

# *2006 Tax Policy Impact Study*

County Council  
March 29, 2006

## **2006 Issues**

- ★ **Deadlines**
- ★ **Assessment Cycle**
- ★ **Reassessment**
- ★ **Ratios**
- ★ **Levy Restriction**
- ★ **Capping**
- ★ **Optional Tools**
- ★ **Vacant Land, Charities, Seniors and Disabled**

## **2006 Tax Tools: Data Assumptions and Methodology**

**Although the information produced in Tax Tools is based on the most up to date information available (i.e., assessments, adopted 2005 tax rates and tax ratio data), the results that are displayed are dependent on certain assumptions concerning methodology, and includes estimates of the 2006 education tax rates. Until the Minister of Finance finalizes the 2006 methodological rules and prescribes the 2006 education tax rates, the figures and calculations that are set out in Tax Tools, should be viewed only as estimates.**

## **2006 Tax Tools: Data Assumptions and Methodology**

**Users should be aware that OPTA's 2005 year-end assessment data will be updated on an ongoing basis to reflect assessment changes that have occurred on particular properties, together with changes resulting from other internal verification and integrity checks. Accordingly, the results being displayed in OPTA in the reports and screens will change as the assessment data continues to be refined and updated (to March 31 2006 Cut Off)**

## 2006 Tax Tools: Data Assumptions and Methodology – Education Rates

Based on preliminary data, the 2006 province-wide education tax rates for the non-business classes have been temporarily set to:

	<u>2005</u>	<u>2006</u>
Residential	0.00296	0.00264
Multi-residential Classes	0.00296	0.00264

## 2006 Tax Tools: Data Assumptions and Methodology – Education Rates

The 2006 education tax rates for the commercial, industrial and pipeline classes are revenue neutral education tax rates.

For municipalities with optional classes, the 2006 optional class education rates have been restated to maintain revenue neutrality on a broad class basis, and to reflect the 2006 assessment distribution amongst the optional classes.

## Deadlines – 2006

The Municipal Act requires the Councils of upper-tier and single-tier municipalities to make certain mandatory tax policy decisions by April 30<sup>th</sup> each year. No Ontario Regulations have been filed to extend the deadlines beyond this date.

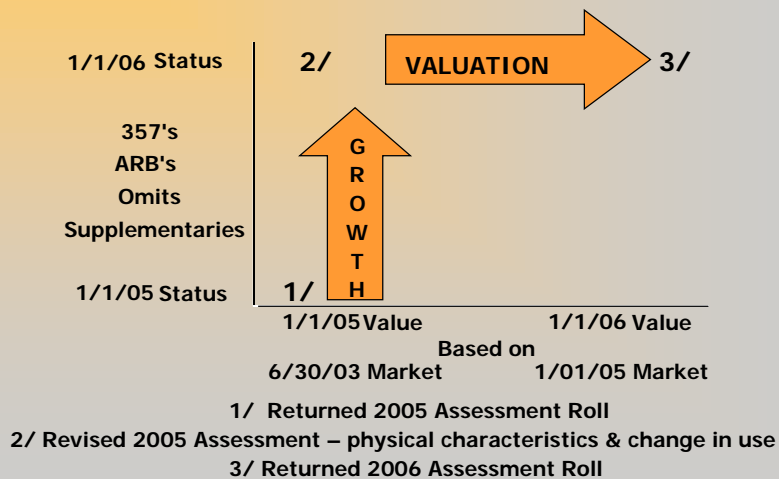
## Assessment Cycle -2006

Year	Assessed Value
98-2000	Current Value as of June 30, 1996
2001	Current Value as of June 30, 1999
2002	Current Value as of June 30, 1999
2003	Current Value as of June 30, 2001
2004	Current Value as of June 30, 2003
2005	Current Value as of June 30, 2003
2006	Current Value as of January 1, 2005

## Assessment Cycle -2006

***The most significant change in the tax policy decision process for the 2006 taxation year is reassessment !!***

## Assessment Changes - 2006



## The Impact of Growth – 2006

★ Overall	1.45%
★ Residential	2.21%
★ Farm	-4.43%
★ Managed Forest	-0.39%
★ Multi-Residential	1.93%
★ Commercial	5.28%
★ Industrial	-13.19%
★ Large Industrial	-8.97%
★ Pipeline	0.01%

★ Increases in growth translate into **\$403,498** in increased revenue for County purposes (2005 rates)

Class	CVA	CVA Weighted		% share
		2006 Tax Ratios	by 2006 Tax Ratios	
Residential	4,693,347,588	1.000000	4,693,347,588	69.52%
Res FAD I	845,700	0.350000	295,995	0.00%
Multi-residential	70,213,580	1.943600	136,467,114	2.02%
Com. Occupied	325,608,482	1.814700	590,881,712	8.75%
Com. Exc. Land	6,218,502	1.270290	7,899,301	0.12%
Com. Vac. Land	7,281,850	1.270290	9,250,061	0.14%
Com. FAD I	8,600	0.350000	3,010	0.00%
Ind. Occupied	37,870,326	3.035976	114,973,406	1.70%
Ind. Exc. Land	1,503,777	1.973384	2,967,530	0.04%
Ind. Vac. Land	810,900	1.973384	1,600,217	0.02%
Large Ind. Occ.	32,186,998	3.787594	121,911,284	1.81%
Large Ind. Exc.	591,072	2.461936	1,455,182	0.02%
Pipelines	249,450,000	1.332800	332,466,960	4.92%
Farm	232,571,260	0.250000	58,142,815	0.86%
Managed Forests	11,846,255	0.250000	2,961,564	0.04%
<b>Total Taxable</b>	<b>5,670,354,890</b>		<b>6,074,623,739</b>	<b>89.97%</b>
Residential	123,973,691	1.000000	123,973,691	1.84%
Multi-residential	33,422,740	1.943600	64,960,437	0.96%
Com. Occupied	253,468,799	1.814700	459,969,830	6.81%
Com. Exc. Land	14,845	1.270290	18,857	0.00%
Com. Vac. Land	397,599	1.270290	505,066	0.01%
Ind. Vac. Land	12,200	1.973384	24,075	0.00%
Large Ind. Occ.	7,239,786	3.787594	27,421,371	0.41%
<b>Total PIL</b>	<b>418,529,660</b>		<b>676,873,328</b>	<b>10.03%</b>
<b>Grand Total</b>	<b>6,088,884,550</b>		<b>6,751,497,066</b>	<b>100.00%</b>

Using OPTA calculated rates on March 23, 2006 4:39PM.

## Reassessment Impact - 2006

Overall Valuation increases of  
**15.32%**

- Residential	17.33%
- Farm	12.33%
- Multi-Residential	31.01%
- All Commercial	10.79%
- Industrial	0.70%
- Large Industrial	-4.86%
- Pipeline	0.10%

## Revenue Neutral Rates -2006

- \* In order to translate changes in assessment into tax impacts/shifts, a revenue neutral tax rate (NTR) must be calculated
  - NTR = Raises the same tax on 2006 assessment as 2005 rates raised on 2005 **revised** assessment
  - Permits the measurement of reassessment related tax shifts at the following levels : (1) municipal (County-wide and local), (2) class, and (3) property

## Revenue Neutral Rates - 2006

### 2005 Actual vs 2006 Revenue Neutral Upper Tier Rates

	<u>2005</u>	<u>2006 Notional</u>
RESIDENTIAL/FARM	0.00480146	0.00419500
RESIDENTIAL/FARM-FARMLANDS	0.00168051	0.00146825
MULTI-RESIDENTIAL	0.00933212	0.00815340
COMMERCIAL - OCCUPIED	0.00871321	0.00761266
COMMERCIAL - VACANT	0.00609925	0.00532886
COMMERCIAL - FARMLANDS 1	0.00168051	0.00146825
INDUSTRIAL - OCCUPIED	0.01435046	0.01273591
INDUSTRIAL - VACANT	0.00932780	0.00827834
LARGE INDUSTRIAL- OCCUPIED	0.01790322	0.01588894
LARGE INDUSTRIAL- VACANT	0.01163709	0.01032781
PIPELINES	0.00639938	0.00559109
FARMLANDS	0.00120036	0.00104875
MANAGED FORESTS	0.00120036	0.00104875

## Property Class Tax Shifts -2006

*(Redistribution of tax burden between property classes)*

<u>Tax Class</u>	<u>Value Change</u>	<u>Tax Change</u>
★ Residential	17.33%	2.5%
★ Farm	12.33%	-1.9%
★ Multi-Residential	31.01%	14.5%
★ Commercial	10.79%	-5.20%
★ Industrial	0.70%	-11.0%
★ Large Industrial	-4.86%	-15.5%
★ Pipeline	0.10%	-12.5%

**Note: tax shift occurs if value > or < 15.32%**

## Geographic Shifts -2006

*(Inter-Municipal = Redistribution of tax burden between lower tiers – if reassessment change was not 15.32%)*

Municipality	Total Shift - All Classes	
McNab/Braeside	\$-781	0.0%
Arnprior	-\$53,090	-2.0%
Greater Madawaska	\$181,519	12.2%
Brudenell, Lyndoch & Raglan	-\$10,597	-1.9%
Madawaska Valley	\$71,805	4.3%
Killaloe, Hagarty & Richards	\$53,731	7.0%
Bonnechere Valley	-\$6,094	-0.6%
Admaston/Bromley	-\$40,908	-4.9%
Horton	\$8,619	1.0%
Renfrew	-\$53,255	-2.1%
Whitewater	-\$36,778	-1.9%
Laurentian Valley	-\$63,476	-2.2%
North Algona Wilberforce	\$4,457	0.5%
Petawawa	\$63,841	1.4%
Laurentian Hills	-\$25,954	-2.3%
Deep River	-\$37,837	-2.5%
Head, Clara & Maria	-\$46,375	-8.6%

### Residential - Properties with Increases

% Increase	Number of Properties	% of Total	Average Change	Total Dollar Increase
<a href="#">0.00 -3.00</a>	6172	23.37	21	129,614
<a href="#">3.00 -6.00</a>	4768	18.05	58	278,749
<a href="#">6.00 -10.00</a>	3786	14.34	101	380,540
<a href="#">10.00 -15.00</a>	3278	12.41	155	509,017
<a href="#">15.00 -20.00</a>	2246	8.50	241	540,814
<a href="#">20.00 -30.00</a>	2286	8.66	202	460,826
<a href="#">30.00 -50.00</a>	2045	7.74	245	500,708
<a href="#">50.00 -80.00</a>	897	3.40	250	224,655
<a href="#">80.00 -100.00</a>	317	1.20	162	51,205
<a href="#">100.00 -Over</a>	615	2.33	212	130,577
<b>Total</b>	26410	100	121	3,206,704

### Residential - Properties with Decreases

<u>% Decrease</u>	<u>Number of Properties</u>	<u>% of Total</u>	<u>Average Change</u>	<u>Total Dollar Decrease</u>
<a href="#"><u>0.00 -3.00</u></a>	5602	30.16	21	120,084
<a href="#"><u>3.00 -6.00</u></a>	3702	19.93	64	238,469
<a href="#"><u>6.00 -10.00</u></a>	4231	22.78	106	450,459
<a href="#"><u>10.00 -15.00</u></a>	2372	12.77	126	299,561
<a href="#"><u>15.00 -20.00</u></a>	815	4.39	146	118,966
<a href="#"><u>20.00 -30.00</u></a>	1030	5.55	158	162,751
<a href="#"><u>30.00 -50.00</u></a>	571	3.07	170	97,203
<a href="#"><u>50.00 -80.00</u></a>	221	1.19	391	86,453
<a href="#"><u>80.00 -100.00</u></a>	28	0.15	533	14,915
<a href="#"><u>100.00 -Over</u></a>	0	0.00		0
<b>Total</b>	18572	100	86	1,588,861

## Tax Ratios - 2006

- ★ **Movement of tax ratios is under the discretion of upper and single tier municipalities**
- ★ **Changing tax ratios results in tax shifts**
- ★ **Flexibility to move is restricted by Provincial Rules in respect of Ranges of Fairness and Provincial Threshold (Average) Ratios, etc..**
- ★ **Tax Ratios only relate to the municipal portion of the tax bill – education tax rates are established by the Province**

## **Tax Ratios -2006**

- ★ **Tax ratios can go down but not up.....except**
- ★ **For 2006 the Province will allow municipalities the ability to increase the tax ratios of one or more business classes to offset the impacts of reassessment by avoiding shifts from business onto residential property owners.**

## **Tax Ratios - 2006**

- ★ **In keeping with the process used in 2004, this authority will be provided through regulation of new tax ratios on a case by case basis upon submission of a satisfactory proposal to the Ministry of Finance.**

## Comparison of Starting Ratios to Revenue Neutral Ratios - 2006

	Start Ratio	Revenue Neutral Ratio
Multi - Res	1.943600	1.945034
Commercial	1.814700	1.929521
Industrial	3.413817	3.996479
Pipeline	1.332800	1.562618

## Revenue Neutral Tax Ratios - 2006

- ★ Residential property values have risen faster than business property values in most of southern Ontario creating a significant shift to the residential class because of reassessment in 2006. This shift is not as significant in Renfrew County as the impact to the residential class is only 2.5%.

## Impact of Revenue Neutral Ratios - 2006

	Taxation Shift \$	Taxation Shift %
Residential	(499,876)	(2.47%)
Multi - Res	(20,292)	(2.40%)
Commercial	165,732	3.70%
Industrial	160,730	14.17%
Pipeline	200,046	14.34%

## Revenue Neutral Tax Ratios - 2006

- ★ In 2004 the Province allowed us to move to Revenue Neutral Ratios. The TPWG said at that time that it was our long term goal to reduce business ratios to reduce any barriers to business expansion and reduce any competitive disadvantage that may currently exist compared to other jurisdictions....therefore we declined this option.
- ★ **TPWG is not recommending Revenue Neutral Ratios.**

## Tax Ratios- Sensitivity -2006

*Sensitivity of Municipal Tax Rate to  
Reduce Tax Ratios by 5%*

Class	2006 Starting Ratio	Revised Ratio	Class Rate Reduction	Tax Reduction	Residential Rate Increase
Multi-Residential	1.943600	1.846420	- 5 %	\$30,604	
Commercial	1.814700	1.723965	- 5 %	\$162,345	
Industrial	3.035976	2.884177	- 5 %	\$18,166	
Large Industrial	3.787594	3.598214	- 5 %	\$22,910	
Pipeline	1.332800	1.266160	- 5 %	\$50,513	
Farm	0.250000	0.237500	- 5 %	\$8,834	
<b>Cumulative</b>				<b>\$293,372</b>	<b>1.45%</b>

**TPWG is not recommending a reduction in Tax Ratios**

## Levy Restriction - 2006

★ Since 2001, levy restricted classes, with a tax ratio that exceeds the prescribed Provincial Threshold "Average" Ratios may not absorb any municipal budgetary increase

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## Levy Restriction- 2006

*Application of the Levy Restriction to Certain Classes*

	2006 Tax Ratio	Threshold	Subject to Levy Restriction?
<b>Multi- Residential</b>	1.943600	2.740000	NO
<b>Broad Commercial</b>	1.814700	1.980000	NO
<b>Broad Industrial</b>	3.413817	2.630000	YES

## Effects of Setting the Tax Ratio For Industrial at Provincial Threshold - 2006

	Start Ratio	Alt Ratio	Effect on Tax Rate
Non Industrial			0.93%
Industrial	3.035976	2.338912	-22.25%
Large Ind	3.787594	2.917957	-22.25%
Broad Ind	3.413817	2.630000	-22.25%

## Effects of Setting the Tax Ratio For Industrial at Provincial Threshold -2006

This would translate into **-\$252,289** in reduced taxes for the Industrial Class (assuming notional tax rates)

**TPWG is not recommending a reduction in the Industrial Class Ratio**

## Levy Restriction Option - 2006

- \* In a letter dated Feb 15<sup>th</sup>, the Province announced that it was once again allowing municipalities to apply a municipal tax increase to restricted classes equal to 50% of any tax rate increase levied to the residential class. Based on the County's preliminary 2006 levy requirement of \$30,212,743, this option would move \$38,619 of the County tax burden onto the industrial class and reduce the budgetary impact on the residential class by 0.10%.

## Levy Restriction Option - 2006

- ★ this option can be utilized at either the upper or lower tier independently.
- ★ the principle of having the industrial class pay for some of the municipal levy increase is seen as appropriate.

**County staff are recommending that we utilize this option again and pass 50% of the budget increase to the Industrial class**

## Capping - 2006

Municipalities must pass a by-law to specify the claw back percentages and the capping threshold parameters that they wish to implement for 2006. For each capped class, municipalities may choose a single parameter or a combination of parameters.

Municipalities are not required to implement any of the new capping approaches. If no by-law is passed, the capping specification will be limited to 5% of the previous year's Annualized tax. (funded by forgone revenue)

## Capping Choices – 2006

1. Annualized Tax Limit - Cap based on previous year's annualized tax
2. Prior Year's CVA Tax Limit - Cap based on previous year's CVA tax
3. CVA Tax Threshold for Protected Properties (Increasers)
4. CVA Threshold for Claw Back properties (Decreasers)

## Recovery of Capping Protection - Claw back Percentages

- ✦ The determination of the claw back percentages is the same as previous years
- ✦ Municipalities continue to have three choices regarding the claw back percentage calculation
  - ✦ revenue neutral by class which is the default selection
  - ✦ set no claw-back percentage
  - ✦ set a claw-back percentage by class

## 1. Capping 2006 – 5% Annualized Tax Limit

*Paragraph 1 of Subsection 329.1(1)* allows municipalities to pass a by-law to increase the cap on Annualized taxes from 5% to a maximum of 10%.

### 1 a) Capping 2006 – 5% Annualized Tax Limit

	5% Tax
<b>Multi – Res</b>	194,753
<b>Commercial</b>	600,384
<b>Industrial</b>	64,519
<b>Subtotal</b>	859,656
<b>Clawback</b>	(678,691)
<b>Net Impact</b>	180,965

## 1 a) Capping 2006 – 5% Annualized Tax Limit

	Multi-Res	Comm	Ind	Total
Protected by the Cap	82	876	91	1,049
Paying Full CVA Tax	4	258	43	305
Clawed Back	10	801	101	912
<b>Total Properties</b>	<b>96</b>	<b>1,935</b>	<b>235</b>	<b>2,266</b>

## 1 b) Capping 2006 – 10% Annualized Tax Limit

	5% Tax	10% Tax
<b>Multi – Res</b>	194,753	137,181
<b>Commercial</b>	600,384	396,294
<b>Industrial</b>	64,519	53,720
<b>Subtotal</b>	859,656	587,195
<b>Clawback</b>	(678,691)	(463,802)
<b>Net Impact</b>	180,965	123,393

## 1 b) Capping 2006 – 10% Annualized Tax Limit

	Multi-Res	Comm	Ind	Total	5%
Protected by the Cap	71	722	85	878	1,049
Paying Full CVA Tax	15	412	49	476	305
Clawed Back	10	801	101	912	912
Total Properties	96	1,935	235	2,266	2,266

## 2. Cap based on previous year's CVA tax

***Paragraph 2 of Subsection 329.1(1) allows municipalities to pass a by-law, which allows the cap to be calculated with reference to the previous year's CVA tax. The municipality can specify the amount of the cap on the CVA tax, from 0% to a maximum of 5%.***

## 2. Cap based on previous year's CVA tax

The capped increase for an individual property will be the greater of:

1. the increase resulting from the selected (or existing) percent of the previous year's annualized tax (between 5% and 10%) or
2. the increase resulting from the selected percent of the previous year's CVA tax (up to 5%).

## 2. Capping 2006 – 10% Annualized Tax & 5% CVA Tax

	5% Tax	10% Tax	+10% +5% CVA
<b>Multi – Res</b>	194,753	137,181	137,181
<b>Commercial</b>	600,384	396,294	395,432
<b>Industrial</b>	64,519	53,720	53,478
<b>Subtotal</b>	859,656	587,195	586,091
<b>Clawback</b>	(678,691)	(463,802)	(462,698)
<b>Net Impact</b>	180,965	123,393	123,393

## 2. Capping 2006 – 10% Annualized Tax & 5% CVA Tax

	Multi-Res	Comm	Ind	Total	10%
Protected by Annualized Cap	71	702	79	852	878
Protected by CVA Cap	0	20	6	26	
CVA Tax due to \$250 - Increasers	0	0	0	0	
CVA Tax due to \$250 - Decreasers	0	0	0	0	
<b>Total</b>	<b>71</b>	<b>722</b>	<b>85</b>	<b>878</b>	<b>878</b>

## 3. CVA Tax Threshold for Protected Properties (Increasers)

***Paragraph 3 of Subsection 329.1(1)*** allows municipalities to pass a by-law to move capped properties whose 2006 Revised Taxes fall within \$250 (or a lower specified amount) of the current year's CVA tax.

### 3. CVA Tax Threshold for Protected Properties (Increasers)

The 2006 Revised Taxes are initially calculated to incorporate the increases based on the capping parameters, prior to the application of the threshold.

### 3. Capping 2006 – 10% Annualized Tax & 5% CVA Tax & \$250 Threshold - Increasers

	5% Tax	10% Tax	+10% +5% CVA	+10%+5% + \$250 inc
Multi – Res	194,753	137,181	137,181	136,149
Commercial	600,384	396,294	395,432	350,354
Industrial	64,519	53,720	53,478	50,948
Subtotal	859,656	587,195	586,091	537,451
Clawback	(678,691)	(463,802)	(462,698)	(415,090)
Net Impact	180,965	123,393	123,393	122,361

### 3. Capping 2006 – 10% Annualized Tax & 5% CVA Tax & \$250 Threshold - Increasers

	Multi-Res	Comm	Ind	Total	10%
Protected by Annualized Cap	61	228	49	338	878
Protected by CVA Cap	0	19	6	25	
CVA Tax due to \$250 – Increasers	10	475	30	515	
CVA Tax due to \$250 - Decreasers	0	0	0	0	
<b>Total</b>	<b>71</b>	<b>722</b>	<b>85</b>	<b>878</b>	<b>878</b>

### 4. CVA Threshold for Claw Back properties (Decreasers)

***Paragraph 4 of Subsection 329.1(1)*** allows municipalities to pass a by-law to move clawed-back properties whose 2006 Revised Taxes fall within \$250 (or a lower specified amount) of the current year's CVA tax.

#### 4. CVA Threshold for Claw Back properties (Decreasers)

The 2006 Revised Taxes are initially calculated to incorporate the claw back percentage and levy change factor, prior to the application of the threshold.

#### 4. Capping 2006 – 10% Annualized Tax & 5% CVA Tax & \$250 Threshold for Increases and Decreasers

	5% Tax	10% Tax	+ 10% +5% CVA	+ 10%+5% +\$250 inc	+ 10%+5% +\$250 dec
<b>Multi – Res</b>	194,753	137,181	137,181	136,149	136,149
<b>Commercial</b>	600,384	396,294	395,432	350,354	350,354
<b>Industrial</b>	64,519	53,720	53,478	50,948	50,948
<b>Subtotal</b>	859,656	587,195	586,091	537,451	537,451
<b>Clawback</b>	(678,691)	(463,802)	(462,698)	(415,090)	(414,696)
<b>Net Impact</b>	180,965	123,393	123,393	122,361	122,755

#### 4. Capping 2006 – 10% Annualized Tax & 5% CVA Tax+\$250 Threshold (Inc/Dec)

	Multi-Res	Comm	Ind	Total	10%
Protected by Annualized Cap	61	228	49	338	878
Protected by CVA Cap	0	19	6	25	
CVA Tax due to \$250 – Increasers	10	475	30	515	
<b>Total</b>	<b>71</b>	<b>722</b>	<b>85</b>	<b>878</b>	<b>878</b>
CVA Tax due to \$250 - Decreasers	2	598	72	672	

#### Capping Summary – Multi Residential

	5% Tax	10% Tax	+10% +5% CVA	+10%+5 %+\$250 increase	+10%+5 %+\$250 decrease
Annual Tax	82	71	71	61	61
CVA Tax	0	0	0	0	0
CVA Tax \$250+	0	0	0	10	10
CVA Tax \$250-	0	0	0	0	2
Below Protection	4	15	15	15	15
Clawed Back	10	10	10	10	8
<b>Total</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>	<b>96</b>

## Capping Summary – Commercial

	5% Tax	10% Tax	+10% +5% CVA	+10%+5 %+\$250 increase	+10%+5 %+\$250 decrease
Annual Tax	876	722	702	228	228
CVA Tax	0	0	20	19	19
CVA Tax \$250+	0	0	0	475	475
CVA Tax \$250-	0	0	0	0	598
Below Protection	258	412	412	412	412
Clawed Back	801	801	801	801	203
<b>Total</b>	<b>1935</b>	<b>1935</b>	<b>1935</b>	<b>1935</b>	<b>1935</b>

## Capping Summary – Industrial

	5% Tax	10% Tax	+10% +5% CVA	+10%+5 %+\$250 increase	+10%+5 %+\$250 decrease
Annual Tax	91	85	79	49	49
CVA Tax	0	0	6	6	6
CVA Tax \$250+	0	0	0	30	30
CVA Tax \$250-	0	0	0	0	72
Below Protection	43	49	49	49	49
Clawed Back	101	101	101	101	29
<b>Total</b>	<b>235</b>	<b>235</b>	<b>235</b>	<b>235</b>	<b>235</b>

## Capping Summary – Municipal \$

	5% Tax	10% Tax	+ 10% +5% CVA	+10%+5 %+\$250 increase	+10%+5 %+\$250 decrease
Multi – Res	194,753	137,181	137,181	136,149	136,149
Commercial	600,384	396,294	395,432	350,354	350,354
Industrial	64,519	53,720	53,478	50,948	50,948
Subtotal	859,656	587,195	586,091	537,451	537,451
Clawback	(678,691)	(463,802)	(462,698)	(415,090)	(414,696)
Net Impact	180,965	123,393	123,393	122,361	122,755

## Capping Summary – Municipal \$

	2006	2005
	+ 10%+5%+ \$250 increase	+10%+5%+ \$250 increase
Multi – Res	136,149	7,212
Commercial	350,354	389,621
Industrial	50,948	167,860
Subtotal	537,451	564,693
Clawback	(415,090)	(19,553)
Net Impact	122,361	545,140

## Capping Summary – Municipal \$

	2006	2005
	+ 10%+5%+ \$250 increase	+ 10%+5%+ \$250 increase
Multi – Res	136,149	7,212
Commercial	350,354	389,621
Industrial	50,948	167,860
Subtotal	537,451	564,693
Clawback	(415,090)	(19,553)
Net Impact	122,361	545,140

## TPWG Capping Recommendations

### ★ OPTION #3

- 10% based on the previous year's annualized taxes
- + 5 % based on the previous year's CVA tax
- move capped properties whose 2006 Revised Taxes fall within \$250 of the current year's CVA tax – increasing properties only

## Capping 2006 and Clawbacks ?

A change to in-class recovery by the County of Renfrew would represent a significant departure from past practice. TPWG has gone on record that it is concerned about the administrative burden that will be placed on each lower tier office to calculate, notify and explain why taxpayers, who have enjoyed the full effect of decreases in CVA in the past, now have to forego all of their anticipated reduction in order to fund those properties with increases in assessment, perhaps even in another municipality.

## Clawback Details – Option #3

	Multi-Res	Commercial	Industrial	Totals
Capping Costs	136,149	350,354	50,948	537,451
Clawback	(13,787)	(350,354)	(50,948)	(415,090)
Net Impact	122,361	0	0	122,361

## TPWG and Clawbacks ?

TPWG continues to support the forgone revenue approach to capping and is not recommending a change to the clawback approach in 2006.

## Minimum Tax Level for New to Class/New Construction properties

*Paragraph 5 of Subsection 329.1(1)* allows municipalities to pass a by-law that sets the minimum level of taxation to be applied to new to class/new construction properties that become "eligible property" within the meaning of subsection 331(20).

New to class/new construction "eligible property" is taxed at the average tax level of the up to six comparable properties selected by MPAC and includes properties that:

## Minimum Tax Level for New to Class/New Construction Properties

- ★ have an assessment increase arising from a new building or structure on vacant land;
- ★ have an assessment increase of 50% or greater as a result of new construction or improvements;
- ★ change broad property classification (e.g. from CT to IT);
- ★ are a new vacant lot as the result of a severance or subdivision of land;
- ★ cease to be exempt from taxes or previously in a non-capped class.

## Minimum Tax Level for New to Class/New Construction Properties

This allows the municipality to tax these properties at the average tax level calculated for the comparable properties selected, or at a specified percentage of the current year's CVA taxes to a maximum of 70% (2005), whichever amount is greater

- 2006 - 80%
- 2007 - 90%
- 2008 - 100%

## Minimum Tax Level for New to Class/New Construction Properties

This parameter, unlike the other four capping and threshold parameters, is not part of the capping calculations because these properties must be taxed using the **greater of** the minimum tax level adopted by the municipality and the average tax level of comparable properties. The 2006 Revised Taxes on these properties will be calculated in OPTA's Tracking System once MPAC determines the comparable properties.

## Minimum Tax Level for New to Class/New Construction Properties

- ✳ Similar to last year, if our goal is to move all capped classes to CVA tax, then we should adopt a by-law to tax these properties at the average tax level calculated for the comparable properties selected, or at 80% of the current year's CVA taxes to a maximum of 80%, whichever amount is greater

**TPWG recommends that we continue to move quickly to CVA with this tool**

## Discount Rates - 2006

- ✦ Municipalities may use the legislated reductions of 30% for commercial and 35% for industrial vacant units, vacant land and excess land or choose a uniform reduction factor for both classes that is between 30% and 35%. Any change to the blended reduction factor will impact the residential tax burden. Farmland Awaiting Development (Class 1) is currently discounted in the County of Renfrew at 65% and we have the latitude to move this rate up or down by 10% in any year, provided we stay between 25% and 75%.

**TPWG recommends we continue with current rates**

## Optional Class - 2006

- ✦ County had selected the Large Industrial optional class previously, but there are others:
  - ✦ Shopping Centre
  - ✦ Office Building
  - ✦ Parking Lot & Vacant Land
  - ✦ New Multi - Residential

**TPWG is not recommending any new optional classes**

## Tax Relief for Low Income Seniors/Disabled -2006

- ✦ Upper/single tiers are required to create a policy to cancel or defer all tax increases, defined as the difference in current CVA tax and previous year CVA tax. The County of Renfrew currently has a By-law establishing that tax increases for these groups be deferred

**TPWG recommends that we continue with tax deferral**

## Graduated Taxation-2006

- ✦ Graduated taxation is a mechanism whereby properties with higher assessments are taxed at a higher rate than those with lower values
- ✦ Graduated taxation has never enjoyed widespread popularity because it fails to address the problem that there is often not a strong correlation between the assessed value of a property and the size (or ability to pay) of the business operating out of it.

**TPWG is not recommending this tool**

## Municipal Tax Reduction Program -2006

✦ The Municipal Tax Reduction Program, as set out in Section 362 of the Municipal Act, 2001, is intended to provide a means for municipalities to flow through tax reductions to specific increasing properties in the capped classes. For those municipalities that fund all capping protection through foregone revenue (such as the County of Renfrew), institution of this program would be a **redundant measure as the protection, is already being funded by all classes.**

## Other Considerations

Total No. of Properties	ARB APPEALS	RECONSIDERATIONS
Total No. of Properties	91	347
Total Assessment at Risk	169,662,920	61,248,100

## Other Considerations

Property Class Breakdown	ARB APPEALS		RECONSIDERATIONS (2005 & 2006)	
	Occurrences	Assessment at Risk	Occurrences	Assessment at Risk
Residential	43	<u>28,044,730</u>	311	<u>40,953,090</u>
Multi-Residential	5	<u>4,524,500</u>	14	<u>8,574,000</u>
Commercial	57	<u>118,582,025</u>	30	<u>8,077,610</u>
Industrial	7	<u>18,265,665</u>	2	<u>59,550</u>
Farm	0	0	5	<u>392,200</u>
Other	5	<u>246,000</u>	9	<u>3,191,650</u>

*Thank You!*