



'Tis the Season to Check Your Assessment Notices

By John Clark, AACI, FRICS

I always say taxation is the price of freedom. By the same token, no single property owner should pay more than their fair share.

Why am I reaffirming these points in December?

We may be only half-way through the current assessment cycle in Ontario, but the Municipal Property Assessment Corp. (MPAC) has been sending out a lot of notices for property changes recently, still using the base date of 2016. It's in your best interests to review these mid-cycle notices to ensure nothing raises a red flag.

Why?

We recently settled a matter in which the zoning of a property was reinterpreted, resulting in an

assessment reduction of more than *90 per cent*. No assessment should be taken at face value but must always be gauged for reasonableness.

MPAC has the Herculean task of valuing just under six million properties across Ontario. Property owners need to participate in creating tax fairness by making sure their values fall within a range of reasonableness with other properties comparable to theirs.

The next assessment cycle for 2021 to 2024 is already gearing up, with a January 2019 base date. I advise property owners to start keeping records in the new year about market indicators which might have a bearing on the assessed value of their properties.

Examples from my client files

An industrial building sits on about 2.4 acres. The assessment increased from \$10.9 million to \$23.6 million between 2014 and 2018. We'll see what happens in 2019.

It is important to recognize that with rising assessments, this particular city has decreased tax rates substantially, so an increase in assessment does not mean an increase in tax for this property.

In fact, one of my properties in British Columbia showed an increase in assessment this year but a 15 per cent decrease in taxes. If the class in which your property is grouped shows a greater average assessment increase

than yours, you might see a tax decrease. In this case, the pool of property in which our site was classified showed an average assessment increase greater than the assessment of our individual property.

Speaking of B.C., that province, unlike Ontario, is on an annual assessment cycle – new notices will soon be out. For 2018, we saw some huge shifts in assessment and some really big tax shifts for some properties.

This kind of volatility again emphasizes the need for property owners to make sure their assessments are fair in relation to other properties. If you are paying more tax than a neighbouring business or commercial property that is comparable to yours in terms of size, amenities, zoning, and features/functionality that impact its value or appeal, you are in reality subsidizing your competition.

In other parts of the country, Newfoundland is also at the beginning of a new cycle. In Quebec, the assessment cycle is three years, but with different

starting years in different cities.

In every instance, pay attention to the notices you receive and check the dates by which you must file an appeal if you think there is a problem. Christmas might be the time for giving but paying too much in property taxes is not the best way to observe the season.

An appeal isn't always worth it

Do understand that appeals take time and cost money. The cost of retaining a real estate lawyer or other property valuation expert must be factored into the potential cost savings that a successful appeal would provide.

As a general rule, if your total tax bill is less than \$20,000 (which, on average, is a non-residential property of less than 5,000 square feet), the tax savings will likely not justify the expense, unless you can find a cheaper way of doing the appeal.

Most people love to hate their assessments, but remember, only a relatively small minority of

assessments, on average, need to be challenged and corrected.

Of those, some undervalue a property, which is obviously to the benefit of the owner. Of those that have overvalued a property, the gap is often too small to warrant the cost of an appeal.

In the end, the property owner will have to prove the assessment is unfair. There is a standardized process for appeal in every jurisdiction across Canada. To succeed in an appeal, you need to have the evidence to support your position.

Great Big Sea in one of their great tunes sing, "We'll rant and we'll roar like true Newfoundlanders."

This works in a song but not in an appeal. If you can provide a strong case, it is possible to reach a settlement with your assessor without the matter going to a full tribunal, but you must be prepared with evidence.

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