

# ASSESSMENT AND TAXATION PROBLEMS

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"The question of Municipal Assessment and Taxation have for the past six or seven years been increasing in difficulty, and in my opinion will reach the crucial point during the coming year.

In most municipalities the assessed values have been gradually reduced by the Assessor until to-day they stand at from 60 to 70 per cent. of their pre-war figures, with a corresponding loss in revenue. In the meantime collections of taxes have (especially in many of the urban and suburban municipalities) been very poor, with the result that large numbers of properties have fallen to the Municipalities for unpaid taxes and have thereupon become exempt from assessment and taxation, thus further reducing the total liable to taxation.

To this condition of affairs is added the fact that each dollar collected has not now more than 51 per cent. of the purchasing power of a dollar in the pre-war period, and, furthermore, we are now experiencing a large increase in population, necessitating heavy increases in the expenditures on schools and other public services, which increases are being almost entirely thrown upon revenue owing to the unfavorable conditions for capital borrowing which at present exist.

There, in a nutshell, is the condition of things to-day; but what of the future?

Prior to 1915 the "Municipal Act" provided that for the purposes of taxation land should be estimated at the actual cash value. By that time, however, the market for unimproved land had disappeared, and in 1915 the Act was amended so as to omit the word "cash," leaving only the words "actual value." The relief given by this amendment was not very apparent on the face of it, although it left room for the argument that the Assessor might taken into consideration past values, and potential future values in arriving at the then present values for taxation; but as time went on and the war situation became more serious, the question of future values began to look so far distant as to be a negligible quantity in estimating the then present values.

In the year 1916 the Legislature, recognizing that where actual values were non-existent it was necessary, in order to avoid disaster, to provide some new basis for municipal assessment, enacted that until after the expiration of the year following the year in which a peace treaty between Great Britain and Germany should have been signed, there should be no appeal from the Court of Revision of the Assessment Roll if the following provisions had been complied with, namely:

- (a) If the aggregate assessment of the lands in the municipality were less by ten per centum than the assessment as fixed by the Court of Revision of the year next preceding; and
- (b) If the assessment of the land in question were less by ten per centum than its assessment as fixed by the Court of Revision in the year next preceding; and
- (c) If the assessment of the land in question were fair and equitable in comparison with other lands of the same class in the municipality. Such comparison to be made by reference only to the assessment roll of the municipality for the year 1914.

These provisions were in force until the enactment of the new assessment and taxation sections of the "Municipal Act" in 1919, when in lieu thereof it was provided that neither the Court of Revision nor a judge on appeal should during the year 1920 reduce the assessment of any parcel of land to an amount below 90 per cent. of the previous year's assessment.

It will be seen that the protection of this last provision does not extend beyond the present year, and in 1921 the assessments must be based on "actual value."

We have now to face the fact that for unimproved land there is practically no market, and if it is held that "actual value" is measured by market value, then our land assessments fall out of sight. This is a very serious position,—most municipalities outside of a few cities, necessarily rely entirely on a tax on land values for their general revenue.

In the next place, your borrowing power is limited by your assessment, and any drastic reduction of assessment may bring your present bonded indebtedness above its legal proportion of the assessed value, thus preventing further borrowing for some time to come.

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Then the security for past borrowing is dependent upon your power of taxation that is to say, although you can impose such a special rate as may be necessary to raise sinking fund and interest on your indebtedness, the security of the bond-holders depends quite as much on the continuation of the municipality as a community, or, if you like, as a "going concern," and for this sufficient revenue must be available. Where is this to come from with a limited tax rate in the event of the bottoms falling out of the assessment?

What, then in the absence of any possibility of legislation in time to be of assistance for 1921, is the position to be adopted by first, the assessor, and secondly, the Court of Revision of the Assessment Roll?

In my opinion the Assessor should first carefully satisfy himself that his assessment roll is an equitable valuation as between all the parcels of land appearing thereon; and for this purpose comparison should be made with a pre-war assessment roll—say 1914—in order to obtain the right proportions. He should then make sure that all improvements are fully assessed in order that no borrowing power is lost, even though no taxation is levied on improvements.

Then on the question of value he must assume that although the market is dormant there must be some value to land which a few years ago was selling freely. Unlike other commodities, land does not deteriorate with age, especially in a community where all public services have been efficiently maintained. The absence of an immediate market is largely due to the fact that the money usually available for developments or speculation has been diverted temporarily into other channels by the financing of Government loans at attractive rates of interest, and the boom in industrial securities. The curtailment of credit is also another factor.

In my opinion, in any municipality, where the assessment generally has been reduced by 35 per cent. or more from the pre-war figure, the assessor should maintain his assessment. In arriving at this conclusion, I take into account the question of the stability of the credit of the municipalities of this province, such credit being based upon the ability of the municipalities to raise sufficient revenue to carry on the business of a municipal corporation and meet their obligations, or, in other words, upon their power of taxation, which is in turn based mainly on land values.

What, then, is the most reliable indication of a municipality's position in this regard?

There is no more sensitive indicator than the bond market, and this market says that a municipal 5 per cent. debenture issued at par a year or two prior to the war is now worth in the neighborhood of 70 cents on the dollar—that is to say it can be bought at a price to yield from 7 to 7½ per cent., according to the position of the particular municipality concerned. This represents a drop of from 30 to 35 per cent., and seems to me to be the only possible way of arriving at an equitable valuation for the purposes of taxation.

I admit that the Courts may take a different viewpoint, but with the market "in the air" the assessor must be prepared to take a stand and to give his reasons for the position taken by him.

We then come to the Court of Revision of the Assessment Roll. If the members of the Court of Revision accept the assessor's theory of value, and are satisfied that the valuations of the different parcels are equitable one with another, then there is very little that the Court can do except to deal with any cases of obvious error or omission, and to maintain the assessment on all other appeals or complaints.

Should any appeal be made from the decision of the Court of Revision the matter will then go to a Judge of the Supreme Court or of the County Court for a decision on the difficult question of valuation. An endeavor should be made to have any such appeal brought on quickly and disposed of, if possible, before the 28th. of February, the latest date for the completion and authentication of the assessment roll by the Court of Revision.

In the meantime the Court of Revision, which it must be remembered is appointed to investigate the various assessments whether complained against or not, and so adjudicate upon the same that the same shall be fair and equitable and fairly represent the actual value of each parcel of land, etc., should adjourn from time to time with a view to obtaining judgment on the appeal or appeals before the completion and authentication of the roll.

(To be continued).