



**EVERYTHING  
YOU NEED TO  
KNOW ABOUT  
YOUR MPAC  
ASSESSMENT**

**AND  
PROPERTY  
TAXES**



Usually, property tax is calculated as a percentage of the property's value; however, the exact amount will vary depending on the municipality. But how does the government determine how much your property is worth?

When people try to figure out whether they can afford a home, they'll typically focus on their down payment and mortgage numbers. While this instinct is understandable — these factors account for the bulk of homeownership costs — paying down the actual price of your home isn't all there is to it. Depending on the property, homeownership costs can also span utilities, condo fees, maintenance fees, and insurance.

You'll have to pay property taxes no matter the property you own, though.

# WHAT ARE PROPERTY TAXES, AND HOW DO THEY WORK?



A property tax is a fee the local government charges property owners based on the value of their property. The tax is usually a percentage of the property's value; however, the exact rate that a government will charge varies depending on the municipality. But how does the government determine how much your property is worth?

If you live in Ontario, the answer is a property assessment from the Municipal Property Assessment Corporation (MPAC). The not-for-profit organization works with the province to assess every property in Ontario, reporting the dollar values to the municipalities to which they belong. Each local government will then use those numbers to set the price of your property tax.



Typically, MPAC updates its property assessments every four years. However, the Ontario government postponed the 2020 property assessment due to the COVID-19 pandemic. Property assessments for the 2021, 2022 and 2023 tax years will be based on the 2016 values.

To help you understand how the process works and how it impacts you, we asked Greg Baxter, director of valuation and customer relations at MPAC, to break it down.

# WHAT IS AN MPAC ASSESSMENT?



An assessment is a process that MPAC uses to determine how much money your property is worth. Based on this value, your local government will then determine how much you owe in property taxes.

“We are responsible for assessing and classifying all properties in Ontario,” Baxter explains. “There are more than five million properties in Ontario — and that represents about \$2.78 trillion in property value.

In Ontario, MPAC will update the value of properties across the province every four years — the last update was in 2016.



The property values that MPAC reports during each update help determine how much property tax you'll pay over the next four years. For example, if MPAC decided that the value of your home was \$500,000 in 2012, the government calculated your property taxes based on a \$500,000 value between 2013 and 2016, when MPAC made its next assessment update. The 2016 assessment was then applied between 2017 and 2020, extending through 2023 due to the pandemic's unprecedented circumstances.

There are exceptions, however. MPAC continues to review properties between officially scheduled updates to account for changes, such as new structures being built, buildings being demolished, and properties changing uses. In these situations, MPAC will issue a new assessment for the next tax year.

# WHAT HAPPENS IF THE VALUE OF MY HOME CHANGES?



What happens if the value of your home changes between one scheduled assessment period and the next? Do you immediately get hit with a higher — or lower — assessment?

To protect homeowners from sudden increases in their property taxes, the Ontario government uses a “phase-in program.” Let’s say that the value of your home increased dramatically between 2012 and 2016 because you live in an expensive city (ahem, Toronto). Instead of immediately asking you to pay property taxes based on this new value, the value is gradually phased-in between 2017 and 2020 until it reaches the total assessed value, so you have time to adjust.

On the other hand, if MPAC discovers that the value of your home decreased, no “phasing” is necessary: the assessed value of your home will immediately drop — along with (probably) the amount of property tax you’re paying.

It’s important to understand that changes in your property’s assessed value will not always change how much you pay in property taxes. “If the assessed value of a home has increased by the same percentage as the average in the municipality, there may not be an increase in the property taxes paid by a property owner,” Baxter explains.

“Contact your local municipality or taxing authority if you have questions about your property tax.



# HOW DOES MPAC DETERMINE THE VALUE OF MY PROPERTY?



It all boils down to sales data from Teranet, which runs Ontario's land registration system.

“We look at sales — property sales transactions that occur between a willing buyer and a willing seller,” says Baxter. “By analyzing the sales and data that we have on those properties, we're able to arrive at the current value assessment.”

The value that MPAC gives to your property every four years is what MPAC believes your property would have sold for on a given “valuation date.” The most recent valuation dates have been Jan. 1, 2012, Jan. 1, 2016, and Jan. 1, 2019. That means if MPAC assessed the value of your property to be \$1 million on Jan. 1, 2012, the following four tax years — 2013 through 2016 — saw your property taxes calculated based on a \$1 million home value.

While valuation dates have typically happened in the same year as assessment updates (see 2012 and 2016), legislative changes made it necessary for MPAC to set its last valuation date a full year ahead of the 2020 scheduled assessment update. The valuation date for the 2021 through 2024 tax period was on Jan. 1, 2019, although the 2020 assessment was later postponed.

But how does the housing market itself come up with prices? “For residential purposes, there are about five main factors that account for roughly 85% of the value of a property,” Baxter explains.

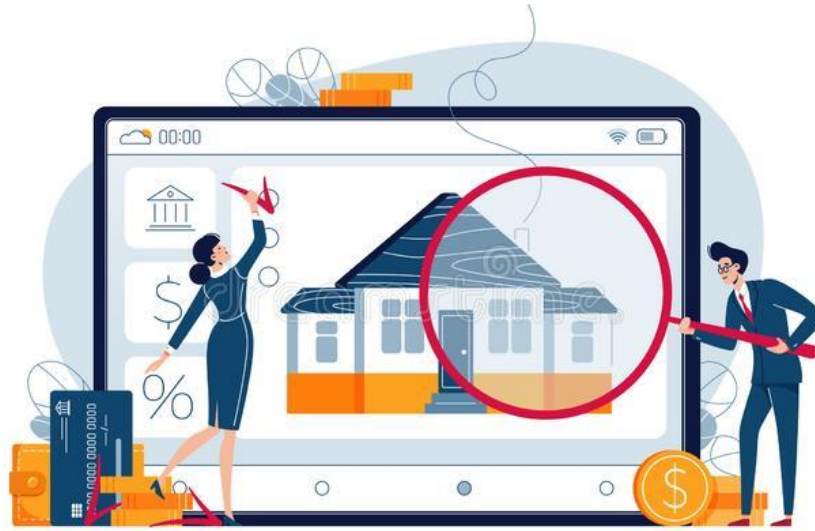
These include:

- The age of the property
- The size of the home structure
- The location of the property
- The size of the lot
- The quality of construction

Earlier, we mentioned that MPAC continues to review significant property changes — like new structures being built or demolished — between official assessment updates. When MPAC calculates a new value for your property after a substantial change, that new value will still be based on the last set valuation period.

If you're confused, consider this example: let's say your property was assessed at \$500,000 on Jan. 1, 2012, so your property taxes would be calculated based on a \$500,000 property value between 2013 and 2016. In 2014, however, right in the middle of that tax period, you demolished your home but still owned the property — which is now an empty lot. MPAC will reassess the value of your home for the 2015 tax year based on this change by estimating what the current state of your property — an empty lot — would have sold for on Jan. 1, 2012.

# HOW CAN YOU PREPARE FOR YOUR MPAC ASSESSMENT?



Really, property owners are not required to do anything to prepare for an assessment," says Baxter. "We complete a province-wide assessment update every four years, based on the legislative valuation date. And then we mail to property owners a property assessment notice."

To review the information that MPAC has on your home, Baxter advises homeowners to visit [aboutmyproperty.ca](http://aboutmyproperty.ca). If any information is incorrect, you should contact MPAC to have it updated.

Baxter encourages all property owners to visit the site, allowing them to compare their property to properties within their area. It also helps homeowners "gain clarity on the information that we have on their file related to their property," says Baxter.

# WILL AN MPAC ASSESSMENT AFFECT MY HOME INSURANCE RATE?



Given that your home insurance rate is partly determined by how much it would cost to fix your home in the case of an emergency, the question is worth asking.

It turns out that an MPAC property assessment doesn't affect your home insurance rate at all.

"The assessed property value for taxation is not material for property insurance," confirmed Vanessa Barrasa at the Insurance Bureau of Canada.



## **MORTGAGES HAVE CHANGED**

Get the mortgage you  
deserve today.

 **Call: (905) 553-8550**

[www.mortgagesquad.ca](http://www.mortgagesquad.ca)



[www.mortgagesquad.ca](http://www.mortgagesquad.ca)