

**June 2022**

**TAXES 2023**

The Provincial Government passes the legislation and regulations that Municipalities in Saskatchewan must follow. Municipalities have been regulated to keep the range between the highest and lowest Mill Rate Factor (MRF) to 9:1. An MRF is used to “shift” the tax burden from one property class to another. The RM of Manitou Lake’s MRF Range for 2022 is 7.5 (9.75/1.3). Historically, the shift places the tax burden on the Commercial and Industrial Properties from Residential and Agricultural. The Province has passed new legislation regarding the Tax Tools Municipalities can use to “shift” the tax burden effective January 1, 2023.

Instead of an MRF limit, the Province is enacting an Effective Tax Rate (ETR) Limit of 7.

Calculating the ETR is a multi-step process, as shown below:

For this example, all three property classes have a taxable assessment of \$150,000 each. The uniform mill rate is 5.25. The mill rate factors are 9.75 for commercial property, 1.3 for residential property and 1.3 for agricultural property. These are the 2022 mill rate and mill rate factors for the RM.

This is for municipal taxes only!

- The agricultural property taxes would be  $(\$150,000 \times 5.25 / 1,000) \times 1.3 = \$1023.75$ .
- The residential property taxes would be  $(\$150,000 \times 5.25 / 1,000) \times 1.3 = \$1023.75$ .
- Your commercial property taxes would be  $(\$150,000 \times 5.25 / 1,000) \times 9.75 = \$7678.13$ .

There is a base tax of \$500 for commercial property and \$200 for residential property.

- The total agricultural property taxes would be  $\$1023.75 + \$0 = \$1023.75$ .
- The total residential property taxes would be  $\$1023.75 + \$200 = \$1223.75$ .
- The total commercial property taxes would be  $\$7678.13 + \$500 = \$8178.13$ .

To calculate the ETR for each property class in this example, divide the total property tax listed in the previous bullets by the taxable assessment for that property class to arrive at a percentage:

- The ETR for agricultural property would be  $\$1023.75 / \$150,000 = 0.068\%$ .
- The ETR for residential property would be  $\$1223.75 / \$150,000 = 0.82\%$ .
- The ETR for commercial property would be  $\$8178.13 / \$150,000 = 5.45\%$ .

The ETR ratio is determined by dividing the highest ETR by the lowest ETR. In this example, the ETR ratio would be 5.45 per cent / 0.068 per cent = 8.015. This does not meet the legislated ETR ratio limit of 7:1. What does this mean for 2023? This means that there will be a “shift” of taxes from commercial and industrial to agricultural and residential.

Below is an **example** of what the shift **might be** using a taxable value of \$150,000, base tax of \$200 for residential, and \$500 for commercial:

- Agricultural: \$1350
- Residential: \$1550
- Commercial: \$8375

To calculate the ETR for each property class in this example, divide the total property tax listed in the previous bullets by the taxable assessment for that property class to arrive at a percentage:

- The ETR for agricultural property would be  $\$1350 / \$150,000 = 0.90\%$ .
- The ETR for residential property would be  $\$1550 / \$150,000 = 1.033\%$ .
- The ETR for commercial property would be  $\$8375 / \$150,000 = 5.58\%$ .

The ETR ratio is determined by dividing the highest ETR by the lowest ETR. In this example, the ETR ratio would be  $5.58 \text{ per cent} / 0.90 \text{ per cent} = 6.2$ .

**This example is for illustration purposes only!** There are many factors that may affect the taxable assessments and the tax levy for 2023.

As this is legislated by the Province, the RM must comply. The RM of Manitou Lake Council wants you to be aware of the shift in taxes for 2023. If you have questions or concerns regarding why the Province is making this legislation change, please contact MLA Ryan Domotor at [domotor.mla@sasktel.net](mailto:domotor.mla@sasktel.net) or the Ministry of Government Relations at [minister.gr@gov.sk.ca](mailto:minister.gr@gov.sk.ca).

Sincerely,

RM of Manitou Lake #442 Council