

What is an Effective Tax Rate (ETR)?

Ministry of Government Relations

April 2022

A new local tax tools limit will take effect for the 2023 taxation year in Saskatchewan. An effective tax rate (ETR) limit of 7:1 will replace the previous mill rate factor (MRF) limit.

What is an ETR?

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, such as MRFs, base tax, and minimum tax, are considered. Special tax levies and potash tax levies are excluded from the calculation of ETRs.

The new limit will set the ratio between the highest ETR and the lowest ETR of any property class to be no more than 7:1. This will be set in regulations and replace the MRF limit for the 2023 taxation year.

How can the ETR and ETR limit be determined for a municipality?

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

Multiply this by 100 to get an ETR expressed as a percentage.

| Property Class | Taxable Assessment | Total Municipal Tax Levy | ETR |
|----------------|--------------------|--------------------------|------|
| Agriculture | \$200,000 | \$1,000 | 0.5% |
| Residential | \$200,000 | \$2,000 | 1.0% |
| Commercial | \$200,000 | \$6,000 | 3.0% |

The highest to lowest ETR in the above example is: $\frac{3.0}{0.5} = 6$. Therefore, the ETR ratio is **6:1**.

Check your municipality's ETR using 2021 mill rate survey information online [here](#).

Most municipalities pass tax policies that are within the new limit. The taxable assessments for each property class are found in columns F, G and J in the spreadsheets for each type of municipality, and the total tax levy for these property classes is found in columns L, M and P. First, divide the figures in columns L, M, P by those in F, G, J to find the ETR for each property class, where each column corresponds to the same property class. Then, divide the highest ETR by the lowest ETR to see if the ratio is within the new limit of 7:1. These columns may differ for cities and their subclasses.

Why have an ETR limit?

The MRF limit only considers the mill rate factor. The new ETR limit considers the use of all three local tax tools (MRF, base tax, and minimum tax). As a result, the ETR more accurately measures how municipal property taxes are distributed among the property classes in a municipality.

For more information on tax tools and how the new ETR differs from the current MRF limit, please see this [webpage](#) and this [video](#).