IPTI Xtracts

Property Tax and Assessment News from Around the World

CANADA - June 2017

NEW BRUNSWICK - Property assessments to be frozen in 2018, independent agency to be created

With a review into property assessments expected too late to make changes with effect next year, the provincial government will freeze property tax assessments in 2018 to help ensure fairness and predictability for property owners and local governments.

“Your government is taking the necessary steps to ensure public confidence is restored in the property tax assessment process,” said Environment and Local Government Minister Serge Rousselle. “Freezing assessments in 2018 will help to ensure fairness and predictability while the government moves to establish an independent agency to take over responsibility for property tax assessments.”

Auditor General Kim MacPherson is conducting a review of the property tax assessment system and is expected to report her findings later this year.

Legislation will be introduced this fall to implement the freeze. Exceptions will be made for new construction, major improvements with a building permit and real estate transactions to ensure local governments will continue to benefit from increases to their tax base and fairness for all property owners. Exceptions will also apply in cases where a property assessment decreases due to market forces.

The provincial government previously announced that it will shift responsibility for property assessments to an independent agency. This is the practice in several other provinces. To ensure that this new agency can be in place before the 2019 taxation year, the provincial government, in consultation with local governments, will begin developing the agency while the auditor general's review is taking place so that it can be ready to act promptly on her recommendations when they are received.

BC Assessment continuing property assessment photo initiative in Fort St. John

“BC Assessment began this process last year but due to unfavorable weather conditions, we temporarily suspended the program,” said Darin Johnson, Manager of Property Data Accuracy Program with BC Assessment, “We take pride in finding innovative ways to provide more timely, accurate, equitable and fair assessments to all property owners. As the Crown corporation responsible for accurately valuing all properties in B.C., this initiative helps us work towards achieving that goal.”

Digital cameras mounted inside a clearly-marked vehicle will be on the streets taking street front photos of approximately 3,000 single family Fort St. John homes.

BC Assessment will photograph only the public street front of a home, including the civic (street) address number.

BC Assessment says they will not retain any personal information related to:

- Any images of people on the property
- Visible signage on a residence (excluding street address), including business signs, signs with names of the people living at the property, and any other type of signage that may relate to the identity of a person.
- This also includes vehicle license plates
- The interior of a residence (i.e. images that show the inside of a home through a window or open doorway, or the interior of an enclosed vehicle shelter such as a garage)

ONTARIO - Mayor pushes for discussion on tax ratio

Sault Ste. Marie city council could soon be getting a lesson in tax ratios and tax policy.

A notice of motion read at last week's council meeting – and to be debated Monday -- suggests that the finance and tax department set aside some time during the 2018 budgeting schedule to explain current tax policy and how it distributes the tax levy across property classes.

If passed by council, the session will also explain provincial thresholds, ranges of fairness and levy restrictions and how these affect the use of tax ratios for different classes.

Tax ratios are a tool that distribute tax burden between classes relative to the residential tax ratio.

The motion also requests information of financial impact of hypothetical changes to the tax ratios for the commercial and industrial classes and how those changes might affect other property taxes.

Tax capping and clawback regulations will also be reviewed and how they affect individual properties when there are substantial shifts in assessment or tax rate changes within a class.

Mayor Christian Provenzano said he believes that setting the tax ratio and amortizing it among the tax classes is just as important as developing a budget itself.

“We have not really had a substantial discussion about that at council,” Provenzano said. “I think it's important that we have that discussion because as our assessment has shrunk in some of the commercial and industrial classes, you have less parties carrying the burden.”

That can only be addressed through a ratio adjustment and it's time that council put their mind to it and have a thorough debate about it," he said.

Provenzano is hoping the discussion centres on the burden each tax class faces and what could happen if that burden was shifted between the classes and what might result from that decision.

"I don't want this to be an afterthought to the budgeting process. I want it to be part of the budgeting process," Provenzano said. "It's adding a new stage to the budget process and I think an important one."

Provenzano said that earlier this spring when the bylaws with the tax ratios were brought to council for approval, several councillors had questions.

"It led me to conclude that council needed more time to discuss those things in advance so they feel more actively involved in those decisions and understand the consequences," he said.

The Sault Ste. Marie Chamber of Commerce has argued for years there is a challenge with the current tax policy and that the commercial and industrial classes shouldn't be shouldering the load because it discourages new business.

Provenzano said the city has acknowledged the problem.

More than a year ago, his office completed a detailed report on the issue. The key is to addressing the issue without creating a hardship on another tax class.

"If you're just shifting hardship, you're not solving the problem and no one wants to do that," Provenzano said.

For 2017, council adapted the finance department's recommendation that the city stay with revenue neutral ratios because there is no growth in the city. In fact, statistics show a significant decrease in the industrial tax rate.

Revenue neutral ratios have been used by the city for years to maintain the tax burden due to significant tax shifts from the industrial and large industrial classes to other classes due to reduced assessment. If the tax ratios were not adjusted, there would have been a significant tax burden shift to the residential class.

Last November, city council passed a resolution stating there would be no directed reduction of the industrial and commercial classes until the assessment base stabilizes. Stabilization of the tax base will be reviewed in the next reassessment in 2021.

Provenzano said the budget is set annually and this issue is one that needs to be revisited annually as well.

"You make decisions on an annual basis about how you're going to spend money and how you are going to allocate that money," he said.

However, he said, any adjustment would need to be made over a course of time so as not to have a significant affect on others.

Rory Ring, executive director of the Sault Ste. Marie Chamber of Commerce, called the move for council to discuss the issue a good first step.

He said council and city administration needs to focus on how to make commercial and industrial tax rates more competitive in Sault Ste. Marie.

"We will sit and work with city hall to find some common ground to bring investment to SSM, which is a challenge because of where rates are," he said.

The larger issue is the shrinking assessments and how the community can turn that around, he said.

"There is substantial reduction in assessment and that has got to stop," Ring said. "But changing the direction of the economy doesn't happen over night. It takes time and perseverance."

NEW BRUNSWICK - Province to freeze property assessments in 2018 after fumbles this year

The Liberal government plans to freeze property assessments on hundreds of thousands of properties provincewide in 2018 in response to the continuing controversy over inflated tax bills issued to several hundred homeowners earlier this year.

"Your government is taking the necessary steps to ensure public confidence is restored in the property tax assessment process," said Environment and Local Government Minister Serge Rousselle in a statement released mid-day Wednesday

"Freezing assessments in 2018 will help to ensure fairness and predictability."

Cost falls on municipalities

Although a provincial government initiative, the cost of the freeze will fall heavily on municipalities, which rely on property tax as their primary source of revenue.

In Saint John, Coun. David Merrithew, who heads the finance committee, said assessment growth helps the city cope with inflation.

He called the freeze a mistake.

"This is just stupid," he said. "This is an election promise."

"It will force municipalities like Saint John to increase their tax rates. That's what it's going to do. We've got to pave the streets and pay for police and fire services. It's going to be the same for everyone. Everyone has got to be in the same boat as Saint John is."

The reaction in other communities was equally negative.

On Twitter, Edmundston Mayor Cyrille Simard said he will be looking for more grant money from the province to make up for lost revenue because of the freeze.

"Without compensatory measures, this government decision makes absolutely no sense," Simard wrote.

Petit Rocher Mayor Luc Desjardins responded for himself and the Francophone Municipalities Association.

"This is totally unacceptable," he said.

Merrithew said he could change his mind if the province increased grants to municipalities to make up for the freeze, but there was no indication in Rousselle's initial statement of that happening.

Rousselle did indicate the province would not freeze property assessments that are falling — another problem for municipalities — or assessments that increase because of new construction.

Election in 2018

This year municipalities saw assessments jump $1.1 billion from a combination of new construction and property value escalation. New tax revenue for communities from that increase was $14 million.

The Gallant government is facing a general election in September 2018, and with tax bills issued every March 1, an assessment freeze helps ensure there will be no repeat of the controversy that erupted this year when Service New Brunswick officials struggled to implement a new assessment system.

The roll-out ran into a number of problems, and for reasons not yet explained, ended with assessment managers making up renovation amounts on 2,048 homes to justify large assessment and tax increases on each of them.

Increases have now been rolled back on most of the homes, and Auditor General Kim MacPherson is investigating what went wrong, including claims Premier Brian Gallant's office pushed for the accelerated adoption of the new assessment system before it was fully tested.

BRITISH COLUMBIA - Property tax 101

Home owners and businesses received their annual property tax notice in June. Property taxes are due the first or second business day in July, depending on the municipality.

No tax notice?

Property owners who didn't receive a tax notice should contact their municipal finance department to get a duplicate notice. It's the property owner's responsibility to ensure a municipality has the correct mailing address.
New property owners who didn't receive a tax notice, or received a tax notice with the previous owners' name(s) on it, should:

- contact the BC Land Title and Survey Authority at 604-630-9630 for a Certificate of Title to prove ownership; and
- complete the Home Owner Grant application.

Property taxes must be paid and the Home Owner Grant claimed by the due date to avoid late penalties.

Reduce your taxes with the Home Owner Grant

The BC Home Owner Grant Program helps reduce residential property taxes for Canadian citizens and landed immigrants who are permanent residents and whose home is their *principal* residence.
Seven types of grants

1. Basic Home Owner Grant – up to $570 for qualifying home owners. For 2017, the grant is reduced by $5 for each $1,000 of assessed or partitioned value over $1.6 million. It's eliminated on homes assessed at $1.714 million in Metro Vancouver, Fraser Valley and Capital regional districts, and $1.754 million in a northern or rural area. Learn more.

2. Home Owner Grant for Seniors – an additional grant up to $275 for qualifying home owners age 65+. The total basic and additional grant amounts add up to $845 (or $1,045 in northern and rural areas). The grant is reduced by $5 for each $1,000 of assessed value over $1.6 million and eliminated on properties assessed at over $1.769 million ($1.809 million in northern and rural areas).
If any additional grant amount has been reduced or eliminated due to the $1.6 million threshold, property owners may be eligible for the low income grant supplement. Apply for the home owner grant and the low income grant supplement separately.

3. Home Owner Grant for Veterans – most veterans can apply for the home owner grant as a person under 65, a senior or a person with a disability. Veterans with an adjusted net income of $32,000 or less may qualify for the low income grant supplement. A surviving spouse of a veteran may qualify for a low-income grant supplement.

4. Home Owner Grant for People with Disabilities – home owners who are disabled or have a disabled spouse or relative living with them in a principal residence may qualify for this grant.

5. Grant for deceased home owner – a spouse, child, grandchild, parent, brother, sister of the estate of a property owner whose death occurred in the current year and who would have qualified for the home owner grant, can apply to receive the home owner grant for a property that is still registered in the name of a deceased owner or in the name of the executor or administrator of their estate, if you meet the qualification requirements.

6. Multiple Home Owner Grant – multiple Home Owner Grants can be claimed by the owner on eligible buildings or land. Eligible buildings must be one of the following:

- a housing co-operative building;
- a housing corporation building;
- a housing society building; or
- a provincially designated apartment building.

Eligible land must be a land co-operative or a multi-dwelling leased parcel. back to top
The owner of an eligible building, land co-operative, or multi-dwelling leased parcel must pass on the benefit of the grant to each eligible occupant. Read: Multiple Home Owner Grant.

7. Retroactive Home Owner Grant – For qualifying home owners, a retroactive grant may be approved for the previous year only. Home owners must:

- apply in writing for an extension on or after January 1 and before December 31 in the year following the year the owner didn't apply for the grant; and
- complete an application form with documentation supporting residency and providing reasons for missing the deadline.

The municipal tax collector, or in rural areas the Surveyor of Taxes, will forward the application to the Home Owner Grant Administration Office. If approved the HOG Administration Office will pay the grant. Complete this application to apply.
Claim the Home Owner Grant
Property owners eligible for the Home Owner Grant must:

- complete the application on the bottom of the property tax notice or online through the municipality's Electronic Home Owner Grant (eHOG) service (where available).
- sign it; and
- return it to the local municipality by the close of business on the tax payment deadline day.

If a property owner doesn't claim the Home Owner Grant or incorrectly completes the application or fails to claim the grant, the owner will pay a penalty, typically 5%, on the outstanding property tax balance. If there's still a balance owing on January 1 of 2018, daily *interest* may also be charged.

back to top

How to pay property taxes

Check the due date on your tax notice, complete the Home Owner Grant application, and then pay by:

- mail (must be received by the due date);
- at a financial institution;
- at city hall in person or use the city hall drop box;
- through a *mortgage*;
- by installments through the municipality;
- online at www.epost.ca (for municipalities subscribing to this service); or
- by using the municipality's own online payment system, if one is available.

Each municipality may have several ways to pay. Check with the property tax department to determine which is the most convenient for you. Make sure to understand the terms and conditions for each method.
No credit card payments
Municipalities don't take credit card payments for property tax and utility payments due to significant service charges from credit card companies.

back to top

Deferring taxes

Property owners may be eligible to defer taxes under the BC Property Tax Deferment Program, a low-interest loan program that lets qualifying property owners defer part, or all, of their property taxes on their principal residence.

There are two programs:

1. Regular deferment for property owners age 55 and older, surviving spouses, or persons with a disability.
2. Families with children deferment program.

A home owner with a mortgage can defer property taxes but must maintain a minimum of 25% *equity* in the property. All charges registered against the property (outstanding mortgage, credit lines) plus the deferred property tax can't amount to more than 75% of the assessed value.

The property owner must have current fire insurance on the home and all other buildings, otherwise equity will be based on the assessed value of the land only.

The Province will not accept deferment applications for properties on leased land.

Visit the BC Ministry of Finance Defer Your Taxes website for details.

ONTARIO - Westboro curling club between a rock and a hard place as property taxes triple

Members of an Ottawa curling club say they're concerned for its future after it was slapped with a property tax increase of more than 200 per cent.

A property assessment of the Granite Curling Club of West Ottawa made last year valued the Scott Street property at nearly $2.5 million, up from about $800,000 the last time it was assessed in 2012.

The latest assessment means the club's property taxes will jump from approximately $8,000 to nearly $25,000 per year.

Members say that's putting the non-profit club, which operates on a break-even basis, in a difficult position.

"We're caught between a curling rock and a hard place," said Geoff Wilson, the club's treasurer and longtime member.

The conundrum is keeping the club's volunteer executive busy this summer — normally the off season for curlers — as they try to figure out how to handle the increase.

Higher tax, higher fees

The tax increase means an unavoidable surge in member fees, according to past president Steve Hindle.

"There's not a whole lot of choice but for the executive to pass the increase on to the members," said Hindle. "The question is, are we going to lose members as a result? Will it cause them to look at other clubs?"

Hindle said the tax hike will result in a $35 increase in annual fees for each of the club's roughly 600 members.

The Municipal Property Assessment Corporation (MPAC) evaluates properties every four years. MPAC's assessments determine the municipal property taxes paid by property owners.

Board members suspect the Granite Curling Club's dramatic increase in value is due not only to rising home prices in Westboro, but also to the forthcoming light rail line.

"It's clear that the value of property in the Westboro area is escalating because we are directly across from what will be a brand new light rail transit station opening in 2023," said Wilson.

Request for reconsideration

The club has hired property tax specialist Glenn Lucas to file a request for reconsideration with MPAC, which has until November to respond.

Lucas believes the club has a strong case because of its uniqueness in the neighbourhood.

"Essentially, the assessment system doesn't take into consideration specific zoning issues with properties, and this one has a specific zoning issue. Which means it can't be developed the same way as other properties around it can be."

Lucas said it's possible the club is facing such a dramatic increase in assessed value because it's been overlooked.

"We have seen significant jumps in properties every assessment cycle. And quite often what it will mean is that a property, or an area, has been forgotten for a long period of time," he says.

Club members have also reached out to the city in the hope of finding some way to reduce their tax burden.

Wilson said most members will be able to afford this increase, but he's worried future assessments could jeopardize the club's future.

"We can handle this property tax increase at the present time," he said. "But we're nervous about further escalations."

ONTARIO - Property owner wants his tax bill reassessed by MPAC after 100% hike

Taxes for one 3-storey building went up from $22K in 2016 to about $42K in 2017.

Anyone who owns property in the city knows their taxes will likely increase each year, but no one expects a property tax hike of 100 per cent.

So you can imagine Jack Prattas's shock when he opened the 2017 property tax bills for a few buildings his family owns on Yonge Street.

"I've never seen anything like this before," said Prattas. "The massive tax increases are unprecedented."

Prattas's father and uncles purchased five buildings around Yonge Street and Wellesley Street in the 60s. Four of the five had their taxes double since 2016.

The three-storey building they own at 574 Yonge Street jumped from almost $22,000 in 2016 to about $42,000. The larger one next door that they also own went up from around $40,000 to $80,000.

"I understand that things are going up, and we love the city and we're going to pay more taxes. But you can't pay 100 per cent more all at once," said Prattas.

Could push small businesses out

The buildings are mostly rented out to small, independent businesses and eventually those tens of thousands of dollars will have to come from the tenants in the form of higher rents.

"How do you pass on a $20,000 or $40,000 tax increase to your tenants? I don't know how anyone can survive. It's just going to drive the little guy out," Prattas told CBC Toronto.

The Downtown Yonge BIA says the soaring tax bills could result in more vacant storefronts.

'Who the hell is going to pay that?': Longtime Beach business owner blasts rising commercial rents

High commercial rents stripping Queen Street West of its 'heart,' merchants warn

"The mom-and-pop shops will have to move if they can't sell more goods to cover the costs," said Mark Garner, the the BIA's chief operating officer.

And neighbourhoods will transform, says Garner, as proprietors will opt for larger businesses to offset the expense.

"You'll end up with a lot more banks, Shoppers Drug Marts or Rexalls versus the small independent coffee shop."

Property assessments aren't always equal

Part of the reason property taxes have gone up, is the real estate boom Toronto experienced over the last year, and Garner says that's also complicating the situation for small businesses.

In Toronto, the property tax for a commercial space is determined by the building's current assessed value and then multiplied by about 2.5 per cent.

When nearby homes are selling for tens of thousands of dollars over asking, prices for all types of properties in the area go up. So when the Municipal Property Assessment Corporation (MPAC), the not-for-profit corporation that assesses and classifies all properties in Ontario, comes around to rate a property it bases its value on what buildings sold in the area and for what price.

CBC Toronto asked MPAC about Prattas's Yonge Street buildings and in an email MPAC said it "assesses all properties using industry standard appraisal methods" and that "every property owner has the option to file a Request for Reconsideration with MPAC for free if they do not agree with their assessment."

But Garner says MPAC's method is flawed because the corporation looks at the highest and best use for a property along with what your neighbouring property sold for.

"Obviously, the highest and best use for property in Toronto is tall towers and condos coming in. If a tower can be at Yonge and Gerrard for example, then they automatically assume that the opposite side of the street can be a condo tower as well, and then the taxation is based on that."

'The value of the property isn't going to help us pay the taxes'

That means if the developer paid, say, $700 per square foot for the neighbouring property, MPAC assumes that you can get the same for your property.

That's not always the case, says Garner.

"You might be able to have a condo tower at Yonge and Gerrard but the person who owns the building two doors down, cannot put a tower on there as well because there is various different policies within the city that prevent condos from going up side by side."

The city says that the "properties in question on Yonge Street have all experienced above-average CVA [Current Value Assessment] increases as a result of the re-assessment."

But Prattas says that's cold comfort.

"The value of the property isn't going to help us pay the taxes," he said, explaining that one of his family's buildings has tripled in value.

He says he plans on contacting MPAC to get his property reassessed.

New Brunswick property tax system inflated home values by combined $52M, records show

New pictometry system was 36 times more likely to overestimate homeowners' tax bills than underestimate

New Brunswick's new property assessment system was so error-prone this year it routinely misjudged house values by wide margins and was 36 times more likely to overestimate homeowners' tax bills than underestimate them, according to internal government records obtained by CBC News.

The Gallant government suggested this week a new pictometry assessment system pressed into use two years ahead of schedule by Service New Brunswick is not to blame for the province's ongoing property tax scandal.

But government records show provincial assessors dispatched around the province this spring to visually reinspect houses assessed by the new system that were not originally double-checked by department officials found only 269 out of 1,868 had been valued properly.

By contrast, the vast majority, 1,556 homes, were found to be overvalued by a combined $52.2 million. The remaining 43 homes were found to be undervalued by $1.2 million.

Brian Lynch owns one of the properties assessors visited this spring to recheck the value given to it by the new assessment system.

Originally, the assessment on Lynch's Beach Road home in Saint John jumped $85,400 in March, but the review found 91 per cent of the increase to be unjustified.

He's satisfied with that finding but wants to know why the first assessment was so high.

"When we got the original one, it certainly didn't make any sense," said Lynch.

"I'd be interested to find out what it was that caused these values to be inflated so much."

Off by average 14%

Lynch's property is one of five on Beach Road with large assessment increases imposed by the new system that were later reviewed and undone by a human assessor.

Assessment officials who reviewed the 1,868 homes found valuations were off by an average of 14 per cent per home — mostly too high — which wrongly inflated owners' tax bills.

Findings of 1,868 residential assessment reinspections

Assessment	Number	Amount
Too high	1,556	$52.2 milion
Too low	43	$1.2 million
Accurate	269	$0

On Monday, Local Government Minister Serge Rousselle cautioned against questioning the reliability of the province's new desk top pictometry assessment system since the cases that have been reviewed had not been properly double- checked last winter.

"With all due respect I should remind you that the pictometry system, there is computer work and there was quality control," said Rousselle.

"I think we should be careful because for these 2,000 or so cases, the quality control was not done."

The visual re-inspection of properties was launched by the province after CBC News uncovered widespread errors with both assessments and taxes, including an arbitrary formula being applied in 2,048 of the bills issued in March.

The premier's office has denied any role in pushing to accelerate the adoption of a new assessment system that eventually caused a number of the problems, though Service New Brunswick documents obtained by CBC News claimed the premier himself requested it.

The controversy has caused more than 16,000 property owners to contest their tax bill this year.

ONTARIO - City's vacancy tax breaks getting a public airing

City residents and business owners can have their say Tuesday on whether Brockville should continue to give tax breaks to owners of vacant business properties.

City council will hold a public meeting on vacancy rebates on Tuesday, June 6 at 6 p.m. in the main council chamber.

The move comes as council recently reversed its position - at least in part - on the issue.

The Ontario government's vacancy rebate program provides tax rebates to property owners with vacant commercial or industrial land.

Council recently backed the recommendation of its finance, administration and operations committee to look into the idea after a pitch from Meg Plooy, executive director of the Downtown Brockville Business Improvement Area (DBIA).

The move was a reversal, since in March, the finance committee refused to discuss a recommendation to opt out of vacancy rebates, an option the province is now allowing.

In changing course, some councillors made it clear they approved the recommendation not because they support eliminating rebates, but rather because they want a discussion on the issue.

Proponents of the move say taxing vacant properties in full will push their owners to find tenants for them.

The city currently gives property owners a tax rebate of 30 per cent of their property taxes for vacancies in commercial buildings and 35 per cent for vacant industrial units.

Meanwhile, "vacant and excess land" is currently discounted at 30 to 35 per cent of the commercial or industrial tax rate.

City corporate services director David Dick has said vacancy rebates have cost the city an average of $242,000 a year over the past six years.

A report to council by Dick and other finance officials suggests four potential options for the vacancy rebate program: Eliminating it altogether next year; phasing it out by reducing the percentage of the rebate until it hits zero in 2019; limiting the rebate program to a geographic area and/or specific tax class; or keeping the rebate but at a reduced percentage.

Dick has suggested part of the public meeting should be in closed session so members can discuss specific properties.

Mayor David Henderson said Friday he now believes the city is leaning toward eliminating vacancy rebates.

"We're getting more and more feedback from other communities," said the mayor.

Some of that feedback, added Henderson, has come from fellow members of the Eastern Ontario Mayors' Committee.

"Just about everybody's moving to dump it," he said.

In part, that's because the Municipal Property Assessment Corporation already takes vacancy into account, even retroactively, when it reassesses properties'value, added Henderson.

"As soon as a business is empty, they get reassessed. They get a discount anyways," he said.

Plooy said Friday the DBIA has continued lobbying councillors on the issue and pressing members to attend Tuesday's meeting.

"I'm very hopeful about the outcome," she said.

ONTARIO - Rising commercial property taxes put small-business owners in a bind

Andrew Feenstra moved his bike store, Cyclesmith, in late 2014, following a redevelopment of the Halifax building the shop had been in for decades. Rather than close during the building's construction, Mr. Feenstra moved, signing a 15-year lease and renovating a building on Agricola Street, an up-and-coming area in the city's north end.

With a long-term tenant in place and improvements to the building, the assessed value of the property climbed. Mr. Feenstra's 2016 property-tax bill, passed on to him from his landlord, jumped 39 per cent, adding about $12,000 to the $30,000 bill he says he paid the previous year.

"That's two full-time jobs for summer students that I can't hire now," Mr. Feenstra says. "Why would I want to fix up the building if the city is going to punish me for that?"

Across the country, small business owners face similar conundrums, driven by the non-residential property tax system. While municipalities rely on the taxes as a key revenue source, many entrepreneurs say the system is unpredictable and unfair. The expense is causing small businesses to relocate, reconsider expansions and, in some instances, shutter.

John Kiru is the executive director of the Toronto Association of Business Improvement Areas (BIAs), which represents more than 40,000 local businesses. "Property taxes are the most frequently referred-to cost that a business incurs that is a challenge to them," he says.

In Toronto, the commercial property tax rate is 2.5 times the residential rate for the first $1-million in assessed value of a property. In many other parts of the country, non-residential property owners pay an even higher tax rate. But Mr. Kiru says the system still leaves Toronto business owners feeling like they're paying a disproportionate amount, as neighbouring municipalities boast commercial tax rates just 1.5 times the residential tax.

In Toronto and Vancouver, the soaring residential real-estate market is also complicating matters. A tax bill is a function of a tax rate multiplied by a property's assessed value, and assessed values in commercial areas are rising, thanks to skyrocketing residential real-estate prices in those cities. If a property's assessed value increases at a higher rate than the city's average change in property values, the taxes for that property will increase.

The process for assessing a commercial property's value varies across the country. Some municipalities, including Toronto and Vancouver, base commercial assessments on a property's best potential use, as opposed to actual use.

"In many cases the highest and best use is [the same as] the current use, so there's not really an issue," says Adam Found, metropolitan policy fellow with the C.D. Howe Institute, who has studied property taxes. "But in some cases, the highest and best use is not the current use, so you can end up with a property liable for a tax bill that doesn't reflect the income stream the property is earning."

The situation means businesses in small buildings can end up paying more per square foot in property taxes than those in high-rises. "We can't for much longer operate on a highest-and-best-use assessment methodology," Mr. Kiru says.

Vancouver small business owners are being hit with a "wickedly unfair double whammy" in how they are valued and taxed, says Paul Sullivan, partner at the property-tax consultancy Burgess Cawley Sullivan & Associates.

Mr. Sullivan is working with two City of Vancouver councillors and the Urban Development Institute, where he chairs the property tax committee, to find a solution with the province, by rewriting legislation on how small businesses are taxed.

"It's a complicated problem, because it involves valuation, taxation and politics, and it takes a lot of analysis to understand the impacts," he says.

Changes to main street

For Craig Gibbs, owner of FastSigns Scarborough, a signs and graphics franchise, high property taxes were a big driver in his decision to move his business and its 10 employees in January.

Mr. Gibbs says he was initially drawn to Kennedy Road because of its great location. He operated on Kennedy for a decade, moving storefronts once, but over time the lease and accompanying property tax were becoming cost-prohibitive. Mr. Gibbs recently bought a commercial condo on Morningside Avenue in Scarborough.

"The new space is a little larger, about 20 per cent, and the property taxes are half of what I was paying [on Kennedy Road]," he says.

Chris Rickett, manager of entrepreneurship services at the City of Toronto, led a committee that identified challenges faced by small businesses, such as FastSigns, over property taxes, and published a report on the topic in 2015.

The group settled on issues such as the disparity between residential and commercial property tax rates and the commercial property assessment levels in rapidly developing areas.

These issues are leading to change on Toronto's main streets, Mr. Rickett says, as independent retailers can't survive and restaurants, bars and chain stores take over.

"Part of the challenge is our main street retail has changed so much over the last 30 years," he says. These avenues were once populated by business owners who lived above their stores and owned the building. Now, many small business owners lease space.

"Under the older model, you could absorb the tax increase much more because you had the asset. Now it's all just operating costs," he says. "You don't get the upside of the increase in [real estate] value because you're just the guy renting the store."

A pilot project in Toronto

Peter Sanagan, owner of Sanagan's Meat Locker in Toronto's Kensington Market, worries the burden of high property taxes is a barrier to new entrepreneurs.

"There's a need for these small businesses, these mom-and-pop shops, to not just have the existing ones survive, but also make it a good environment for entrepreneurs," he says.

After Mr. Sanagan saw his own property tax bill rise and watched neighbouring food vendors close, he and others involved in the Kensington Market BIA brought the issue to city councillor Joe Cressy.

That led Mr. Cressy to put forward a motion, adopted by council, for a pilot project that would examine new tax classes or financial relief in the form of tax adjustments for raw food vendors, grocers and other small retail businesses in Kensington Market.

"A key element and characteristic of Kensington has been the small-business market character, and we don't want to lose that," Mr. Cressy says.

Ted Mallett, vice-president and chief economist at the Canadian Federation of Independent Business, says property taxes can also limit the growth of a small business.

"Most businesses are actually home-based, and they start out of basements or third bedrooms of houses. If they get large enough, it can make sense to move into a fully functioning non-residential office space, but there's a very high cost to doing that," he says.

Dawn Lennie encountered tax burdens when she opened Legend Distilling, a B.C. craft distillery, with her husband in July of 2014. The entrepreneurs purchased an empty commercial building in their small community of Naramata, B.C., north of Penticton. They transformed the structure, which was previously used as a doctor's office, into a distillery and tasting room.

"We knew what the taxes were when we looked at the property. They were high, we felt, but we knew what they were," she says.

Her first tax assessment, which came before the new business had opened, showed a $1,000 increase. "It felt like for revitalizing this property and turning it into a viable business, here's a nice big tax increase to go along with it," Ms. Lennie says. "We hadn't even made a sale yet."

A rocky experience in Calgary

In recession-weary Calgary, some small business owners, operating mainly in the suburbs, were set to face dramatic increases in property taxes until the city stepped in.

Under the city's "revenue neutral" scheme, property tax bills increase or decrease based on how a property's assessment changes relative to the average. A struggling economy has led to high vacancies in the city's core, dropping assessed values by $4-billion. In turn, the redistribution of taxes saw mostly suburban business owners facing significant increases in their assessments.

The challenge led the city to announce a one-time $45-million tax relief fund to limit the assessment increases to a maximum of 5 per cent.

"Because it is a tax on an asset, through no fault of anyone's own, a company could have been facing a 15-, 20-, 30-per-cent increase in their property taxes, at a time when their business might be suffering quite substantially from a revenue standpoint," says Adam Legge, president and chief executive officer of the Calgary Chamber of Commerce.

"It's a flaw of the system," he said. "Suburbs were penalized simply because downtown lost occupancy."

While he's pleased with the short-term solution, Mr. Legge says the challenges in Calgary raise larger questions: "I think it speaks to the need to really address how we finance our cities, and the structure of that in Canada."

Jim Wright, owner of the Calgary tire shop Wheel Pro's, worries that increases to assessments – even if they're capped at 5 per cent – will be the final straw for some businesses, many of which continue to feel the ripple effects of an oil slowdown. Mr. Wright says he saw six of his commercial customers close their doors last year.

"As far as I'm concerned, if it's even a nickel above last year, it's totally unacceptable in this economy," Mr. Wright says.

Multiple tax rates is a start

Back in Halifax, the city is also grappling with how to better tax businesses. The current system has negative consequences on small businesses in the urban core, which are paying more in commercial property tax relative to the size of their business and cost to service, says Patricia Cuttell Busby, executive director of the North End Business Association.

"It's counterintuitive to the types of things we talk about from a planning perspective," Ms. Cuttell says.

Alongside other business improvement districts, Ms. Cuttell has been lobbying for years for commercial tax reform. Last November, following a request the previous year from Halifax Regional Municipality, the province made legislative changes to allow more flexibility on municipal property taxation, including allowing council to set multiple commercial tax rates and introduce tiered tax rates.

The municipality is deciding how to move forward, says Andre MacNeil, senior financial consultant at Halifax Regional Municipality.

"When we're talking about property tax, it really is a blunt tool. We can't get into the fine grain very easily with the tools we have had," Mr. MacNeil says.

In the meantime, Mr. Feenstra, of Cyclesmith, and other business owners are left waiting. Mr. Feenstra expects about a 10-per-cent increase to his property tax bill this year. He's planning to appeal the assessment, but he worries the process could be timely and costly.

"Where am I going to get this extra money I didn't plan for?" he asks. "It becomes quite a crunch."

How to appeal your commercial property tax bill

While a sudden rise in a property tax bill can sting a small business, many entrepreneurs are reluctant to invest time or money into appealing their assessments.

Business owners who think their assessment is unfair or inaccurate need to consider first how it was calculated, says Chris Jobe, manager of the property tax division at the real-estate consulting firm Turner Drake & Partners Ltd. in Halifax.

"Be prepared. Just saying your value is too high is not enough to get it reduced," he says. "You have to back it up with some information."

Some municipalities make that information, such as assessment calculations and sale prices, easy to obtain, he says, while others require a request for information from an assessment department.

"If you are concerned, or even if you're not, it's always good to make yourself aware of how you're valued and get a better understanding, because it's your property," Mr. Jobe says.

Paul Sullivan, of the Vancouver-based property-tax consultancy Burgess Cawley Sullivan & Associates, says tenants and owners should understand their taxes before a long-term lease is signed. The tax system is complex, Mr. Sullivan says, and business owners might not comprehend the burden they could face.

Mr. Jobe has filed property tax appeals for businesses across the country. Details vary by province, he says, but typically the process is outlined clearly on the tax assessment notice a property owner receives.

Taxpayers generally have a window of time to ask for a reassessment, and, in some provinces, a cost to filing a formal complaint. Business owners can do it themselves or hire outside help.

If property owners decide to file a formal complaint, or have someone do so on their behalf, the next step is typically preparing and submitting evidence as to why they feel their property should be reassessed. In some provinces, a hearing will occur before a decision is determined.

The arguments a city will accept in lowering a bill vary, but Mr. Jobe says successful appeals typically involve proving a property has been overvalued in its assessment.

While the appeal process can extend beyond the deadline for paying property taxes, business owners are typically still on the hook for paying upfront, then waiting for a potential refund.

NEW BRUNSWICK - Auditor general takes over review of tax mess after former judge backs out

Kim MacPherson raised 'independence' concerns about retired judge's investigation of property tax scandal

New Brunswick's auditor general says she's now overseeing a review of the province's property assessment fiasco after she raised concerns about a retired judge's possible "lack of independence."

Kim MacPherson will examine how Service New Brunswick badly miscalculated thousands of assessments this year, errors that led to shockingly large tax hikes for many of those property owners.

MacPherson had decided to audit the numbers at the same time retired justice Joseph Robertson was conducting his review. Robertson was appointed by the province in April to produce a report on the situation.

MacPherson told CBC News that she told provincial officials May 9 that there was "an issue of independence" because Robertson was chosen by the Executive Council Office, which reports to Premier Brian Gallant.
Gallant's own office has been implicated in the assessment fiasco.

"I have to say I do have utmost respect for Justice Robertson, his credentials and his experience," MacPherson said.

"But the point was that when you are engaged by, and are expected to report directly to the Executive Council Office, or the premier and his cabinet, there can be a perception of a lack of independence. That was the discussion."

MacPherson is an arm's-length officer of the legislature and her reports are tabled there publicly, not delivered to the government.

"For someone to be independent, you have to be independent in fact and independent in appearance," MacPherson said. "It was the 'independent in appearance' issue that I felt was appropriate for me to raise."

Premier Brian Gallant appointed Robertson to review the property tax scandal after CBC News uncovered widespread errors with both assessments and taxes, including an arbitrary formula being applied in 2,048 of the bills issued in March.

The premier's office has denied any role in pushing to accelerate the adoption of a new assessment system that eventually caused a number of problems, though Service New Brunswick documents obtained by CBC News suggest the premier himself requested it.

The government plans to turn property assessments over to an independent agency.

After MacPherson told officials May 9 that she was doing her own audit, the province suggested that she and Robertson pursue their respective work and share information if they wanted.

But Robertson said in a May 29 letter that he worried he and the auditor general would issue "conflicting findings and recommendations" and that her audit might jeopardize the promise he made to Service New Brunswick to keep their information confidential.

"In these circumstances, I concluded that I had no alternative but to discontinue my review," he wrote.

Robertson's review was due in mid-August, around the same time MacPherson normally delivers her audit of the province's financial statements for the past fiscal year.

MacPherson's review of the assessment fiasco is due by the end of November.

She looks at property tax revenue every year as part of her regular financial audit because the province collects about $1 billion of it annually. This year she decided to take "additional measures" on that because of the assessment errors.

Attorney General Serge Rousselle said Monday that Robertson had "the full capacity to do his review independently" but said the province respected his decision.

Under Section 12 of the Auditor General Act, MacPherson can issue subpoenas for potential witnesses and documents. She said Monday she doesn't think she'll need to do that, "but I have not started the work yet."

Rousselle was put on the spot Monday about how much Robertson will be paid.

"He will be paid for the work he has done," Rousselle said.

The government said late Monday the cost would be between $150,000 and $175,000.

The government will also pay for MacPherson's review, officials said.

Robertson's preliminary work will be transferred to MacPherson so "what he has done is not lost."

Rousselle defended the delay in sorting out the potential duplication by saying the government was respecting MacPherson's independence.

"We didn't know the auditor general was going to do that kind of work," he said. "It's her decision."

He didn't say why provincial officials didn't check with MacPherson earlier, which might have saved taxpayers some of the cost of Robertson's work.

"It is what it is," Rousselle said. "It is a situation we didn't foresee but we are making the best of it. I'm not saying it's an ideal situation. I'm saying it is what it is."

New Brunswick auditor general to complete property assessment review

The following statement was issued yesterday by New Brunswick Attorney General Serge Rousselle:

As a government, we are taking the necessary steps to ensure public confidence is restored in the property tax assessment process. Since 2011, there have been thousands of errors and we are committed to getting to the bottom of it to ensure the public gets a clear explanation of what happened. It is important for all New Brunswickers to be confident in the quality, accuracy and transparency of the property tax assessment process.

Our goal remains ensuring that the public gets a clear explanation of what happened and steps that can be taken to fix this issue going forward.

Attorney General Serge Rousselle

On April 3, the provincial government announced that former justice of the Court of Appeal Joseph Robertson had agreed to undertake a review of New Brunswick's property tax assessment system. Since that time, the following developments have occurred:

– On May 9, the provincial audit committee met with the auditor general, who advised the government she intended to examine property assessment procedures as part of her annual review of the government’s financial statements.

– On May 19, Auditor General Kim MacPherson informed the former justice of her office’s intention to audit revenues derived from property tax assessment.

– On May 23, the former justice met with MacPherson to discuss the matter.

– On May 29, the former justice informed the government he would discontinue his review, citing the potential for overlap between the two reviews.

– On June 4, cabinet issued a request under section 12 of the Auditor General Act for a review of the New Brunswick property tax assessment system. The auditor general has been asked to conduct a review with the same scope and mandate as the review begun under former justice Robertson. That is, the auditor general's review will focus on facts and circumstances related to inaccuracies and possible errors in Service New Brunswick's calculation of real property tax assessment values for the taxation years 2011 through 2017.

When informed of former justice Robertson's decision to discontinue his review, the government did encourage him to continue. However, we respect his decision and thank him for his service. We fully welcome the review of the auditor general, a statutory and independent officer of the legislative assembly.

Former justice Robertson will provide information and transitional notes to the auditor general in order to assist in a smooth transition.

A copy of former justice Robertson’s letter advising the provincial government that he would be discontinuing his review is available online.

Our goal remains ensuring that the public gets a clear explanation of what happened and steps that can be taken to fix this issue going forward. It is clear there is a need to review what went wrong, while ensuring lessons are learned to restore public confidence in the property assessment process.

The provincial government will fully co-operate with the auditor general’s review, ensuring her office has sufficient resources and access to individuals and records deemed necessary to complete this review.

The government remains committed to bringing forward changes to the property tax assessment system in a timely way. To that end, we have requested that the auditor general complete her review no later than Nov. 30 in order to enable system improvements prior to the 2018-19 property taxation cycle. As with former justice Robertson's review, the government will generally not comment while the review is ongoing out of respect for the independent review process.

Our government continues to work towards addressing issues with the property tax assessment system with recent steps, including visually re-inspecting properties and issuing revised bills; extending the request-for-review deadline to Aug. 1; ordering a comprehensive independent review of the property tax assessment system; and committing to create an agency independent of the provincial government to oversee property assessment.

RCMP headquarters centre of new tax squabble between Halifax and Ottawa

Halifax says it is being low-balled on property tax federal government pays on Burnside site

There's another tax dispute brewing between Halifax and the federal government, this time over the value of the RCMP headquarters in Burnside Industrial Park.

Ottawa has paid a total of $4.8 million in payments in lieu of taxes for the 2014, 2015 and 2016 tax years. Now the city claims it is being low-balled.

"We are in a bit of a disagreement over what the market value of that building is," said Brendan Elliott, a spokesman for Halifax Regional Municipality.

"The federal government has been paying taxes based on what they think it's worth."

An RCMP release issued when the headquarters opened described it as a $113-million project. The 250,000-square-foot building, which holds 512 people, sits on a 6.5-hectare site on Garland Street in Burnside.

In 2015, Property Valuation Services Corporation assessed the RCMP headquarters at $71,175,400.

That assessment changed in 2016, dropping to $60,301,500.

The city has hired Colliers International, a real estate tax services consultant, to do an independent evaluation of the property.

"They're doing their work now, they have until the end of June. Once we have that figure, it will dictate what path we take next," Elliott said.

Halifax won previous tax dispute

This is not the first high-profile tax squabble between Halifax and Ottawa.

It took 18 years for the sides to come to an agreement over the value of Citadel Hill, even after a dispute resolution tribunal ruled in the municipality's favor.

In 2016, Halifax received $20 million in owed taxes after Citadel Hill was determined to be worth $41.2 million.

At one point, federal officials argued the land was only worth $10.