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Why is my home's value not the same as my property tax assessment from the City?

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Published Jun 01, 2019 • Last updated Jun 01, 2019 • 4 minute read

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Due to a variety of factors, your property tax assessment value may differ from its actual value. PHOTO BY GETTY IMAGES

When we do market evaluations on any particular property, it is not uncommon for the City's property tax assessment to be significantly different. In a market like we're in right now, where property values have recently fallen, it is commonplace.

Perhaps the biggest reason for this difference, at least in this market, is the valuation date. The City bases your current year's assessment on the estimated market value of your home as of July 1 of the previous year. This means that if you are looking at your assessment in November, you may be looking at an assessment that is more than a year-and-a-half old. With a changing market, your assessment value can be very different from your current market value.

STORY CONTINUES BELOW

In Edmonton (and in every municipality in Alberta), your share of municipal taxes is calculated based on the market value of your home. This value is recalculated every year. You would expect that if your home increases in value, then so will your share of property taxes. This is not necessarily true. When it comes to property taxes, what matters is how your home changes in value *relative* to the overall residential market change. For instance, in 2006-07 when homes practically doubled in value, your taxes did not. Costs to deliver municipal services did not double just because the value of homes doubled.

So how does a market evaluation performed by a realtor differ from the market evaluation of your home from the City? The City does what is called a 'mass appraisal'. It is not practical or cost effective for the City to do an in-depth evaluation for each home. A realtor can spend up to several hours, in some cases, evaluating any particular home's value.

The City collects data in order to do their assessments in a variety of ways. In addition to sales data, inspections and permits pulled, the City commissions two flybys each year to get a current aerial view of all properties – including once in the spring to get a good view before the foliage blocks the line of sight. Assessors will also use the multiple listing service (MLS) descriptions where homeowners tell all about their developments and upgrades to prospective buyers.

The mass appraisal approach involves reviewing all the sales data from all different property types (single-family homes, condos, commercial properties) over a three- to five-year period. The sales data is then sorted and a statistical model is created. Your property is then compared to others using this model to determine what your home would have likely sold for on July 1 of the previous year. The appraisal considers a number of attributes including size, neighbourhood, age, features, improvements, materials used, type of home (bungalow, two-storey, etc.), garage, condition, relevant influences (parks and traffic), etc. The assessors will then review the results to ensure the model is working and make any necessary adjustments.

There is quite a bit of room here for variations as the City assessors may not have accurate information on your home. You may have made improvements to your home that don't require a permit like paint, flooring, new roof, new hardware, etc., which can effectively increase the value of your home but may not be reflected in your property assessment.

Some homeowners may do improvements to their home that require permits, but the homeowner, for whatever reason, doesn't apply for them. Not having the required permits can lead to an inaccurate assessment, as well as create problems when it comes to selling. It is considered a "material latent defect" to not have the required permits when selling your property. A lack of permits, if known, must be disclosed to any prospective buyer. This can negatively impact your sale price. And in today's market, anything that raises a flag about a property also has a high chance of putting off a buyer causing them to simply pass it by.

As a realtor, I strongly urge you to investigate and make sure you get all the required permits. And it's not just resale value to be concerned with, it's also the safety factor (fire, carbon monoxide, fall hazard, etc.) and the potential functionality of your home. It seems that decks are one of the most commonly found developments without permits and basement developments may be second. In my experience, the City has been exceptional in helping homeowners – even when trying to get permits after the fact.

Other factors that can lead to differences in the market evaluations that are likely not adequately measured by the City may include cleanliness, furniture and staging, curb appeal, smells or lack of, general upkeep, grading and landscaping to name a few. A staged and well-presented home often sells for more.

More information about property taxes in Edmonton is available at edmonton.ca/assessment. Here you can access a ton of information including frequently asked questions and videos which explain the assessment process in detail.

The City has also introduced a new private website (myproperty.edmonton.ca) for homeowners that allows you to review your property's data characteristics, view a list of neighbourhood sales and compare your assessment to that of your neighbours using mapping software. This same site also shows your assessment and tax payment history. Your personal access code to this site is included on your assessment and tax notices.

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5/23/24, 11:29 AM

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