



## Property Tax and Assessment in New Brunswick

From a taxpayer's perspective, there has been significant growth in their property taxes over the past 5 years. In 2011, approximately 453,000 properties will be paying more than a billion dollars in property tax. While there are only about 13,000, or 3%, more properties in New Brunswick than there were in 2006, all properties together are paying nearly \$263 million or 35% more in total property taxes today than they were 5 years ago. Some have questioned the sustainability of these increases and issues around the fairness and transparency of the property tax system in New Brunswick continue to be raised.

On January 1, 2011, the *Assessment Act* was amended to cap the growth of property assessments by 3% for two years for all primary residences in New Brunswick. The 3% cap was introduced for a period of two years, allowing time for a review of the property tax and assessment system.

With this discussion paper, Government is beginning consultations with key stakeholders to help determine the options for improvement to property tax and assessment. Government will rely on the input received from the stakeholders to help create a fairer and more transparent property tax system.

### Roles in the Property Tax System

In New Brunswick, both the Province and municipalities levy property taxes. The provincial tax is levied to help finance health, education, social welfare and the administration of justice. The municipal/local tax is levied to finance the provision of local services such as fire and police protection, and other services that are the responsibility of municipalities. Individual municipalities and rural communities determine municipal property tax rates during their annual budget process. The Minister of Local Government determines the local property tax rate to be levied on properties within individual Local Service Districts (LSDs) and in rural communities for services provided by the province.

The Province, through Service New Brunswick (SNB), is responsible for the assessment of all real property for property taxation purposes. It provides these assessments in the form of municipal tax bases in November each year which feed directly into the municipal budget making process. As well, the Province issues property tax bills to all New Brunswick property owners each year on March 1<sup>st</sup> and then collects that property tax on behalf of itself, municipalities, LSDs, and rural communities.

### The Challenges

In 2006, the average property owner paid \$1,730 in property taxes. In 2011, that amount has grown to approximately \$2,260 dollars per property, an increase of 31%. This growth has led to frustration on the part of some property owners who question the fairness of the property tax system. They have vented their frustration at both the growth in property assessments over this period and the fact that municipal and provincial property tax rates have not been adjusted downward to sufficiently offset the growth in assessments.

The property assessment system is based on market value and its legislated mandate is to reflect 100% of the real and true – or market – value of all 453,000 properties in New Brunswick each year. It does this through a combination of cycled individual home visits – 65,000 in 2010 - and a mass appraisal system for the remaining properties.

Property Assessment has been criticized in recent years for certain properties experiencing large increases - or spikes – in assessment. While it is a natural part of a mass appraisal system to see small jumps in assessments when neighborhoods are re-inspected, the size of these “jumps” was exacerbated in recent years by the significant growth in assessments in certain markets and by building permits not always being secured when renovations or alterations are being done to a property. Building permits are the key indicator to property assessors that someone is renovating their home. Without them, assessors have no indication that improvements have been made and thus only pick up these renovations during a subsequent re-inspection. Given that assessors are on a 10-year re-inspection cycle; renovations could theoretically not be included in an assessment for almost 10 years after they have happened.

Property owners have perceived both the significant growth in their property tax bills and these unexpected jumps, or spikes, in assessments as being both unfair and unsustainable and are calling for changes to the system and for greater transparency and fairness.

Over the last number of years, New Brunswickers have also been asking that government consider taxing rental housing in the same manner as owner-occupied residential property. Right now, owner-occupied residential properties (i.e. principal residences) pay municipal/local tax rates, but are not subject to the \$1.4573 provincial property tax rate as they receive a tax credit specific to home-ownership. Rental properties, however, are classified the same as income generating properties and pay both municipal/local tax rates as well as the \$1.4573 provincial property tax rate. This is often seen as being “double taxation”.

Owners of seasonal properties and second homes also have similar concerns. They too feel unfairly taxed due to their not receiving the provincial tax credit for home-ownership and having to pay the \$1.4573 provincial property tax rate.