

Effective Tax Rate (ETR) Limit

Ministry of Government Relations

February 2023

A new local tax tools limit, an effective tax rate limit of 7:1, is in effect for the 2023 property taxation year in Saskatchewan. The effective tax rate (ETR) limit replaces the previous mill rate factor (MRF) limit.

What is an ETR Limit?

An ETR is the total municipal property tax levy for a given property class divided by the taxable assessment for that property class after all tax tools, MRF, base tax, and minimum tax, are considered.

The new ETR limit sets the ratio between the highest ETR and lowest ETR of any property class to be no more than 7:1. This is set in regulations and replaces the MRF limit starting with the 2023 taxation year.

How Can the ETR and ETR Limit be Determined for my Municipality?

The ETR for a property class is the total tax levy for that property class divided by its taxable assessment.

Multiply by 100 to get an ETR expressed as a percentage; divide highest by lowest to see if within 7:1.

Property Class	Total Taxable Assessment	Total Municipal Tax Levy after the Impact of all Local Tax Tools	ETR	Compare to ETR Limit
Agriculture	\$200,000	\$1,000	0.5%	$6.0 = \frac{3.0}{0.5}$
Residential	\$200,000	\$2,000	1.0%	
Commercial/Industrial	\$200,000	\$6,000	3.0%	

Check your Municipality’s ETR using the [2022 Mill Rate Survey Return](#):

Determining your municipality’s ETR involves the same information your municipality reports annually in its mill rate survey return. You can use the attached template to determine your municipality’s ETR. You will need the following information from your most recent mill rate survey return to use in the template:

- Total taxable assessment by property class, as shown in *Column B*; and
- Total tax levy by property class, as shown in *Column K*.

Note: For municipalities with organized hamlets or special services areas, the calculation should be done separately for each entity. The same may apply for additional services areas or hamlets that may have unique mill rates. Check out the specific conditions identified in the regulations. **[link to be inserted]**

How to Get More Information on ETR - Additional Resources and Materials:

- An introductory [YouTube video](#) on the Saskatchewan property tax system with a comparison between the ETR limit and the mill rate factor limit.
- A [recorded webinar](#) on how to calculate effective tax rate (ETR) limit with examples.
- An updated [municipal tax policy guide](#) includes high-level steps for calculating the ETR limit.
- A [fact sheet](#) on the ETR limit: to provide high-level information on ETR and how municipalities could use mill rate returns reports to calculate their current rates.
- [Instructions on Saskatchewan.ca](#) on the ETR limit.

Municipalities Not Within the ETR Limit may do any of the Following to Comply:

- Redistribute municipal property taxes more evenly among the property classes or lower its tax levy;
- Adjust the municipality's mill rates, tax policies and its [use of local tax tools](#);
- Delay or defer expenditures to reduce the revenue required from property taxes;
- Use reserves, surpluses, and other funding sources such as user fees, licences, unconditional grants, other charges and [road maintenance agreements \(RMA\)](#) to offset any required tax shift; and
- Use [special taxes](#) to raise revenue for a specific service or purpose.

What if a Municipality is Unable to Meet the ETR Limit of 7:1 for 2023?

- Government expects municipal councils and administrations to make every effort to comply with the new limit or work towards compliance using any or all of the methods noted above.
- Municipalities are encouraged to comply with the ETR limit in 2023.
- If a municipality cannot meet the regulatory requirement in 2023, the municipality may request that an extension of time be approved by the Minister of Government Relations.
- A municipality should submit its request and proposal by email to property.tax@gov.sk.ca.
- Municipalities considering an extension request should submit their documentation (see below) before June 2023 to meet legislated tax notice timelines for 2023.

Suggested Requirements for an Extension of Time Request:

A request must be approved by the municipal council, be sent to property.tax@gov.sk.ca and include at least the following information in a form of the municipality's choosing (letter, proposal, word, pdf):

- A rationale or explanation of why an extension of time is required;
- A plan showing or demonstrating how it intends to comply with the new limit;
- A defined timeline of when the municipality will become compliant with the new limit;
- Compliance history with the former mill rate factor limits and other legislative compliance; and
- Any supporting financial data that includes:
 1. Recent mill rate survey returns for 2022 and 2021;
 2. The municipality's property tax bylaw and description of its tax policies; and
 3. Financial statements showing expenditures, reserves, surpluses, debt, and other revenue sources, including road maintenance agreements.
- Ministry officials may need to ask for additional information throughout the process of reviewing a request for the minister's consideration. These requests would be emailed to the municipality.

For More Information

- The Ministry of Government Relations is supporting stakeholders through these changes. If you have questions or want to submit a request, please get in touch with the Policy and Program Services branch at 306-787-2653 or by email at property.tax@gov.sk.ca.