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September 29, 2012

Higher property assessment doesn't necessarily mean higher taxes

Ontario property owners may soon be in for a shock when they receive their new property assessment notice, but it doesn't necessarily mean their taxes are going up.

Sometime this fall, all Ontario property owners are scheduled to receive notice of their 2012 assessed values from the Municipal Property Assessment Corp. (MPAC). In some areas of the province, the average valuations will show an increase of as much as 29 per cent over 2008, but that does not mean that property taxes will automatically increase.

This year's assessment update is the second in Ontario's new four-year assessment and phase-in cycle.

The typical assessment notice will show any change in value between the last assessment date of Jan. 1, 2008, and the new date, Jan. 1, 2012. On average, sale prices for residential properties province-wide have risen 17 per cent between those two dates, but in Toronto the jump is 23 per cent, in the region of York the figure is 28 per cent, and the bump in Halton and Peel is 22 per cent. The districts of Cochrane and Timiskaming hold the record average jump at 29 per cent and Windsor is the lowest with no increase.

Larry Hummel is MPAC's chief assessor. In a recent announcement he stated, "Property owners should remember that an increase in assessment does not necessarily mean an increase in property taxes. It all depends on a number of factors including the amount of revenue required by your municipality or taxing authority to deliver services."

Municipal taxes are calculated by multiplying a property's assessment by the municipal mill rate. In Toronto, the mill rate for single-family residential homes is .7711981 per cent. Applying this figure to a house assessed in 2008 at $500,000 would result in annual property taxes of $3,855.99.

If the value of that house increases to $615,000 as a result of the 2012 reassessment, the mill rate would drop by 23 per cent if the city budget remained neutral. Taxes would only increase by the percentage approved by city council.

In order to arrive at the 2012 property valuations, MPAC has used reported sale prices of arm's-length market transactions between a willing seller and willing buyer. Where a property has not been sold, the current value is what MPAC believes is the most probable sale price based on an analysis of all sales transactions in the local market.

To help provide a measure of tax stability, the Ontario government has introduced a phase-in program where market increases in assessed values between 2008 and 2012 will be phased in over four years, from 2013 to 2016. The full benefit of any decrease will be applied immediately, in 2013.

Here's how it works: if all residential property in a municipality has increased by 16 per cent since 2008 and the assessed value of one home has increased by 20 per cent over the same period, then the homeowner may pay four per cent more than the average property tax being paid in that area. With the phase-in program, the assessment-related property tax increase in this example would be phased in at 1 per cent a year over four years.

Inevitably, many homeowners will object to the new valuation for their homes. They are welcome to contact MPAC to discuss their assessment and they will be allowed to obtain information on up to 24 additional properties of their own choice and up to six selected by MPAC.

If the owner is still dissatisfied, he or she can file a Request for Reconsideration (RFR) without charge, prior to March 31 of the tax year, starting in 2013. Owners can also file an appeal with the Assessment Review Board (ARB), an independent tribunal of the Ontario government.

At the ARB hearing, the onus is on MPAC to prove the accuracy of the assessed value and the homeowners will have an opportunity to provide other evidence disputing MPAC's position.

Homes and condominiums built between 2008 and 2012 will be assessed on the purchase prices excluding the harmonized sales tax.

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