



*Smart Towns works with leading municipalities to review publicly available and internal data to derive best practices. Smart Towns has a database with over 1,000 measures and a web reporting interface to provide information in a fast and cost effective manner.*

## Who has the Highest Residential Taxes in Alberta?

By Patrick Bergen, Smart Towns  
January 20, 2014

This article intends to answer the question of who pays the highest and lowest residential taxes in Alberta. This seems like a pretty straightforward question. The simple truth though, is that it is not that simple. Below the question will be answered two ways. The first will be based on what the same priced house would cost for taxes in each municipality. The second would be what the average home would cost for residential taxes.

Let's start with how municipalities calculate taxes. A municipality figures out how much money is required to finance its operations from residential tax for the upcoming budget year. This is then divided by what the anticipated assessment, or cost of what all of the residential properties in the municipality are worth. The final outcome is call the Tax Rate or Mill Rate. This Tax Rate or Mill Rate is what is used to

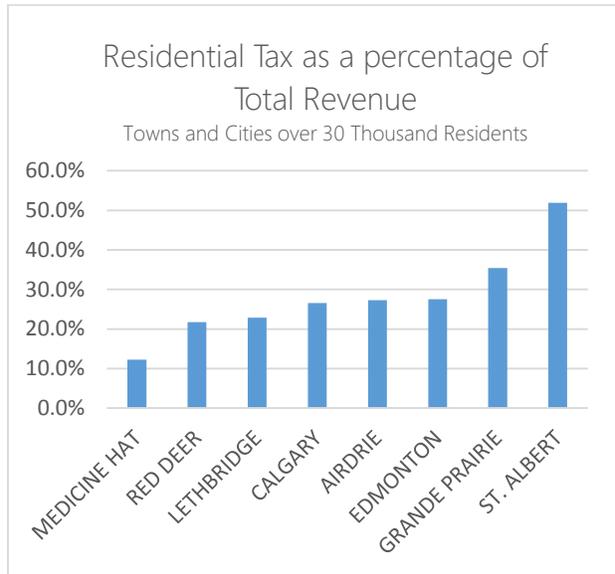
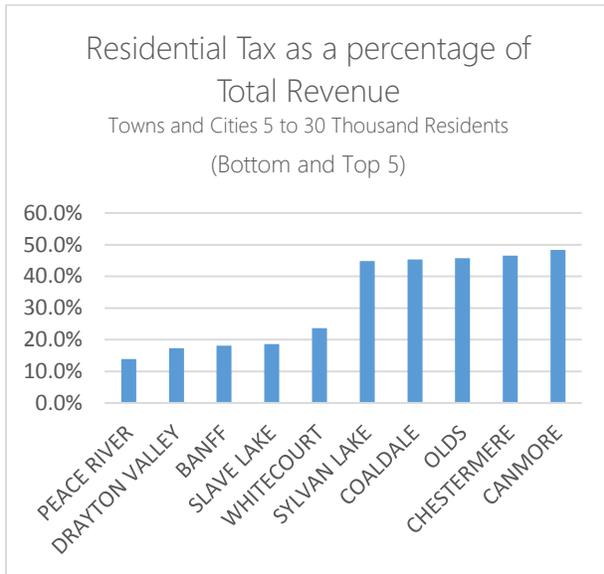
### How is the Tax Rate Calculated?

$$\frac{\text{Total Residential Tax Requirement}}{\text{Total Assessed Value of all Residential Properties}} = \text{Tax Rate or Mill Rate}$$

calculate a home owner's residential tax portion of their annual tax bill.

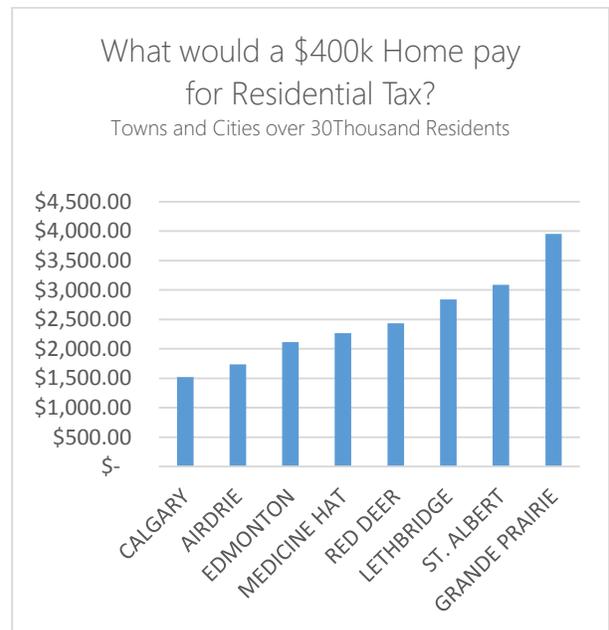
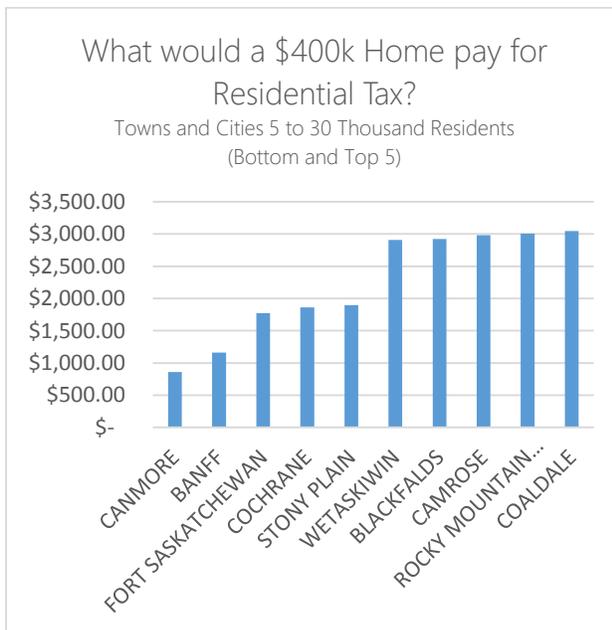
It is interesting to note that across the province municipalities do not all have the same diversity of revenue streams. Residential taxes account for between 12% and 52% of all municipal revenues for towns and cities over 5,000 residents. In places like St. Albert, Chestermere, Canmore and Olds residential taxes account for close to half of their total revenue. Medicine Hat and Peace River derive

less than 15% of their revenue from residential taxes. Medicine Hat has a strong revenue stream from gas and electric production that literally dwarfs other revenues.



### Does the Tax Rate tell the Whole Picture?

Assuming you could buy the same \$400k home in every municipality in Alberta what would the different tax bills look like? The range of tax bills is broad from as low as \$861 in Canmore to a high of just under 5 times that in Grand Prairie at \$3,956. Does this mean that people in each of these communities are paying the same tax bill for an average home in each of these locations? The answer is obviously not.



## Are all Towns and Cities created Equal?

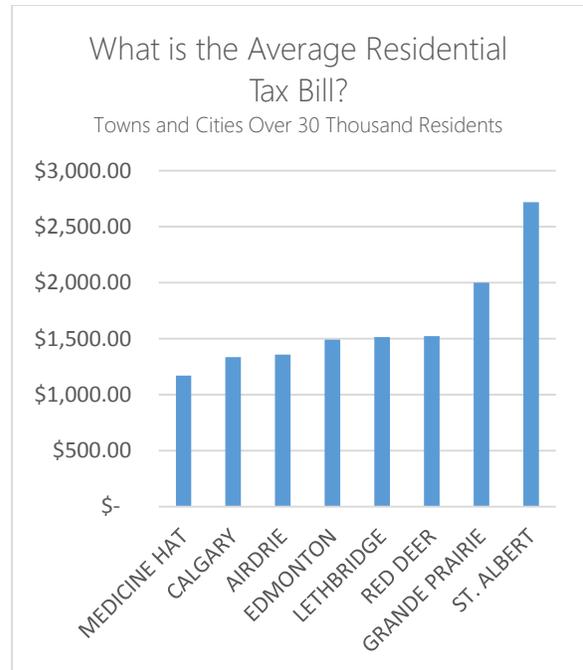
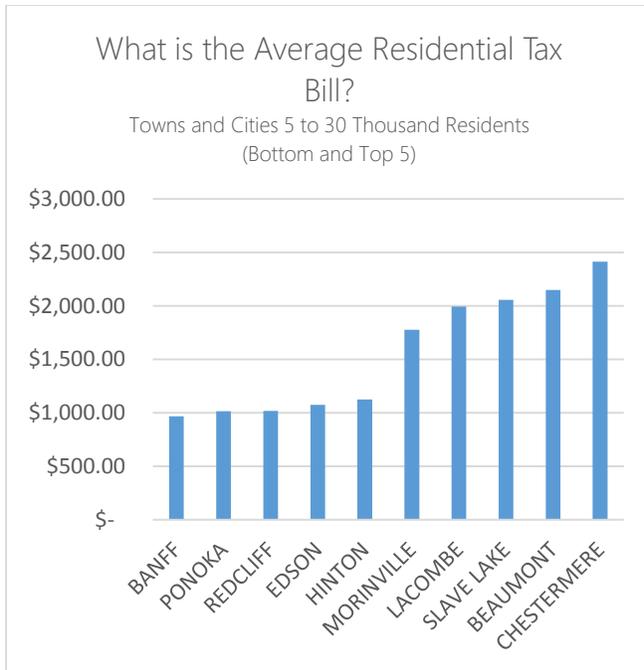
As you have probably surmised a four hundred thousand dollar home in one municipality does not equal the same home in other municipalities. If you wanted to buy a home in Canmore or Grand Prairie you are likely going to get very different homes for the same money. In fact Canmore has the highest average assessed value for a home and Grand Prairie one of the lowest. What are the average prices of homes then? The past 5 years has seen a staggering increase in home prices as the average assessment for a home in towns and cities over 5,000 residents has increased between 31% and 200%. This certainly does not make all homes equal. What are the average prices for homes in these same municipalities?



The average assessed value of homes for towns and cities over 5,000 resident's ranges from \$159,000 in Wetaskiwin to over 3 times that at \$533,000 in Canmore.

## So where are the Highest and Lowest Average Residential Tax Bills?

As we can see a home in one municipality does not equal the same home in another municipality. If we look at what the average home would cost in each municipality, for a residential tax bill, the results are as varied as the mountains and prairies of Alberta.



In Banff where residential taxes only account for just over 18% over their total revenue, an average home priced at \$329,450 would cost just \$969 in residential tax. This is due to a tax rate that is second lowest of all towns and cities over 5,000 residents. On the other end of the scale an average home in St. Albert would cost \$2,720 for a \$352,185 home. This is due to the average home price being 4<sup>th</sup> highest in the same group of towns and cities over 5,000 residents.

Notes:

1. Data used was from the annual municipal audited filings presented to the province of Alberta each year.
2. Data is reflective of current 2013 and 2012 available data.
3. Towns and cities with a population of over 5,000 residents only were used for this article.