

Do you know your MPAC Neighbourhood?

Well perhaps you have your MPAC assessment by now. Delivery is supposed to occur between April and August 2016 for the 2017-2020 period. And some of you will be breathing a sigh of relief. But some of you may not like the impact this new number will have on your tax bill over the next 4 years

This letter is about what you can do about MPAC assessments regardless of which municipality you reside in. And MPAC has been by far the biggest culprit in your property tax bill increases over the past 10 years.

But first, lets clarify some important points about property taxes. The formula for residential properties is: municipal tax rate (60%) + county tax rate (24%) + education tax rate (16%) X MPAC assessed value = property tax. It's really simple math.

1. The Municipal tax rate for residential properties is fully under the control of the local municipality, Hastings Highlands, Bancroft, and Madawaska Valley for instance. And the municipal portion of your property tax bill has been growing over the past 10 years
2. County and Education tax rates (the other two portions of the tax rate) are not under the control of the municipal council, but the County and the Province. And as a percentage of your property tax bill, these have been shrinking
3. MPAC assessed values will vary by property, so you may be looking at higher, or lower assessed values. MPAC is a provincial govt agency with exclusive right to set property assessments. Municipalities cannot do their own assessments as happened prior to 1998. And overall assessed values are up dramatically.

With MPAC, all properties are given a new assessed value as of a set date, (such as January 2016, the most recent one). This is done using formulae for the most part, one of which determines the change in values for neighbourhoods. Lets look at an example:

Your 2012 property value	\$250,000
2012 average property value in your neighbourhood	\$225,000
2016 average property value in your neighbourhood	\$245,000
Percentage increase in your neighbourhood	$\$245/225 = 9\%$
Your new assessed value for 2017 ($\$250 * 109$)	\$273,000

So your value new value is derived from sales activity over the past 4 years in your "neighbourhood"

And in addition to the above adjustment, MPAC makes an adjustment for the under evaluation of the neighbourhood based on sales compared to assessed values over the past 4 years.

So the neighbourhood has a double whammy...first the overall increase (9% above) and then the under evaluation increase (say 5%)

Now there are a number of other formulae that MPAC use when they are assessing your property for the first time or doing an in person re-assessment. And, if you sold your property in January 2016 they should use the actual sale price. But for most of us it's a computation as above.

Here is what you should consider investigating particularly if you are on one the many lakes in North Hastings and environs.

MPAC chose to define neighbourhoods in a way which would result in much higher tax increases for waterfront owners. How did they do this? By carving out all properties on the waterfront from all other residential properties in the area.

And it worked like a charm. But then they found that with limited sales their calculations were suspect...so they went further.

In the last MPAC cycle, I spoke with a cottager on a small lake in the North Hastings area who found that his "neighbourhood" included a much larger lake with many more expensive waterfront sales. Result: his taxes skyrocketed. He filed a Request for Reconsideration and MPAC immediately adjusted his neighbourhood designation, which lowered his taxes. On my lake (Baptiste) there were 3 different waterfront "neighbourhoods" (and remember this lake has only 700 total waterfront properties and about 15-20 turnovers in a year on average). So the sales which determine your increase in value may be a small number indeed and they may be for properties very different from yours.

Look for the neighbourhood designation on your property profile... and get a definition from MPAC of what is included. It used to be they wouldn't divulge this; they must now. Do you know what your neighbourhood is? If not, its time to ask some questions. It may be costing you a lot of money.

And you must act soon if you want to have an impact on your 2017 taxes; the deadline for an RFR (Request for Reconsideration) is now 120 days after the delivery of your PAN, not March 31, 2017. MPAC has an office in Bancroft, so contact them. I have found these folks very helpful.

But remember this: your municipality can't change MPAC. While it has provided huge increases in their taxation revenues particularly for waterfront properties over the past 15 years, it is a provincial system and they have no say in the legislation. Nor can they opt-out of the system; several municipalities have tried and failed at this. What has been the impact on taxation revenues? Well in Hastings Highlands the residential class has gone from \$438 Million in assessed values in 2005 to over 900 Million in 2016.

Get to know your neighbourhood (MPAC definition). And start now before the rush.

Then get to your local realtor for sales in the recent past in your MPAC neighbourhood It could save you a lot .

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Baptiste Lake Spring 2016