

Staff Report 2019-3

Meeting Date: Tuesday January 15, 2019

Subject: Delegation of Property Tax Ratios from the Region of Peel

Submitted By: Hillary Bryers, Manager, Revenue/Deputy Treasurer, Finance and Infrastructure Services

RECOMMENDATION

That the Town consent to the enactment of a Regional by-law delegating tax ratio setting from the Region of Peel to the City of Mississauga, the City of Brampton and the Town of Caledon, in accordance with Section 310 of the *Municipal Act, 2001 as amended*, for the 2019 property tax year.

REPORT HIGHLIGHTS

- Section 310 of the *Municipal Act, 2001* allows for the upper tier municipality to delegate tax ratio setting to the lower tier municipalities.
- The Region of Peel has delegated its authority to establish tax ratios to the lower tier municipalities since 1998.
- Each year Council must pass a resolution in support of the delegation of tax ratio setting.
- This delegation provides the Town of Caledon the ability to consider the adjustment of tax ratios to meet local needs.

DISCUSSION

Tax Ratios

In Ontario, there are nine mandatory property tax classes: residential, farm, managed forest, multi-residential, new-multi-residential, commercial, industrial, landfill and pipeline. All properties in Ontario belong to one or more of these nine property classes. Each of these property classes is assigned a tax ratio, which represents each class's share of the tax burden in relation to the residential property class.

Properties in different classes are taxed at different tax rates. This is a result of historical differences in tax burdens that were present prior to the 1998 reform of the property tax system. Commercial, industrial and multi-residential properties typically pay more than residential properties while farm and managed forest properties pay one quarter or less than residential properties. The tax ratios establish the different relative tax burdens among the property classes and are set by each upper tier municipality, unless delegated to the lower tier municipalities.

Provincial legislation dictates that the residential class is always set at 1.00 so the residential tax class is the base for measuring the burden of the different tax classes. The new multi-residential property class has also been established at 1.0. Managed forest ratios are also established by provincial legislation at 0.25 while farm ratios can be established between the permitted range of 0 to 0.25 of the residential rate. Commercial, industrial and multi-residential ratios are often higher than residential rates and the province only permits municipalities to reduce the tax ratios towards established “ranges of fairness”. Any change to one tax ratio changes the burden borne by all of the other tax classes. As such, careful consideration must be undertaken before any tax ratio is changed.

Delegation of Tax Ratio Setting

At the January 10, 2019 Regional Council meeting, the Region of Peel will pass a by-law requesting delegation to the lower-tier municipalities the authority to establish tax ratios for 2019.

Under the *Municipal Act, 2001*, upper tier municipalities have been granted the authority to set the tax ratios for both upper and lower tier purposes. This gives the upper tier municipality the responsibility to establish the tax ratios that would allocate the tax burden among property classes for both upper and lower tier taxation purposes. Consequently, once the upper tier set the tax ratio for each property class, this ratio would apply to all of the lower tier municipalities in setting the Town and Regional tax rates for that taxation year. This would not allow consideration for the differences in the assessment base that exist amongst the different lower tier municipalities within the Region of Peel.

The Provincial legislation also allows for the responsibility for setting tax ratios to be delegated to the lower tier municipality if unanimous consent was given by all the municipalities within the upper tier structure. If responsibility for setting the tax ratios was delegated to the lower tier municipality, then each lower tier municipality could set different tax ratios, if it so desired, to govern the distribution of the tax burden within their own respective jurisdiction for both upper and lower tier taxation purposes.

In late 1997, after numerous meetings with Region of Peel, City of Mississauga and City of Brampton finance staff, it was recommended to Council that Caledon support the delegation of tax ratio setting to the lower tier municipalities. A similar recommendation has been made by staff each year since 1997 and consequently, the Region of Peel has delegated its authority to establish tax ratios and in turn set municipal tax rates to its lower tier municipalities for the fiscal years 1998 to 2018.

Each year municipalities are required to make a number of decisions affecting tax policies. One of those decisions, the establishment of tax ratios, is critical in determining the tax burden for each respective property class.

Staff Report 2019-3

Section 310 of the *Municipal Act, 2001, as amended*, provides for the Council of an upper tier municipality to delegate to the Council of each of its lower-tier municipalities, the authority to pass a by-law establishing the tax ratios for the year within the lower tier municipality for both upper tier and lower tier levies. The Region, along with Caledon, Brampton and Mississauga, are required to decide prior to February 28 of each year whether to delegate tax ratio setting authority to the three lower-tier area municipalities.

A general consensus was reached with Town of Caledon, Region of Peel, City of Mississauga, and City of Brampton finance staff that staff would recommend once again to their respective municipal Councils that authority for the establishing of tax ratios for both lower and upper tier purposes in the Region of Peel for the 2019 property tax year, be delegated to the lower tier municipalities.

Following this report, staff will provide the Region of Peel with Council's resolution accepting delegation of tax ratio setting from the Region. The Regional delegation by-law and the necessary lower-tier municipal resolutions confirming delegation will then be submitted to the Minister of Municipal Affairs and Housing by the Region of Peel. In Spring 2019, Council will be presented with a report outlining the impacts of assessment changes and any proposed tax ratio changes for all property classes within the Town of Caledon.

FINANCIAL IMPLICATIONS

The financial implications are outlined in other sections of this report.

COUNCIL WORK PLAN

The matter contained in this report is not relative to the Council Work Plan.

ATTACHMENTS

None.