

2010 Tax Policy Impact Study

County Council
March 31, 2010

2010 Issues

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

Tax Policy Working Group (TPWG)

- ★ The 17 local municipal treasurers have already reviewed this presentation on Monday March 29, 2010 and their recommendations will be reflected throughout this slide deck.

2010 **OPTA** - Data Assumptions

- ★ The information appearing in Tax Tools is based on the most up-to-date assessment and tax ratio data available, and is subject to change to reflect revisions that are made up to the time a report is accessed. **Note that until your municipality has been set to data ready, the results that appear in the reports should be viewed only as estimates.**

2010 Tax Tools: Data Assumptions and Methodology

- ★ **The data** for those municipalities that have selected a post January 1, 2010 (Option B) cut-off date for updating their data in OPTA **will be updated on an ongoing basis** to reflect assessment changes such as supplementary and omitted assessments, Assessment Review Board decisions, Requests for Reconsideration and section 357 applications **up to their chosen cut off date. (January 31, 2010 cut-off date for Renfrew County)**

2010 Tax Tools: Education Rates

- ★ **The 2010 education tax rates are not available at this time and have been set to 0.0000 inside OPTA.**
- ★ **OPTA will post the actual 2010 education rates as soon as they are released and gazetted by the Province.**

Historical: Education Rates

Here is a brief review of the Education Rate changes we saw in 2009 because of the reassessment (**drop of 4.5%**)

	<u>2009</u>	<u>2008</u>
Residential	0.00252	0.00264
Multi-residential Classes	0.00252	0.00264
Farmland/Managed Forest	0.00063	0.00066

2009 Tax Tools: Business Education Rates

	2009	2008
Commercial	0.01720503	0.01793299
Industrial	0.02549975	0.02615825
Large Ind	0.02700000	0.03263427
Pipeline	0.01373195	0.01426809

Business Education Rates

In the 2007 budget, the Province announced a plan to cut BET over seven years to a maximum of 1.6%. As a result of the 2008 reassessment, the new target BET rate was 1.52% for 2009.

BET – New Construction

In 2010, newly constructed business properties will qualify for a lower education tax rate. Such properties will be returned on the assessment roll by MPAC with new realty tax class (RTC) identifiers. These are:

- 1. X = Commercial – New construction**
- 2. Y = Office Building – New Construction**
- 3. Z = Shopping Centre – New Construction**
- 4. J = Industrial – New Construction**
- 5. K = Large Industrial – New Construction**

Deadlines – 2010

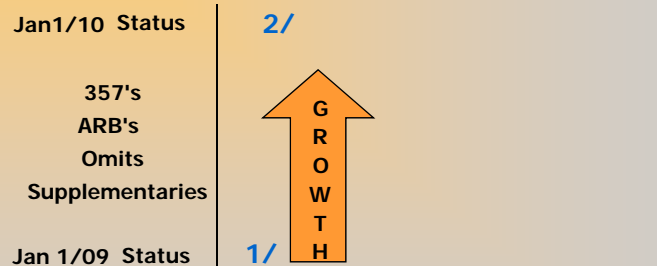
The Good Government Act, 2009 (Bill 212) was given first reading on October 27, 2009. This omnibus bill amends a number of statutes, including the Municipal Act. The change impacting tax policy discussions is that the April 30th deadline for tax ratios, upper tier levy, capping, tax reductions for capped classes, etc have all changed to **December 31st**.

Assessment Growth

Assessment Growth -2010

- ★ *Growth represents assessment increase or decrease regardless of whether market based reassessment occurs*
- ★ **All municipalities will see an assessment impact because of growth each year**
- ★ *Increases come from new construction, additions, improvements and change in use*
- ★ *Decreases come from demolitions, change in use, tax write-offs, etc*
- ★ *Assessment Growth impacts municipal revenue*

Growth Change - 2010

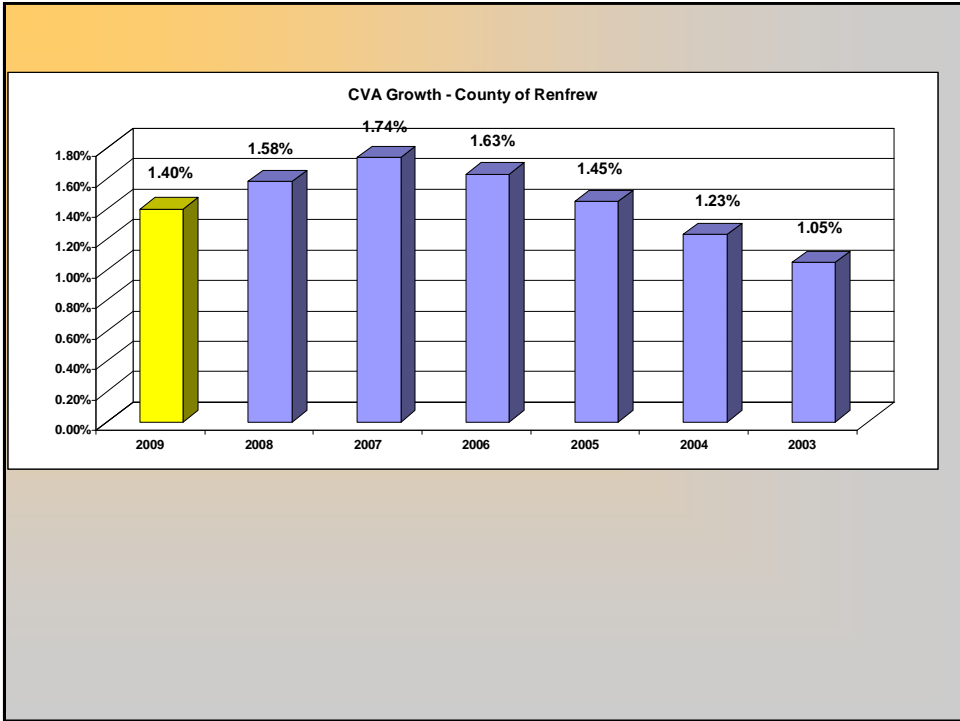


1/ Returned 2009 Assessment Roll
2/ Revised 2009 Assessment – physical characteristics & change in use

	2009 Net Assessment Growth	2009 Net Growth
R - Residential and Farm	88,690,866	1.64%
M - Multi-Residential	247,039	0.36%
C - Commercial	14,595,451	4.04%
X - New Commercial	7,726,720	421.65%
S - Shopping Centre	-11,377,665	-50.48%
D - Office Building	0	0.00%
I - Industrial	286,140	0.67%
J - New Industrial	306,274	
L - Large Industrial	-2,049,308	-6.47%
P - Pipeline	564,250	0.20%
F - Farmland	-1,978,324	-0.83%
T - Managed Forest	543,237	4.08%
Commercial Total	10,944,506	2.83%
Industrial Total	-1,456,894	-1.95%
Total Taxable	97,554,680	1.51%
R - Residential and Farm	-94,887	-0.08%
M - Multi-Residential	0	0.00%
C - Commercial	-66,759	-0.02%
D - Office Building	-127,494	-11.09%
I - Industrial	-265,348	-36.92%
L - Large Industrial	1,061,131	14.59%
Commercial Total	-194,253	-0.07%
Industrial Total	795,783	9.96%
Total PIL	506,643	0.12%
Total Taxable and PIL	98,061,323	1.42%
E - Exempt	2,752,891	0.85%
Grand Total	100,814,214	1.40%

The Impact of Growth Physical Changes & Change in Use

- ✦ The measurement of growth must be determined using actual tax rates, reflecting the individual municipal tax ratio scheme
- ✦ The net gain to the County for 2009 is the difference between taxation raised on the 2009 returned roll and taxation amounts based on the revised 2009 year end roll
- ✦ Increases in growth translate into **\$462,670 (1.40%)** in increased revenue for County purposes (2009 actual rates)
- ✦ Due to the variable tax ratio system, impacts on taxation do not always parallel CVA change
- ✦ CVA growth from the previous slide was, however, 1.40%



The Impact of Growth Physical Changes & Change in Use

	2009 Growth CVA \$	2009 Growth %
ADMASTON/BROMLEY	2,375,061	0.9%
ARNPRIOR	15,384,314	2.5%
BONNECHERE VALLEY	2,117,828	0.7%
BRUDENELL, LYNDOSCH RAGLAN	463,855	0.3%
DEEP RIVER	3,157,035	1.0%
GREATER MADAWASKA	12,912,157	2.8%
HEAD, CLARA & MARIA	(54,171)	0.0%
HORTON	3,122,150	1.3%
KILLALOE, HAGARTY & RICHARDS	988,235	0.4%
LAURENTIAN HILLS	5,197,256	2.0%
LAURENTIAN VALLEY	10,379,893	1.4%
MADAWASKA VALLEY	3,052,758	0.6%
McNAB/BRAESIDE	5,320,634	0.8%
NORTH ALGONA WILBERFORCE	2,389,679	0.9%
PETAWAWA	24,326,431	2.3%
RENFREW	3,430,105	0.6%
WHITEWATER REGION	6,250,994	1.1%
	100,814,214	1.40%

The Impact of Growth Physical Changes & Change in Use

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Reassessment - Valuation Changes

Reassessment - Valuation Changes

- ★ Assessments are based on current value
- ★ Similar to market value, current value is an amount assigned to real property by an assessor from MPAC for property taxation purposes
- ★ CVA is established based on a willing buyer & willing seller, arms length transaction, in a competitive open market

Reassessment - Valuation Changes

- ★ Valuation change happens each time MPAC updates the CVA to a new, more recent point in time
- ★ Reflects changes in real estate market conditions

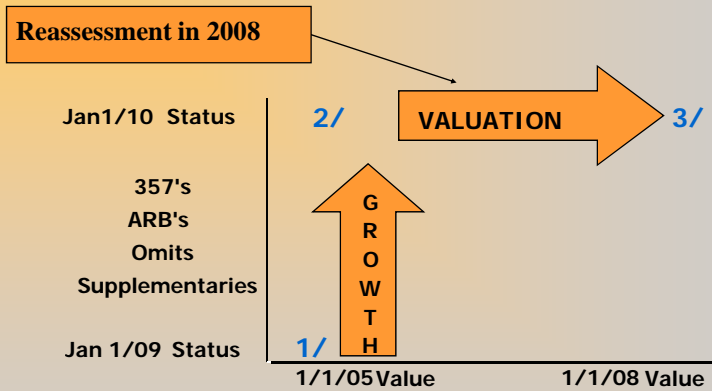
Reassessment - Valuation Changes

- ★ Reassessment does not automatically affect tax revenue because tax rates must be reconsidered in light of this valuation change
- ★ Valuation change can, however, affect the distribution of the tax burden between properties, between classes and between municipalities in a two tier structure

Assessment Cycle -2010

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
2004-2005	Current Value as of June 30, 2003
2006-2008	Current Value as of January 1, 2005
2009-2012	Current Value as of January 1, 2008
2013-2016	Current Value as of January 1, 2012

Assessment Changes - 2010



- 1/ Returned 2009 Assessment Roll
- 2/ Revised 2009 Assessment – physical characteristics & change in use
- 3/ Valuation Change – 2005 to 2008

Valuation Change

- ★ To isolate the impact of reassessment from growth and physical changes, valuation change is measured from the previous years assessment (as most recently revised) and the new updated assessment as returned

Valuation Change

- ★ By calculating the difference between these two values, we can isolate the impact of reassessment from the Jan 1, 2005 value to the Jan 1, 2008 value

	2009-2012 Value/ Equity Change	2009-2012 Value/ Equity
R - Residential and Farm	1,820,131,810	36.05%
M - Multi-Residential	530,295	0.73%
C - Commercial	69,221,486	19.15%
X - New Commercial	1,717,325	18.81%
S - Shopping Centre	2,359,654	22.32%
D - Office Building	143,335	118.06%
I - Industrial	2,814,610	6.57%
J - New Industrial	16,968	5.62%
L - Large Industrial	1,384,842	4.73%
P - Pipeline	42,522,000	15.60%
F - Farmland	13,903,091	5.99%
T - Managed Forest	3,131,329	23.72%
Commercial Total	73,441,800	19.26%
Industrial Total	4,216,420	5.82%
Total Taxable	1,957,876,745	32.13%
R - Residential and Farm	24,149,298	22.58%
M - Multi-Residential	3,933,280	12.41%
C - Commercial	21,341,837	8.13%
D - Office Building	79,245	7.90%
I - Industrial	-46,823	-7.44%
L - Large Industrial	89,970	1.08%
Commercial Total	21,421,082	8.13%
Industrial Total	43,147	0.48%
Total PIL	49,546,807	12.05%
Total Taxable and PIL	2,007,423,552	30.86%
E - Exempt	48,585,831	15.25%
Grand Total	2,056,009,383	30.13%

4 Year Phase-In

- ★ The 4 year phase in of assessment increases is designed to protect taxpayers from market volatility
- ★ The program is predictable over the 4 year period (2009-2012)
- ★ Decreases are not phased in – they will flow through to avoid ratepayers being taxed on a value higher than CVA

	2010 Value/ Equity Change	2010 Value/ Equity
R - Residential and Farm	458,830,143	8.35%
M - Multi-Residential	1,776,351	2.60%
C - Commercial	18,119,964	4.82%
X - New Commercial	429,331	4.49%
S - Shopping Centre	589,912	5.29%
D - Office Building	35,834	22.79%
I - Industrial	804,141	1.86%
J - New Industrial	4,242	1.39%
L - Large Industrial	346,215	1.17%
P - Pipeline	10,630,500	3.75%
F - Farmland	3,554,663	1.51%
T - Managed Forest	823,355	5.94%
Commercial Total	19,175,041	4.83%
Industrial Total	1,154,598	1.58%
Total Taxable	495,944,651	7.56%
R - Residential and Farm	6,142,421	5.45%
M - Multi-Residential	983,319	3.01%
C - Commercial	5,478,935	2.05%
D - Office Building	19,812	1.94%
I - Industrial	43,099	9.51%
L - Large Industrial	22,492	0.27%
Commercial Total	5,498,747	2.05%
Industrial Total	65,591	0.75%
Total PIL	12,690,078	3.00%
Total Taxable and PIL	508,634,729	7.28%
E - Exempt	14,095,236	4.34%
Grand Total	522,729,965	7.15%

CVA Value/Equity Change

- ★ **91% of the increase in CVA valuation in 2010 is related to the residential property class**

Tax Shifts – Reassessment

★ Tax shifts will happen:

- 1. Between properties in a class**
- 2. Between classes**
- 3. Between Municipalities (2 tier)**

1. Tax Shifts – Between Properties

- ★ Property A – Residential – 15% CVA Increase**
- ★ Average Residential CVA Increase – 7%**
- ★ Therefore, even without a municipal budget increase, Property A will pay a larger share of the residential tax burden**

2. Tax Shifts – Between Classes

- ★ Residential Class – 8% CVA Increase**
 - ★ Commercial Class – 4% CVA Increase**
 - ★ Industrial Class – 2% CVA Increase**
 - ★ Average Municipal CVA Increase – 7%**
- ★ Therefore, the residential class, even without a municipal budget increase, will pay a larger share of the total municipal tax burden while the commercial & industrial will pay less**

3. Tax Shifts – Between Municipalities In A Two Tier System

	2010 Value/ Equity Change	2010 Value/ Equity
R - Residential and Farm	458,830,143	8.35%
M - Multi-Residential	1,776,351	2.60%
C - Commercial	18,119,964	4.82%
X - New Commercial	429,331	4.49%
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Grand Total	522,729,965	7.15%

	2010 Value/ Equity \$	2010 Value/ Equity %
ADMASTON/BROMLEY	11,529,481	4.5%
ARNPRIOR	32,692,035	5.2%
BONNECHERE VALLEY	25,168,172	8.5%
BRUDENELL, LYNDOKH RAGLAN	10,683,903	7.2%
DEEP RIVER	23,158,550	7.1%
GREATER MADAWASKA	42,782,397	8.9%
HEAD, CLARA & MARIA	6,318,131	4.3%
HORTON	16,194,565	6.5%
KILLALOE, HAGARTY & RICHARDS	20,198,501	8.8%
LAURENTIAN HILLS	19,043,050	7.3%
LAURENTIAN VALLEY	56,424,714	7.7%
MADAWASKA VALLEY	44,300,414	9.2%
McNAB/BRAESIDE	38,537,654	6.0%
NORTH ALGONA WILBERFORCE	24,945,465	9.4%
PETAWAWA	74,451,051	7.0%
RENFREW	34,742,463	6.2%
WHITEWATER REGION	41,559,419	7.5%
Total	522,729,965	7.15%

	2010 Value/ Equity \$	2010 Value/ Equity %
NORTH ALGONA WILBERFORCE	24,945,465	9.4%
MADAWASKA VALLEY	44,300,414	9.2%
GREATER MADAWASKA	42,782,397	8.9%
KILLALOE, HAGARTY & RICHARDS	20,198,501	8.8%
BONNECHERE VALLEY	25,168,172	8.5%
LAURENTIAN VALLEY	56,424,714	7.7%
WHITEWATER REGION	41,559,419	7.5%
LAURENTIAN HILLS	19,043,050	7.3%
BRUDENELL, LYNDON RAGLAN	10,683,903	7.2%
DEEP RIVER	23,158,550	7.1%
PETAWAWA	74,451,051	7.0%
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HEAD, CLARA & MARIA	6,318,131	4.3%
	522,729,965	7.15%

Tax Ratios – 2010

(Basically the relationship of all tax classes to the residential class)

Tax Ratios – 2010

- ★ **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- Sensitivity -2010

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

Class	2010 Starting Ratio	Revised Ratio	Class Rate Reduction	Tax Reduction	Residential Rate Increase
Multi-Residential	1.943600	1.846420	- 5 %	-\$30,538	
Commercial	1.814700	1.723965	- 5 %	-\$187,960	
Industrial	3.308762	3.143324	- 5 %	-\$41,105	
Pipeline	1.332800	1.266160	- 5 %	-\$59,313	
Farm	0.250000	0.237250	- 5 %	-\$9,284	
To Residential				\$328,200	1.33%

Tax Ratios - 2010

- ★ **The Tax Policy Working Group (TPWG) is not recommending any changes to tax ratios for 2010.**

Levy Restriction - 2010

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

Levy Restriction- 2010

Application of the Levy Restriction to Certain Classes

	2010 Tax Ratio	Threshold	Subject to Levy Restriction?
Multi- Residential	1.943600	2.740000	NO
Broad Commercial	1.814700	1.980000	NO
Broad Industrial	3.308762	2.630000	YES

Starting Tax Ratios

	2009 Ratio	2010 Start Ratio	Change
Multi-Residential	1.943600	1.943600	0%
Commercial	1.814700	1.814700	0%
Industrial	2.973236	2.967337	-0.1984%
Large Ind	3.709321	3.701962	-0.1984%
Pipeline	1.332800	1.332800	0%
Farm/Forest	0.250000	0.250000	0%

Due to levy restriction – only passed 50% of budget increase to Industrial Class in 2009

Starting Tax Ratios

	2001 Ratio	2010 Start Ratio	Change
Industrial	3.6393	2.967337	-18.46%
Large Ind	4.5401	3.701962	-18.46%

Reduced by 18.46% over 9 years

Effects of Setting the Tax Ratio For Industrial at Provincial Threshold -2010

	Start Ratio	Alt Ratio	Effect on Tax Rate
Non Industrial			0.68%
Industrial	2.967337	2.358614	-19.97%
Large Ind	3.701962	2.942538	-19.97%
Broad Ind	3.308762	2.630000	-19.97%

Effects of Setting the Tax Ratio For Industrial at Provincial Threshold -2010

This would translate into **-\$219,871** in reduced taxes for the Industrial Class (assuming notional tax rates)

Effects of Setting the Tax Ratio For Industrial at Provincial Threshold -2010

TPWG is not recommending a change to bring the Industrial ratio down to the Provincial threshold of 2.63

Levy Restriction Option - 2010

- ★ OREG 57/10 under the Municipal Act is 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 a County levy of **\$34,048,322** this will only shift **\$10,651** to the industrial class

Levy Restriction Option - 2010

- ★ 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 has been deemed appropriate each year that we discuss tax policy
- ★ **County staff are recommending that we utilize this option again in 2010 for the upper tier**

Revenue Neutral Ratios - 2010

- ★ OREG 56/10 under the Municipal Act is again giving municipalities tax ratio flexibility that was provided in previous reassessment years
- ★ Using the revenue neutral ratios would avoid tax shifts between property classes as a result of reassessment
- ★ In other words all classes pick up their same share of the tax burden as they had previously

Revenue Neutral Ratios- Sensitivity -2010

Class	2010 Starting Ratio	Neutral Ratio	Tax Increase	Residential Rate Decrease
Multi-Residential	1.943600	2.047503	\$33,381	
Commercial	1.814700	1.894017	\$156,976	
Industrial	3.308762	3.522202	\$59,600	
Pipeline	1.332800	1.390239	\$48,569	
Cumulative			-\$298,526	-1.20%

If we adopted the revenue neutral ratios, the residential class would see 1.20% of the tax burden shifted away to other classes (County tax rate)

TPWG has never recommended that we move to revenue neutral ratios as this will place additional tax burden on the business classes in an already difficult economic climate

Capping - 2010

Capping - 2010

The 5% limit (cap) on tax increases is a **permanent successor** to the 10-5-5 program which was in place from 1998 through 2000. This tax change mitigation scheme is intended to protect properties in the business classes from year-over-year assessment increases greater than 5%, exclusive of those attributable to municipal budgetary changes.

Capping - 2010

Municipalities must pass a by-law to specify the claw back percentages and the capping threshold parameters that they wish to implement for 2010. 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 – 2010

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)
5. **New for 2009- Stay at CVA Tax" and "Cross CVA Tax" Options**

Note: OPTA will post the actual 2010 education rates and activate 2010 capping reports as soon as education rates are gazetted by the Province.

So, as of March 30.....our capping reports are still not available

TPWG has always supported a move to full CVA taxation as soon as possibleusing all available capping tools.

Therefore, our goal in 2010 would be to remain consistent with this direction and utilize all available capping tools when the OPTA site becomes available.

Sowhat did we do last year?

Capping Option 5 – Municipal \$

	2009	2008	2007	2006	2005
	+10%+5%+\$250 inc+stay cva	+10%+5%+\$250 increase	+10%+5%+\$250 increase	+10%+5%+\$250 increase	+10%+5%+\$250 increase
Multi – Res	254	40,510	31,408	136,149	7,212
Commercial	32,243	142,016	92,044	350,354	389,621
Industrial	6,672	26,676	190,680	50,948	167,860
Subtotal	39,169	209,202	314,132	537,451	564,693
Clawback	(17,546)	(107,396)	(92,746)	(415,090)	(19,553)
Net Impact	21,624	101,806	221,386	122,361	545,140

Capping 2009 – 5% Annualized Tax Limit vs “Stay at CVA”

	Multi-Res	Comm	Ind	Total	10% +5% CVA+\$250inc+ Stay at CVA
Protected by the Cap	12	284	63	359	44
Paying Full CVA Tax	11	458	17	486	2,200
Clawed Back	76	1,186	150	1,412	21
Total Properties	99	1,928	238	2,265	2,265

Discount Rates - 2010

⚠ 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%.

Discount Rates - 2010

TPWG is not recommending any change to the discount rates

Tax Relief for Low Income Seniors/Disabled -2010

✳ 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

Tax Relief for Low Income Seniors/Disabled -2010

TPWG recommends that we continue with the program that defers all tax increases, defined as the difference in current CVA tax and previous year CVA tax.

Tax Relief on Eligible Property Occupied By Eligible Charities

The County of Renfrew currently has a By-law (31-02) establishing a tax rebate program for eligible charities in the amount of 40% of the taxes payable on eligible commercial or industrial properties. This rebate amount is to be shared by the lower tier, upper tier and school board.

Tax Relief on Eligible Property Occupied By Eligible Charities

TPWG is not recommending any changes to this by-law.

Graduated Taxation-2010

- ✦ 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 wide-spread 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.

Graduated Taxation-2010

TPWG does not recommend a move to graduated taxation.

Municipal Tax Reduction Program -2010

- ✦ 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.**

*TPWG Recommendation
Summary: **Adopt same tax
policy program as 2009***

*Thank You &
Questions ?*