

# Misconceptions within the Property Assessment Process

Everyone knows there are only two certainties in life: Death and taxes.

Most landlords, tenants, and property owners want to know if they are paying too much tax and what to do about it.

## OVERVIEW

Following is a brief overview of the process to provide an understanding of how the system works and address public misconceptions.

The total amount of property tax you pay is the tax rate times the assessed value. A tax rate is created as follows.

$$\frac{\text{Total municipal budget} \times 1000}{\text{Total assessed value}} = \text{Tax rate}$$

## Four Fundamentals of Assessment that May Need to be Reviewed

1. **Property Valuation (Assessed or actual value)**
2. **Classification**
3. **Exemption**
4. **Equity**

### 1. Property Valuation

To create the 2018 valuations, an assessor determines the value of your property as at July 1, 2017. That value is actually based upon the physical condition of your property on October 31, 2017.

BC Assessment (BCA) uses “market value” to determine your assessment. That is the price the property would sell for, unencumbered and with no leases in place.

BCA traditionally considers three approaches to determine a property’s value: The market or comparable sales approach, the income approach, and/or the cost approach. The question is *are all the components correct in their valuation?*

### 2. Classification

Nine classes are defined in the *Assessment Act* or BC Regulation 438/81. The most common classes are

- the Residential class (01), which has the lowest tax rate;
- the Industrial class (05);
- the Commercial class (06); and
- the Recreational Use and Non-profit Class (08) that covers gardens, park, and nonprofit organizations.

Class 08 generally has a higher rate than Residential, but lower than Commercial (06). That is why so many vacant commercial sites are transformed into community gardens or parks.

Properties with actual or potential mixed-use classifications are complicated because the uses can be split. Thus, the tax rate can be at one level for a certain percentage of the value and different for the rest.

For a Residential/Commercial property, the goal is to have the highest possible percentage classified as Residential.

### **3. Exemption**

The British Columbia real property tax system exempts certain types of taxpayers from real property taxes. Most of the exempting provisions are contained in the *Community Charter*, the *Local Government Act*, the *Vancouver Charter*, and the *Taxation (Rural Area) Act*.

In addition, specific exemptions can be found in a variety of other provincial statutes such as the *School Act*, the *College and Institute Act*, the *University Act* and others.

### **4. Equity**

The assessed value is the lesser of market value or the value comparable to other similar properties in the same taxing jurisdiction—for example, the City of Richmond. Therefore, if your property is assessed at market value, but other comparable properties in your jurisdiction are assessed at 90 percent of market value, your property may be incorrectly assessed. Checking equity can be done through the BCA website (e-value).

## **COMMON MISCONCEPTIONS**

There are numerous common misconceptions around the assessment process.

- 1. An increase in your assessment will result in increased taxes.**  
If the increase in your assessment is the same as the surrounding properties, your taxes will remain the same. That is because if the total assessed value in the town goes up, the mill rate comes down. If your assessment is above or below the average, the taxes will change.
- 2. Leasehold property should be valued less than freehold.**  
The total property is assessable so “all” interests in the property (lessor and lessee) must be valued.
- 3. Receiving a higher percentage-increase than your neighbour means the property is overassessed and should be appealed.**  
That is not generally grounds for an appeal. It is possible the property may have been underassessed in the previous year.
- 4. The assessment is current market value.**  
There are many reasons why that may not be correct.
- 5. You can make an appeal after January 31.**  
Appeals made after January 31 are invalid. If you do not appeal by January 31, 2017, you cannot appeal until next year (2018). Nonreceipt of notice is not an excuse for appealing late. The onus is on the property owner; please contact your local BCA office if the notice has not been received. Commercial tenants should contact their landlords.
- 6. An appeal can be withdrawn at any time.**  
A withdrawal requires BCA’s approval. BCA can raise the assessed value once you appeal, so check carefully before you appeal.
- 7. Assessed value equals sale price.**  
Sometimes there maybe conditions of sale that mean your price is above or below market—rezoning, special financing. BCA do “mass appraisals” and set a value range. Sale prices can be above or below that value.
- 8. Appeals can be filed at any office.**  
Appeals must be filed and sent to the address on your notice.
- 9. BCA cannot change the assessment after January 31.**  
BCA can change the assessment at the Property Assessment Review Panel. They can also issue a supplementary notice up to December 31 if they find an error in their assessment. An appeal of the new value is possible.

**10. “No increase” means the assessment is correct.**

No, because it may have been incorrectly assessed in the past.

**11. There is no danger in appealing.**

Once you have made an appeal, you open up the whole question of the assessment and its classification. Although one component in the valuation could be too high (the rent BCA uses), others could be too low and, upon appeal, it may result in an increase in the assessed value.

**12. Only the owner can appeal.**

Any person can appeal, but there is potential liability if the assessments go up. You might antagonize you neighbour. Tenants can appeal if their lease does not preclude them from doing so. That is particularly important for a sole tenant in a building or one that occupies a large portion of the total space.

It is dangerous for small tenants in a large building to appeal. They do not have enough information to appeal and could cause a review by BCA resulting in an assessment increase in the whole property and subsequent liability.

**13. Building value will decrease annually.**

BCA is required to find a separate value for the land and the building. The building value is determined by subtracting the land value from the total assessed value.

That is not the actual building value but merely the consequence of a “mathematical” calculation. It may be possible to have BCA make adjustments in the assessed value for capital costs or deferred maintenance. It seems strange that you pay less tax if you do not keep up with needed maintenance.

**Where to Locate Assessments**

<https://evaluatebc.bcassessment.ca>

<https://mlslink.mlxchange.com/Tax> (members only)

<https://www.bcassessment.ca>

Municipal websites

Municipal GIS maps

Note: In January, some municipal sites may still show the 2017 assessments. It is important to confirm the year to which the values relate.

**Helpful Websites**

Queen’s Printer for Acts

[www.qp.gov.bc.ca](http://www.qp.gov.bc.ca)

Assessment Appeal Board	<a href="http://www.assessmentappeal.bc.ca">www.assessmentappeal.bc.ca</a>
BC Assessment	<a href="http://www.bcassessment.ca">www.bcassessment.ca</a>
Canadian Property Tax Association	<a href="http://www.cpta.org">www.cpta.org</a>
BC Online	<a href="http://www.bconline.gov.bc.ca">www.bconline.gov.bc.ca</a>
Austin Real Estate Consultants	<a href="http://www.austinrealestateconsultants.ca">www.austinrealestateconsultants.ca</a>

**Peter Austin**, BSc, AACI, CARb, is the owner of Austin Real Estate Consultants. He has reviewed assessments for major developers, tenants, and property owners for over 30 years. Please contact him if you have any questions on property tax issues.

[paustin@telus.net](mailto:paustin@telus.net) 604 733 3282