

# PROPERTY TAX CASE STUDY MILL RATES

## The Client's Challenge

The New Brunswick Assessment Act mandates that property has to be assessed at its market value on January 1st of the assessment year (the "base date"). Our client owned a pulp and paper mill in Dalhousie and had announced, prior to January 1st 2008, that the mill was going to be closed; a victim of the industry wide reduction in capacity as younger readers abandoned newspapers in favour of the Internet. The mill however was still operating at the base date and Service New Brunswick (SNB), the provincial assessment authority, saw no reason to reduce the \$46 million assessment. The mill owner turned to Turner Drake for help.

## Turner Drake's Approach

There is case law which clearly establishes that events known and publicly disclosed prior to the base date, have to be taken into account in arriving at the assessed value. Still it had been seven years since we established that precedent (*New Brunswick Publishing Company versus Director of Assessment, NBARB November 2001*); it must have slipped SNB's memory. So we reminded them ... again. We then completed an extensive review of the assessor's calculations, but placed our main focus on the economic state of the newsprint industry. "Economic obsolescence", the loss in value due to factors that were systemic rather than property specific, was the main influence on the value. We therefore devoted most of our resources to compiling objective criteria that we could utilize to identify and measure external obsolescence. These criteria included obsolescence rates (1) indicated by the sale prices of other "special purpose" properties, (2) used by SNB for properties closed under similar circumstances, (3) determined, or ratified, by the New Brunswick Assessment Review Board (their decisions are not published).

## Winning Results

We were able to negotiate reductions in the assessment from \$46.0 million to \$35.0 million (for 2008); and to \$21.9 million (for 2009) ... yielding aggregate tax savings of \$1,476,096.

