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Document for the benefit of our citizens

The property assessment of your property

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In Québec, property assessment serves as the tax base for financing a significant portion of the cost of municipal and school services. Annually, municipalities raise approximately \$10 billion through this tax system. For their part, school boards collect at least \$1.5 billion on the same basis.

Want to demystify what property assessment is? This document is for you! It presents the basics of the Québec property assessment system used to establish the property value of your property.

Important note to the reader

This document is intended to provide brief explanations of Québec's property assessment system. Intended to be consulted by anyone interested in the subject, it presents information on general situations and deliberately avoids specific cases, exceptions and considerations of a technical nature. It can in no way be used as a substitute for legal advice.

1. Property Assessment in Québec: A Decentralized System

Property assessment for property taxation purposes is based on a decentralized system where property values are set locally by municipal assessment agencies. The gouvernement du Québec is responsible for optimizing the performance of these organizations in this area. Thus, the municipal community and the gouvernement du Québec act in complementarity to ensure the proper functioning and evolution of this system.

Municipal agencies responsible for assessment

The Act Respecting Municipal Taxation confers jurisdiction over property assessment on the municipal bodies responsible for assessment. There are 180 such bodies¹, consisting of 85 regional county municipalities (RCMs) and 95 local municipalities, mainly the most populous cities. They are responsible for designing and maintaining any assessment roll within their jurisdiction, justifying its content to citizens and, if necessary, before the courts. These bodies carry out their tasks by:

- establishing a permanent property assessment service and carrying out the work internally;
- entrusting, in whole or in part, the execution of the work to a private company;
- delegating to another responsible municipal body the execution of the work in question.

The municipal assessor, an impartial professional

Every municipal body responsible for evaluation has an assessor who is a member of the Ordre des évaluateurs agréés du Québec. As a result, his actions are governed by rigorous professional standards of practice and a code of ethics. In addition, the appraiser undertakes under oath to perform his duties impartially, in compliance with the legislation in force.

In order to enable him to effectively carry out his duties, the Act Respecting Municipal Taxation grants the appraiser certain powers. Thus, the assessor or his representative may:

- examine your property between 8:00 a.m. and 9:00 p.m., Monday to Saturday, except on holidays;
- Require any information about your property that they may need to obtain, through a questionnaire or otherwise.

The role of the gouvernement du Québec in this system

The gouvernement du Québec entrusts the Ministère des Affaires municipales et de l'Habitation with the mandate to ensure that this system allows for the establishment of equitable values in an efficient, transparent and uniform manner. The Ministère thus assumes its responsibilities within this system by:

- revising, if necessary, the laws and regulations governing it;
- supporting municipal property assessment departments in the performance of their duties;
- stimulating the proper execution of works by reviewing results and by preventive interventions.

¹ To find out which is your organisme municipal responsable de l'évaluation (OMRE) – the municipal agency responsible for your evaluation – you are invited to refer to the list of OMRE in Québec published on the Ministère's website. (*This list is available in French only*).

2. Preparing the property assessment roll and keeping it up to date

Property Assessment Roll at a glance

Produced by the municipal assessor, the property assessment roll contains information on each of the properties located on the territory of your municipality. In effect during three municipal fiscal years, the assessment roll is primarily an instrument for sharing the tax burden among property owners. It is also used to distribute the financing of expenses among various public organizations (metropolitan communities, RCMs, etc.). The property assessment roll has three official functions:

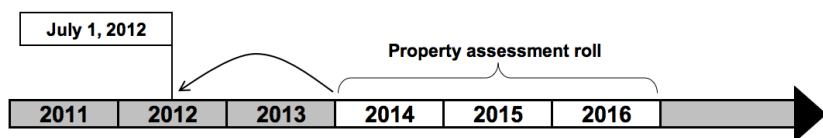
- indicate the information required for municipal and school property taxation purposes;
- ensure the transparency of Québec's property taxation system by allowing any interested person to access this information;
- enable all taxpayers to compare the listings relating to their property with those of other similar immovables.

Actual value and market reference date

Your municipality's property assessment roll shows, among other things, the property assessment for each property, which will be used primarily as the tax base for municipal or school property tax. This assessment is based on the **actual value** of the property, which is defined as the exchange value on a free and open market, in other words, the most probable price that can be paid in a private sale between a seller and a buyer under the following conditions:

- the seller and the buyer respectively wish to sell and buy the unit of evaluation, but are not obliged to do so;
- the seller and the buyer are reasonably informed of the condition of the unit of assessment, the use that is most likely to be made of it, and real estate market conditions.

To ensure fairness among all appraisals on the same assessment roll, the appraiser takes into account real estate market conditions as they existed eighteen months prior to the effective date of the assessment roll, which is always January 1. For example, if your municipality's assessment roll came into effect on January 1, 2014, all values on the roll were based on real estate conditions as July 1, 2012.



When a new assessment roll is filed by the assessor, an assessment notice is sent to all property owners on or before March 1 following the effective date of the roll. This notice allows you to review the key information on the assessment roll for your property, and to learn about the recourse available to you and how to exercise it properly.

The relevance of real value as a tax base

Widely used in both North America and Western Europe, property taxes based on the real value of buildings are one of the oldest forms of taxation. Although sometimes criticized, this form of taxation remains a method of financing local public services that is accepted by most contemporary taxpayers. Indeed, it generally ensures an efficient and equitable distribution of the tax burden among taxpayers. Here are at least five advantages of this basis of allocation:

1. **The tax base is well circumscribed and predictable:** firstly, the buildings are immobile and confined to a clearly defined territory. Second, since the tax base is made up of a sum of values known before the beginning of the fiscal year rather than a revenue stream to be estimated, property tax revenues are relatively easy to forecast.
2. **Tax evasion is practically nil:** you will agree that real estate is very difficult to conceal.
3. **The cost of preparing assessments is low:** the cost of preparing and maintaining assessment rolls is very low when you consider the financial return on the roll.
4. **A tax base that reflects the effect of socio-economic forces within a municipality:** for example, a depressed area will be relieved of the burden of property taxes during the period required for regeneration, while a more affluent area will contribute more to municipal revenues during its prosperous period.
5. **The relevance of each assessment is objectively verifiable:** generally speaking, the real value of a property is an objective basis for taxation which, when properly documented, can be demonstrated. You can also verify, by knowing the price of comparable properties recently purchased, whether you are being treated fairly.

Consultation of the Property Assessment Roll

The Act Respecting Municipal Taxation gives you the right to view the entries on any assessment roll that has been filed. The legislator's desire to make the assessment roll accessible is primarily a response to a need for transparency. In fact, it seems legitimate that a taxpayer whose property is registered on the roll may consult the information relating to it and see all information relating to other properties located in the same municipality.

In order to respond effectively to this need, it is important that the information to be consulted is understandable. Thus, the public presentation of the roll is subject to rules whose application makes it possible, in particular, to:

- transform some of the coded information in the roll file to make it easily understandable;
- Structure all information in a visually user-friendly order;
- ensure uniformity of terminology throughout Quebec.

The property assessment roll can be viewed at the local municipal clerk's office. Although not required to do so, some municipalities also make it available on the Web. However, regardless of the location or medium used, the prescribed format rules must be followed.

Updating the Property Assessment Roll

The maintenance of the property assessment roll consists of all the operations required to keep the information on the roll up to date. There are a few circumstances in the legislation that require the assessor to amend a previously filed assessment roll. For example, the assessor will amend the roll to take into account, among other things, the following circumstances:

- the change of ownership;
- the subdivision or consolidation of land;
- the construction, demolition or destruction of a building;
- the improvement of an existing building.

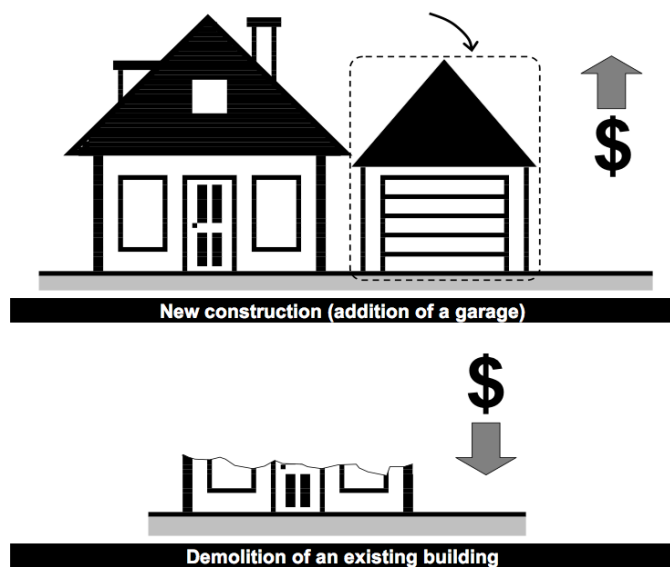
In some cases, it is anticipated that the assessment originally filed will be redone to take into account the situation (e.g.: demolition of a building, addition of a garage, etc.). In this regard, it is important to specify that the new evaluation is usually established as if this situation had been known when the roll was filed, i.e., by considering the same market reference date and the same parameters as those used to prepare the entire roll. The maintenance of the fairness of the roll depends directly on this.

In addition, changes made in the course of maintaining the roll may be made before, during or even after the period the roll is in effect. However, the effective date of these changes may vary depending on the purpose of the amendment, but cannot be earlier than January 1 of the fiscal year preceding the fiscal year in which the amendment is made.

For example, if you are expanding your property, the appraiser will need to determine if the improvement affects the property value. If it does, the assessor will have to change the value on the assessment roll. Assume that the expansion is completed on August 15, 2012 and the assessor changes the roll on November 20, 2013, the assessor can set August 15, 2012 as the effective date. However, if the assessor makes the amendment on February 12, 2014, the effective date cannot be earlier than January 1, 2013.

When the assessor changes assessment roll entries for your property, the municipality will send you a notice of change notifying you of the changed entries and the reason for the change.

Example of assessment roll maintenance



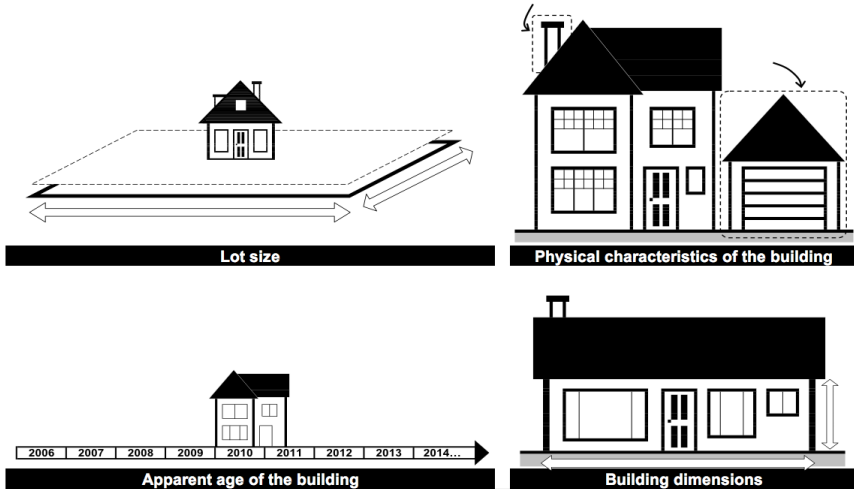
3. The preparation of property assessments

The property file: the description of your property

To properly assess your property, the municipal assessor has a wealth of information at his disposal, from the topology of the land to the type of exterior cladding of the building. This information is usually gathered through an inspection and recorded in a file called the “property file”. The accuracy of this information must be verified at least once every nine years, as required by legislation.

When determining the property assessment of your property, the assessor considers many of the information items gathered. However, since they tend to have a greater influence on the value of a property, the appraiser pays particular attention to the following elements: the size of the land, the dimensions of the building, its physical characteristics and the number of years it appears to be (apparent age, age, etc.).

Main elements considered by the evaluator



It is important to note that as the owner, you may consult the ownership file regarding your buildings by going to your municipal assessor's office. The assessor is required to offer you the assistance you need to fully understand its contents.

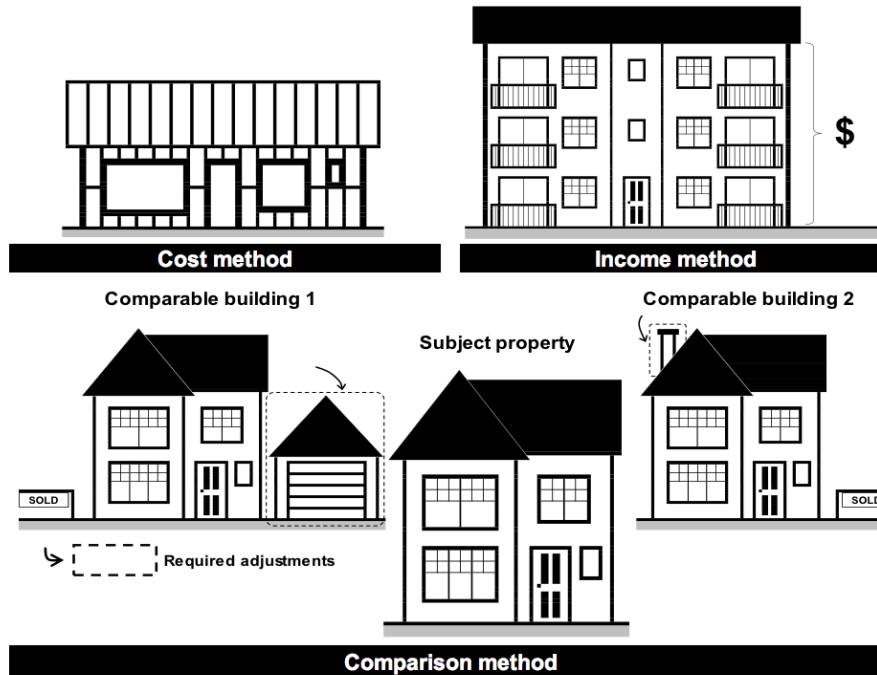
Methods of establishing real value

Property assessment is based on the principle that no one is willing to pay more for the purchase of a property within a reasonable period of time than:

- the price paid or charged for similar properties;
- the price it would cost to rebuild a similar property, but taking into account its deterioration;
- the price that would be acceptable in an open market for the net income that can normally be attributed to a property.

As a result, there are three methods for determining true value, each based on one of these statements:

- **the comparison method:** this consists of establishing the value of the property based on the observation of transaction conditions for similar properties and making the necessary adjustments;
- **the cost method:** this consists of establishing the value of the building by adding to the value of the land (valued as if it were vacant) the replacement cost of the building minus any form of depreciation;
- **the income method:** this method consists of establishing the value of the building by updating the income streams that it generates or is intended to generate.



The appraiser bases his reasoned opinion of the value of your property on one or more of these methods. He or she will decide which method to use, taking into account the type of property in question and the conditions of the real estate market at the reference date.

4. Disagree with the value of a property? You have recourse!

The legislation provides the taxpayer with a fundamental right to intervene in any entry on the roll so that errors or omissions that may have escaped the notice of the assessor can be corrected, thereby ensuring the fairness and credibility of the property tax base. There are three avenues of recourse available to you to enforce your property assessment rights.

The administrative review

Prior to any recourse before the courts, the administrative review is carried out under the responsibility of the municipal body responsible for the assessment and its assessor. It allows a person with an interest to request the correction of an entry that he or she considers erroneous. Thus, it is not necessary to be a property owner to file an application for the review of a property. Simply paying a tax to the municipality or school board using the assessment roll is sufficient.

April						
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April 30 is generally the last date to file a request for review when a new assessment roll comes into effect.

However, only four situations give you the right to request such a review and each of them has a strict time limit:

Situations giving entitlement to file an application	Deadline for filing the application
1. Filing of the property assessment roll	The later of the following due dates between: <ul style="list-style-type: none"> › Before May 1 following the coming into force of the roll › 60 days following the dispatch of the notice of assessment
2. The change of role made by the appraiser	The latest of the deadlines between: <ul style="list-style-type: none"> › Before May 1 following the effective date of the roll › 60 days following the dispatch of the notice of amendment
3. Receipt of an automatic correction notice informing you of a planned correction	The latest of the deadlines between: <ul style="list-style-type: none"> › Before May 1 following the coming into force of the roll › 60 days following the dispatch of the notice of automatic correction
4. Failure by the appraiser to amend the roll despite a circumstance that should have led to such an amendment	Before the end of the fiscal year following the fiscal year in which the circumstance justifying the amendment occurred

For a request for a review to be admissible by your municipal agency responsible for the assessment, it must also meet the following conditions:

- be made on the form prescribed for that purpose. This document is kept at your disposal by your municipal agency responsible for the assessment or by your municipality;
- be deposited at the location determined by your municipal body responsible for the assessment or sent to it by registered mail;
- be accompanied, where applicable, by the amount of money payable, which is established by the municipal body responsible for the assessment based on the maximum amounts set by the gouvernement du Québec.

The review conducted by the appraiser consists of verifying the merits of the challenge. Depending on the nature and precision of the reasons you have invoked in the filed form, the appraiser may proceed with the requested review by the means he or she deems appropriate. During this exercise, the appraiser may, in particular:

- check the various calculation parameters that led to the establishment of the value;
- meet with you or visit the property in question;
- review the descriptive inventory of the property.

At the end of the review process, the appraiser must provide you with a written response within the timeframe specified in the table on the next page, regardless of the position taken by the appraiser. The appraiser may propose one or more changes to the roll, in which case you have 30 days following the mailing of the response to accept the proposal. However, the appraiser can inform you that he or she has no changes to propose.

Situations giving entitlement to the deposit of a request	Time allowed for the assessor to formulate an answer
1. The filing of the property assessment roll	On September 1 following the coming into force of the roll ²
2. All other cases	The latest due date between: <ul style="list-style-type: none"> › 4 months from the filing of the application › On September 1 following the entry into force of the roll

The Tribunal administratif du Québec

An appeal to the Tribunal administratif du Québec may be made if you have first filed a request for review. This recourse must, however, relate to the same matters as the application for review and must be exercised within 60 days following the date of transmission of the appraiser's response. If the appraiser has not filed a response, you have 30 days after the deadline indicated on the request for review form.

To learn more about the Tribunal administratif du Québec, you are invited to visit its Web site at the following address: www.taq.gouv.qc.ca.

L'Ordre des évaluateurs agréés du Québec

According to its mission, the Ordre des évaluateurs agréés du Québec protects the public interest by guaranteeing the quality of the professional acts performed by its members. Since every municipal appraiser must be a member of this order to carry out his or her duties, he or she is subject to all applicable rules regarding ethics, professional practices and training.

The Ordre des évaluateurs agréés du Québec is an organization you can turn to if you believe that the work of a municipal appraiser has not been carried out according to the standards of the profession and its rules of ethics.

To find out more about the recourses offered by the Ordre, you are invited to visit its Web site at www.oeaq.qc.ca.

² Since this deadline may be extended to the following April 1, you are invited to check with your municipal agency responsible for the assessment to make sure which deadline applies.