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STAFF REPORT: Finance and IT Services



REPORT TO: Finance and Administration
MEETING DATE: August 23, 2012
REPORT NO.: FIT.12.46
SUBJECT: Assessment and Taxation Update
PREPARED BY: Ruth Prince, Manager of Revenue

A. Recommendations

THAT Council receive Staff Report FIT.12.46 "Assessment and Taxation Update" for information purposes.

B. Background

2012 Current Value Assessment

This year, the Municipal Property Assessment Corporation (MPAC) will complete its second province-wide Assessment Update under the four-year cycle and phase in program introduced by the Ontario Government in 2008. The 2012 Current Value Assessments will reflect the January 1, 2012 legislated valuation date and will be in place for the 2013 to 2016 property tax years.

Property owners will be notified of their updated assessments when MPAC mails the Property Assessment Notices in early September.

Option to Opt Out of Business Tax Capping

Municipalities in Ontario are requesting that the Ministry of Finance and the Province of Ontario amend the Municipal Act, 2001 to allow upper and single-tier municipalities to opt out of the business tax capping program set out in Part IX of that Act for the 2013 taxation year and future tax cycles. Current legislation does not allow for municipalities to opt out of business tax capping.

Kevin Wepler, Director of Finance for the County of Grey, presented Report FR-CS-24-12 to the Grey County Corporate Services Committee on July 24, 2012. The purpose of the report was to provide the Corporate Services Committee background information and recommendations on allowing municipalities to opt out of business tax capping.

In the County of Grey, properties in The Blue Mountains receive the largest benefit from the current tax capping program and therefore an exit strategy that provides some transition to these properties should be considered in conjunction with the provision to opt-out. In the County of Grey there are 35 properties that are protected under the capping program and 21 of those properties are in The Blue Mountains. There are 273 properties in Grey County that are not receiving their full tax decrease (clawback) in order to fund the cost of capping and only 25 of those properties are in The Blue Mountains. The cost of capping protection in the County of Grey is \$422,251 and

\$379,004 is The Blue Mountains share. The amount for properties not receiving the full tax decrease (clawed back) is \$422,251 and \$77,605 is The Blue Mountains.

C. The Blue Mountains' Strategic Plan

Ensuring long-term financial sustainability

D. Environmental Impacts

None

E. Financial Impact

The County of Grey is responsible for the administration of the tax capping program for the lower tier municipalities.

There is no budget impact to The Blue Mountains however it does impact the property tax obligations of individual business property owners.

F. In Consultation With

Robert Cummings, Director of Finance & IT Services
Kris Couture, Tax Collector

G. Attached

1. County of Grey Committee Report FR-CS-24-12
2. Municipal Tax Equity (MTE) Consultants Discussion Paper

Respectfully submitted,

Ruth Prince, Manager of Revenue

Robert Cummings, CMA
Director of Finance & IT Services

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Corporation of the County of Grey Committee Report

Report FR-CS-24-12

To: Chair Eccles and Members, Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: July 24, 2012
Subject: Allowing Municipalities to Opt Out of Business Tax Capping

Recommendation(s)

THAT the Director of Finance's Report FR-CS-24-12 regarding allowing Municipalities to Opt Out of Business Tax Capping be received;

AND THAT the County of Grey respectfully requests that the Minister of Finance and the Province of Ontario amend the contents of the Municipal Act, 2001 to allow upper and single-tier municipalities to opt out of the business tax capping program set out in Part IX of that Act for the 2013 taxation year and future tax cycles.

Background

In 1998 sweeping reforms to the property assessment and taxation system were introduced by the Harris Government to achieve a number of key goals. The objective to these reforms was to ensure that the assessment of real property and taxation practices across the province would be more fair, consistent, and understandable for taxpayers. However, due to criticism, the Government quickly introduced a mandatory tax capping program for business class properties for 1998 through 2000 tax cycles, which became known as the 10-5-5, in an attempt to ease the transition to the new property tax regime.

Since these early days of reform, a variety of modified tax capping protection regimes have been implemented, along with a number of capping options to be used at the discretion of single and upper-tier municipalities. The County of Grey has implemented the optional capping tools in each taxation year in order to increase the number of properties being taxed at their full current value assessment (CVA).

Along with these measures, the introduction of a four-year reassessment cycle coupled with a program to phase-in assessment increases was introduced. This has created complicated capping calculations that make these calculations difficult for a lay person, business owner, and even many tax professionals to understand.

2012 represents the fifteenth taxation cycle that has been impacted by mandatory tax capping in Ontario for the multi-residential, commercial and industrial property classes. With 2012 being a reassessment year for the next four-year assessment phase-in cycle (2013-2016 taxation years), it would be an opportune time for the Province of Ontario to give municipalities the option to consider opting out of business tax capping.

As stated previously, the County of Grey has made capping decisions that have decreased the number of properties receiving capping protection. However the commercial class continues to receive substantial capping protection, with some of these commercial properties receiving significant capping adjustments. While it is being recommended that the Province provide upper and single-tier municipalities the ability to opt-out of the business tax capping program, regard to the impact of this option on these business properties must be taken into consideration and therefore an exit strategy that provides some time to transition these properties should also be considered in conjunction with the provision to opt-out.

Municipal Tax Equity (MTE) Consultants have been instrumental in working with municipalities for many years in order to assist municipalities in meeting policy and the administrative challenges that the tax capping protection programs have created.

MTE has prepared a discussion paper which is linked here for your information. [Municipal Tax Equity \(MTE\) Consultants Tax Capping Discussion Paper](#)

This paper gives an excellent overview of business tax capping and provides a strong case for a capping “opt-out” policy. MTE is of the opinion that it would be ideal to make this option available in conjunction with the next general reassessment. This would allow municipalities to consider and evaluate the tax impacts and shifts associated with the 2013 reassessment campaign both with and without capping in place. Such an evaluation would allow interested municipalities to make informed decisions about whether or not to continue with this form of tax protection into the future.

Financial / Staffing / Legal / Information Technology Considerations

Municipalities continue to devote considerable human and budgetary resources each year to ensure that tax bills and adjustments are accurate, compliant and timely. Capping creates inequitable tax treatment and the removal of the mandatory tax capping program for business class properties would ensure that properties that are similar in nature, value and use, carry a similar portion of the overall tax burden.

[Link to Strategic Goals / Priorities](#)

Upper-Tier municipalities are responsible for making tax policy decisions that are sensitive to local needs and priorities.

Respectfully submitted,

Kevin Wepler
Director of Finance

Subject to Council Approval