OPINION

School taxes are uneven burden

Varies greatly: Measly mill rate reductions, plus higher property assessments spell increases for businesses and homeowners

It's no surprise in an era when the cost of everything connected to real estate has been soaring for decades that B.C.'s so-called "school tax," a hefty component of your property tax bill, goes up every year.

But it's hard to fathom the dramatic, erratic way it rises — not just the amount, but also who gets a larger-than-justified share of the annual tax hikes and who gets a break.

An insidious stealth mechanism shifts a disproportionate share of the burden onto businesses and residents in some communities — especially in hot real estate markets like the Lower Mainland — and away from smaller, sleepier places. This is true even after factoring in much faster increases in land values in some communities than in others.

It may seem obvious that high-priced markets will be hit harder by a property tax. But the way B.C. imposes this tax compounds the disparity, as property tax specialist Paul Sullivan, of Burgess Cawley Sullivan, kindly pointed out to me.

In a perfect world — OK, in a dream world — where governments don't spend more and more each year, property tax rates would move in a kind of reverse lockstep with assessments. As property values rose, the mill rate would dip to the point where it would yield the same amount of revenue as the year before. No more, no less.

In the real world, this simple relationship gets mucked up by governments' penchant for spending ever more. When assessments rise, the mill rate decrease inevitably delivers less in savings than the higher assessments add in cost, thus disguising a de facto tax hike.

The picture is even further complicated by new construction, which means the annual increase in a community's total assessed value is due only partly to higher property prices. The rest — a fairly small percentage of the increase usually seen in the Lower Mainland, Sullivan says — is based on new construction. But even these complexities don't explain the discrepancies revealed by crunching the numbers for several representative B.C. cities.

Among those I looked at, one of the worst-served by the school-tax policy wasn't in the Lower Mainland. Rather it was in the heart of what until recently were booming natural gas fields in northeastern B.C.

Fort St. John saw its assessment values rise more than 15 per cent for homes and 19 per cent for businesses in 2014, yet the corresponding reductions in its school tax mill rate were only 5.8 per cent and 3.3 per cent. Over a decade, the assessed value of homes there increased more than 210 per cent and businesses 236 per cent. The measly mill rate cuts added up to 48 per cent and 40 per cent. By contrast, Kamloops saw its assessment value increase little more than half as much, yet it got an identical break for businesses, and an only slightly smaller one for residences.

Vancouver wasn't far behind Fort St. John. The city saw the value of its assessment roll grow by 9.6 per cent for homes and 11.8 per cent for businesses in 2014, and 158.8 per cent and 157 per cent over the past decade. The mill-rate reductions barely topped 3.5 per cent for both categories in 2014, and 46.2 per cent and 41.1 per cent for the decade.

The numbers for both Burnaby and Richmond are a little smaller, but in the same ballpark as Vancouver's.

Meanwhile, Prince George and Nelson got almost-as-large mill rate cuts, even though assessed values grew much less. The changes over the decade still represents tax increases for these communities, but small ones compared to the hardest hit.

Does all this add up to a hill of beans? After all, school tax is but one part of a property tax bill that includes a big municipal levy, plus add-ons imposed by entities such as regional governments, TransLink, BC Assessment, and the provincial Municipal Finance Authority.

Well, Sullivan did some fascinating figuring and came up with some representative per capita costs.

Vancouver, with its sky-high real estate prices, felt the bite most sharply. Calculated on a per capita basis, 10 years of piling on more than our fair share of the increases means our school tax bills will be $258 more in 2015 than in 2005 for residences and $226 for business properties. Although these extra costs are by no means equally shared among citizens, it's worth noting the total is $484 per capita — per capita, that is, not per tax bill.

The comparable bottom-line number is $362 for Richmond, $348 for Fort St. John, and $326 for Burnaby. It dips to just $179 in Prince Rupert, $196 in Prince George, $210 in Nelson and $235 in Kamloops.

I asked the provincial finance ministry if they cared to have someone call me to explain how these discrepancies are justified. By my deadline, I hadn't heard back.

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For clarification...in a fair property tax system, if the assessment went up 100 percent (i.e. it doubled the value of the property), the tax rate would need to go down only 50 percent. For a 200 percent assessment increase the tax rate should to go down by 67 percent. - cjk