

Memorandum

Date: December 8, 2020

To: Members of Council

From: Hillary Bryers, Manager, Revenue, Finance / Deputy Treasurer

Subject: 2021 Property Tax Legislative Changes

The 2020 Provincial Budget was presented on November 5, 2020 and included changes relating to property tax and assessment in response to the COVID-19 pandemic and its impact on businesses. This memo highlights some of those changes and its effect on Caledon taxpayers.

Business Education Tax Rate

The Provincial Government is reducing the Business Education Tax Rate (BET) for 2021 to 0.88%. This is a reduction in property taxes funded by the Provincial Government. Provincial payments to the school boards will be adjusted to offset the reduction in education property taxes.

The 2020 and proposed 2021 BET rates for Caledon are shown in the table below. The 2020 BET rate for industrial properties was higher than the provincial ceiling of 0.98% resulting in this rate being applied to new construction in the industrial class.

| Property Class | 2020 Education Rates | 2021 Education Rates |
|-------------------------------|----------------------|----------------------|
| Commercial | 0.944727% | 0.88% |
| Commercial – New Construction | 0.944727% | 0.88% |
| Industrial | 1.066032% | 0.88% |
| Industrial – New Construction | 0.980000% | 0.88% |

Based on the assessment roll used for determining 2020 taxes, the reduction in business education taxes in Caledon is approximately \$2.4 million. The individual tax impact is dependent on the assessment value of each property. For a commercial property, the education tax reduction per \$100,000 of assessment is approximately \$65. For an industrial property, the education tax reduction per \$100,000 of assessment is approximately \$186.

Property owners will see this reduction in the BET be reflected on their final 2021 property tax bills that are anticipated to be mailed in June.

The Provincial government has since announced that municipal revenues through payment in lieu of taxes that the Town retains will not be reduced for 2021. It is unclear at this time whether this support from the Provincial government will be maintained into 2022.

Optional Small Business Sub-class

The Provincial government has also introduced a new optional sub-class for small business properties. This new optional class can be implemented at the discretion of the upper tier and would apply to all lower tier municipalities. This sub-class allows a municipality to consider shifting some taxes between classes, i.e. from small business to other property tax classes including residential. This will be reviewed by the Region of Peel when the regulations are received.

This new sub-class is optional. Beginning in 2021, upper and single tier municipalities will have the option to adopt a small business sub-class. The definition of that constitutes a small business would be defined by the municipality and outlined in the implementation by-law. If the new optional sub-class is adopted, the Region would also determine the rate reduction that would be applied to the sub-class from the full tax rate for business properties. This rate would apply to all local municipalities. If this is adopted, it would result in a tax burden shift to all other property classes including residential.

This new optional sub-class would allow municipalities to target tax relief by reducing property taxes to eligible small business properties. This will reduce the Town and Region portions of the property tax bill. The Province will also consider matching the municipal property tax reductions to support small businesses.

There are challenges with adopting this new sub-class. The Province leaves it to municipalities to define what constitutes a “small business”, which would determine what properties qualify for the rate reduction. The property tax data does not support an effective or objective assessment of whether a business is large or small. Caledon staff will work with staff from the Region of Peel and the Cities of Mississauga and Brampton to analyze the impacts of adopting this new property sub-class for small businesses. Results of this analysis will be reported to Council in Spring 2021.

Postponement of 2020 Assessment Update due to COVID-19

The Municipal Property Assessment Corporation (MPAC) was to conduct a province-wide re-assessment of all properties in 2020 for use in the 2021-2024 taxation years. Due to the COVID-19 pandemic, this property re-assessment has been post-poned and the 2021 property values will continue to be based on the current legislated valuation date, January 1, 2016.

This means that all property assessments in Ontario must reflect the price a property would have reasonably been expected to sell for on that date. The Assessment Act requires that MPAC continue to use January 1, 2016 as the date to assess all properties until the Province announces the resumption of the re-assessment. There is currently no future date for the next re-assessment.

Provincial Assistance with Property Tax and Energy Bills

In addition to the changes in the Provincial budget, the Province has announced that \$600 million in funding is being made available to assist businesses in meeting the costs of municipal and education property taxes and energy bills in areas of the province that were required to shut down or significantly restrict services to provincial public health measures. This support is made available to eligible businesses in regions of Ontario where the Province determines modified stage 2 public health restrictions are necessary, or going forward, areas categorized as control or lockdown. Business owners can go directly to the Province’s website to determine whether they are eligible and to apply for funding by visiting: <https://www.ontario.ca/page/businesses-get-help-covid-19-costs>