	$1,255.50
Residential	Land	$1,560			
exempt	Improvement	$0	$27.05	$250.00	$271.64
Residential	Land	$1,280			
exempt	Improvement	$0	$22.19	$250.00	$267.76
Commercial/	Land	$23,500			
Industrial	Improvement	$39,500	$1,092.23	$1,063.03	$1,373.75
Commercial/	Land	$39,100			
Industrial	Improvement	$43,000	$1,423.37	$1,170.25	$1,638.65
Commercial/	Land	$55,000			
Industrial	Improvement	$250,000	$5,287.79	$4,347.47	$4,730.05
Commercial/	Land	$75,000			
Industrial	Improvement	$500,000	$9,968.78	$8,196.05	$8,474.68
Agriculture	Land	$16,580	$287.45	$236.33	$229.95
Agriculture	Land	$25,680	$445.21	$366.04	$356.16
Agriculture	Land	$33,220	$575.94	$473.52	$460.73
Agriculture	Land	$45,650	$791.43	$650.70	$633.12
Agriculture	Land	$59,785	$1,036.49	$852.18	$829.16
Agriculture	Land	$63,885	$1,107.57	$910.62	$886.02

Other Best Practices

Prior to determining the tax policy chosen:

- compare how the preferred tax policy impacts individual properties in comparison to previous year’s calculations;
- consider how the tax policy may impact the ability to collect; and
- refine the tax policy using other strategies such as the use of incentives and penalties.

Proactively communicate budget decisions and the resulting tax policy with the public:

- discuss short-term and long-term priorities;
- describe the level of service benchmark that can be expected;
- talk about planned capital projects and how they will be funded;
- describe the tax policy; and
- explain why the individual aspects of the tax policy were used.

In short, it is important to explain the choices made and why those decisions benefit the municipality. Information may be shared:

- on a municipal website;
- at a ratepayers meeting; or
- by a mail out such as a newsletter or a question and answer.