

## **Staff Report 2019-15**

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Meeting Date: Tuesday, March 19, 2019

Subject: 2019 Property Tax Ratios

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

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### **RECOMMENDATION**

That the 2019 Property Tax Ratios as outlined in Table One of Staff Report 2019-15 be approved; and

That a by-law be enacted to establish 2019 tax ratios for prescribed property classes as outlined in Table One of Staff Report 2019-15.

### **REPORT HIGHLIGHTS**

- In 2016, the Municipal Property Assessment Corporation (MPAC) conducted a province-wide property re-assessment. These assessed values will be the basis of taxation for the 2018 to 2020 taxation years.
- Revenue neutral tax ratios keeps the proportions paid by each tax class the same as or similar to the previous year.
- In 2017 and 2018, there were assessment changes in property classes that would have caused a shift in the tax burden to residential properties if the tax ratios were unchanged. To prevent this, the Town adopted revenue neutral tax ratios in both years as permitted under Ontario Regulation 385/98, in order to re-allocate the tax burden between tax classes to be similar to the distribution prior to the re-assessment.
- For 2019, revenue neutral tax ratios were calculated for all property classes. These calculations show that minor changes to the tax ratios are necessary for 2019 to prevent shifting of taxes from the non-residential and farm tax class onto the residential tax classes. These changes are minor but prevent approximately \$100,000 property taxes from being shifted onto the residential property class. Without these adjustments, residential taxpayers would pay more property taxes due to the re-assessment while non-residential taxpayers would pay less.

### **DISCUSSION**

#### Delegation of Tax Ratio Setting

On January 22, 2019 the Town of Caledon consented to the enactment of a Regional by-law delegating tax ratio setting from the Region of Peel to the Cities of Mississauga and Brampton and the Town of Caledon. This was done in accordance with Section 310 of the *Municipal Act, 2001*.

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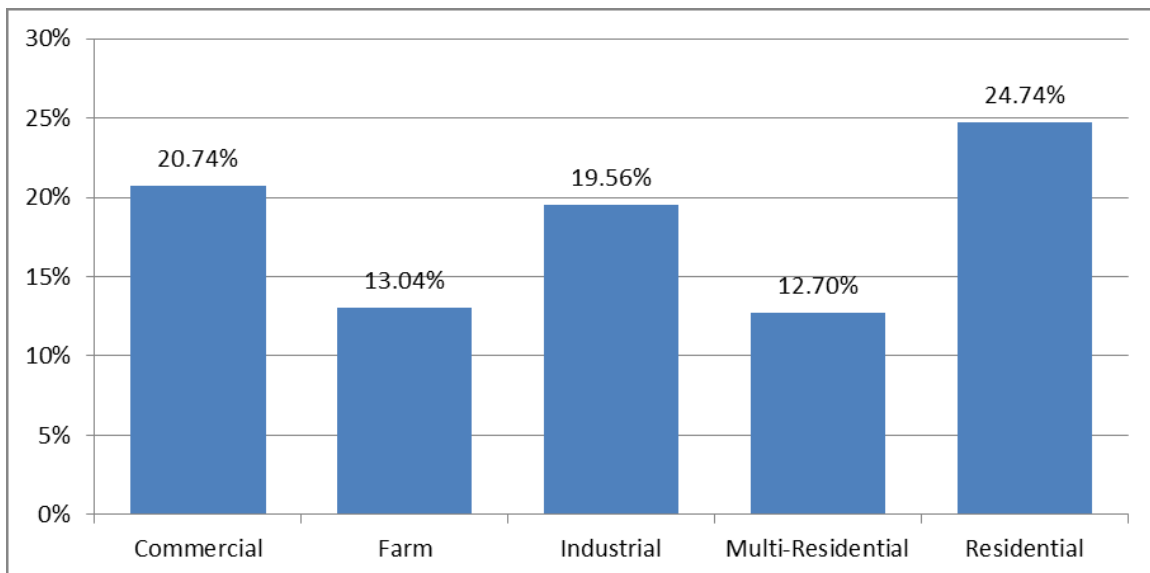
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At the January 10, 2019 Regional Council meeting, the Region of Peel passed a by-law requesting delegation to the lower-tier municipalities the authority to establish tax ratios for 2019. This is consistent with what has occurred for the tax years 1998 to 2018. As a result of the delegation for tax ratio setting, the Town of Caledon must pass a by-law confirming the 2019 tax ratios. Once the tax ratios are approved, final tax rates and tax bills for 2019 may be calculated. This process must be completed annually.

### **Re-assessment and Options for the Town of Caledon's 2019 Tax Ratios**

In 2016, the Municipal Property Assessment Corporation (MPAC) conducted a province-wide property assessment. The changes to property values from the last re-assessment can be seen in Chart A below.

**Chart A: Increases in Current Value Assessments between assessment cycles**



### **2019 Tax Shifting**

The Town adopted revenue neutral tax ratios in 2017 and 2018 in order to prevent a shifting of the tax burden onto residential properties from the non-residential tax classes, mainly the commercial property class. A tax shift onto the residential tax class means that the residential tax class as a whole would pay more in Town and Regional property taxes than the previous year and the commercial property class as a whole would be less in property taxes. The tax changes individual properties would experience depend on the magnitude of their assessment change compared to the average increase in assessment for their property class. Revenue neutral tax ratios keeps the proportions paid by each tax class the same as or similar to the previous year.

For 2019, staff worked with the Ministry of Finance to re-calculate these revenue neutral tax ratios to incorporate any in-year assessment changes that occurred in 2018 as a result of assessment growth and assessment appeals as well as to incorporate the landfill and new multi-residential property classes that the Province introduced and mandated in 2018. These calculations show that without the adoption of minor changes in the tax ratios established in 2018, there would be a shift of the tax burden onto residential properties.

To rectify this shift of the tax burden onto the residential property class, Council can choose to adopt what are known as “Revenue Neutral Tax Ratios”. This would involve minor increases to the tax ratios for commercial, industrial, pipeline and farm property classes with no change to the multi-residential, new multi-residential, residential or managed forest tax ratios. The residential tax ratio is mandated at 1.0 by Provincial legislation while the managed forest tax ratio is mandated to be 0.25. While farm ratios can be between 0 and 0.25, the Town of Caledon reduced its farm ratio progressively between 2012 and 2016 from 0.25 to 0.1668 in 2016 due to the 2012 re-assessments showing farm property values increasing by over 70%. For 2019, there is a small shift in the tax burden from farm properties to residential properties. In order to maintain the tax burden paid by each property class, it is recommended that the farm tax ratio be increased from 0.1689 in 2018 to 0.1708 for 2019.

Increases to the commercial, industrial, multi-residential and pipeline tax ratios are allowed under Ontario Regulation 385/98 if prescribed conditions are met. Specifically, this regulation allows for a municipality to increase its tax ratios for prescribed classes when re-assessment causes the tax burden borne by a property class to decrease from the end of the previous year. For example, in the Town of Caledon, if the tax ratios were not changed, the commercial class would pay approximately \$100,000 less in Town and Regional taxes in 2019 than it would have at the end of 2018, with this shift in tax burden being almost entirely borne by the residential tax class. These impacts do not account for any budget changes, the final 2019 regional levy apportionment or the education portion of the tax bill.

The extent to which the ratios can be increased is limited to what is calculated to be the new maximum as prescribed under the regulation. The tax ratio calculations under Ontario Regulation 385/98 must be verified by the Ministry of Finance before a Council can adopt the tax ratios. The Ministry of Finance has verified the tax ratios being recommended in Table One below.

### **Tax Ratio Recommendations**

In order to mitigate the increases in tax burden borne by the residential tax class due to assessment changes, it is recommended that revenue neutral tax ratios be adopted. These tax ratios are:

**Table One: 2018 and Proposed 2019 Tax Ratios**

<b>Tax Class</b>	<b>2018 Town of Caledon Tax Ratio</b>	<b>Proposed 2019 Tax Ratio</b>
Residential	1.000000	1.000000
Managed Forest	0.250000	0.250000
Farm	0.168900	0.170800
Commercial	1.338488	1.347534
Industrial	1.589951	1.591035
Multi-Residential	1.722344	1.722344
Pipelines	0.980013	1.009275
New Multi-Residential	1.000000	1.000000
Landfill	1.276355	1.233526

A selection of comparative tax ratios for other area municipalities can be found in Schedule A to this report. The Ontario Federation of Agriculture has been informed that there is a minor increase in the Farm ratio being recommended to prevent a shifting of the tax burden onto residential properties.

### **FINANCIAL IMPLICATIONS**

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

### **COUNCIL WORK PLAN**

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

### **ATTACHMENTS**

Schedule A – Comparative Tax Ratios

Schedule A : Comparative 2018 Tax Ratios

2018 Tax Ratios	Peel			Halton Region	York Region	Durham Region	City of Toronto	City of Hamilton	Dufferin County	2019 Caledon Proposed Ratios
	Caledon	Mississauga	Brampton							
Residential	1.000000	1.000000	1.035591	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000	1.000000
Farm	0.168900	0.250000	0.258898	0.200000	0.250000	0.200000	0.250000	0.176700	0.250000	0.170800
Managed Forest	0.250000	0.250000	0.258898	0.250000	0.250000	0.250000	0.250000	0.250000	0.250000	0.250000
Industrial	1.589951	1.610758	2.443981	2.359900	1.497300	2.185000	2.788021	3.411500	2.198400	1.591035
Commercial	1.338488	1.477202	2.141485	1.456500	1.232300	1.450000	2.811568	1.980000	1.220000	1.347534
Multi Residential	1.722344	1.450961	1.645833	2.000000	1.000000	1.866500	2.459168	2.634200	2.450000	1.722344
New Multi-Residential	1.000000	1.000000	1.035591	1.000000	1.000000	1.100000	1.000000	1.000000	1.100000	1.000000
Landfill	1.276355	n/a	n/a	1.456500	1.100000	1.100000	n/a	2.969600	1.181500	1.233526
Pipelines	0.980013	1.236482	2.053062	1.061700	0.919000	1.229400	1.923564	1.794700	0.842100	1.009275