

July 31 2008
NEW DRAFT

The ABCs of Property Assessment:
Did You Know, Who Does What, How CVA Works,
and Plans for the Future/Moving Forward

The whole subject of how properties are assessed for their value in Ontario, and how that, in turn, relates to our property taxes, can be confusing.

In Ontario, people have been assessing property to get information for tax purposes for over 200 years.

In 1970, the provincial government of Ontario took over property assessment to make the system the same for all Ontario municipalities. Before that, each municipality created its own systems for valuing property. The new system was voluntary, and not everybody joined in.

In December 1998, the new, not-for-profit corporation, called the Ontario Property Assessment Corporation, or OPAC, took over property assessment for the entire province.

Later, it was renamed the Municipal Property Assessment Corporation (MPAC).

Every municipality in Ontario is a member of MPAC. Many people mistakenly believe that MPAC is a government body, because it has the word "Municipal" in its name.

A Board of Directors made up of taxpayers, municipal and provincial government representatives governs MPAC. The Board takes an active role in making decisions about MPAC's operations and procedures.

How Property Assessment Works and Who Does What:

In Ontario when it comes to how your taxes are set and how the assessed value of your property is decided, there are **four main bodies** involved.

Each body is separate from the other. Yet they all have an important part to play when it comes to how we support our schools and local community services with our property tax dollars.

First of all, there is the **Government of Ontario**. The Ministry of Finance, on behalf of the Government, makes all the laws and rules about property taxation and figures out our education tax rates.

Secondly, the **Municipal Property Assessment Corporation** establishes the value of almost 4.7 million properties in Ontario. MPAC also classifies your property as farm, commercial, residential, and so on.

On a yearly basis, MPAC provides assessment-related information in the form of an Assessment Roll to all municipalities. MPAC delivers the Assessment Rolls during assessment and non-assessment years.

Here is what MPAC doesn't do:

- It does not make any laws or rules about taxation in Ontario;
- It does not set the municipal or education tax rates; and
- It does not decide how much property tax you pay.

MPAC, however, does collect information that helps to prepare the province's jury lists, school support lists and the municipal voters' list.

Thirdly, the **Assessment Review Board** (ARB) is an independent tribunal, much like an informal court, that gives property owners an opportunity to get an independent review of either their assessed value or how their property is classified.

The Assessment Review Board is not connected to MPAC in any way, but *is* connected to the **Ontario Ministry of the Attorney General**.

Lastly, **municipal councils** decide how much money they need from property taxpayers to operate their municipalities for the year. This is the money that helps pay to fix our roads, run our police forces and fire departments, and run our transit systems, parks and recreational facilities. Your **municipality** collects and forwards the education portion of your property tax directly to school boards on a quarterly basis to pay for some of the cost of education.

How Current Value Assessment (CVA) Works

“Current value” or market value is the price a property might reasonably be expected to sell for, in its present condition, on the open real estate market.

CVA is:

- The estimated value of a property at a certain point in time (the valuation date);
- Usually recognizes how a property is being used at the date it was valued (valuation date); and
- Shown in dollars.

There’s often a difference between current value and the actual sale price. A sale price only shows how much money a buyer and seller agreed to in a particular transaction.

Current value shows the price a property should get in an open market under the conditions of a fair sale. For example, if the sale of a house was for a sharply reduced amount between two members of the same family, then that is not considered to be a fair sale.

Not every house, farm, business property or apartment building is sold every year. So, people often want to know how MPAC figures out a value for a property when there has been no sale.

Here's how we do it

For residential properties, we look at recent sales of similar properties.

We divide the province into over 100 market areas, and then divide them again into neighbourhoods and sub-neighbourhoods so that we can get a good picture of a surrounding market area.

We review three years of sales in most market areas. We may expand that to five years in cases where there haven't been many sales; for example, recreational waterfront properties because those properties don't sell as often.

Besides looking at recent sales, we look at other features of a property too. In fact, we take into account as many as 200 different facts when we assess the value of a property.

Five major things we consider are:

1. Location;
2. Size of the lot and its dimensions;
3. Living area;
4. How old the property is, and what major renovations or additions have been done; and
5. The quality of construction.

Then we test our information and go over everything again to make sure it is accurate.

Public Education

We offer a free seminar to seniors groups interested in having a presentation, which also includes a question and answer session. MPAC representatives can answer questions about individual properties following the question and answer session

You can find more information about the seminar on the Ontario Seniors' Secretariat website at <http://www.culture.gov.on.ca/seniors/english/programs/seminars/property/> or by contacting Bill Bradley at MPAC at 905-432-9470, ext. 238 or toll-free at 1-877-228-3447 ext. 238.

For presentations in French, contact Michel Contant at MPAC at 613-933-7249, ext. 306 or toll-free at 1-877 239-9643 ext. 306.

You can find more information about MPAC on our web site (www.mpac.ca), by calling our Customer Contact Centre (CCC) at 1 866 296-6722, or by visiting your closest MPAC field office. The 2008 Assessment Notice will include the address of your local field office.

When you call the Customer Contact Centre, you will first hear a menu selection, such as your choice of English or French. You make your choice. Next, you will hear four options. Then you will be asked to key in your roll number, such as 12 34 567 899 12345. We also provide service in several other languages including Arabic, German, Italian, Spanish, Somali and Dari.

If you don't have your roll number handy, you will be directed to push the "0" and your call will automatically be transferred to an agent.

You will then receive the undivided attention of the Customer Contact Centre agent, who will listen to your question or concern about your assessment. The agent will either answer your questions right away, or will send a report of your conversation to your nearest MPAC field office and get an answer for you within two to three business days.

The bottom line for us at MPAC is that we want to get the values right. Accuracy is at the heart of our business.

If you don't agree with your assessment

If you don't agree with your assessment, there are several things you can do.

- Contact MPAC. We are here to answer your questions. If you have questions or concerns, contact us. Call the Customer Contact Centre.
- Ask MPAC to review your assessed value. If you do not believe your assessed value or classification is accurate, we will review it free of charge.
- Sometimes we have made a simple mistake with the information we have on file for your property, and can correct it on the spot.
- If you want a more formal review, you may request one any time before March 31 of the taxation year, 2009.
- This marks a change from previous assessment years, when the deadline was December 31. The Government of Ontario changed the deadline for the review, formally called a Request for Reconsideration (RfR), in its spring 2008 budget.
- This was done so that if you did not agree with the results of MPAC's review, you could move on more quickly to the Assessment Review Board.

When we do a review, we look at the following:

- Details about your property, such as the area of your lot;
- The size, condition and age of any buildings that may be on the property; and
- Depreciation, nuisances such as backing onto railroad tracks or abutting a gas station or any other factors that can have an impact on the current value of your property.

And of course, we check our facts with you to make sure we have the correct information to begin with.

There are three ways to request an MPAC review of your assessed value:

- Complete a Request for Reconsideration form. Forms are available at www.mpac.ca.
- Call us toll-free at 1 866 296-6722 to request a form.
- Write a letter requesting a review. The address is:
MPAC
P.O. Box 9808
Toronto ON M1S 5T9

In your letter, please include:

1. The 19-digit roll number from your Notice;
2. Your full name, address and telephone number; and
3. The reason why you feel your assessed value is incorrect.

After MPAC has completed its review, which it promises to do before September 30, 2008, you may then file a Notice of Complaint with the Assessment Review Board (ARB).

This is a change from previous assessment years, when property taxpayers could skip the RfR process and go straight to filing an appeal with the ARB, or opt to file both an RfR and an appeal with the ARB at the same time.

Note: You must file your appeal with the ARB within 90 days after MPAC lets you know the outcome of your RfR.

While MPAC's review is free, there are specific application forms and fees involved for an ARB hearing. For a residential property, the fee is \$75. For a non-residential property, the fee is \$150.

The government has also introduced another significant change in the appeal process in the 2008 Ontario Budget. That change is called reverse onus, and now comes into effect during an ARB hearing.

The word "onus" simply means who has the burden of proving their case in any legal proceeding.

Until this change was introduced, the property taxpayer had the onus at an assessment appeal with the ARB and had to prove their assessment was wrong.

This change shifts, or reverses the onus on to MPAC to prove that the assessed value is accurate.

Even though the onus will be on MPAC now, instead of on the property taxpayer, you will still need to present evidence to support your position at the hearing.

As the property taxpayer, you will also have the right to make a closing statement at the hearing.

Other changes contained in the 2007 and 2008 Ontario Budgets:

The assessment cycle was changed to once every four years.

Any increases in assessment after the 2008 assessment will be phased in over a four-year period.

If, for example, your assessment has gone up by 20 per cent, it will only actually increase by five per cent a year for the next four years.

Assessment Notices

MPAC plans to make this very clear in our redesigned Assessment Notices, which you will be receiving in the mail in the fall of 2008.

Seniors will see that the Assessment Notices you receive in the mail this fall will be different from the Notices you saw in 2005.

This year's Notice will show your property's value on January 1, 2008. Right below that number, you will see your property's value for January 1, 2005. (See attached sample assessment notice.)

Right below That number, you will see how much the value has changed over that three-year period – whether it's an increase, a decrease, or has stayed the same.

The mandated assessment phase-in for any increases in market value of your property will also be shown on the Notice.

You will see, listed in order, each tax year, beginning with 2009 up to and including the next assessment year, 2012.

To the right of each year you will find your phased-in amount. We will also provide a property summary on the Notice.

Where applicable, an additional page will also be included that shows you that any changes made as a result of a successful Request for Reconsideration or appeal of your assessed value, has been carried forward to the next taxation year.

This page will also show if a change has *not* been carried forward, and explain why.

We've made other changes at MPAC in order to serve you better during this assessment update period, and beyond.

We have visited more properties to make our data more accurate. In 2007, we increased the number of properties that we visited across Ontario to more than 500,000 compared to 355,000 in 2006.

Also,

- We are making it easier for you to talk to the staff who can best answer your questions.
- We are making sure that we keep track of reasons for or against changes to assessments, and that you clearly understand these reasons.

- We are training our staff members in a way that helps them to be even more considerate and respectful of your needs.
- We have increased the level of cooperation and contact with those of you who tell us you do not agree with an assessment. We are investigating what you tell us about your properties more thoroughly.
- We are very open to having a second look at your assessment and if we have made a mistake, we promise to correct it.

Important numbers for you to know are:

- 1) Toll-free MPAC Customer Contact Centre: 1 866 296-6722 or visit www.mpac.ca
- 2) 1 877 889-6722 for the deaf or hard-of-hearing or you can use the Bell Relay Service.
- 3) ARB toll-free at 1 800 263-3237 or 416 314-6900 or, visit www.arb.gov.on.ca.

Our Assessment Notice will include an insert from the Ministry of Finance outlining details about the new Ontario Senior Homeowners' Property Tax Grant.

This grant is designed to help eligible senior homeowners with low and moderate incomes to pay property taxes. Applications for the 2009 grant and the Ontario Tax Credits will be contained in the 2008 personal income tax returns.

Please feel free to use all or part of this bulletin on your organization's website or membership mailing.