

FREQUENTLY ASKED QUESTIONS:

Q: What is Market Value?

A: Market value refers to the price a property should sell for at a specific point in time, on the open real estate market between an unrelated buyer and seller who are both acting in their own self interest. In assessment, a valuation date of July 1st of the year previous to the current assessment year is used as the specific time period. This means that your assessed value is an estimate of what your property would have sold for on July 1st of the year previous based on the market conditions at that time. In contrast, current real estate listings and/or appraisals estimate current market values or what your property should sell for on the open market between a willing buyer and seller today.

Q: Explanation of Equity and Fairness:

A: The City of Medicine Hat Assessment Department utilizes what is known as an ad valorem tax system which essentially means that your property value is used as an indicator in determining how much tax you will be responsible for contributing towards city services. The basic principle is that similar homes should be assessed and taxed alike and that different homes, with respect to size, style, quality and so on, should be assessed either more or less dependent on whether they are deemed to be superior or inferior when compared to other homes. The result is that owners of newer, or larger and more elaborate homes will tend to have higher assessed values when compared to older, smaller homes but will have similar assessed values to the other newer, larger and elaborate homes.

Q: What is the difference between valuation date and status of property at year end?

A: Assessments are based on both the status and condition of the property as of December 31st of the year previous to the taxation year and use a valuation date of July 1st of the year previous to the current taxation year. The status and condition refers to what structures and finish the property had at the very end of the previous year. For instance, if the current assessment year is 2011, assessed values will be based on the status of the property as of December 31, 2010. If homeowners take out a permit to add a detached garage in January 2011, the additional value this garage will add when complete will not be included in the annual assessment notice that they will receive around May-June. While it may be added for in a supplementary notice, the annual assessed value will only be for the existing home and structures (with no detached garage) that were in place and complete as of December 31, 2010.

On the other hand, the valuation date, which is legislated by the provincial government, is used to employ consistency across assessed values. Essentially your assessed value is supposed to reflect the estimated value of what your property would sell for on that valuation date, which in Alberta is July 1st of the year previous to the current assessment year. Since market conditions can change throughout a year, becoming either stronger or weaker, a common date is used so that all assessed values are based on the same market conditions.

Q: Why is a valuation date from last year used if assessments are supposed to be based on market value...shouldn't that be equal to today's market value?

A: Assessments are not based on current market values but instead reflect real estate market trends at a certain point in time, or more specifically as of the legislated valuation date. Assessments 'lag' behind a year because time is required to collect, verify and analyze sales data and property information. This is why the most recent assessed values may not reflect current sale or purchase prices, because the market conditions have changed. Sales that occur within the current assessment and taxation year will be used in the analysis for the following assessment and taxation year.

Q: What is the difference between taxes and assessments? If assessments go down how can my taxes still go up?

A: Property assessment is the assignment of estimated market values to a group of properties based on a specific valuation date. In Alberta, the valuation date is always July 1st of the year previous to the current taxation year. Taxes on the other hand are calculated by applying the relevant mill rate, or tax rate, to the assessed value. The mill rate for each property type (i.e. residential, industrial, farm land, etc.) is determined annually by city council. In essence, the City of Medicine Hat requires a certain amount of revenue to continue operating and providing necessary public services and the mill rates are set to ensure that revenue is achieved. Therefore, if assessed values decrease, thus reflecting a decline in the market, council will still need to obtain the necessary revenue and will adjust the mill rates accordingly to achieve this.

Q: How do I estimate property taxes?

A: Properties are assessed based on the market value as of July 1 of the year prior to the current taxation year. For simplicity sake however, to get an approximate amount of taxes, simply take what the market value of the property is, divide by 1000 and multiply by the appropriate tax rate.

The most current tax rates as approved by council are for tax year 2011 and are as follows:

Single Family & Vacant (land only) Residential – 7.6832

Multi-Family (5 Suites or more) – 8.7399

Farmland – 24.7002

Non-Residential – 17.4922

Q: My realtor says that my assessed value is too high so shouldn't I get a reduction?

A: Realtors can be a great source of information regarding current market values. However, with assessment, it is important to remember that a valuation date of July 1st of the year previous to the current assessment and taxation year is used when estimating assessed values. Market conditions tend to change over time therefore your assessed value may not reflect its current value in today's market. However, as of the valuation date, your assessed value was deemed to be fair and equitably with other similar properties therefore it would be unfair to change your assessed value now based on current market conditions.

Current market trends should be reflected in next year's assessments.

Q: What is the difference between appraisal and assessment?

A: One of the key differences between appraisal and assessment relates to the number of properties being valued. An appraisal is a value estimate typically for a single property and is most often requested when a homeowner is looking to buy or sell a home. On the other hand, assessment uses what is known as a mass appraisal approach, meaning a fair market value must be estimated for numerous properties at the same time, like for all properties within city limits, for taxation purposes. Also, assessments always use the same specific valuation date, which in Alberta is July 1st of the year previous to the current assessment and taxation year. Appraisals however, can estimate value as of the current date, as of a retrospective (past) date or a prospective (future) date. Thus, it is important to emphasize that in order to compare an appraised value to an assessed value, that possible changes in the market must be considered for the time lapse between the valuation dates of each. Finally, the level of detail can vary between an appraisal and an assessment. Appraisals usually focus on many site specific details of a property, mainly information appraisers collect during an interior inspection. Assessors too rely on actual property details when they are able to gain access to a property but they also make assumptions based on what is considered typical for similar or comparable properties within the market. Therefore, assessors work on a much larger and broader scale while still trying to maintain data integrity, by keeping property information as up-to-date as possible in order to achieve the most accurate estimate of value for properties as of the valuation date.

Q: Why do you need to do an interior review (re-evaluation)? I thought you just look at the exterior and take the size of the home to get the assessment?

A: Both lot size as well as house and/or structure sizes are considered when determining assessed values however, there are many other factors too. For instance, the age and condition of the property must be considered, as well the amount of finish and the quality of finish in a house is important. Typically many of the same attributes that market participants (i.e. homebuyers) would look for and deem valuable in a property are included in the determination of assessed values. When an assessor tries to gain access to your property, he/she is wanting to see if any changes have occurred, either since the time of construction or since the last assessor inspection. More specifically, the assessor is looking for changes which may affect the value of your property. The assessment department receives notice of all building permits taken out within the city which suggests that changes may be occurring to a property. However, there are also times when homeowners make upgrades to their properties without a permit and this is where re-inspections are important. Every year multiple areas of the city undergo a thorough re-inspection where assessors go to every property to review and verify the information on file. Re-inspections not only help keep property information up-to-date but also help maintain equity and fairness so that homeowners are not assessed and taxed the same as their neighbours who may have done many updates and upgrades to their property. If however, at any time a homeowner is not comfortable with allowing an assessor into their home, there are other alternatives. For instance, the assessor can simply ask you questions at the door or may leave a survey at your house to fill out and return if you are not home.

Q: The building inspector was already here to sign off on the permit, why are you here again?

A: Building inspectors are different from assessors but it is important for both to review your property when a permit is taken out. Building inspectors will ensure proper construction methods are being used and that building codes are being enforced to ensure the safety of both contractors and/or homeowners. Questions regarding permits, inspections and proper safety procedures should be directed to the City of Medicine Hat Planning and Building Department. On the other hand, the assessor that comes to review your property is there to see how the permitted item affects the value of your property. This also helps ensure that your property information is up to date in order for us to provide you with the most accurate and fair assessment possible.

Q: Explanation of supplementary assessments

A: Supplementary assessments pertain specifically to new construction and/or property changes that become complete within the current assessment and taxation year and that significantly impact a property's value. New homes or structural elements, such as an added garage or basement finish, that were started but were not complete as of December 31st of the year previous are said to be progressive. Therefore, when property owners receive their annual assessment notice, the assessed value either may not yet include these items, or it may include them by valuing them based on a progressive state of completion. If, for instance, a new house becomes complete part way through the current assessment year, the owner(s) will receive a supplementary notice around late October, which will pro-rate the difference in assessed value for the now fully completed house, for the number of months which the structure was complete or occupied. Please see below for example:

2011 assessed value for a new house that is now 100% complete:	\$ 355,000
Less 2011 <u>annual</u> assessment which was for the house at 65% complete:	\$ <u>213,780</u>
2011 supplementary value: \$ 141,220	
If the house was completed in March then it is only taxed for 10 months (Mar-Dec):	x <u>10/12 (83%)</u>
2011 supplementary assessed value:	\$ 117,683

Therefore, in the end, taxes will only be paid based on the supplementary assessed value of \$117,683. Assuming no additional major changes to the property, the following year's annual notice should be for the entire property's full market value.

Q: Are fences and landscaping assessed?

A: No. Landscaping, drive ways, fences and the like are not currently assessed in Medicine Hat.

Q: How do you assess hot tubs?

A: Hot tubs are only assessed if they are affixed to the property. For instance, hot tubs that are built into a deck are considered to be affixed as they become like another structure attached to the house. On the other hand, hot tubs that simply sit on a cement pad are not assessed as they can be more easily moved or removed.

Q: Why do you assess jet tubs?

A: Jet tubs are assessed as a plumbing fixture but are considered to be more desirable in the market place compared to a regular bath tub. Therefore, additional value is added for jet tubs above the cost of a plumbing fixture to reflect its desirability.

Q: Is there a percentage difference that the assessment has to be lower than the market value as decreed by provincial legislation?

A: No. Assessments are based on actual market evidence and are supposed to reflect full market value as of the valuation date, which is legislated by the province. Because the assessments are prepaid using mass appraisal, they must meet a legislated quality standard that allows for a +/- 5% range for the overall assessment to market value indicators as it is near impossible to estimate the exact market value of every property when using a mass appraisal approach. However, there is no legislated rule that states that assessments are to be a specific amount more or less than actual market value.

Q: If we don't take out a permit for a change to our property how can you add value for that change to the assessment?

A: Assessments are not based on permit values but on market value. Actual market sales are analyzed in order to determine what property attributes add value and to give an indication of how much. Fairness and equity would not be maintained if only the properties that have taken out a permit say for basement finish had their values increased.

Q: My tax notice says that I have an improved parcel but I've made no such changes or improvements to it. What does this mean?

A: An improved parcel refers to any parcel of land that has some sort of structural element affixed to it. It does not mean that a change has occurred, it simply reflects that a building of some sort exists on the lot.