

Assessment Year Modifiers (AYMs)

Update to the Methodology

Background

Since assessment models are not updated annually, AYM's serve as a cost index, adjusting the assessment values of regulated properties each year. Separate AYM's are calculated for each property type. The previous method for calculating AYM's was viewed as unclear and difficult to validate, creating challenges for stakeholders in managing tax planning due to unpredictable fluctuations in property values.

As part of the Assessment Model Review (AMR) process, stakeholders have expressed a preference for a methodology that is consistent in its formulation, uniformly applied across all property types, transparent about the data sources used and balanced between accuracy and predictability.

Overview

Existing Methodology

The previous methodology for calculating AYM's, which annually adjusts regulated property assessments, has been modified based on feedback from stakeholders. Many expressed concerns about the complexity of the current process, the potential for significant fluctuations due to historical trends, and the lack of transparency in the calculation approach, which incorporated proprietary data.

New Methodology

The new methodology reflects the discussions of the AMR Steering Committee, which highlighted stakeholder concerns regarding the clarity and reliability of the current process. Stakeholders noted difficulties in understanding how cost changes are calculated, challenges in validating construction cost data, and the impact of fluctuating values on tax planning. The revised methodology aims to address these concerns by introducing a more consistent, transparent, and predictable approach to AYM's.

Key Changes in the New Methodology

The updated methodology introduces several important changes. It incorporates Statistics Canada indices for four primary cost categories and also includes a 3-year rolling average to reduce volatility and ensure stable year-over-year changes. The cost categories include:

- **Labour** (Index 18-10-0140-01): Construction union wage rate index for the Edmonton area.
- **Construction Equipment** (Index 18-10-0279-01): Rental and leasing services price index for construction equipment
- **Bulks Material** (Index 18-10-0266-01): Industrial Product Price Index (IPPI) for various material categories and
- **Major Equipment** (Index 18-10-0270-01): Machinery and Equipment price index (MEPI).

At a high level the methodology calculates cost changes extracted from the indices with an appropriate weighting applied for each property type and index (as shown in the table below). The total change for each property type is calculated for the current and two previous years and then averaged to provide the current construction cost change that is used to calculate the current year AYM.

Table 1: AYM Indices and Weighting							
Primary Cost Category	Index	Pipeline Weights	Wells Weights	M&E Weights	EPP Weights	Telecom Weights	Rail Weights
Labour	18-10-0140-01	45%	10%	45%	40%	35%	30%
Construction Equipment	18-10-0279-01	22%	32%	7%	12%	27%	32%
Bulks Material	18-10-0266-01	33%	58%	15%	15%	38%	38%
Major Equipment	18-10-0270-01	0%	0%	33%	33%	0%	0%
TOTAL		100%	100%	100%	100%	100%	100%

Next Steps

Beginning in 2025, the new methodology for calculating AYMs will be applied using publicly available Statistics Canada data and an updated method that ensures smoother and more stable year to year changes. AYMs in the 2024 Minister's Guidelines for linear, railway, and machinery and equipment will be calculated using this methodology and are expected to be available in December 2025. The selected Statistics Canada indices, including the weightings, will undergo further review to ensure they remain appropriate during the model reviews of each property type.

Stakeholders can follow the progress of the AMR on the Regulated Property Assessment Model Engagement website at [Assessment Model Review engagement | Alberta.ca](https://www.alberta.ca/assessment-model-review-engagement)

For inquiries during the AMR process, please contact the AMR Team toll-free by first dialing 310-0000, then 780-422-1377, or at ma.amr@gov.ab.ca.