

## **RATE PAYER LETTER 2021**

### **Taxes**

The RM of Pleasantdale No. 398 raises most of our revenue through property taxes. The information below is for reference only and some is pulled directly from the provincial government's website.

“Your council is elected to make decisions that they consider appropriate and in the best interests of the municipality. These decisions may be based, in part, on your expectation as well as those of other citizens, and in part, on the judgment of the member. Tax policy, whether the municipality chooses the ad valorem method of taxation or to utilize one or more of the available tax tools is almost certain to generate discussion. Questions regarding the tax policy in your municipality should be directed to your reeve, and members of Council”

Government of Saskatchewan

### **Assessment Based Taxation**

Tax calculation can be very complicated and is based on numerous factors. To begin with, taxes are based on the *taxable portion* of your property's assessed value. Property assessments are performed by SAMA. Please review the section on assessments for more information.

### **How does the RM choose Tax rates?**

A municipality must first pass a budget before they set their tax rates. *Why is this?* First they have to decide what core services they intend to provide, and review what the costs of those services are. Additional costs for capital upgrades, etc. are then added to the budget.

Council then reviews where the revenue to cover the budgeted expenses will be coming from, sometimes reducing expense line to reduce the revenue required.

Revenues can come from many additional sources such as:

- Municipal reserves (often these are dedicated reserves for things like infrastructure upgrades or capital purchases).
- The federal and provincial governments (in form of grants-in-lieu of taxes and revenue sharing).
- Other forms of revenue such as rent/lease agreements, Road Maintenance Agreements, grants, custom work, etc.

Because a large portion of municipal revenue to pay for expenses comes from the other levels of government, the RM will generally wait until the federal and provincial budgets have been released before it finalizes its own budget. If a large change to the anticipated amounts we will receive occurs in a provincial or federal budget, it will directly affect our budget. Council must decide whether to reduce expenses (and often services) in that year, increase funds pulled from reserves or increase the tax rate to cover the difference.

## How are taxes calculated?

Initial property taxes are calculated using the *ad valorem* basis of taxation meaning that your property taxes increase proportionately with the *value of your property*.

This is the taxable portion of your assessment multiplied by the mill rate divided by 1000. Tax Tools may then be used to redistribute the cost of public services within the tax base. Council may adjust taxes using these tools for properties based on whether they are residential, agricultural or commercial/industrial, and also depends on whether you have land or land with an improvement (home, garage, etc.) on it. Tax tools may only be applied to municipal property taxes, not education taxes.

**293 Exemptions** - you may qualify for an exemption to **reduce all or a portion of the taxable assessment on your principal dwelling**, as per section 293 of The Municipalities Act. An affidavit must be submitted as part of your qualification requirements.

## Education Property Taxes

Your tax bill will include both municipal and school taxes. The education (school) portions of your taxes are set by the province. The municipality does not make adjustments to the school portion of your taxes as these are legislated by the province.

North East School Division	
Agriculture Property	1.36 mills
Residential Property	4.46 mills
Commercial/Industrial	6.75 mills

There may also be other levies set by SMHI (premiums) or ST. Peters C & D Area Authority could affect the total amount of your tax bill.

## What are Tax Tools?

Municipalities have three tools available to them that can be used individually or in various combinations: Mill Rate Factors, Minimum Tax, and Base Tax; the RM of Pleasantdale No. 398 uses a combination of minimum tax and mill rate factors.

*Mill Rate Factors:* A municipality may use mill rate factors to transfer some of the cost of public services from one property classification to another. All property in a municipality is classified as agricultural, residential or commercial/industrial. Mill rate factors essentially adjust the mill rate, with the result that the effect mill rate for a specific property classification may be higher or lower than other property classes.

*Minimum Tax:* A minimum tax may be established to increase the amount of taxation revenue generated from lower assessed properties within one or more property classes. Minimum tax will generally be a specified value or amount. This tax policy will reduce the overall mill rate which will benefit properties with higher assessed values and reduce the gap of tax burden between the lower assessed and higher assessed properties.

## 2021 Mill Rate

General Municipal	8 mills
Mill Rate Factor	1 mills Agriculture 1.15 mills Residential 2.20 mills Commercial/Industrial

In accordance to Section 289 of *The Municipalities Act* a Minimum Tax shall be applied as follows:

<u>Class</u>	<u>Minimum Tax</u>
Agricultural Land	\$100.00
Residential Land	\$100.00
Commercial Land	\$100.00
Residential Improvements	\$600.00

**AD VELORUM CALCULATION:** (Taxable assessment x mill rate/1000) x Mill Rate Factor

**COMPARISON:** The above ad velorum calculated tax rate is then compared to the Minimum Tax Rate. The property is then levied either the Calculated Ad Velorum tax rate OR the Minimum Tax rate whichever is higher.

**ADDITIONS:** Any school taxes, SMHI premiums or ST. Peter C & D Area Authority are added on top of the applied tax rate.

**AGRICULTURAL EXAMPLE:** Calculated Tax Applies (arable land is 55% taxable assessment, non-arable land is 45% taxable assessment)

- **AG property** with assessment of land only (taxable portion only is 97,515).  
Ad Velorum Calculation: \$781.00
  - Taxable Assessment x Mill Rate/1000 x Mill Rate Factor
  - $(97,515 \times 8/1000) \times 1 = \$781.00$
  - **293 exemption** (improvement value 98,000.000)( less exemption value 46,0000 leaves 52,000 taxable x Mill Rate/1000 x mill rate factor) = improvement value + taxable land value
  - $(98,000 - 46,000 = 52,000 \times 8/1000 \times 1.15) = \$479.00 = \$781.00 = \$1,260.00$
  - The Minimum Tax for Agricultural property with land only is \$100.00

**RESIDENTIAL EXAMPLE:** Calculated Tax Applies (residential is 80% of taxable assessment) and if land is over 3 acres it is considered to be taxed at AG taxable values)

- **A residential property assessment** (taxable portion only is \$150,000 (property with improvement (house, garage, etc.)). Ad Velorum Calculation: \$1,380.00
  - (Taxable Assessment x Mill Rate/1000 x Mill Rate Factor)
  - $(\$150,000 \times 8/1000) \times 1.15 = \$1,380.00$

- **A residential Minimum Tax** A residential property assessment (taxable portion only) is 85,000 (property with improvement (house, garage, etc.)).  
Ad Velorum Calculation is \$782.00.
  - Taxable assessment x Mill Rate/ 1000) x Mill Rate Factor
  - $(85,000 \times 8/1000) \times 1.15 = \$782.00$
  - The Minimum Tax for residential property with improvement is \$600.00 OR without improvement is \$100.00.
  - Amount levied: \$782.00 (since the minimum tax is higher than the calculated tax, the minimum tax is applied)

**COMMERCIAL EXAMPLE: Calculated Tax Applies (100% of taxable assessment)**

- **A commercial property** with an assessed value (taxable portion only) is \$181,700 (property with Improvement (shop or building)) Ad Velorum Calculation: \$3199.00
  - $(\text{Taxable Assessment} \times \text{Mill Rate} / 1000) \times \text{Mill Rate Factor}$
  - $(181,700 \times 8/1000) \times 2.2 = \$3199.00$
  - The Minimum Tax for Commercial property with land only is \$100.00

Policing Levy .....	49.00
Library Levy .....	17.00
React Levy .....	26.00
911 Fees .....	2.00
SAMA .....	26.00
New React Site @ Leroy .....	31.00
Fire protection for Naicam/Tisdale/Melfort .....	26.00
SARM .....	5.00
Insurance .....	21.00
Quill Lake Membership .....	16.00
Carrot River Watershed .....	2.00
Melfort Wellness Centre .....	5.00
Melfort Heli-pad .....	11.00
Community Grant .....	34.00
Beaver Bounty .....	8.00
Pest Control Officer .....	29.00
Weed Control .....	22.00
<b>TOTAL</b>	<b>330.00 per capita</b>
Grading .....	200.00/hr