



Principles of Assessment II

for

**Municipal Government Board
Members**

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1. Learning Objectives

Caution on the Use of the Material

The material contained in this manual has been prepared by Alberta Municipal Affairs for information and for educational purposes. This manual is intended as an educational aid for persons in tribunal work, and any portion of it should not be used as a substitute for current legislation. If there is any uncertainty with understanding or interpreting the material or information contained in the manual, readers should consult legal counsel or obtain relevant professional assistance.

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Purpose

This manual is part of a training program, approved by the Minister, which is mandatory for persons who wish to become qualified to participate in a hearing as a member of the Municipal Government Board.

Through a hands-on review of assessment principles, legislation and interactive case studies, participants in this course will learn about:

- the regulated assessment process;
- legislation prescribing the preparation of linear property and equalized assessments.

The learning objectives are to:

- Understand the role and responsibilities of the Municipal Government Board;
- Know the legislation and processes that the assessor designated by the Minister of Municipal Affairs must follow in preparing linear property assessments;
- Understand the legislation and processes used to prepare equalized assessments; and
- Recognize when an assessment for regulated property has been correctly prepared

2. Course Description

Principles of Assessment II is targeted for persons who have been appointed to the Municipal Government Board and wish to become qualified to hear complaints about linear property assessment or equalized assessment. Board members who wish to become qualified to hear complaints as the provincial member on a composite assessment review board must successfully complete *Principles of Assessment I* training.

This course includes information about the roles and responsibilities of Board members under the legislative framework of the *Municipal Government Act* and *Matters Relating to Assessment Complaints Regulation* (MRAC). It also includes the basic fundamentals of regulated property assessment, the matters shown on a linear property assessment notice, or the equalized assessment report on which a complaint may be filed. This training session will cover the information in this manual, and target discussions that are relevant to the Board. The *Principles of Assessment II* is a companion course to *Administrative Law II*.

Evaluation

A Board member must successfully complete *Principles of Assessment II - Municipal Government Board* and *Administrative Law II* to become qualified under the legislation to participate as a panel member in a hearing. Successful completion of this course means full participation in the course and its exercises is required, *and* a passing grade on the final examination, to be presented in class, must be obtained.

3. Assessment Complaint System in Alberta

Overview

Alberta's assessment complaint system incorporates a taxpayer's right to challenge information about their assessment and to bring forward correct information. In addition to assessment matters, a person may make complaints about other matters on an assessment notice or on a tax notice.

The assessment complaint system in Alberta is structured in such a way where property taxpayers have the right to challenge their assessment and all parties are responsible for a fair and effective complaint and appeal process. The assessment complaint system in Alberta provides:

- Taxpayers with improved access to assessment information, and more time for them to review the information and discuss issues with the assessor. Improved access to information is intended to reduce the overall number of complaints.
- Standardized forms for consistent administration of complaints throughout the province.
- A streamlined process to help ensure complaints are heard and decisions are issued in a timely manner.
- Mandatory training programs for Municipal Government Board members and the administrator.

To this end, the government established the following principles for the assessment complaint system in Alberta:

- Taxpayers have the right to an understandable, objective and procedurally fair complaint and appeal process.
- All parties are entitled to, and have an obligation to, make the complaint system effective, efficient and timely.
- Municipalities should have some autonomy for local assessment review boards, yet there must be provincial oversight.
- Information and disclosure must be accessible, transparent and complete while protecting confidentiality and privacy.
- Members and administrators of assessment tribunals must be impartial, competent and qualified.

Alberta legislation provides the framework for the Municipal Government Board as part of the assessment complaint system. The Municipal Government Board consists of persons appointed by the Lieutenant Governor in Council, on the recommendation of the Minister. Part 12 of the *Municipal Government Act* defines the scope and limitations of the Municipal Government Board.

Unless otherwise noted, "MGA" and "the Act" refers to the Municipal Government Act.

The structure of Alberta's assessment complaint system consists of a one-level complaint process. There are three separate boards, the local assessment review board, the composite assessment review board and the Municipal Government Board. Each board has jurisdiction to hear complaints about specific property types.

Complaints related to properties assessed by the municipality's assessors and complaints related to matters on a tax notice are heard by a local or composite assessment review board at the municipal level. The following summarizes the structure of the assessment review boards.

Assessment Review Boards

A local assessment review board (LARB) is comprised of three members appointed by the municipality. A LARB may hear complaints about matters on an assessment notice for residential properties with three or fewer dwellings, or farm land. These types of properties include:

- detached homes, including acreages and farm residences,
- duplexes,
- triplexes,
- manufactured housing units, and
- individual condominium units.

If a municipality imposes taxes other than a property tax, a LARB may also hear complaints about matters shown on the tax notice for those taxes. In addition to property tax, a municipality may impose under Part 10 of the MGA, any of the following taxes:

- business tax,
- business revitalization zone tax,
- community revitalization levy,
- special tax,
- well drilling equipment tax,
- local improvement tax, and
- community aggregate payment levy.

Composite Assessment Review Boards

A composite assessment review board (CARB) is comprised of three members, two of whom are appointed by the municipality, and one member appointed by the province. A CARB may hear complaints about matters on an assessment notice for residential properties with four or more dwelling units, such as:

- four-plex housing,
- apartment buildings, and
- townhouse rental projects

and for non-residential properties, including:

- office buildings,
- retail stores,
- shopping centres,
- warehouses,
- industrial plants or special purpose properties (e.g. pulp mills),
- railway, and
- machinery and equipment.

The provincial member of a CARB must be a member of the Municipal Government Board. (ref: sec. 48(4) MRAC)

4. The Municipal Government Board

Overview

The jurisdiction of the Municipal Government Board is quite broad. In addition to hearing complaints related to linear property or equalized assessment, the Municipal Government Board may decide disputes involving municipalities and may hear appeals related to land use and planning. Linear property and equalized assessment are described in greater detail in sections 8 and 9 of this manual.

Unless otherwise noted, in this manual “Board” refers to the Municipal Government Board or a panel of the Municipal Government Board.

Administrator of the Municipal Government Board

In the *Municipal Government Act*, “administrator” means the Deputy Minister of Municipal Affairs. The administrator is the chair of the Municipal Government Board, and may delegate any of the powers, duties or functions of the administrator to any person. Currently, the powers, duties or functions of the administrator have been delegated to the person who holds the position of Chairman, Municipal Government Board.

The administrator is responsible for selecting members to sit as a panel of the Board. The administrator is also responsible for administering complaints made to the Board, including:

- accepting and reviewing complaints for compliance i.e. filed within time frame, fee is included, form is complete;
- administering the filing fee, if any;
- providing the Minister, when applicable, with a copy of the complaint within the specified timeline;
- scheduling hearings, and sending hearing notices to all parties within the time lines;
- providing a panel of the Board with documentation received from all parties, and;
- sending decisions of the Board to all parties.

Timelines for the complaint process are shown in Table 1 of Appendix 1.

Panels of the Municipal Government Board

The Municipal Government Board is established under section 486 of the Municipal Government Act. The Board consists of persons who are appointed by the Lieutenant Governor in Council, on the recommendation of the Minister of Municipal Affairs.

In the Act, “Board” means the Municipal Government Board and includes any panel of the Municipal Government Board. The administrator must select any 3 or more members of the Board to sit as a panel of the Board. The administrator also may:

- establish as many panels as the administrator considers necessary, and
- appoint a presiding officer for a panel.

If the administrator does not appoint a presiding officer for a panel, the panel must choose the presiding officer from among themselves.
(ref: sec. 487(3) MGA)

One-member Municipal Government Board

In accordance with section 487(1.1) of the *Act*, the administrator may select one member of the Board to sit as a panel of the Board. The *Matters Relating to Assessment Complaints Regulation*, states that a one-member Board may hear:

- complaints about non-assessment matters on a linear property assessment notice, and
- administrative and procedural matters related to a complaint about linear property or an equalized assessment.

A one-member panel cannot hear complaints about a linear property assessment or an equalized assessment.
(ref: sec. 42 MRAC)

Persons Who are Eligible to be Municipal Government Board Members

Subject to section 49 of the *Matters Relating to Assessment Complaints Regulation*, any person is eligible to be a member of the Municipal Government Board except for following persons described in section 50 of the *Regulation*:

- assessors, as defined in section 284 of the *Municipal Government Act*, and
- agents, as defined in section 1 of the *Regulation*.

Section 49 of the *Regulation* also requires that a member of a panel of the Municipal Government Board successfully complete a training program approved by the Minister of Municipal Affairs to be qualified to participate in a hearing.

Quorum

In accordance with section 489 of the *Municipal Government Act*, a majority of the members of a panel of the Board constitutes a quorum.

Legal Advice

The Board cannot seek legal counsel from a lawyer who conducts business with any of the parties to a hearing (ref: section 29 MRAC).

Knowing your role and your responsibilities as a Municipal Government Board member will help to achieve the following principles:

Property owners and municipalities have the right to an understandable, objective, and procedurally fair complaint process.

All parties are entitled to, and have an obligation to, make the complaint system effective, efficient, and timely.

Members and administrators of assessment tribunals must be impartial, competent, and qualified.

5. The Complaint Process

Overview

The complaint process is part of a healthy property tax system, whereby taxpayers have the right to challenge the assessments, upon which property taxes are based. Nonetheless, taxpayers have an important role in helping to ensure that their assessments are correct by providing any information that an assessor needs to prepare the assessment.

The complaint process generally begins when the linear property assessments notices are sent to the assessed persons or, in the case of equalized assessments, when the report of equalized assessments are sent to municipalities.

Linear Property

Prior to Filing a Complaint

In accordance with section 292(1) of the *Municipal Government Act*, assessments for linear property must be prepared by the assessor designated by the Minister. Then, on behalf of the Minister, the assessor must prepare an assessment roll for the assessed linear property by February 28 each year (ref: sec. 302(2) MGA).

Unless otherwise noted, In this manual “assessor” refers to the assessor designated by the Minister, as defined in section 284(1)(d)(i) of the Municipal Government Act.

The assessor is responsible for preparing linear property assessment notices, which must show the same information that is required to be shown on the assessment roll. The assessor must send the assessment notices to the assessed person of the linear property, and copies of the notices to the municipalities in which the assessed linear property is located. Each affected municipality, in turn, must record on its assessment roll the information contained on the assessment notice copies.

Upon receiving an assessment notice, the assessed person should carefully review all of the information on the notice. If the assessed person has any questions or concerns with any of the information shown on the assessment notice, that person should contact the assessor. Errors, omissions, or mis-descriptions on the notice may be resolved prior to filing a complaint.

An assessed person, or a municipality, has 60 days after the date the assessment notices have been sent by which to file a complaint (ref: sec. 309(1)(c) & sec. 284(3) MGA).

Filing a Complaint

A complaint about linear property may only be made by an assessed person or a municipality (ref: sec. 492(1.1) MGA). Section 309(1)(c) of the *Municipal Government Act*, provides the assessed person a period of 60 days after the date the assessment notices *have been sent* by which to make a complaint. A municipality is provided the same amount of time by which to

file a complaint. Pursuant to section 284(3) of the *Act*, the assessment notice is deemed to be sent on the day it was mailed or otherwise delivered to the assessed person.

For linear property, the assessed person is the “operator” of the linear property (ref: sec. 284(1)(p) and sec. 304(1)(i) MGA).

A person liable to pay property tax (the “taxpayer”) is the assessed person. For the purposes of linear property, the assessed person is the “operator” of the linear property. The linear property assessment notice is sent to the operator, and it is the operator who may make a complaint about matters shown on the notice, and upon doing so, becomes the “complainant”.

While an agent may be authorized to file a complaint on behalf of an operator (assessed person) of linear property, the operator continues to be subject to all of the provisions required by legislation, such as providing disclosure within the timelines.

If an agent files a complaint about linear property on behalf of the operator of linear property, or represents the operator at a hearing, the operator must submit the agent authorization form (ref: sec. 1(1)(b), sec. 51 and Schedule 4 MRAC).

A municipality may also make a complaint about an assessment for linear property, but only if the complaint relates to property that is within the boundaries of that municipality. If a municipality files a complaint, the municipality becomes the “complainant”. In accordance with section 508 of the *Act*, a council may also authorize a municipality to become an intervener in a hearing before the Board.

Section 492(1) of the *Municipal Government Act* describes the following matters contained on a linear property assessment notice upon which a complaint may be made:

- (a) the description of any linear property;
- (b) the name and mailing address of an assessed person
- (c) an assessment;
- (d) the type of improvement;
- (e) school support;
- (f) whether the linear property is assessable;
- (g) whether the linear property is exempt from taxation under Part 10.

A municipality may only make a complaint about linear property if that linear property is located within its boundaries. (ref: sec. 492(1.1)(b) MGA)

The Form of Complaint

If a linear property operator or a municipality wishes to file a complaint about a matter shown on the linear property assessment notice, they must do so with the administrator of the Municipal Government Board. The complaint must contain information as set out in section 491(2) of the *Act* and section 19 of the *Matters Relating to Assessment Complaints Regulation*, including:

- complainant contact information,
- the reason the matter is being referred to the Board,
- a brief explanation of the issues to be decided,

The reasons for a complaint **must** be described when filing a complaint, including:

- what information shown on the assessment notice is incorrect,
- in what respect that information is incorrect,
- what the correct information is, and
- the requested assessed value, if the complaint relates to an assessment.

Equalized Assessment

Prior to Filing a Complaint

Annually, the Minister prepares, in accordance with the regulations, an equalized assessment for every municipality in the province. The Minister then sends a report of all the equalized assessments to each municipality by November 1.

Upon receiving the equalized assessment report, the municipality should carefully review the amount of its equalized assessment and the assessment information pertaining to it. A municipality should contact the Assessment Services Branch to discuss any concerns that they may have about the information contained in the equalized assessment report. Errors, omissions, or mis-descriptions of information in the report may be resolved prior to deciding whether to file a complaint.

Filing a Complaint

Section 321 of the Municipal Government Act provides a municipality with a period of 30 days to may make a complaint to the Municipal Government Board regarding the amount of an equalized assessment. In accordance with section 321 of the Act, the 30 day period begins the day after the Minister has mailed or otherwise delivered the equalized assessment report to the municipalities.

The Form of Complaint

For a complaint about an amount of an equalized assessment, the form of the complaint must include:

- the reason the matter is being referred to the Board, and
- a brief explanation of the issues to be decided by the Board.

In addition, the complainant must, in writing:

- explain in what respect the amount of equalized assessment is incorrect,
- indicate what the correct equalized assessment amount should be, and

- describe the specific issues related to the incorrect information that are to be decided by the Board, and the reasons in support of the complainant’s position on those issues.

General Matters

Invalid Complaints

In some instances the Board will have to decide if a complaint is invalid. A complaint may be invalid if:

- the complaint is not filed with the administrator within the legislated timeframe (60 days for a complaint about a matter on a linear property assessment notice; 30 days for a complaint about the amount of an equalized assessment),
- the information filed with the complaint does not comply with section 491 of the *Municipal Government Act* and section 19 of the *Matters Relating to Assessment Complaints Regulation*, or
- the complaint filing fee is not included.

If the Board decides that the complaint is invalid for any of these reasons, the Board must dismiss the complaint (ref: sec. 499(2) MGA and sec. 18(2) MRAC).

Disclosure of Information

Once a complaint has been filed, there is a formal process for the exchange of information, otherwise known as disclosure, between the complainant and the respondent during the complaint and hearing period. All parties have an obligation and are accountable for providing complete disclosure within the timeframes set out in the regulation. The premise for the timeframes is that the complainant and the respondent have reasonable yet similar amounts of time to prepare and submit disclosure with consideration to the legislated timelines for rendering a written decision.

A respondent is the party that responds to a complaint (e.g., the assessor) or, is the party that replies to a matter brought before the Board to which a decision is sought.

Disclosure includes the following:

- all relevant facts supporting the matters of complaint,
- all documentary evidence to be presented at the hearing,
- a list of witnesses who will give evidence at the hearing,
- a summary of testimonial evidence,
- the legislative grounds and reason for the complaint,
- relevant case law and any other information the complainant considers relevant, and
- an estimate of time needed to present evidence at the hearing.

The Municipal Government Board must not hear any evidence that has not been disclosed within the timelines (ref: sec. 22(2) MRAC).

Abriding or Expanding Timelines

The *Matters Relating to Assessment Complaints Regulation* sets out the timelines for giving the notice of a hearing and the disclosure of information for complaints to be heard by the Board.

With the consent of the parties to the complaint, the Board may shorten the timelines set out in the regulation. The Board may, at any time, expand the disclosure timelines by written order. If the Board decides to expand the disclosure timelines for one party, the opposing party may also request the same amount of time to prepare disclosure in the interests of fairness. Fairness in process is discussed in *Administrative Law II*.

Postponements and Adjournments

The complainant or respondent may request a postponement or adjournment of a hearing. The request *must* be in writing and contain the reasons for the postponement or adjournment. If a panel of the Board determines that the reasons for the request are not exceptional, the panel may not grant the request. A request for postponement or adjournment should not occur twice for the same reason.

The MGB cannot postpone or adjourn a hearing beyond the timelines specified in section 500 of the Municipal Government Act (ref: sec. 23 MRAC).

Reaching an Agreement Prior to the Hearing

At any point during the complaint process, the complainant and the respondent may reach an agreement regarding the issues, whereby:

- the complainant and the respondent agree to make a recommendation to the Board for their decision, or
- the complainant may withdraw the complaint.

Hearing the Matters of Complaint

A hearing is conducted to enable the parties to present information that supports their position regarding the matters of the complaint. The Board will hear testimony and arguments related to the issues identified when the complaint was filed, and as contained in the disclosure of information between the parties. The conduct of hearings is outlined in *Administrative Law II*.

Decisions of Municipal Government Boards

The *Municipal Government Act* outlines the requirements for Municipal Government Board decisions as follows:

- 499(1) On concluding a hearing, the Board may make any of the following decisions:
- (a) make a change with respect to any matter referred to in section 492(1), if the hearing relates to a complaint about an assessment for linear property
 - (b) make a change to any equalized assessment, if the hearing relates to an equalized assessment;

- (c) decide that no change to an equalized assessment or an assessment roll is required.
- (2) The Board must dismiss a complaint that was not made within the property time or that does not comply with section 491(1), (2), or (3),
- (3) The Board must not alter
 - (a) any assessment of linear property that has been prepared correctly in accordance with the regulations, and
 - (b) any equalized assessment that is fair and equitable, taking into consideration the equalized assessments in similar municipalities.

Section 500(1) of the *Municipal Government Act* requires the Board to issue its decision:

- for linear property - within 30 days of the end of the hearing or by the end of the tax year, whichever is earliest
- for equalized assessment – within 30 days from the last day of the hearing, or within 150 days from the date the equalized assessment report is sent.

Decisions must be in writing and include:

- a summary of the matters and issues filed with the complaint,
- the Board’s decision for each issue,
- the reasons for the decision including dissenting reasons, and
- a notation of any procedural or jurisdictional matters that arose during the hearing, and the Board’s decision with respect to those matters.

The Board must make and keep a record of each hearing in accordance with section 26 of the *Matters Relating to Assessment Complaints Regulation*.

Making Decisions

The Board must always read, listen, and weigh the evidence presented to it by the complainant and the respondent within the legislative context before making a decision on any matter, including whether:

- the assessment of linear property has been prepared correctly in accordance with the regulations (ref: sec. 499(3)(a) MGA), or
- an equalized assessment is fair and equitable taking into the consideration the equalized assessments in similar municipalities (ref: sec. 499(3)(b) MGA).

Obligations and Accountabilities

A panel of the Board may award costs or penalties if the panel determines that there has been an abuse of the complaint process by the respondent or complainant. Costs, penalties and the Board’s authority to award costs or impose penalties are also discussed in *Administrative Law II*.

Information related to awarding of costs is contained in section 52 of the Matters Relating to Assessment Complaints Regulation.

Appeals to the Court of Queen's Bench

A decision of the Board may be appealed to the Court of Queen's Bench on a question of law or jurisdiction. An application for leave to appeal must be filed with the Court of Queen's Bench within 30 days after the persons notified of the hearing receive the Board's decision.

6. Complaints about Matters Shown on a Linear Property Assessment Notice

Section 302(2) of the *Act* requires an assessment roll for assessed linear property to be prepared no later than February 28 each year. The responsibility for preparing the roll is delegated to the assessor designated by the Minister. The contents of the linear property assessment roll are described in section 303 of the *Act*, which includes a declaration of the date that the roll is complete.

Once the linear property assessment roll has been prepared, the assessor must then prepare and send assessment notices to the assessed person of the linear property. The assessed person for linear property is the operator, as described in sections 284(1)(p) and 304(1)(i) of the MGA. The assessor must also send copies of the assessment notices to the municipalities with the linear properties; each affected municipality must, in turn, record the information contained on the notices on its municipal assessment roll.

A linear property assessment notice may include several linear properties in a municipality if the assessed person, or operator, is the same for all of the properties. The contents of the assessment notice, described in section 309 of the *Act*, include:

- The same information for the linear property that is shown on the linear property assessment roll,
- The date the notice is sent,
- The date by which a complaint must be made, which must be within 60 days after the notice is sent, and
- The name and address with whom to file a complaint.

The contents of an assessment roll are described in section 303 of the Municipal Government Act.

7. Matters Contained on a Linear Property Assessment Notice, Other than an Assessment

A panel of the Municipal Government Board can hear issues related to the assessment of linear property, and any other matter shown on a linear property assessment notice that is described in section 492(1) of the Municipal Government Act:

- (a) the description of any linear property,
- (b) the name and mailing address of an assessed person,
- (c) an assessment,
- (d) the type of improvement,
- (e) school support,
- (f) whether the linear property is assessable, and
- (g) whether the linear property is exempt from taxation.

If an assessed person identifies an error, omission or mis-description of any information on the linear property assessment notice, the person should contact the assessor. Some matters, such as correcting the name or address of the assessed person, may be straightforward and should be able to be resolved without having to file a complaint by contacting the assessor. Even issues related to the assessment should be discussed with the assessor prior to deciding whether to file a complaint.

Although the assessor is responsible for preparing the linear property assessment notices and thus for ensuring the contents of the notice are correct, the municipality is responsible for collecting the declaration of school support from assessed persons. More information about matters other than an assessment is provided in this section and in the Linear Property Assessment section.

A one-member assessment review board can hear any matter in section 460(5) of the Municipal Government Act, except an assessment.

Non-Assessable Linear Property

In accordance with section 291(2)(a) of the *Municipal Government Act*, no assessment is to be prepared for linear property that is under construction but not completed on or before October 31, unless it is capable of being used for the transmission of gas, oil or electricity. The meaning of the terms “capable of being used” and “construction” are further described in section 291(3).

Section 298 of the *Act* states that no assessment is to be prepared for the following linear property

- linear property used exclusively for farming operations.

For a linear property to be considered non-assessable, all of the criteria in sections 291 or 298 of the Act respecting the property must be met.

- linear property forming part of a rural gas distribution system and gas conveyance pipelines to the extent described in sections 298(1)(r) and (r.1).

Linear Property Exempt from Taxation

Section 351 of the *Municipal Government Act* describes property that is exempt from taxation, such as linear property that is non-assessable under section 298.

Under section 362(1)(a) of the Act, linear property in which any interest is held by the Crown in right of Alberta or Canada is exempt from tax. Linear property that is held by a municipality, may be exempt from taxation, except as described in section 362(1)(b) of the Act.

Pursuant to the *Electric Energy Generation Exemption Regulation* (AR 211/2008), electric power systems intended for or used in the generation of electricity may be exempt from taxation for the purpose of raising revenue needed to pay the school requisitions referred to in section 326 of the Act.

8. Linear Property Assessments

Legislative Framework

Section 292(1) of the *Municipal Government Act* directs the assessor designated by the Minister to prepare assessments for linear property. The assessments for all linear properties in the province are prepared centrally because, by its very nature, much of linear property tends to cross municipal boundaries, and thus it is more effective for all parties to have assessment process administered through one source rather than in each municipality.

A significant role of the Municipal Government Board is to hear complaints about linear property assessment. Understanding the procedures that the assessor must follow in preparing linear property assessments will help the Board determine whether the assessment under complaint has been prepared correctly.

What is linear property? The four categories of linear property are defined in section 284(1)(k) of the *Act* as:

- (i) electric power systems,
 - (i.1) street lighting systems,
- (ii) telecommunication systems, and
- (iii) pipelines.

The specific definition of each linear property category and the procedures for preparing the assessments are covered in more detail on pages 25 to 37.

Sections 292 and 293 of the *Act* provide the framework for preparing the assessments for linear property. Section 292(2) states that each assessment of linear property must reflect:

- (a) the valuation standard set out in the regulations for linear property, *and*
- (b) the specifications and characteristics of the linear property
 - (i) as contained in the records of the Alberta Utilities Commission or the Energy Resources Conservation Board, or both, on October 31 of the year prior to the taxation year, or
 - (ii) on October 31 of the year prior to the taxation year, as contained in the report requested by the assessor.

Section 292(3) gives the assessor the authority to request the operator of linear property to provide a report relating to that property setting out the information requested by the assessor. Upon receiving a request for information from the assessor, the operator must provide the report no later than December 31 of the year prior to the tax year.

To determine the specifications and characteristics of linear property, the assessor may use data contained in the ERCB records on October 31, or information in a report provided by the operator of the linear property. (ref: sec. 292(2)(b), sec. 292(3), 292(4) and 292(5) MGA).

If the operator does not provide the report by the required date, or if the assessor has reasonable grounds to believe that the information provided in the report is inaccurate, the assessor must prepare the assessment using the most accurate information available about the linear property (ref: sec. 292(5) MGA).

The indication that assessments for linear property are prepared using a highly regulated process can be ascertained in section 293(1) of the *Act* whereby the assessor must, in a fair and equitable manner,

- (h) (a) apply the valuation and other standards set out in the regulations, and
- (i) (b) follow the procedures set out in the regulations.

Assessment Class

When preparing an assessment, the assessor must assign an assessment class to the linear property. The assessment classes for all properties are described in section 297(1) of the *Municipal Government Act* as:

- Class 1 Residential
- Class 2 Non-residential
- Class 3 Farm Land
- Class 4 Machinery and Equipment

For the purposes of section 297, the term “non-residential” includes linear property. Thus, the assessor must assign assessment Class 2 – Non-residential to all linear property. The matters described in section 492(1) of the *Act* on which a complaint can be made about an assessment of linear property do not include assessment class.

Matters Relating to Assessment and Taxation Regulation

The regulation referred to in sections 292 and 293 is the *Matters Relating to Assessment and Taxation Regulation*, which contains the valuation standards that are to be used to prepare assessments for all other property in Alberta, including linear property.

For the purpose of the standards set out in the regulation, linear property is regulated property.

For most residential and commercial properties, the valuation standard is market value. However, the valuation standard for specific properties, known as regulated properties, is significantly process oriented. Section 1(n) of the regulation defines regulated property as:

- (i) land in respect of which the valuation standard is agricultural use value,
- (ii) a railway,
- (iii) linear property, or
- (iv) machinery and equipment.

The Municipal Government Board only hears complaints about linear property. The other regulated properties are the jurisdiction of the assessment review boards.

Valuation Standard for Linear Property

To find the valuation standard for linear property, one must first go to the valuation standard for improvements in section 5 of the *Matters Relating to Assessment and Taxation Regulation*, which states:

- 5(1) The valuation standard for improvements is
- (a) the valuation standard set out in section 7, 8 or 9, for the improvements referred to in those sections.

Section 8 of the regulation contains the valuation standard for linear property:

- 8(1) The valuation standard for linear property is that calculated in accordance with the procedures referred to in subsection (2).
- (2) In preparing an assessment for linear property, the assessor must follow the procedures set out in the Alberta Linear Property Assessment Minister's Guidelines.

The Minister's Guidelines

When the Minister of Municipal Affairs considers it advisable to do so, the Minister may by order establish guidelines respecting any matter for which a regulation may be made under section 322 of the *Municipal Government Act*. The Minister established the following Minister's Guidelines for the purposes of preparing assessments for regulated property:

- Alberta Farm Land Assessment Minister's Guidelines
- Alberta Linear Property Assessment Minister's Guidelines
- Alberta Machinery and Equipment Assessment Minister's Guidelines
- Alberta Railway Assessment Minister's Guidelines
- 2005 Construction Cost Reporting Guide

An assessment prepared using the Minister's Guidelines cannot be challenged on the basis of the validity of the Guidelines (ref: sec. 322.1(2) MGA).

The Minister's Guidelines include any manuals, guides and handbooks referred to or incorporated into any of the guidelines or guides.

The Minister's Guidelines contain rates and factors, which are applied to the specifications and characteristics of the linear property to calculate an assessment. The rates and factors are developed by the Ministry on a 3-year cycle following an established process.

For linear property, the process begins when requests for proposal are sent to engineering firms and/or technical specialists to provide construction costs and depreciation factors for typical scenarios of linear property or components of linear property. These typical scenarios form the basis for the development of standardized assessment models.

Standardized assessment models are used because:

- the construction costs for similar linear property can vary significantly due to geography and location in the province,
- some components of linear property may be unique to a company or to the operation of the linear property,
- it is not practical or feasible to establish a rate for every configuration, component or specific item related to a linear property, and
- it is often difficult to obtain reliable cost information for older items.

Once the rates and factors for linear property are developed, they are reviewed by Ministry staff in consultation with industry and municipal stakeholders; in turn, the rates and factors are provided to the Minister for his/her consideration and approval. The rates and factors that are prescribed in the *Alberta Linear Property Assessment Minister's Guidelines* reflect a base year of 2005.

If rates for linear property or components of linear property are not prescribed in the *Alberta Linear Property Assessment Minister's Guidelines*, the assessor must use the *2005 Alberta Construction Cost Reporting Guide* to determine the assessable costs related to the construction of the property.

According to the *2005 Alberta Construction Cost Reporting Guide (CCRG)*, the costs to be included in assessable costs are the costs of construction. The costs of construction, which must be reported by the company to the assessor, are the actual expenditures made in constructing the facility as referenced in the agreement with the contractor or as incurred directly by the company.

Construction costs include both direct and indirect costs. Direct costs are costs for labour, materials, and installation costs which can be directly related to the construction of a specific facility. Indirect costs are costs incurred away from the site or are costs allocated to the project. Indirect costs are also incurred by a company that uses in-house resources to construct a facility.

Not all construction costs associated with a project are included in assessable cost. A project cost may be excluded from assessable cost for one or more of the following reasons:

- 1) it is the cost of a pre-construction activity,
- 2) it is the cost of a post-construction activity,
- 3) it is associated with a component of the project which is not defined as property in the Act, and/or
- 4) it is associated with property which is made exempt from assessment in the Act.

The *Interpretive Guide to the 2005 Construction Cost Reporting Guide* was developed to provide more clarity and certainty to the CCRG. The principal objectives of the *Interpretive Guide* are to specify minimum standards for reporting construction costs, and to describe the construction costs that should be included in determining assessable cost.

The procedures in the *Interpretive Guide* are intended to be consistent with the valuation standards prescribed in the *Matters Relating to Assessment and Taxation Regulation*. The legislation must be used to determine whether a property is assessable.

The policies and procedures incorporated in the *Interpretive Guide* are modeled on the appraisal principle of reproduction cost, subject to divergences necessary to meet the requirements of Alberta's assessment legislation and to provide a stable property tax base.

The assessor uses the CCRG and its *Interpretive Guide* to determine the assessable construction costs for property that does not have rates prescribed in the *Alberta Linear Property Assessment Minister's Guidelines*.

Sources of Linear Property Data

To start the annual assessment process, the assessor obtains data from the following sources:

- 1) the Energy Resources Conservation Board (ERCB) - for data contained in the records of the ERCB related to pipelines and wells in Alberta.
- 2) the operator of the linear property - for data related to pipelines in Alberta that are not contained in the records of the ERCB, and for data about electric power systems and telecommunication systems.
- 3) other sources of technical data, when necessary.

In the first instance, the assessor regularly receives electronic downloads, directly from the ERCB, that contain data for identifying linear property. For the purposes of section 292(2)(b)(i) of the *Act*, the assessor, each year, downloads data on or about October 31 so the specifications and characteristics of the linear property are identical to the records of the ERCB on October 31.

In the second instance, the assessor annually sends a request for information (RFI) asking the operator to provide a report setting out the information requested by the assessor. Sections 292(3), 294 and 295(1) of the *Municipal Government Act*, and sections 397, 399 and 400(1) of the Lloydminster Charter, provide the assessor with the authority to request information about linear property that is needed to prepare the assessments.

The operator of linear property must report all construction costs to the assessor. The assessor will determine which costs reported by the operator are to be included in, or excluded from, the calculation of the assessment.

Much of the information may be derived from the internal records of the company, which should be provided to the assessor. These records may include project costs that should not be included in the assessment. The CCRG and its *Interpretive Guide* identifies costs that are typically included – as well as costs that are excluded – in the determination of the linear property assessment.

All construction costs ought to be reported to the assessor. The operator of the linear property can indicate which costs the operator believes should be excluded from the assessment, citing the appropriate section of the *Interpretive Guide*, or by providing a full explanation for the exclusion.

The information reported by the operator must reflect the specifications and characteristics of the property on October 31 of the year prior to the tax year. And, the operator must provide the report to the assessor by December 31.

In the third instance, the assessor may have to obtain information from other sources to prepare an assessment if the operator has not provided information requested by the assessor, or if the assessor believes information provided by the operator is inaccurate. (ref: sec. 292(5) MGA).

The Board may have to decide whether the operator of linear property has lost their right to make a complaint if information requested by the assessor was not provided by the required time (ref: sec. 295(4) MGA).

Pursuant to section 295(4) of the Act, an operator may lose their right to make a complaint about linear property if that operator has failed to provide information requested by the assessor.

Calculating Linear Property Assessments

The process for calculating an assessment for linear property involves selecting appropriate rates and factors from prescribed schedules in the Minister’s Guidelines, and then by multiplying the rates and factors together.

Assessment = Schedule A x Schedule B x Schedule C x Schedule D, where:

Schedule A = the base cost of the linear property using a prescribed formula in Schedule A of the *Alberta Linear Property Assessment Minister’s Guidelines*.

Schedule B = the assessment year modifier listed in Schedule B of the *Alberta Linear Property Assessment Minister’s Guidelines*. The assessment year modifier converts the costs from the base year of the Minister’s Guidelines (i.e., 2005) to the valuation date of July 1 in the applicable assessment year.

Schedule C = the depreciation factor allowed by the *Alberta Linear Property Assessment Minister's Guidelines*. The depreciation factors prescribed in Schedule C for linear property are exhaustive unless otherwise specified in Schedule D.

Schedule D = the additional depreciation factor allowed by the *Alberta Linear Property Assessment Minister's Guidelines*.

The specific definitions for each category of linear property and the procedures that the assessor must follow to prepare assessments are described in more detail below.

In preparing an assessment for linear property, the assessor must strictly apply the procedures set out in the Alberta Linear Property Assessment Minister's Guidelines

Assessment of Linear Property - Electric Power Systems

Section 284(1)(g) of the *Municipal Government Act* describes an electric power system as:

“a system intended for or used in the generation, transmission, distribution or sale of electricity.”

An electric power system or components of an electric power system may or may not be linear property. Section 284(1)(k)(i) of the *Act* describes electric power systems that are linear property:

(i) electric power systems, including structures, installations, materials, devices, fittings, apparatus, appliances and machinery and equipment, owned or operated by a person whose rates are controlled or set by the Alberta Utilities Commission or by a municipality or under the Small Power Research and Development Act, but not including land or buildings.

An electric power system intended for or used in the generation of electricity for sale is linear property, unless the system is solely for a person's own use, or the system is a micro-generation generating unit as defined in the Micro-Generation Regulation (AR 27/2008).

Section 284(1)(k)(i) indicates the following:

- the physical components of an electric power system are quite extensive and inclusive.
- the land and building components of an electric power system are not linear property.
- an electric power system is not linear property if the rates are *not* controlled or set by the Alberta Utilities Commission or by a municipality or under the *Small Power*

Research and Development Act. However, this requirement changed with the enactment of the *Extension of Linear Property Regulation* (AR 212/2008) in 2006.

In effect, the *Extension of Linear Property Regulation* includes all electric power systems intended for or used in the generation of electricity as linear property, whether or not the rates are controlled or set by the Alberta Utilities Commission or by a municipality or under the *Small Power Research and Development Act*, with two exceptions:

- (a) the system generating or proposing to generate electricity is solely for a person's own use, and
- (b) the system is a micro-generation generating unit as defined in the Micro-Generation Regulation (AR 27/2008).

An assessable electric power system that does not meet the criteria of section 284(1)(k)(i) of the *Act* or the *Extension of Linear Property Regulation* is not linear property; thus it is assessable by the municipality's assessor.

For the purposes of preparing the assessment for street lighting defined in section 284(1)(k)(i.1) of the *Act*, street lighting is contained within the section of the *Alberta Linear Property Assessment Minister's Guidelines* dealing with electric power systems.

- (i.1) street lighting systems, including structures, installations, fittings and equipment used to supply light, but not including land or buildings.

Sources of Data – Electric Power Systems

The operators of electric power systems are the primary source of data and information for the assessor.

Pursuant to section 292(3) of the *Municipal Government Act*, the assessor annually sends a request for information (RFI) to each operator of an electric power system that may be linear property.

The RFI is a set of comprehensive documents that provide detailed instructions to help the operator prepare the requested information. If the assessor has information on file about specific components of an electric power system, the operator may be asked to verify that the current data is accurate, and to report any additions, deletions or changes.

Typically, the information requested by the assessor includes, but is not limited to:

- geographic location or allocation area of a particular facility or system component,
- inventory details of the facility or system component, including detailed descriptions, uses, quantities, lengths, year of construction, etc.,
- project costs or construction costs and explanations of data as set out in the *2005 Alberta Construction Cost Reporting Guide* and the *Interpretive Guide to the 2005*

Construction Cost Reporting Guide, for components of electric power systems for which a prescribed rate is not contained in the *Minister's Guidelines*.

In accordance with section 292(4) of the *Act*, the operator must provide a report with the information requested by the assessor not later than December 31 of the year prior to the taxation year. The information reported by the operator must reflect the specifications and characteristics of the property on October 31.

The Process for Calculating the Assessment for Electric Power Systems

Pursuant to section 8(2) of the Matters Relating to Assessment and Tax Regulation, the process for calculating electric power systems linear property assessments is found in the *Alberta Linear Property Assessment Minister's Guidelines*.

Specific components of electric power systems are described in the form of assessment classification codes (ACC) in the *Minister's Guidelines*. The following groupings of ACCs are listed in the *Minister's Guidelines*:

- EDS - electric power distribution
- ESL - street lighting
- EFS - electric power for oil and gas field service
- ET - electric power transmission
- GEN - electric power generation
- CDIE - conduit-duct-manholes
- SST - substations

*In preparing an assessment for electric power systems, the assessor **must** always follow the procedures and processes set out in the Minister's Guidelines. The assessor's discretion in calculating the assessment is limited to a consideration of additional depreciation for power generation facilities, and only under specific circumstances.*

The process for calculating the assessment for a specific ACC follows the formula:
 Assessment = Schedule A x Schedule B x Schedule C x Schedule D.

Schedule A = base cost. *Schedule A* in the *Minister's Guidelines* provides the process for determining base cost of an ACC using a prescribed formula. There are two types of prescribed formulas:

1. base cost = prescribed rate x measure (number of, quantity of, or length) of an ACC

This formula applies to ACCs related to the distribution of electric power, the transmission of electric power, street lighting, and oil and gas field services.

Or

2. base cost = ic x cf, where

- (i) ic means the included cost of the ACC, which is the value of the linear property calculated in accordance with the *2005 Alberta Construction Cost Reporting Guide*, and
- (ii) cf means the prescribed factor that adjusts the included cost from the year the improvements were built to the base year of the *Minister's Guidelines* (i.e., 2005).

This formula applies to ACCs related to electric power generation systems, for one classification of electric power transmission (ET100), for substations, or for conduit, ducts and manholes associated with underground transmission lines.

Schedule B = assessment year modifier. *Schedule B* provides the assessment year modifier that adjusts the costs from the base year of the *Minister's Guidelines* to the assessment year. The same assessment year modifier is used for all components of electric power systems.

Schedule C = depreciation. *Schedule C* provides the process for determining the depreciation factor for the different components of electric power systems. The depreciation factors prescribed in Schedule C are exhaustive except as specified in Schedule D.

The Schedule C depreciation tables for ACCs beginning with GEN reflect all physical, all functional, all economic and net salvage considerations that form part of EUB decision U97-065 supported by EUB decision U99-099.

Schedule D = additional depreciation. *Schedule D* sets out the additional depreciation allowed for the components of electric power systems. Only components with an ACC code beginning with GEN or SST are allowed additional depreciation on a case-by-case basis, only for circumstances not considered in Schedule C, and only if acceptable evidence is documented and provided to the assessor.

Schedule D depreciation is limited to highly unusual site-specific circumstances such as catastrophic failure. Additional depreciation is not allowed for an electric power system ACCs other than GEN or SST (the Schedule D factor = 1.000).

Subsequently, the assessment for each ACC of electric power systems is calculated by multiplying together the values determined through Schedules A, B, C and D.

ACC assessment = Schedule A x Schedule B x Schedule C x Schedule D

A electric power system, a component of a electric power system or any improvement that does not fully meet the criteria of section 284(1)(k)(i) of the *Municipal Government Act* is not linear property; thus, if it is assessable, it is assessable by the municipality's assessor.

Assessment of Linear Property - Telecommunication Systems

Section 284(1)(w) of the *Municipal Government Act* describes a telecommunications system as:

“a system intended for or used in the transmission, emission or reception of cable television or telecommunications, but not including radio communications intended for direct reception by the general public.”

A telecommunications system is applicable to cable television and to telecommunications, but is not applicable to radio stations. Nonetheless, a telecommunications system or components of a telecommunications system may or may not be linear property. Section 284(1)(k)(ii) of the *Act* describes telecommunications systems that are linear property:

- (i) telecommunications systems, including
 - (A) cables, amplifiers, antennas and drop lines, and
 - (B) structures, installations, materials, devices, fittings, apparatus, appliances and machinery and equipment, intended for or used in the communication systems of cable distribution undertakings and telecommunication carriers that are subject to the regulatory authority of the Canadian Radio-television and Telecommunications Commission or any successor of the Commission, but not including
 - (C) cables, structures, amplifiers, antennas or drop lines installed in and owned by the owner of a building to which telecommunications services are being supplied, or
 - (D) land or buildings.

Section 284(1)(k)(ii) indicates the following:

- the physical components of a telecommunications system are quite extensive and inclusive.
- if a telecommunications carrier is *not* subject to the regulatory authority of the Canadian Radio-television and Telecommunications Commission or any successor of the Commission, that carrier's property is not linear property.
- the physical components of a telecommunications system that are in a building and owned by the owner of the building are not linear property.
- the land and building components of a telecommunications system are not linear property.

Sources of Data – Telecommunications Systems

The operators of telecommunications systems are the primary source of data and information for the assessor.

Pursuant to section 292(3) of the *Municipal Government Act*, the assessor annually sends a request for information (RFI) to each operator of a telecommunications system that may have an inventory of linear property. The RFI is a set of comprehensive documents that provide detailed instructions to help the operator prepare the requested information. If the assessor has information on file about specific components of a telecommunications system, the operator may be asked to verify that the current data is accurate, and to report any additions, deletions or changes.

Typically, the information requested by the assessor includes, but is not limited to:

- geographic location or allocation area of a particular facility or system component,
- inventory details of the facility or system component, including detailed descriptions, uses, quantities, lengths, year of construction, etc.,
- project costs or construction costs and explanations of data as set out in the *2005 Alberta Construction Cost Reporting Guide* and the *Interpretive Guide to the 2005 Construction Cost Reporting Guide*, for components of telecommunications systems for which a prescribed rate is not contained in the *Minister's Guidelines*.

In accordance with section 292(4) of the *Act*, the operator must provide a report with the information requested by the assessor not later than December 31 of the year prior to the taxation year. The information reported by the operator must reflect the specifications and characteristics of the property on October 31.

The *Alberta Linear Property Assessment Minister's Guidelines* prescribes rates for most components of cable distribution undertakings and telecommunication carriers, which are specifically described in the *Minister's Guidelines*. If a prescribed rate exists, the information to be reported to the assessor usually relates to a form of measure of the component (e.g., number of or length).

Receiving towers (RT) and components of cable distribution undertakings and telecommunication carriers that are not specifically described the *Minister's Guidelines* do not have prescribed rates. Therefore, for these properties the information to be reported to the assessor must include construction costs and data requirements as set out in the *2005 Alberta Construction Cost Reporting Guide* and the *Interpretive Guide to the 2005 Construction Cost Reporting Guide*.

The Process for Calculating the Assessment for Telecommunications Systems

Pursuant to section 8(2) of the *Matters Relating to Assessment and Tax Regulation*, the process for calculating telecommunications systems linear property assessments is found in the *Alberta Linear Property Assessment Minister's Guidelines*.

Specific components for cable distribution undertakings and for telecommunication carriers are described in the form of assessment classification codes (ACC) in the *Minister's Guidelines*.

In preparing an assessment for telecommunication systems, the assessor must always follow the procedures and processes set out in the Minister's

The process for calculating the assessment for a specific ACC follows the formula Schedule A x Schedule B x Schedule C x Schedule D.

Schedule A = base cost. *Schedule A* in the *Minister's Guidelines* provides the process for determining base cost of an ACC using a prescribed formula. There are two types of prescribed formulas:

1. base cost = prescribed rate x measure (number of, or length) of an ACC

This formula applies to the ACCs for cable distribution undertakings and telecommunication carriers that are described specifically in the *Minister's Guidelines*.

Or

2. base cost = ic x cf, where

(i) ic means the included cost of the ACC, which is the value of the linear property calculated in accordance with the *2005 Alberta Construction Cost Reporting Guide*, and

(ii) cf means the prescribed factor that adjusts the included cost from the year the improvements were built to the base year of the *Minister's Guidelines* (i.e., 2005).

This formula applies to receiving towers for cable distribution undertakings (ACC = RT), and to any component related to cable distribution undertakings or telecommunication carriers that are not described specifically in the *Minister's Guidelines*.

Schedule B = assessment year modifier. *Schedule B* provides the assessment year modifier that adjusts the costs from the base year of the *Minister's Guidelines* to the assessment year. The assessment year modifier for cable distribution undertakings is separate from the modifier for telecommunication carriers.

Schedule C = depreciation. *Schedule C* provides the process for determining the depreciation factor. Currently, there is only one Schedule C depreciation

factor applied to all cable distribution undertakings and one that is applied to telecommunication carriers.

Schedule D = additional depreciation. *Schedule D* sets out the additional depreciation allowed for the components of telecommunications systems.

For cable distribution undertakings with ACCs beginning with COAX, FIBRC, and HKUP the assessor must adjust for additional depreciation by applying the formula and factors found in the *Minister's Guidelines*.

For telecommunication carriers with ACCs beginning with COPR, DROP, and FIBRT the assessor must adjust for additional depreciation by applying the formula and factors found in the *Minister's Guidelines*.

The depreciation factors prescribed in Schedule D are exhaustive. No additional depreciation is allowed.

Subsequently, the assessment for each ACC of telecommunication systems is calculated by multiplying together the values determined through Schedules A, B, C and D.

ACC assessment = Schedule A x Schedule B x Schedule C x Schedule D

A telecommunications system, a component of a telecommunications system or any improvement that does not fully meet the criteria of section 284(1)(k)(ii) of the *Municipal Government Act* is not linear property; thus, if it is assessable, it is assessable by the municipality's assessor.

Assessment of Linear Property - Pipelines

Section 284(1)(k)(iii) of the *Municipal Government Act* describes pipelines as:

- (A) *any continuous string of pipe, including loops, by-passes, cleanouts, distribution meters, distribution regulators, remote telemetry units, valves, fittings and improvements used for the protection of pipelines intended for or used in gathering, distributing or transporting gas, oil, coal, salt, brine, wood or any combination, product or by-product of any of them, whether the string of pipe is used or not,*
- (B) *any pipe for the conveyance or disposal of water, steam, salt water, glycol, gas or any other substance intended for or used in the production of gas or oil, or both,*
- (C) *any pipe in a well intended for or used in*
 - (I) *obtaining gas or oil, or both, or any other mineral,*

- (II) *injecting or disposing of water, steam, salt water, glycol, gas or any other substance to an underground formation,*
- (III) *supplying water for injection to an underground formation, or*
- (IV) *monitoring or observing performance of a pool, aquifer or an oil sands deposit,*
- (D) *well head installations or other improvements located at a well site intended for or used for any of the purposes described in paragraph (C) or for the protection of the well head installations,*
- (E) *the legal interest in the land that forms the site of wells used for any of the purposes described in paragraph (C) if it is by way of a lease, licence or permit from the Crown, and*
 - (E.1) *the legal interest in any land other than that referred to in paragraph (E) that forms the site of wells used for any of the purposes described in paragraph (C), if the municipality in which the land is located has prepared assessments in accordance with this Part that are to be used for the purpose of taxation in 1996 or a subsequent year,*
- but not including*
 - (F) *the inlet valve or outlet valve or any installations, materials, devices, fittings, apparatus, appliances, machinery or equipment between those valves in*
 - (I) *any processing, refining, manufacturing, marketing, transmission line pumping, heating, treating, separating or storage facilities, or*
 - (II) *a regulating or metering station,*
 - or*
 - (G) *land or buildings.*

Section 284(1)(k)(iii) indicates the following:

- pipeline includes
 - a continuous string of pipe intended for or used in gathering, distributing or transporting any of several different products or by-products,
 - any pipe use to convey or dispose of several substances intended for or used in the production of gas and/or oil,
 - wells (i.e., pipe in a well) and well head installations,
 - the legal interest in land forming a well site.
- pipeline does not include
 - the inlet valve, the outlet valve, or several items between those valves, in any of a number of specified facilities or in a regulating or metering station, or
 - land and buildings associated with pipeline.

Sources of Data – Pipelines

For any pipe that is not a “pipe in a well”, the assessor obtains data from two sources:

- 1) the Energy Resources Conservation Board (ERCB), if the pipe is licensed by the ERCB and is contained in records that are in the possession of the ERCB on October 31 of the assessment year, and
- 2) the operator of the linear property, if the pipe is not licensed by the ERCB or is not contained in the records of the ERCB. For example, some pipe is licensed through the National Energy Board (NEB).

For wells (i.e., “pipe in a well”), well head installations and the legal interest in land forming a well site, the assessor must use the characteristics and specifications contained in the records of the ERCB on October 31. The exception is information for linear property located within the municipal boundary of the City of Lloydminster, Saskatchewan, which information must be obtained from the operator of those properties.

If information is not contained in the records of the ERCB, the assessor sends a request for information (RFI) to the operators of pipelines. The RFI is a set of comprehensive documents that provide detailed instructions to help the operator prepare the information requested by the assessor. If the assessor has information on file about specific components of a pipeline, the operator may be asked to verify that the current data is accurate, and to report any additions, deletions or changes.

Information requested by the assessor is used to classify the pipeline component into one of the pipeline classifications prescribed in the *Minister’s Guidelines*. Information requested by the assessor may include, but is not limited to:

- geographic location or start/end points of a particular pipeline component,
- inventory details of the pipeline component, including detailed descriptions, uses, volumes, lengths, etc., and
- pressure testing data.

A prescribed rate is contained in the *Minister’s Guidelines* for most pipeline components in Alberta. However, if a prescribed rate is not available, the assessor must follow the *2005 Alberta Construction Cost Reporting Guide*.

The Process for Calculating the Assessment for Pipelines

Pursuant to section 8(2) of the Matters Relating to Assessment and Tax Regulation, the process for calculating pipeline and well linear property assessments is found in section 4.000 of the *Alberta Linear Property Assessment Minister’s Guidelines*.

Specific components of pipelines are described in the form of assessment classification codes (ACC) in the *Minister’s Guidelines*.

*In preparing an assessment for pipelines and wells, the assessor **must** always follow the procedures and processes set out in the Minister’s Guidelines.*

The ACCs for pipe defined in sections 284(1)(k)(iii)(A) and (B) of the *Act* are separate from the ACCs for wells, well head installations and the legal interest in land forming a well site as defined in sections 284(1)(k)(iii)(C), (D), (E) and (E.1) of the *Act*.

The process for calculating the assessment for a specific pipeline or well ACC follows the formula Schedule A x Schedule B x Schedule C x Schedule D.

Schedule A = base cost. *Schedule A* in Tables 4.03 and 4.09 of the *Minister's Guidelines* provides a prescribed formula for determining base cost of specific ACCs. However, the assessor must first follow a multi-step process to determine the correct formula to use.

For pipe defined in sections 284(1)(k)(iii)(A) and (B) of the *Act*:

1. determine the ACC for the pipeline, which is based on a combination of characteristics and specifications described in the *Minister's Guidelines* and as contained in the records of the ERCB or in the RFI, as the case may be. The assessor must follow the prescribed process in section 4.000 of the *Minister's Guidelines* to determine the ACC.
2. determine n^* , which is the length of pipeline contained in the records of the ERCB or in the RFI, as the case may be.
3. Based on the ACC, select and apply the appropriate formula in Table 4.03.

For wells, well head installations and the legal interest in land forming a well site as defined in sections 284(1)(k)(iii)(C), (D), (E) and (E.1) of the *Act*:

1. Determine the well status of the linear property, which is based on a combination of characteristics and specifications described in the *Minister's Guidelines* and as contained in the records of the ERCB or in the RFI, as the case may be. The assessor must follow the prescribed process in section 4.000 of the *Minister's Guidelines* to determine the well status.
2. Using the well status, determine the well status description of the linear property, which is based on a combination of characteristics and specifications described in the *Minister's Guidelines* and as contained in the records of the ERCB or in the RFI, as the case may be. The assessor must follow the prescribed process in section 4.000 of the *Minister's Guidelines* to determine the well status description.

3. Determine the ACC for the well, which is based on the well status description and whether there is exactly one well status or more than one well status.
4. Determine n^* , which is the depth of the well determined by following the prescribed process in section 4.000 of the *Minister's Guidelines*.
5. Based on the ACC, select and apply the appropriate formula in Table 4.09.

Schedule B = assessment year modifier. *Schedule B* provides the assessment year modifier that adjusts the costs from the base year of the *Minister's Guidelines* to the assessment year. The assessment year modifier for “pipeline” is separate from the modifier for “wells”.

Schedule C = depreciation. *Schedule C* provides the process for determining the depreciation factor. Currently, the same depreciation factor is applied to all pipeline and wells. The depreciation factor in Schedule C is exhaustive except as specified in Schedule D.

Schedule D = additional depreciation. *Schedule D* sets out the process for determining additional depreciation allowed for specific pipeline or well components.

For pipelines, additional depreciation is determined by pipe status and the ‘from’ facility code and location as recorded with the ERCB or the RFI on October 31. For wells, additional depreciation is determined by monthly production, injection hours and production hours as recorded with the ERCB or the RFI on October 31.

The depreciation factors prescribed in Schedule D are exhaustive. No additional depreciation is allowed.

Subsequently, the assessment for each ACC of a pipeline or well is calculated by multiplying together the values determined through Schedules A, B, C and D.

ACC assessment = Schedule A x Schedule B x Schedule C x Schedule D

In general, the assessment for a pipeline is based on a combination of the pipeline material, the outside diameter and the maximum operating pressure. The assessment for a well is based on a combination of the ERCB well status fluid, mode, type and structure; monthly volumes and location.

The Board cannot change an assessment for linear property if the assessor correctly followed the procedures and processes set out in the Matters Relating to Assessment and Taxation Regulation and in the Alberta Linear Property Assessment Minister's Guidelines for preparing the

A pipeline, a component of a pipeline, or any improvement that does not fully meet the criteria of section 284(1)(k)(iii) of the *Municipal Government Act* is not linear property; thus, if it is assessable, it is assessable by the municipality's assessor.

Jurisdiction

Section 295(1) of the *Municipal Government Act* states that a person (the operator for linear property) must provide, on request by the assessor, any information necessary for the assessor to prepare an assessment or determine whether the property is assessable.

Pursuant to section 295(4) of the *Act*, no person may make a complaint about linear property under section 492(1) in the year following the assessment year if the person has failed to provide the information requested under section 295(1) within 60 days from the date of the request.

In accordance with section 499(3) of the *Act*, the Boards must not alter any assessment of linear property that has been prepared correctly in accordance with the regulations.

9. Equalized Assessment

An equalized assessment is prepared each year to create a common provincial assessment base and to provide a fair and equitable assessment base for the distribution of provincial and regional requisitions among municipalities. The primary purpose of equalized assessments in Alberta is related to the “requisition” defined in section 326 of the *Municipal Government Act*, which in large part is the amount paid into the Alberta School Foundation Fund under the *School Act*.

The provincial equalized assessment is also used in the calculation and distribution of some provincial and federal grants. Only the Municipal Government Board will hear complaints about equalized assessments.

Equalization provides the basis on which provincial and regional requisitions and grants can be allocated.

Overview

The Municipal Government Board has jurisdiction to hear complaints relating to the amount of an equalized assessment. The municipality that files a complaint must

- provide reasons for the complaint,
- explain in what respect an equalized assessment is incorrect, and
- indicate what the correct equalized assessment should be.

When adjudicating a complaint about an equalized assessment, it is important that Board members be familiar with the legislative requirements for preparing equalized assessments.

In Alberta, the primary purpose of equalization is to bring assessments of all properties in the province to a common level. Equalization is performed by the province using municipally prepared assessments and information about those assessments to establish comparability among the assessment bases of all municipalities.

Properties included in the equalized assessment are assessed by municipalities using two separate valuation standards:

- regulated properties (i.e. farmland, railway, linear property, and machinery and equipment) are assessed at values derived through the application of regulated procedures, and
- non-regulated properties (e.g. residential, multi-residential, commercial, industrial properties, etc.) are assessed on the market value standard.

Ideally, every property assessed on the market value standard would have an assessment that reflects 100 per cent of market value. However, because municipal assessors use a mass appraisal process to prepare assessments, an assessment for any one property will

likely not be identical to its market value estimate – and the degree of difference between the assessment and market value for one property, and for groups of properties, may vary slightly from property type to property type, neighbourhood to neighbourhood, and municipality to municipality. Therefore, the equalization process establishes a level playing field when variances between the assessments and market value of properties occur.

An equalized assessment is also considered to be an “assessment” (ref: sec. 317 MGA).

Legislative Framework

The legislative framework for preparing equalized assessments in a uniform and equitable manner for all municipalities in the province begins with the *Municipal Government Act*.

First, section 317 of the *Municipal Government Act* describes which properties and their assessments are included in an equalized assessment:

“Equalized assessment” means an assessment that is prepared by the Minister in accordance with this Division for an entire municipality and reflects

- (a) assessments of property in the municipality that is taxable under Part 10,
- (b) assessments of property in the municipality in respect of which a grant may be paid by the Crown under section 366,
- (c) assessments of property in the municipality in respect of which a grant may be paid by the Crown in right of Canada under the Municipal Grants Act (Canada),
- (d) assessments of property in the municipality made taxable or exempt as a result of a council passing a bylaw under Part 10, except any property made taxable under section 363(1)(d), and
- (e) assessments of property in the municipality that is the subject of a tax agreement under section 333.1 or 360,

from the year preceding the year in which the equalized assessment is effective.”

The assessment for taxable machinery and equipment is included in the equalized assessment; however, the assessment is not used for the purposes of determining the provincial education requisition.

The equalized assessment for a municipality generally relates to the assessments of all property from which that municipality received revenue in the previous tax year, excluding those properties specifically mentioned in legislation. For example, the following properties are *not* included in the equalized assessment:

- non-assessable properties listed in section 298 of the *Act*,
- personal property,
- properties referred to in section 351(1)(b) of the *Act*, unless the properties are made taxable by bylaw,
- properties referred to in section 361 of the *Act*,
- assessments of property described in section 362 of the *Act*, other than assessments for property in which a grant is paid for by the Crown in Right of Alberta or Canada,
- properties described in section 363 of the *Act*, subject to section 317(d), and

- supplementary assessments, pursuant to section 317.1 of the *Act*.

In accordance with section 318 of the *Act*, the Minister of Municipal Affairs must prepare, annually, an equalized assessment for each municipality. The Minister has delegated this responsibility to the Assessment Services Branch of Alberta Municipal Affairs. The manner by which equalized assessments are to be prepared is set out in the *Act* and in the *Matters Relating to Assessment and Taxation Regulation*.

Equalized Assessment Process

In Alberta, the equalized assessment process incorporates the following steps:

- 1) Each municipality and/or their appointed assessor reports property and assessment information, and sales data, to the Minister;
- 2) The Ministry audits the information and data;
- 3) The Ministry uses the municipalities' audited information to determine assessment levels; and
- 4) The Ministry calculates equalized assessments.

Information Provided by the Assessor

Section 293(3) of the Municipal Government Act requires that a municipality's assessor provide information to the Minister about property in the municipality. Section 319(1) states that each municipality is responsible for providing, annually, a return containing information needed to prepare equalized assessments; however, it is the municipality's assessor who typically provides the information to the Ministry.

The Matters Relating to Assessment and Taxation Regulation further prescribes the assessor's duty to record and report information. Section 12 of the Regulation requires that the assessor maintain a record of information about each assessable property. Section 14 of the Regulation requires the assessor to provide information required under sections 293(3) and 319(1) of the Act to the Ministry in accordance with the procedures set out in the Alberta Assessment Quality Minister's Guidelines.

The Alberta Assessment Quality Minister's Guidelines directs the assessor to the Recording and Reporting Information for Assessment Audit and Equalization Manual, which describes in detail what information the assessor must submit to the Ministry. This information includes but is not limited to:

- for each property, the liability codes, the assessment(s), and the actual use(s),
- for each property, information about the property including location and physical characteristics and descriptions,
- indicators of value (e.g., sales prices) and factors affecting value, and
- statistical data, such as time adjustments made to sale prices.

Section 16(1) of the *Regulation* requires the municipality's assessor to provide information that the Ministry needs to determine assessment levels. The information needed to determine assessment levels includes:

- the actual use(s) of each property in the municipality,
- the corresponding assessment for each actual use,
- sales data for properties that sold in the municipality, or other indicators of value if there are insufficient sales, and
- data that would enable sale prices and other indicators of value to be included in ratio studies.

Assessors submit the information to the Ministry electronically through the Assessment Services Shared Environment (ASSET) system. ASSET is a secure internet-based application and database only accessible to municipalities and the province for the purposes sharing and analyzing assessment and sales data. The Ministry uses ASSET to

- to conduct annual assessment audits,
- to determine assessment levels, and
- to prepare the equalized assessments for each municipality.

Property, assessment and sales information that assessors are annually required to provide to the Minister is submitted electronically into the ASSET system.

Liability Code

For the purpose of the annual return, the assessor is required to assign, to every assessed property in the municipality, the standard provincial liability codes in the form and manner described in the *Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual*.

The Ministry then uses the liability code to distinguish which properties are to be included or excluded from the equalized assessments in accordance with section 317 of the *Act*, and as the means to group those properties from which a municipality received revenue in the previous tax year. The assessments of properties with the same liability code are used to determine the equalized assessments for that group of properties within the municipality.

A liability code is made up from a standard set of seven codes. The following are the codes that are combined together to make up the liability code:

- Property Description Code
- Tax Code
- Tax Exemption Code
- Assessed Person Code
- Requisitioning Body Type
- Requisitioning Body Percentage
- Requisitioning Body Code

Property description codes primarily reflect the assessment classes described in section 297 of the *Act*. However, property description codes are also designated for some types of non-residential property, such as linear property.

Every assessed property must have, at minimum, one property description code. When an assessed property has more than one use, the assessor must allocate the portion of the property's assessment that is attributable to each use, and assign the applicable property description code(s) to each assessment.

The property description codes and a summary of the standardized liability codes are shown in Appendix 1.

Actual Use

For each assessable property, a predominant actual use and, if applicable a secondary actual use is information that must be provided by the assessor. The actual use codes are used to group properties for the annual audit ratio study, and for determining assessment levels. The standardized actual use codes are contained in the Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual.

Indicators of value

The most common indicator of value is usually the selling price of a property. However, if there are insufficient sales data, the assessor may obtain other indicators of value, such as:

- Independent, formal appraisals,
- Listings of property,
- An offer to purchase,
- An opinion of value provided by expert, third-party sources, such as real estate agents, private appraisers and bankers, and
- Non-titled leased sales.

The *Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual* provides detailed explanations about the collection, verification, and adjustments of sales data and other indicators of value.

Collection of Sales Data

Sales data is the preferred indicator of value for evaluating mass appraisal performance. The assessor must annually report all sales that occurred in the municipality for three sales periods (i.e., 36 months) prior to the valuation date for all actual use groups. If there are more than 500 sales combined in the vacant residential (Actual Use code = VR), single family dwelling (Actual Use code = SFD), and residential condominium (Actual Use code = RC) actual use groups, assessors may choose to only report the sales from the most recent sales period for residential properties.

Verification of Sales

Sales verification is critical to determining whether a sale is indicative of market value or if it can be adjusted to be indicative of market value. Through verification, the assessor determines whether the sale is arm's length and if the buyer has received a benefit or obligation other than the value of the real property.

Sales that do not represent open-market, arm's length transactions should not be used in ratio studies.

After the verification, the assessor applies a set of codes to the indicator of value. The codes will demonstrate

- The type of indicator of value (e.g., sale, appraisal, listing, etc.)
- Sales verification information (e.g., if a sale is a good sale or if the buyer has received a benefit or obligation other than the value of the real property).
- If the indicator of value is to be used in the ratio study for equalization purposes

Sales Adjustments

If price levels change in a municipality, the assessor may have to adjust sales for time to reflect the market value on the statutory valuation date. The assessor may also make adjustments to arm's length sales that involve non-real estate components, such as chattels, or if a sale was influenced by financing.

If a municipality or its assessor does not provide the information required by the Minister, the Ministry must prepare the equalized assessment using whatever information is available about the municipality (ref: sec. 319(2) MGA).

Audit of information reported by municipalities

The equalized assessment process involves provincial assessment auditors from the Assessment Services Branch of Municipal Affairs who annually audit the information reported by municipal assessors. The annual audit helps determine whether the information is acceptable for the purpose of determining assessment levels and for calculating equalized assessments. Section 20 (1) of the *Matters Relating to Assessment and Taxation Regulation* states that

- the Minister may, from time to time,
- (a) require annual or detailed audits of assessments, or both, to be performed, and
 - (b) appoint one or more auditors for the purpose of carrying out those audits;

The *Alberta Assessment Quality Minister's Guidelines* describes the procedures of the annual audit:

Annual audit – stage 1

At stage 1, the assessor submits property information, assessment data and sales data to the Ministry by the prescribed deadline. Upon submission of the data, assessment auditors use the ASSET system to perform ratio studies and other statistical analysis on the data and produce several reports that show the results of the analyses. The Ministry notifies the assessor when the regulated quality standards have been met, and the assessor is able to submit the Annual Return Declaration.

Annual audit – stage 2

Once the Ministry receives the Annual Return Declaration from the assessor, stage 2 of the annual audit commences. The analysis in stage 2 is qualitative in nature. At this stage, the assessment auditor may

- conduct ratio studies using sales from an expanded sales period in addition to those performed in stage 1.
- analyze whether the assessments between property types within the municipality are fair and equitable when regulated quality standards are not met.
- check whether the assessor has analyzed the need for applying an adjustment for time to the sales, and determine whether the time adjustment is reasonable.
- compare the assessments from the previous to the current tax year to determine whether the assessments for unsold properties have changed at the same percentage as those of assessments for sold properties.
- review the year-over-year changes in overall assessment for the different property categories for anomalies.
- check whether the assessor has reported all of the sales that occurred in the municipality, and that the sales have been properly included or excluded in the assessor's analysis.
- verify that the prescribed factors have been used to calculate the assessments for machinery and equipment property in the municipality.

If any of the test results or conditions of a stage 2 audit are deemed to be unacceptable, an assessment auditor may recommend that a specific matter or issue be investigated further (annual assessment audit – stage 3) or that a full, comprehensive detailed assessment audit be conducted.

Assessment Services Branch staff also perform a quantitative review of the reported data that helps ensure that the assessments for all properties in the municipality were reported so they may be properly included in the equalized assessment. A quantitative review includes a review of:

- Year-over-year changes in the aggregate assessment for each property type to determine if the changes are expected and reasonable.
- Standardized liability codes for any noticeable variations or unusual patterns in the assessments.
- Annexations, if relevant, to verify that all of the assessments for annexed properties have been properly allocated to the appropriate municipalities.
- Exemption reason codes, to verify that the proper exemption code has been applied to only those properties that are exempt from taxation.

Determining Assessment Levels

Assessment levels are determined through ratio studies. Ratio studies are a primary tool used to measure the performance of mass appraisal and ensure that the assessed values based on the market value standard are within an acceptable range of variance from the underlying market value.

In ratio studies, statistics based on a sample of properties that sold will be used to make decisions that affect all properties in the population.

A ratio study compares assessments of properties to their indicators of market value. As such, the ratio study typically starts with an assessment ratio, which is defined in the *Matters Relating to Assessment and Taxation Regulation*:

1(e) “assessment ratio” means the ratio of the assessment to an indicator of market value for the property.

The assessment ratio is formed by dividing the assessment of a property by its indicator of market value, such as a sales price (adjusted). For example, a property assessed at \$342,000 that sold on the valuation date for \$360,000 has an assessment to sale ratio of 0.95 or 95%:

$$ASR = A/SP = \$342,000/\$360,000 = 0.95$$

where **ASR** is the assessment to sale ratio, **A** is the assessment and **SP** is the sale price.

A ratio study uses a sample of data to estimate the parameters for a population of properties. A common measure of central tendency, which is a single point in a range of observations around which the observations tend to cluster, is the median assessment ratio. The median assessment ratio of a sample of properties that sold can be used to estimate the median assessment ratio of the population of properties.

“median assessment ratio” means the middle assessment ratio when the assessment ratios for a group of properties are arranged in order of magnitude (ref: sec. 1(l) MRAT).

The median assessment ratio is simply the middle ratio when all the assessment ratios for a group of properties are arranged in order of magnitude. The median assessment ratio is used instead of the mean average ratio because the mean ratio may be skewed by some extremely low or high ratios.

Section 10 of the *Matters Relating to Assessment and Taxation Regulation* sets the following quality standards for median assessment ratio that assessors must meet in preparing assessments for groups, or strata, of properties:

Property Type	Median Assessment Ratio
Property containing 1, 2 or 3 dwelling units	0.950 – 1.050
All other property	0.950 – 1.050

Because a range may occur for the assessments of a group of properties, the overall assessment level of a property class for a municipality may deviate from 1.000 and may be different than the assessment level for the same property assessment class in other municipalities.

This means that taxable assessments of municipalities are not directly comparable between municipalities. As such, equalization is the process of adjusting each municipality's actual assessments to a level that is 100 per cent of market value. The equalization process removes the variations in assessment levels and results in greater comparability of assessment bases among municipalities.

Stratification

In ratio studies, stratification is the sorting or grouping of properties into relatively homogeneous groups based on use, physical characteristics or location. Stratification permits the analysis of mass appraisal performance within and between property groups.

Assessors may stratify properties by such criteria as improvement classification, neighbourhood, size and age so they can use ratio studies for a variety of purposes. For the purposes of equalized assessment in Alberta, the criteria for stratification are clearly set out in legislation.

The following assessment classes described in section 297(1) of the *Municipal Government Act* are the highest order of strata and they form the basis of other strata, or subgroups of properties, used in the annual audit ratio studies conducted by the province, or to calculate assessment levels.

- Class 1 - residential
- Class 2 - non-residential
- Class 3 - farm land
- Class 4 - machinery and equipment

The strata used to determine assessment levels are the actual use of the properties and assessment value range.

Assessment class, actual use and assessment value range are the strata used for determining assessment levels.

Assessment Levels

Municipal assessors usually conduct various types of ratio studies for quality assurance purposes. However, Assessment Services Branch staff use the ASSET system to conduct a provincial ratio study that determines the assessment levels used to calculate equalized assessments for non-regulated properties. The methodology and procedures for the provincial ratio study are strictly prescribed the *Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual*.

- 1) All properties in a municipality are separated into actual use groups. Each actual use group is further divided into six value ranges based on their assessment values.

The assessment value range parameters are:

- 0 to 10th percentile
- > 10th percentile to 25th percentile
- > 25th percentile to 50th percentile
- > 50th percentile to 75th percentile
- > 75th percentile to 90th percentile
- > 90th percentile

Percentile

The values that divide a set of data into specified percentages when the data are arrayed in ascending order. The tenth percentile includes the lowest 10 percent of the values; the twentieth percentile includes the lowest 20 percent of the values, and so forth.

Standard on Ratio Studies, International Association of Assessing Officers, 1999

For audit and equalized assessment stratification purposes, the total assessment attribute corresponding to each percentile (0, 10, 25, 50, 75, 90, 100) is used as the minimum or maximum boundary of the value range.

The determination of the assessment value range stratification is an automated process done by ASSET. During the annual audit process value ranges will be combined (collapsed) into the adjacent value range where the sample size is less than 15 indicators of value. Collapsing occurs from the outside value ranges towards the centre. Value ranges are calculated for each actual use group of properties, except special purpose (Actual Use code = SPEC) properties.

Combining strata is necessary during the annual audit when there is little or no market data available for one or more of the strata. The decision as to which strata to combine depends on the type of properties involved, the relative market values, and the sample sizes. For example, warehouses and office properties can be more readily combined than offices with oil and gas properties.

“overall ratio” means the weighted ratio for a group of properties, calculated using the median assessment ratios for subgroups of properties within that group (ref: sec. 1(m) MRAT).

“assessment level” means, for the property class, the overall ratio of assessments to indicators of market value”(ref: sec. 1(c) MRAT).

- 2) All properties with an IOV within a value range are listed with the assessed values. The assessment to sale ratio (ASR) of each property is calculated by dividing the assessment of the property by the IOV. The total assessment of all of the properties in the value range is then divided by the median ASR to arrive at the total indicated market value (IMV) for this range.
- 3) All IMVs of the value ranges are added up to obtain the total IMV for each assessment class (residential or non-residential).

- 4) The total assessment of each assessment class divided by the total IMV is the overall ratio for the group of properties, and it is the assessment level for the property assessment class. If there is no IOV for an assessment class, the assessment level will be automatically set at 1.00.

Tables 1 and 2 show how the assessment level is calculated for the residential and non-residential assessment classes in sample Municipality A.

In Table 1, the Residential Condominium (RC) and Vacant Residential (VR) actual use groups were first divided into six value ranges (VR1 to VR6). However, since some of the value ranges within each actual use group had fewer than 15 indicators of value, they were combined with the adjacent value range until a sufficient sample size was obtained. For example, value ranges VR1-2 in Residential Condominiums were combined, and value ranges VR1-4 in Vacant Residential were combined. Because there were fewer than 15 indicators of value for the entire Multi-Family actual use group, it was combined with the Single Family Dwellings actual use group.

The total assessment of all the properties in each value range stratum is divided by the median assessment ratio of this stratum - the result is the indicated market value (IMV) for the subgroup of properties. For example, the indicated market value for VR1-2 of Residential Condominium is:

$$\text{IMV} = \$73,515,000 \div 0.978 = \$75,168,712$$

where 0.978 is the median assessment ratio for this subgroup of properties.

The total number of residential IOVs in Municipality A is 2,161. The overall ratio is calculated by dividing the total assessment of all the properties in the residential group of properties by the total indicated market value of all the properties:

$$\text{Overall Ratio} = \$14,539,016,200 \div \$14,503,277,901 = 1.002$$

For equalized assessment purposes, the overall ratio is the assessment level.

Table 1 Residential Assessment Level – Sample Municipality A

Actual Use Group Description	Value Range Strata	NBR of IOV Used	Asmnt Total for the Strata	Median Assessment Ratio	Indicated Market Value (IMV)
RC - Residential Condominium	VR1-2	27	\$73,515,000	0.978	\$75,168,712
RC - Residential Condominium	VR3	114	\$383,690,000	0.999	\$384,074,074
RC - Residential Condominium	VR4	112	\$259,772,000	1.006	\$258,222,664
RC - Residential Condominium	VR5	15	\$118,370,000	1.041	\$113,707,973
RC - Residential Condominium	VR6	16	\$185,047,000	1.018	\$181,775,049
SFD_MF - Single Family Dwellings & Multi-Family	VR1	323	\$1,574,455,350	0.977	\$1,611,520,317
SFD_MF - Single Family Dwellings & Multi-Family	VR2	327	\$2,020,010,860	0.991	\$2,038,356,065
SFD_MF - Single Family Dwellings & Multi-Family	VR3	407	\$2,697,089,890	1.001	\$2,694,395,495
SFD_MF - Single Family Dwellings & Multi-Family	VR4	328	\$3,086,694,440	1.013	\$3,047,082,369
SFD_MF - Single Family Dwellings & Multi-Family	VR5	118	\$1,701,702,850	1.001	\$1,700,002,847
SFD_MF - Single Family Dwellings & Multi-Family	VR6	112	\$2,022,590,110	1.018	\$1,986,827,220
VR - Vacant Residential	VR1-4	178	\$142,672,700	0.994	\$143,533,903
VR - Vacant Residential	VR5	48	\$82,456,000	0.968	\$85,181,818
VR - Vacant Residential	VR6	36	\$190,950,000	1.041	\$183,429,395
		2,161	\$14,539,016,200	1.002	\$14,503,277,901

Table 2 Non-Residential Assessment Level – Sample Municipality A

Actual Use Group Description	Value Range Strata	NBR of IOV Used	Asmnt Total for the Strata	Median Assessment Ratio	Indicated Market Value (IMV)
IND - Industrial	VR1-6	15	\$522,912,540	0.955	\$547,552,398
OFF - Commercial - Office	VR1-6	17	\$196,597,000	0.968	\$203,096,074
RET_VCOM_LOD - Commercial - Retail & Lodging & Vacant Commercial	VR1-6	18	\$1,012,725,000	0.986	\$1,027,104,462
SPEC - Special Purpose	VR1-6	0	\$885,102,200	1.000	\$885,102,200
VIND - Vacant Industrial	VR1-6	16	\$141,835,100	0.996	\$142,404,719
		66	\$2,759,171,840	0.984	\$2,805,259,854

Preparation of Equalized Assessments

After the information submitted by the assessor has been audited and the assessment level determined, the equalized assessments for the municipality can be prepared. Section 318 of the *Municipal Government Act* provides the means for preparing equalized assessments. Section 17 (1) of the *Matters Relating to Assessment and Taxation Regulation* describes the method for preparing equalized assessments:

- In preparing the equalized assessment for a municipality,
- (a) the assessments for regulated property that have been valued in accordance with this Regulation require no adjustment, and
 - (b) the assessments for property other than regulated property must be adjusted to reflect an assessment level of 1.000 using the assessment levels determined by the Minister.

Because regulated properties (i.e., farmland, railway, linear property, and machinery and equipment) must be assessed using standard methods and prescribed rates, the assessments for like regulated properties are expected to be the same province-wide regardless of which municipality the properties are located. In other words, there is no need to equalize regulated property assessments from municipality to municipality since the assessments are already at a “provincial common level”.

However, for properties based on the market value standard the *Regulation* directs that the assessments be adjusted to reflect an assessment level of 1.000. In effect, properties assessed based on the market value standard are equalized to 100% of market value.

The equalized assessments for residential and for non-residential property assessments based on the market value standard are calculated by applying the formula set out in sections 17(2) and (3) of the *Regulation*:

(2) The total equalized assessment for residential property is calculated in accordance with the following formula:

$$\begin{array}{l} \text{Assessments for} \\ \text{residential} \\ \text{property} \end{array} \times \frac{1}{\text{assessment level for} \\ \text{residential property}}$$

(3) The total equalized assessment for non-residential property other than regulated property is calculated in accordance with the following formula:

$$\begin{array}{l} \text{Assessments for} \\ \text{non-residential} \\ \text{property} \end{array} \times \frac{1}{\text{assessment level for} \\ \text{non-residential property}}$$

The following examples show how the equalized assessment for non-regulated properties is calculated for two municipalities with different assessment amounts and different

assessment levels. The assessment level determined by the Ministry for the residential assessment class in municipality A is 1.002.

This indicates that, overall, residential properties in municipality A are assessed at about 100.2% of market value.

Likewise, in municipality B the assessment level of 0.963 for the residential assessment class indicates that residential properties are assessed, overall, at about 96.3% of market value.

Assessment levels are determined from the assessments of property grouped by actual use; equalized assessments are determined for properties grouped by liability code.

Equalized Assessment – Municipality A			
Assessment class	Assessment (A)	Assessment Level (B)	Equalized Assessment (A÷B)
Residential property	\$14,455,027,793 ²	1.002	\$14,426,175,442
Non-residential property ¹	\$2,686,559,500 ²	0.984	\$2,730,243,395
Equalized Assessment – Municipality B			
Assessment class	Assessment (A)	Assessment Level (B)	Equalized Assessment (A÷B)
Residential property	\$12,992,402,422 ²	0.963	\$13,491,591,320
Non-residential property ¹	\$2,667,234,904 ²	0.952	\$2,801,717,340

¹for non-residential property other than regulated property.

²the assessment (A) used to calculate an equalized assessment may be lower than the assessments used to determine the assessment level because the latter may include properties that are not subject to the equalized assessment pursuant to section 317 of the MGA.

Pursuant to section 319 of the Act, if a municipality, or its assessor, does not provide the required information or if the information is deemed to be unacceptable, the Ministry must still prepare the equalized assessment using whatever information is available about the municipality.

If a municipality does not provide the information requested by the Minister, the Minister must prepare the equalized assessment using whatever information is available about the municipality (ref: sec. 319 MGA).

After the equalized assessments are prepared for all municipalities, the Ministry must send to each municipality annually, not later than November 1, a report containing the equalized assessments, which are grouped in conjunction with the tax liability codes. The equalized assessments shown in the report

form the basis for allocating the school requisitions in the following tax year. The equalized assessment for Municipality A would be presented in the report as:

Municipality A – Report of Equalized Assessments

Residential	14,426,175,442
Farmland	34,300,080
Non Residential (Non regulated)	2,730,243,395
NR Linear Property	679,640,160
NR Railway	9,384,000
NR Co-generating M&E	0
Machinery and Equipment	6,799,797,000
Grand Total	24,679,540,077

Variance of equalized assessment

Section 325 of the *Municipal Government Act* enables the Minister to adjust an equalized assessment at any time, despite any prescription in the legislation. As such, the Minister made the *Equalized Assessment Variance Regulation*, which in effect limits the increase in education requisitions for municipalities that experience atypical changes in the assessment base year-over-year.

Annually, the Minister, by Ministerial Order, establishes formulas that are used to determine the method from which a municipality's equalized assessments will be used to calculate its requisition for school funding.

Limits on Municipal Government Board Jurisdiction

In accordance with section 488 of the *Municipal Government Act*, the Board has jurisdiction to hear complaints

- about the assessment of linear property, and
- relating to the amount set by the Minister as the equalized assessment for a municipality.

However, legislation also limits the Board's jurisdiction on specific matters or complaints. These include the following:

- Pursuant to the *Equalized Assessment Variance Regulation*, the Board has no jurisdiction to hear a complaint about a varied equalized assessment.
- Pursuant to section 488.1 of the *Act*, the Board has no jurisdiction under section 488(1) to hear a complaint relating to an equalized assessment set by the Minister under Part 9 if the reason for the complaint is
 - (a) that the equalized assessment fails to reflect a loss in value where the loss in value has not been reflected in the assessments referred to in section 317,

- (b) that information provided to the Minister by a municipality in accordance with section 319(1) does not properly reflect the relationship between assessments and the value of property in the municipality for the year preceding the year in which the assessments were used for the purpose of imposing a tax under Part 10, or
 - (c) that information relied on by the Minister pursuant to section 319(2) is incorrect.
- Pursuant to section 499(3), the Board must not alter
 - (a) any assessment of linear property that has been prepared correctly in accordance with the regulations, and
 - (b) any equalized assessment that is fair and equitable, taking into consideration equalized assessments in similar municipalities.

Appendix 1 Tables and Charts

Table 1 –Municipal Government Board

Municipal Government Board Timelines	Linear Property Assessment	Non-assessment Matters on Linear Property Assessment Notice	Equalized Assessment (report of all equalized assessments)	Administrative or Procedural Matters
Step and Timeline				
Assessment notice sent				
(a) Number of days for filing a complaint	60 days	60 days	30 days	n/a
Complaint filed				
(b) Number of days to provide copy of complaint to respondent	30 days or less	30 days or less	7 days or less	n/a
(c) Soonest hearing date after complaint is filed	70 days	n/a	70 days	n/a
(d) Number of days before hearing to notify parties of time and place of hearing	70 days	15 days	70 days	15 days
(e) Number of days before hearing for complainant disclosure	42 days	7 days	42 days	7 days
(f) Number of days before hearing for respondent disclosure	14 days	7 days	14 days	7 days
(g) Number of days before hearing for complainant rebuttal	7 days	n/a	7 days	n/a
Merit hearing				
(h) Issue written decision	30 days	30 days	30 days	30 days
(i) Send decision	7 days	7 days	7 days	7 days

Actual Use Groups

Table 2 Actual Use Groups

RESIDENTIAL		NON-RESIDENTIAL	
Actual Use Code	Description	Actual Use Code	Description
Vacant Residential (VR)		Vacant Industrial (VIND)	
R0	Vacant residential	M0	Vacant industrial
Single Family Dwellings (SFD)		Industrial (IND)	
R100	Unspecified	M1	Improved industrial
R101	Single family unit – fee simple (1,2 or 3 dwelling units)	Vacant Commercial (VCOM)	
R104	Designated manufactured home	C0	Vacant commercial
R106	Other	P0	Vacant public service
Residential Condominiums (RC)		Commercial – Retail (RET)	
R103	Residential condominium	C10000	Retail – unspecified
Multi-Family (MF)		C10101	Retail – stand alone
R102	Multi-residential unit rental (4 or more dwelling units on a single title)	C10102	Retail – gas station
R105	Manufactured home community	C10103	Retail – strip commercial
		C10104	Retail – shopping centre
		C10108	Retail – condominium
		C10109	Retail – fast food restaurant
		C10110	Retail – major car dealership
		C10400	Pedway - unspecified
		C10401	Pedway – plus fifteen
		P100	Improved public service – unspecified
		P101	Improved public service – recreational
		Commercial – Lodging (LOD)	
		C10200	Lodging – unspecified
		C10201	Lodging – motel
		C10202	Lodging – hotel
		Commercial – Office (OFF)	
		C10300	Office – unspecified
		C10301	Office – condominium
		P102	Improved public service - institutional
		Special Purpose (SPEC)	
		#####2	A code 2 in level 4

Property Description Codes

The property description codes R, F, NR and ME represent the assessment classes described in section 297 of the *Act*. The codes NRL, NRR and NRC refer to specific non-residential properties that must be reported separately for equalized assessment purposes.

Property Description Codes	
R	Residential – has the meaning given in section 297(4)(c) of the MGA.
F	Farm land – has the meaning given in section 297(4)(a) of the MGA.
NR	Non-residential – has the meaning given in section 297(4)(b) of the MGA. Note: This code does not apply to linear property, railway or non-linear co-generation. These properties must be coded as NRL, NRR or NRC, as outlined below.
NRL	Non-residential linear property is a sub-category of non-residential. Linear property – has the meaning given in section 284(1)(k) of the MGA. NRL is the primary code that will be applied to all linear property. It will precede a secondary code that will be used to identify specific categories of linear properties described below:
NRL-T	Non-residential linear property – telecommunications
NRL-PGEN	Non-residential linear property – electric power generation
NRL-EPS	Non-residential linear property – power systems
NRL-P	Non-residential linear property – pipeline
NRL-W	Non-residential linear property – wells
NRL-C	Non-residential linear property - cable
NRL-GDP	Non-residential linear property – gas distribution system
NRR	Non-residential railway is a sub-category of non-residential. Sections 284(1)(s), (t) and (v) of the MGA describe types of railway property.
NRC	Non-residential co-generating is a sub-category of non-residential. Non-residential co-generating is property that is assessed by the local municipal assessor. The NRC code would not be applied to any linear property electric power system. The NRC code would be applied to a system that is owned or operated by a person generating electricity solely for the facility's own use and that does not sell power into the provincial grid system.
ME	Machinery and equipment – has the meaning given to it in section 297(4)(a.1) of the MGA and the Regulation.

Appendix 2 Legislative Acts and Regulations

A User's Guide to Legislation

Statutes of Alberta: annual volumes

Each year the public acts and private acts enacted by the Legislature that year (bills that receive Royal Assent) are published by the Queen's Printer in a hard-cover volume. The volume also contains reference materials. The annual volumes of the *Statutes of Alberta* are the authoritative source for interpreting and applying Alberta's acts.

Public acts include entirely new public acts, public amendment acts, repeal acts and appropriation acts. Private acts are brought forward (or "petitioned") by Members of the Legislative Assembly, and do not affect the population as a whole.

The annual volume contains:

- a table of contents that lists the acts by chapter number
- an alphabetical list of acts
- public acts enacted in that year
- private acts enacted in that year
- reference materials.

The first page of each act contains the following information:

- the bill number under which the act was introduced in the Legislative Assembly (in the upper left hand corner)
- the title of the act
- the chapter number assigned to the act
- the date on which the act was given Royal Assent.

Statutes of Alberta: loose-leaf

The Queen's Printer also publishes a 15-volume loose-leaf consolidation of the public acts, excluding appropriation acts. These volumes are updated as soon as possible after new acts are enacted or amendments come into effect. Volumes 1 to 15 consolidate the public acts enacted by the Alberta Legislature. Volume 15 also contains those amendment acts from the Revised Statutes of Alberta 2000 that are still awaiting proclamation, RSA 2000 Schedules A to D, proclamation tables, and the Table of Public Statutes (printed on pink paper).

The loose-leaf version is an unofficial consolidation. The original acts, in the hard cover volumes of the Revised Statutes of Alberta 2000 and the annual *Statutes of Alberta*, should be consulted for all purposes of interpreting and applying the law.

The Alberta Gazette Part II

Regulations filed under the *Regulations Act*, except those exempted from publication under that act, are published in Part II of The Alberta Gazette within a month of being filed. The Gazette is available from the Queen's Printer.

Other Formats

Alberta Statutes and Regulations are also available in pamphlet form, and on the Queen's Printer Web site.

How to cite statutes (Acts)

Statutes (Acts) are referred to by their titles. For court and other legal purposes, a complete citation would consist of the title of the act followed by a reference to the more recent of:

- the most recent statute revision in which that act was included
- the year in which the act was enacted (received Royal Assent)

plus the chapter number of the act.

Entirely new public acts are given alpha-numeric chapter numbers; other acts are numbered Chapter 1, 2, 3 etc.

The statute revision is cited in this form: Revised Statutes of Alberta 2000. This may be abbreviated as RSA 2000.

Years of enactment are cited in this form: Statutes of Alberta, 2002. This may be abbreviated as SA 2002.

Here are some examples of citations of acts:

Cooperatives Act (SA 2001 cC-28.1);

Hospitals Act (RSA 2000 cH-12);

Public Works Amendment Act, 2002 (SA 2002 c21).

How to cite regulations

A regulation may be cited by its title, or as "Alberta Regulation" or "Alta. Reg." or "AR" followed by its number, a slash and the last two figures of the calendar year of the filing of the regulation. For example, the Partnership Regulation may be cited as:

- Partnership Regulation, or
- Partnership Regulation, Alberta Regulation 276/99, or
- Partnership Regulation (Alta. Reg. 276/99), or
- Partnership Regulation (AR 276/99)

Beginning with regulations filed in the year 2000, all four figures of the calendar year are used in Alberta Regulation numbers; for example, Change of Name Regulation (AR 16/2000).

Interpretation Act

Users of the Statutes of Alberta should be aware of the *Interpretation Act* (RSA 2000 cI-8). It sets out various presumptions, definitions, and rules of statutory interpretation

and construction that apply to all Alberta acts and regulations. For example, the *Interpretation Act* contains definitions that apply to words and phrases used in all acts, except where an act indicates otherwise.

Reference Materials

Reference aids are placed at the end of the annual volume and in the supplement volume of the loose-leaf statutes. The reference materials included are:

Proclamation Tables - (printed on white paper)

These tables list:

- all enactments brought into force by proclamation
- unproclaimed public enactments
- acts amended by unproclaimed enactments
- acts repealed by unproclaimed enactments
- public enactments that expire on named dates
- public enactments that come into force on named dates.

Table of Public Statutes - (printed on pink paper)

Part 1 of the table shows all acts in the *Revised Statutes of Alberta 2000*, all amendments to those acts, and all other public acts and amendments enacted between December 31, 2000 and the date stated in the first paragraph of the table.

Part 2 of the table shows public acts enacted before December 31, 2000 for which no express repeals have been found, and which were not consolidated in or repealed by the *Revised Statutes of Alberta 2000*.

Table of Private Statutes of the Province of Alberta - (annual volume only: printed on blue paper)

The table shows all the private acts, and amendments to them, enacted up to the date printed under the title of the table.

RSA 2000 Schedules - (loose-leaf statutes)

Schedules A to D to the Revised Statutes of Alberta 2000 are included in the last volume of the loose-leaf statutes.

- Schedule A: Acts Consolidated in RSA 2000
- Schedule B: Acts Omitted from and Repealed by RSA 2000
- Schedule C: Acts Not Consolidated Nor Repealed by RSA 2000
- Schedule D: Table of Concordance

Organization of a Statute (Act)

Preambles

Some acts begin with a preamble. The preamble is part of the act and may be used to interpret the act.

Definitions

Most acts contain a definition section that lists, in alphabetical order, definitions of terms used in the act. The definition section is usually at the beginning of the act. However, definitions that are restricted in their application to a section, part, division or other portion of an act may be at the beginning of that section, part, division or other portion.

Marginal Notes and Section Headers (Sidenotes)

Marginal notes and section headers (sidenotes) are not part of the statute and should not be relied on to interpret the act. They are included only for convenience of reference and may be changed editorially whenever appropriate.

Sections, Subsections, etc.

Every act is composed of numbered sections, cited as section 1, 2, 3, etc.

- many sections are further divided into two or more subsections, cited as subsection (1), (2), (3), etc.
- some sections and subsections contain clauses, cited as clause (a), (b), (c), etc., subclauses, cited as subclause (i), (ii), (iii), etc., paragraphs, cited as paragraph (A), (B), (C), etc., and subparagraphs, cited as subparagraph (I), (II), (III), etc.

Decimal Numbering

The numbering system can be easily understood by regarding each section number as if it were followed by a decimal point and some zeros that are not shown; that is, section 4 can be thought of as 4.0 or 4.00 etc.

In applying the system, only one decimal place is usually needed, so that between sections 4 (4.0) and 5 (5.0) sections 4.1 to 4.9 can be added (4.10 is not used since it is the same as 4.1), for a total of nine sections.

By later amendments, up to nine more sections can be added between any two sections by using two decimal places, for example:

- between section 4 and 4.1, sections 4.01 to 4.09 can be added,
- between sections 4.1 and 4.2, sections 4.11 to 4.19 can be added, and
- between sections 4.9 and 5, sections 4.91 to 4.99 can be added

and in the same manner a further nine sections can be added between any of those sections by using three decimal places.

If it is necessary to add more than nine sections in the same place at the same time, then some of the sections are numbered using an additional decimal place.

The same rules apply to adding new subsections, clauses, subclauses and paragraphs, so that

- subsections are numbered (1.1) to (1.9),
- clauses are numbered (a.1) to (a.9),
- subclauses are numbered (i.1) to (i.9),
- paragraphs are numbered (A.1) to (A.9), and
- subparagraphs are numbered (I.1) to (I.9).

Parts, Divisions

Some acts are divided into numbered parts, cited as Part 1, Part 2, etc. A part may be divided into divisions cited as Division 1, Division 2, etc.

Transitional Provisions

If an act or provision cannot come into force on an intended day without hardship or confusion occurring, the act may contain a transitional provision. Transitional provisions are used to provide for the transition from an earlier act to the act that replaces it, or to phase in how a new or an amending act applies to persons affected by it. A transitional provision may be included in an act if, for example, certain provisions of the previous act will apply for a significant period of time or if the provisions may affect many persons. Transitional provisions are usually located near the end of the act.

Consequential Amendments

Consequential amendments in an act amend other acts that are affected by that act. Consequential amendments are included in the acts as published in the annual volume.

In the loose-leaf statutes and office consolidations, all amendments are incorporated into the amended acts. If an act made consequential amendments to other acts, an editorial note to that effect is included in the consolidated amending act.

Repeal Provisions

Provisions repealing other acts are placed near the end of the act, immediately before the coming into force section.

Coming Into Force Provisions

The section dealing with the coming into force of an act or of provisions of an act is usually the last section of the act. If there is no coming into force provision in an act, the *Interpretation Act* (RSA 2000 cl-8) provides that the act comes into force on the date of Royal Assent. The Royal Assent date is on the first page of each act in the annual statute volume, following the chapter number.

If an act, or a portion of an act, comes into force in a manner other than by Royal Assent, the last section of the act will set out the method. The act, or portion of the act, may come into force on proclamation or on a named future date, or may be deemed to have come into force on a named previous date.

Citations (Historical References)

Each section of a consolidated act is followed by the citation for that section and the citations of any amendments to that section. Citations do not form part of the act. They are added editorially.

Relevant Legislative Sections

- 5) Municipal Government Act as amended by the Municipal Government Amendment Act, 2009
- 6) Matters Relating to Assessment Complaints Regulation, 2009 (AR 310/2009)
- 7) Matters Relating to Assessment and Taxation Regulation, 2009 (AR 220/2004)
- 8) Minister's Guidelines

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References

Municipal Government Act

Revised Statutes of Alberta 2000, Chapter M-26, Province of Alberta.

Matters Relating to Assessment and Taxation Regulation

Alberta Regulation 220/2004, Province of Alberta.

Matters Relating to Assessment Complaints Regulation

Alberta Regulation 310/2009, Province of Alberta.

Recording and Reporting Information for Assessment Audit and Equalized Assessment Manual,

MO L208/09 Alberta Assessment Quality Minister's Guidelines

Government of Alberta ■

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