

FREQUENTLY ASKED QUESTIONS ABOUT MUNICIPAL RESTRUCTURING AND PROPERTY TAX

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Questions

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Generally, how are property taxes calculated in PEI?

Every owner of real property on PEI is required to pay provincial property taxes. The provincial property tax rate for both commercial and non-commercial property is \$1.50 for each \$100 of assessed value. For property within a municipality, the property owner also pays municipal property tax. The municipal tax rate for each \$100 of assessed value is set by individual municipalities. These rates vary across the province depending on factors such as municipal services, the total assessed value of all property within the municipality and the population living in that municipality.

A resident of PEI is eligible for a provincial tax credit on non-commercial property equal to \$0.50 for each \$100 of assessed value. This credit is applied to the provincial property tax charges. Farm property in PEI may be eligible for a farm assessment credit or a farm use assessment credit.

If you live in a municipality, the cost of fire protection is included in your municipal tax rate. When you live outside of a municipality, you may pay fire dues as set by a fire district committee. Fire dues, when charged, are identified on your property tax bill.

Charges on your individual property tax bill will depend the provincial rate, the municipal rate (if applicable), fire dues (if applicable), the assessed value of the property, waste watch fees and tax credits you may be eligible for.

How will my taxes be affected by municipal restructuring?

One primary concern from people who live in rural areas outside of municipalities is that property taxes will increase. It is difficult to assess how individual property tax bills will be affected by municipal restructuring because of varying tax rates and property assessment levels.

Some areas considering restructuring undertake a Municipal Growth Management Study. These studies consider a range of service and taxation options and provide a thorough description of different taxation scenarios to assess the effect. A differential tax rate system based on services (described later, see Figure 1), could encourage a fair approach.

What is the range in municipal tax rates across PEI?

Municipal tax rates vary from municipality to municipality. The current range for non-commercial rates is \$0.05 to \$0.85 per \$100 of assessed value.

- In Charlottetown, the non-commercial rate is \$0.67 and in Summerside it is \$0.74. The cities are full-functioning service centres offering a variety of high quality local services.
- The rate varies in towns from \$0.44 to \$0.85. The middle tax rate is \$0.56. The towns offer many of the same services as the cities, but because of individual property assessments, the total taxable value of all property assessed and the smaller populations, the rates can differ greatly from one municipality to another.
- In the remaining municipalities (“communities”) the rates range from \$0.05 - \$0.81 with the middle tax rate being \$0.17. Some communities provide land use planning, emergency planning and some localized services. The majority of these municipalities offer few services besides the purchase of fire service.

Why is there a range in municipal tax rates across PEI?

Property tax rates are applied to the assessed value of your property to determine the property taxes due. Assessment levels vary by municipality. Some municipalities have higher individual property assessment values and a higher total assessed value for all property so they may charge a lower tax rate to generate the revenue needed to provide their services. Another municipality may have lower individual property assessment values and a very low total assessed value for all property so they may need to charge a higher rate to generate the same revenue (see example below).

	MUNICIPALITY A	MUNICIPALITY B
Non-commercial municipal tax rate	\$0.60	\$0.30
Assessed value of a similar residential property	\$75,000	\$150,000
TOTAL MUNICIPAL CHARGES	$(\\$75,000 / \\$100 \times \\$0.60) = \\450	$(\\$150,000 / \\$100 \times \\$0.30) = \\450

I live in a rural area and already pay for my own well and septic system.

Sewer and water services are utilities and are funded by **user fees**. If your property is outside of the sewer or water system, the owner **does NOT pay** for these services. These services are not part of a municipality’s tax rate.

I own a large amount of land – how will municipal taxes affect me?

Farmers and property owners who rent or lease to farmers may be eligible for **both** provincial and municipal property tax credits.

Some municipalities on PEI offer rebates for farmers, but this is separate from the property tax.

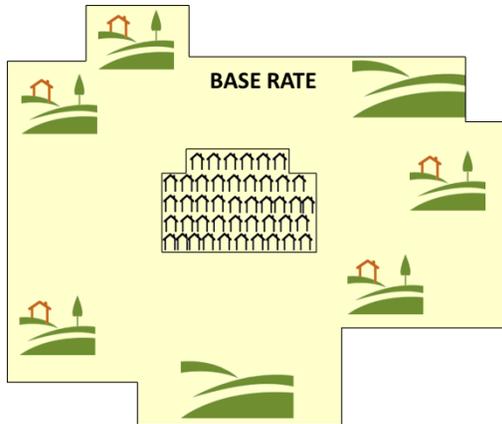
Why should I pay for services I do not use?

Many services that benefit a wider area are used by residents and non-residents of municipalities, such as: parks, rinks, trails, land use planning, emergency planning, libraries or community halls.

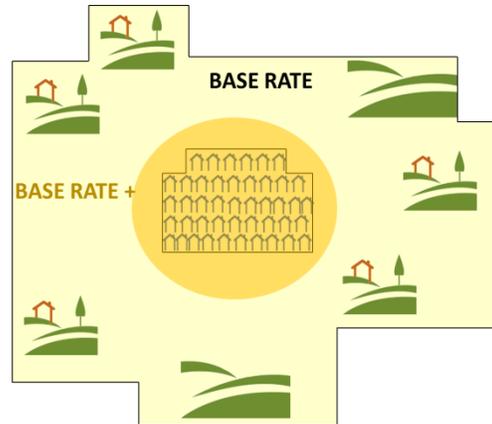
Even if you do not actively use recreation or library services, other services (like land use planning and emergency planning) are provided to protect broader public interests such as health and safety, water quality and protection of resource land or natural areas.

One of the “best practices” being recommended to municipalities is the use of differential tax rates to establish different tax rates for specific areas within municipal boundaries. This allows the municipality to set tax rates based on the level of services provided within specific areas. For example, a base rate could cover wide-reaching services like recreation, land use planning, libraries, emergency planning and fire services. Higher rates can be set for the areas receiving services like additional police protection, sidewalks, or street lighting (see Figure 1).

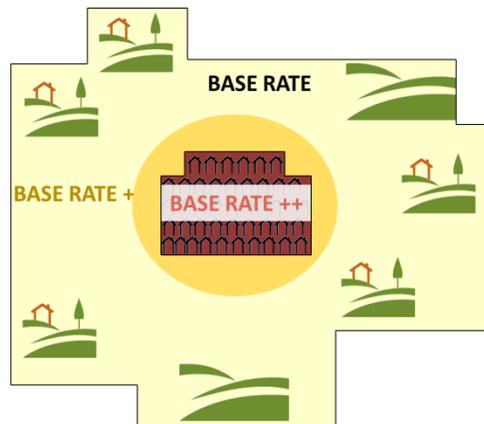
Some residents in a municipality may not live in a densely settled area (like a town block) and differential tax rates could allow the taxation system to reflect the services available.



Services could include: fire service, recreation, land use planning, emergency planning, libraries, environmental services.



Additional services could include: streets, lighting, additional police, beautification, waste receptacles



Additional services could include: sidewalks, business improvement area, street cleaning, main street programming

Figure 1: An example of differential tax rates

Where can I find out more about property taxes?

Visit the Tax and Land Information Website (www.taxandland.pe.ca) for more detailed information about property tax and assessment.