

# TAXATION & ASSESSMENT

## What is Property Assessment?

Property Assessment is the process of establishing a property dollar value for property tax purposes. Property tax is based on the principle that the amount of tax paid should depend on the value of the property owned. Although income and sales taxes are the main sources of revenue for the provincial and federal governments, property tax remains the major source of local government revenue. Generated from within the community, property tax helps to finance such services as roads, garbage collection, water and sewer, parks and recreation and fire protection.

All properties in Rainbow Lake, residential, industrial and commercial, are assessed by Alliance Assessment Consultants and are based on market values.

## What is the relationship between Assessed Value and Municipal Taxes?

After all the real property has been assessed, the Council uses the information to set the mil rate. The mil rate is then used to establish individual tax bills. The Council sets the rate, Administration calculates and sends out the tax bills, and collects the taxes.

## What is a mil rate and how is it calculated?

Each year during its budgetary process, Council determines the amount of money needed to operate the town. From this amount, Council subtracts the revenues (Grants, User Fees, Permits, Licenses, etc) the remainder is the amount of money the town needs to raise through property taxes in order to provide services for the year

The amount raised by property taxes is then used to calculate the tax rate.

The amount of money to be raised by property taxes is divided by the total assessed value of all the property in the town and is multiplied by 1000 to decide the tax rate also known as the "mil rate".

The calculation expressed as an equation is as follows:

$$\text{amount to be raised} / \text{total taxable assessment} \times 1,000 = \text{Mil Rate}$$

The word "mil" is derived from the Latin word for one thousand (1,000). In tax terms, one mil is equal to 1/1000 of a dollar or one dollar (\$1.00) in tax for every one thousand dollars (\$1,000) of assessment.

For example, consider a town that needs \$30,000 to balance its budget in which the total taxable assessment for all properties is \$5,000,000:

$$\$30,000 \text{ (amount to be raised)} / \$5,000,000 \text{ (total taxable assessment)} \times 1,000 = 6 = \text{Mil Rate}$$

## How is my property tax calculated?

The amount of property tax payable by a property owner is calculated by multiplying the mil rate by the assessed value of a property and dividing by 1000.

$$\text{Mil Rate} \times \text{Assessed Value} / 1,000 = \text{Property Tax Bill}$$

Using 6 as the Mil Rate, a taxpayer with a property valued at \$55,000 would be sent a tax bill for \$330.

$$6 \times \$55,000 / 1,000 = \$330$$

## When are taxes due and does interest apply?

All taxes are due by June 30 each year. We charge a late penalty on the current amount not paid by the due date. Any outstanding taxes at December 31, is subject to a further late penalty.

## Where can I pay my taxes?

- Tax payments can be made at Town Office, between 7:40 a.m. and 4:30 p.m., Monday to Friday.
- You can mail your payment to Town of Rainbow Lake, Box 149, Rainbow Lake, AB T0H 2Y0.
- Many banking institutions now offer telephone banking or Internet payment of municipal taxes.
- Direct payments by mortgage holder of the property.