

What is Property Tax Phase-in?

Ministry of Government Relations

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What is tax phase-in?

Tax phase-in is a local tax tool used to set a limit on the property tax changes resulting from revaluation for any or all three (agricultural, residential and commercial) property classes for a specified period of time. Property tax increases or decreases can be phased in by set dollar amounts or percentages each year of the plan, and the plan may vary among the three property classes.

How does tax phase-in work?

When properties are revalued, the resulting taxes can change significantly. Tax phase-in helps to smooth these changes over time. A tax phase-in rate or amount is introduced, followed by more gradual changes until the taxes reach their full intended level. A municipality may phase in tax increases or decreases over two to four years. Tax phase-in cannot be extended beyond the four-year revaluation period.

Does tax phase-in apply to other taxes, such as Education Property Tax (EPT)?

Property tax phase-in provision is a municipal tax tool that applies only to municipal property taxes and does not extend to or directly impact EPT. Municipalities may phase in other taxes if there is an agreement with the taxing authority on whose behalf the municipality collects taxes. This clause does not apply to EPT. If cancelling, reducing, refunding, or deferring taxes, the council must obtain agreement from the other taxing authority, except for school taxes collected for the Government of Saskatchewan. (Relevant provisions are found in clauses 290.02(1)(b) and 274(2.1)(b) of *The Municipalities Act* and clauses 311.2(1)(b) and 295(3)(b) of *The Northern Municipalities Act, 2010*.)

Is there any agreement with the Government of Saskatchewan and municipalities regarding EPT exemption and abatement?

The Government of Saskatchewan and municipalities have an existing agreement regarding EPT abatement and exemption. According to *The Education Property Tax Regulations*, municipalities are allowed to exempt or abate education property tax that is less than \$25,000 for a single property or parcel of land or less than five per cent of the total EPT levy within that municipality for the year. Municipalities exempting and/or abating education property tax must do so in the same percentage as the municipal property tax. A municipality can seek approval from the province to exempt or abate EPT revenue that exceeds the \$25,000 threshold or more than five per cent of the total EPT levy. No provincial approval is required if the EPT amount is less than this threshold.

Does tax phase-in apply to all properties?

The use of tax phase-in may vary by municipality. Some municipalities may phase in taxes for all properties while others may focus on a specific property class.

How does tax phase-in affect effective tax rates (ETR)?

Tax phase-in cannot be used if it causes a municipality to exceed the limit on ETR. While municipal councils have full authority to determine the nature and extent of the local tax tools it uses, municipalities must ensure that the ETR among their property classes do not exceed 7:1, such that no property class is taxed at a rate more than seven times another class. For more information on ETR and how to determine your municipality's ETR, visit [Effective Tax Rate Ratio Limit](#).

What are the steps for property tax phase-in?

Municipal administrators must ensure that they are familiar with the legislative framework.

Municipalities must follow these steps when applying tax phase-in:

1. Identify the property class or properties that will be phased in.
2. Implement the plan by creating a tax phase-in bylaw pursuant to section 290.02(1) of *The Municipalities Act*, section 311.2(1) of *The Northern Municipalities Act, 2010*, or section 260(1) of *The Cities Act*. The bylaw must set out:
 - The amounts or percentages of tax increases or decreases that will be phased in.
 - The properties for which the tax will be phased in.
 - The time period over which the tax will be phased in (not longer than the current four-year revaluation cycle).
3. Establish phase-in limits on the amounts or percentages of tax increases or decreases in the bylaw and apply to taxable properties within the revaluation cycle, which must not be extended beyond the four-year revaluation cycle.
4. Inform property owners about how their property taxes would be phased in.

For more information on tax phase-in, please visit our [webpage](#).