

# *2011 Tax Policy Impact Study*

County Council  
March 30, 2011

## **2011 Issues**

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

## 2011 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.**

## 2011 Tax Tools:

### Data Verification and Integrity Checks

- ★ The 2011 assessment values from the 2011 roll and the corresponding 2010 year-end assessment values for all properties **will be reviewed by OPTA for consistency and reasonableness in cooperation with MPAC.** OPTA will prepare exception and magnitude reports for those properties that require further examination. The reports will then be reviewed by MPAC for possible further corrective action under sections 32, 33 and 39.1 of the Assessment Act. For capped properties, the review may lead to revisions of the 2010 annualized taxes that will be used eventually to calculate the 2011 capped taxes according to sections 329 (2) and 330 of the Municipal Act and Ontario Regulation 73/03.

## 2011 Tax Tools: Data Assumptions and Methodology

- ★ The assessment data for those municipalities that have selected Option B, i.e. a post January 1, 2011 cut-off date, **will be updated on an ongoing basis up to their specified cut-off date** to reflect their choice of assessment changes which may include supplementary and omitted assessments, Assessment Review Board decisions, Requests for Reconsideration and/or section 357/358 applications for Refund or Cancellation/Increase of taxes by the municipality.
- ★ **(January 31, 2011 cut-off date for Renfrew County)**

## Education Rates

- ★ **On January 31, 2011 the Ministry of Finance sent a letter to all municipalities regarding the “draft” education tax rates for 2011. These rates are to be confirmed by regulation in the near future.**

## Residential Education Rates

- ★ For 2011 the Province will reset residential education taxes to offset the phase-in impacts of reassessment. **On average**, homeowners should not see an increase in the education portion of their property tax bill.

## Residential Education Rates

|                         | <u>2010</u> | <u>2011</u> |
|-------------------------|-------------|-------------|
| Residential             | 0.00241000  | 0.00231000  |
| Multi-residential       | 0.00241000  | 0.00231000  |
| Farmland/Managed Forest | 0.00060250  | 0.00057750  |

**Drop of 4.15%**

## 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 will be reset to offset the reassessment related impacts. For 2011, the target rate will be **1.33%**, down from 1.43% in 2010.

## 2011 Tax Tools: Business Education Rates

|            | 2010       | 2011       |
|------------|------------|------------|
| Commercial | 0.01637399 | 0.01598480 |
| Industrial | 0.02450000 | 0.01930000 |
| Large Ind  | 0.02450000 | 0.01930000 |
| Pipeline   | 0.01323527 | 0.01277339 |

## BET – New Construction

In 2011, 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

## BET – New Construction

|            | 2010       | 2011       |
|------------|------------|------------|
| Commercial | 0.01430000 | 0.01330000 |
| Industrial | 0.01430000 | 0.01330000 |
| Large Ind  | 0.01430000 | 0.01330000 |

**Drop of 6.99%**

## Deadlines – 2011

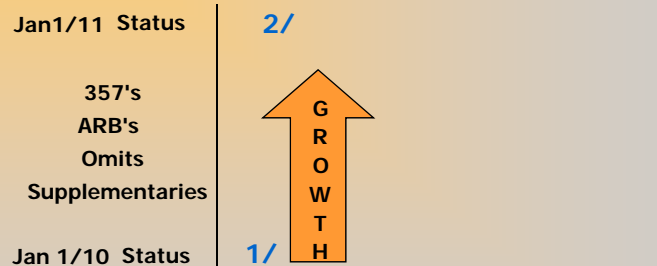
The Good Government Act, 2009 (Bill 212) was given first reading on October 27, 2009. This omnibus bill amends a number of statutes, including the Municipal Act. The change impacting tax policy discussions is that the April 30<sup>th</sup> deadline for tax ratios, upper tier levy, capping, tax reductions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

## Assessment Growth

## Assessment Growth -2011

- ★ *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 - 2011

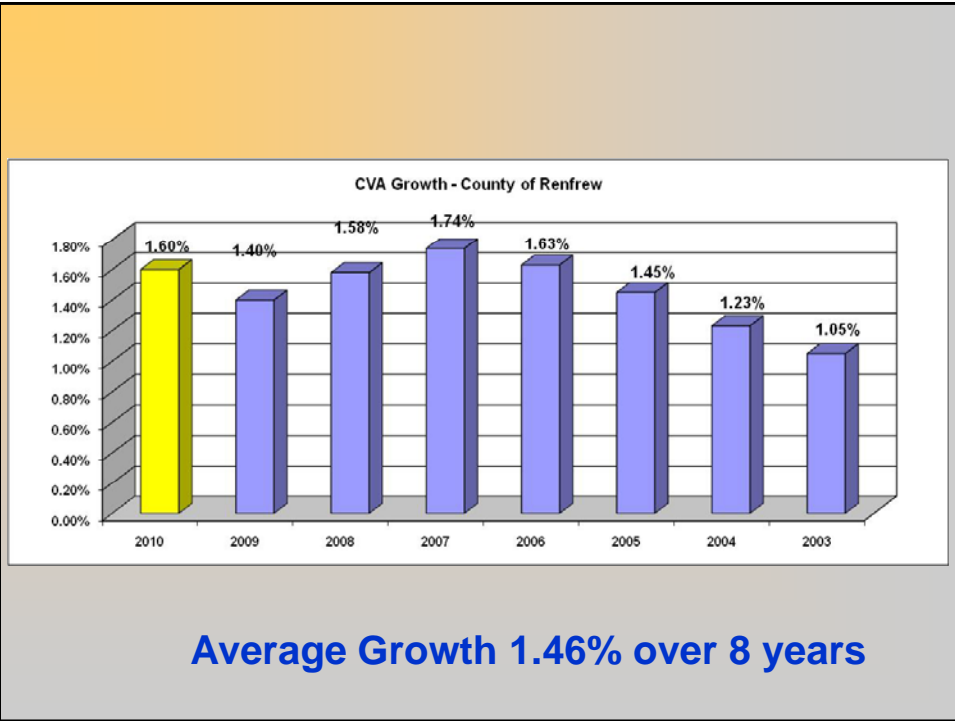


1/ Returned 2010 Assessment Roll  
2/ Revised 2010 Assessment – physical characteristics & change in use

| Property Class (RTC)  | 2010 Net Growth | Net Growth |
|-----------------------|-----------------|------------|
| R - Residential       | 107,155,221     | 1.80%      |
| M - Multi-Residential | -746,007        | -1.06%     |
| C - Commercial        | -651,070        | -0.17%     |
| X - New Commercial    | 5,012,036       | 50.18%     |
| S - Shopping Centre   | 0               | 0.00%      |
| D - Office Building   | 0               | 0.00%      |
| I - Industrial        | -444,659        | -1.01%     |
| J - New Industrial    | -158,469        | -51.03%    |
| L - Large Industrial  | -240,681        | -0.80%     |
| P - Pipeline          | -83,925         | -0.03%     |
| F - Farmland          | 81,113          | 0.03%      |
| T - Managed Forest    | 846,581         | 5.77%      |
| Commercial Total      | 4,360,966       | 1.05%      |
| Industrial Total      | -843,809        | -1.14%     |
| Total Taxable         | 110,770,140     | 1.57%      |
| R - Residential       | 2,706,915       | 2.28%      |
| M - Multi-Residential | 0               | 0.00%      |
| C - Commercial        | 11,667,529      | 4.27%      |
| D - Office Building   | 0               | 0.00%      |
| I - Industrial        | 0               | 0.00%      |
| L - Large Industrial  | -30,032         | -0.36%     |
| Commercial Total      | 11,667,529      | 4.26%      |
| Industrial Total      | -30,032         | -0.34%     |
| Total PIL             | 14,344,412      | 3.29%      |
| Total Taxable and PIL | 125,114,552     | 1.67%      |
| E - Exempt            | 3,315,385       | 0.98%      |
| Grand Total           | 128,429,937     | 1.64%      |

## 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 2010 is the difference between taxation raised on the 2010 returned roll and taxation amounts based on the revised 2010 year end roll
- ✦ Increases in growth translate into **\$558,234 (1.64%)** in increased revenue for County purposes (2010 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, 1.64%



### The Impact of Growth Physical Changes & Change in Use

|                              | 2010 Growth<br>CVA \$ | 2010 Growth<br>CVA % |
|------------------------------|-----------------------|----------------------|
| ADMASTON/BROMLEY             | 1,182,466             | 0.4%                 |
| ARNPRIOR                     | 22,090,781            | 3.4%                 |
| BONNECHERE VALLEY            | 2,905,545             | 0.9%                 |
| BRUDENELL, LYNDONCH RAGLAN   | 1,951,757             | 1.2%                 |
| DEEP RIVER                   | 15,619,645            | 4.5%                 |
| GREATER MADAWASKA            | 4,778,056             | 0.9%                 |
| HEAD, CLARA & MARIA          | (158,533)             | -0.1%                |
| HORTON                       | 4,413,926             | 1.7%                 |
| KILLALOE, HAGARTY & RICHARDS | 1,948,031             | 0.8%                 |
| LAURENTIAN HILLS             | 4,582,980             | 1.6%                 |
| LAURENTIAN VALLEY            | 12,296,479            | 1.6%                 |
| MADAWASKA VALLEY             | (30,447)              | 0.0%                 |
| McNAB/BRAESIDE               | 7,268,679             | 1.1%                 |
| NORTH ALGONA WILBERFORCE     | 2,702,931             | 0.9%                 |
| PETAWAWA                     | 25,027,143            | 2.2%                 |
| RENFREW                      | 8,777,998             | 1.5%                 |
| WHITEWATER REGION            | 13,072,500            | 2.2%                 |
|                              | <b>128,429,937</b>    | <b>1.6%</b>          |

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| MADAWASKA VALLEY             | (30,447)              | 0.0%                 |
| HEAD, CLARA & MARIA          | (158,533)             | -0.1%                |
|                              | 128,429,937           | 1.6%                 |

## 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

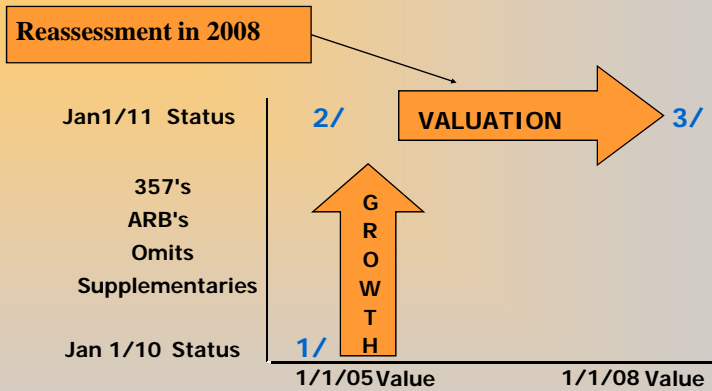
## Reassessment - Valuation Changes

- ★ 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 -2011

| 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          |
| 2006-2008 | Current Value as of January 1, 2005        |
| 2009-2012 | <b>Current Value as of January 1, 2008</b> |
| 2013-2016 | Current Value as of January 1, 2012        |

## Assessment Changes - 2011



- 1/ Returned 2010 Assessment Roll
- 2/ Revised 2010 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

| Property Class (RTC)  | 2009-2012<br>Value/ Equity<br>Change | 2009-2012<br>Value/<br>Equity |
|-----------------------|--------------------------------------|-------------------------------|
| R - Residential       | 1,844,131,545                        | 35.85%                        |
| M - Multi-Residential | -219,691                             | -0.30%                        |
| C - Commercial        | 69,694,964                           | 19.33%                        |
| X - New Commercial    | 2,335,556                            | 16.88%                        |
| S - Shopping Centre   | 2,359,654                            | 22.32%                        |
| D - Office Building   | 143,335                              | 118.06%                       |
| I - Industrial        | 2,814,855                            | 6.64%                         |
| J - New Industrial    | 13,906                               | 9.58%                         |
| L - Large Industrial  | 1,364,762                            | 4.70%                         |
| P - Pipeline          | 42,497,856                           | 15.59%                        |
| F - Farmland          | 13,943,841                           | 6.01%                         |
| T - Managed Forest    | 3,260,356                            | 23.30%                        |
| Commercial Total      | 74,533,509                           | 19.36%                        |
| Industrial Total      | 4,193,523                            | 5.86%                         |
| Total Taxable         | 1,982,340,939                        | 32.02%                        |
|                       |                                      |                               |
| R - Residential       | 24,989,152                           | 22.88%                        |
| M - Multi-Residential | 3,933,280                            | 12.41%                        |
| C - Commercial        | 21,450,003                           | 7.82%                         |
| D - Office Building   | 79,245                               | 7.90%                         |
| I - Industrial        | -46,823                              | -7.44%                        |
| L - Large Industrial  | 89,646                               | 1.08%                         |
| Commercial Total      | 21,529,248                           | 7.82%                         |
| Industrial Total      | 42,823                               | 0.48%                         |
| Total PIL             | 50,494,503                           | 11.88%                        |
| Total Taxable and PIL | 2,032,835,442                        | 30.72%                        |
| E - Exempt            | 47,926,416                           | 14.87%                        |
| Grand Total           | 2,080,761,858                        | 29.99%                        |

## 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

| Property Class (RTC)  | 2011 Value/<br>Equity<br>Change | 2011 Value/<br>Equity |
|-----------------------|---------------------------------|-----------------------|
| R - Residential       | 464,746,732                     | 7.67%                 |
| M - Multi-Residential | 1,588,851                       | 2.29%                 |
| C - Commercial        | 18,228,991                      | 4.63%                 |
| X - New Commercial    | 583,886                         | 3.89%                 |
| S - Shopping Centre   | 589,915                         | 5.02%                 |
| D - Office Building   | 35,833                          | 18.56%                |
| I - Industrial        | 800,877                         | 1.84%                 |
| J - New Industrial    | 3,477                           | 2.29%                 |
| L - Large Industrial  | 341,187                         | 1.15%                 |
| P - Pipeline          | 10,624,463                      | 3.62%                 |
| F - Farmland          | 3,565,857                       | 1.49%                 |
| T - Managed Forest    | 860,129                         | 5.54%                 |
| Commercial Total      | 19,438,625                      | 4.62%                 |
| Industrial Total      | 1,145,541                       | 1.56%                 |
| Total Taxable         | 501,970,198                     | 7.00%                 |
| R - Residential       | 6,345,012                       | 5.22%                 |
| M - Multi-Residential | 983,321                         | 2.92%                 |
| C - Commercial        | 5,485,152                       | 1.93%                 |
| D - Office Building   | 19,811                          | 1.90%                 |
| I - Industrial        | 43,098                          | 8.68%                 |
| L - Large Industrial  | 22,412                          | 0.27%                 |
| Commercial Total      | 5,504,963                       | 1.93%                 |
| Industrial Total      | 65,510                          | 0.74%                 |
| Total PIL             | 12,898,806                      | 2.87%                 |
| Total Taxable and PIL | 514,869,004                     | 6.76%                 |
| E - Exempt            | 13,911,650                      | 4.06%                 |
| Grand Total           | 528,780,654                     | 6.64%                 |

## 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 – 7.67%**
- ★ **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 – 7.67% CVA Increase**
- ★ **Commercial Class – 4.63% CVA Increase**
- ★ **Industrial Class – 1.84% CVA Increase**
- ★ **Average Municipal CVA Increase – 6.64%**
  
- ★ **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** (excluding tax ratio impact)

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

| Property Class (RTC)         | 2011 Value/<br>Equity<br>Change | 2011 Value/<br>Equity |
|------------------------------|---------------------------------|-----------------------|
| R - Residential              | 464,746,732                     | 7.67%                 |
| M - Multi-Residential        | 1,588,851                       | 2.29%                 |
| C - Commercial               | 18,228,991                      | 4.63%                 |
| X - New Commercial           | 583,886                         | 3.89%                 |
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| T - Managed Forest           | 860,129                         | 5.54%                 |
| Commercial Total             | 19,438,625                      | 4.62%                 |
| Industrial Total             | 1,145,541                       | 1.56%                 |
| <b>Total Taxable</b>         | <b>501,970,198</b>              | <b>7.00%</b>          |
| R - Residential              | 6,345,012                       | 5.22%                 |
| M - Multi-Residential        | 983,321                         | 2.92%                 |
| C - Commercial               | 5,485,152                       | 1.93%                 |
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| Total PIL                    | 12,898,806                      | 2.87%                 |
| <b>Total Taxable and PIL</b> | <b>514,869,004</b>              | <b>6.76%</b>          |
| E - Exempt                   | 13,911,650                      | 4.06%                 |
| <b>Grand Total</b>           | <b>528,780,654</b>              | <b>6.64%</b>          |

|                              | 2011 Value/<br>Equity \$ | 2011 Value/<br>Equity % |
|------------------------------|--------------------------|-------------------------|
| ADMASTON/BROMLEY             | 11,506,284               | 4.3%                    |
| ARNPRIOR                     | 33,421,495               | 4.9%                    |
| BONNECHERE VALLEY            | 25,353,749               | 7.8%                    |
| BRUDENELL, LYNDOKH RAGLAN    | 10,779,009               | 6.7%                    |
| DEEP RIVER                   | 23,616,222               | 6.5%                    |
| GREATER MADAWASKA            | 43,181,232               | 8.2%                    |
| HEAD, CLARA & MARIA          | 6,294,748                | 4.2%                    |
| HORTON                       | 16,516,876               | 6.1%                    |
| KILLALOE, HAGARTY & RICHARDS | 20,294,560               | 8.0%                    |
| LAURENTIAN HILLS             | 19,428,571               | 6.8%                    |
| LAURENTIAN VALLEY            | 57,230,246               | 7.1%                    |
| MADAWASKA VALLEY             | 43,793,249               | 8.3%                    |
| McNAB/BRAESIDE               | 38,724,113               | 5.7%                    |
| NORTH ALGONA WILBERFORCE     | 25,104,817               | 8.6%                    |
| PETAWAWA                     | 76,059,233               | 6.5%                    |
| RENFREW                      | 35,107,096               | 5.8%                    |
| WHITEWATER REGION            | 42,369,154               | 7.0%                    |
|                              | 528,780,654              | 6.6%                    |

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| NORTH ALGONA WILBERFORCE     | 25,104,817               | 8.6%                    |
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|                              | 528,780,654              | 6.6%                    |

## Tax Ratios – 2011

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

## Tax Ratios – 2011

- ★ 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 -2011

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

| Class                 | 2011 Starting Ratio | Revised Ratio | Class Rate Reduction | Tax Reduction    | Residential Rate Increase |
|-----------------------|---------------------|---------------|----------------------|------------------|---------------------------|
| Multi-Residential     | 1.943600            | 1.846420      | - 5 %                | -38,211          |                           |
| Commercial            | 1.814700            | 1.723965      | - 5 %                | <b>-244,912</b>  |                           |
| Industrial            | 3.294286            | 3.129572      | - 5 %                | -50,519          |                           |
| Pipeline              | 1.332800            | 1.266160      | - 5 %                | <b>-75,549</b>   |                           |
| Farm                  | 0.250000            | 0.237250      | - 5 %                | -11,586          |                           |
| <b>To Residential</b> |                     |               |                      | <b>\$420,777</b> | <b>1.28%</b>              |

## Levy Restriction - 2011

- ★ 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- 2011

*Application of the Levy Restriction to Certain Classes*

|                         | 2011<br>Tax Ratio | Threshold       | Subject to<br>Levy<br>Restriction? |
|-------------------------|-------------------|-----------------|------------------------------------|
| Multi- Residential      | 1.943600          | 2.740000        | NO                                 |
| Broad Commercial        | 1.814700          | 1.980000        | NO                                 |
| <b>Broad Industrial</b> | <b>3.294286</b>   | <b>2.630000</b> | <b>YES</b>                         |

## Starting Tax Ratios

|                   | 2011 Start<br>Ratio | 2010 Ratio | Change   |
|-------------------|---------------------|------------|----------|
| Multi-Residential | 1.943600            | 1.943600   | 0%       |
| Commercial        | 1.814700            | 1.814700   | 0%       |
| Industrial        | 2.954810            | 2.967337   | -0.4221% |
| Large Ind         | 3.686334            | 3.701962   | -0.4221% |
| 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 2010

## Starting Tax Ratios

|            | 2001 Ratio | 2011 Start Ratio | Change  |
|------------|------------|------------------|---------|
| Industrial | 3.6393     | 2.954810         | -18.81% |
| Large Ind  | 4.5401     | 3.686334         | -18.81% |

**Reduced by 18.81% over 10 years**

## Effects of Setting the Tax Ratio For Industrial at Provincial Threshold -2011

|                | Start Ratio | Alt Ratio | Effect on Tax Rate |
|----------------|-------------|-----------|--------------------|
| Non Industrial |             |           | 0.62%              |
| Industrial     | 2.954810    | 2.358978  | -20.17%            |
| Large Ind      | 3.686334    | 2.942992  | -20.17%            |
| Broad Ind      | 3.294286    | 2.630000  | -20.17%            |

## Effects of Setting the Tax Ratio For Industrial at Provincial Threshold -2011

This would translate into **-\$262,922** in reduced taxes for the Industrial Class (assuming notional tax rates)

## Levy Restriction Option - 2011

**\*The Province is once again allowing municipalities to apply a municipal tax increase to restricted classes equal to 50% of any budgetary tax rate increase levied to the residential class. However, there is no budget increase in 2011 (Growth is \$558,234 and County levy only increased by \$168,267).....therefore no shift to the restricted industrial class. This option does not apply in 2011.**

## Levy Restriction Option - 2011

- ★ 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
- ★ At the upper tier level - does not apply for 2011

## Revenue Neutral Ratios - 2011

- ★ The Province 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 -2011

| Class             | 2011<br>Starting<br>Ratio | Neutral<br>Ratio | Tax Increase      | Residential<br>Rate<br>Decrease |
|-------------------|---------------------------|------------------|-------------------|---------------------------------|
| Multi-Residential | 1.943600                  | 2.028973         | \$34,183          |                                 |
| Commercial        | 1.814700                  | 1.883287         | \$179,766         |                                 |
| Industrial        | 3.294286                  | 3.466736         | \$56,340          |                                 |
| Pipeline          | 1.332800                  | 1.379496         | \$49,992          |                                 |
| <b>Cumulative</b> |                           |                  | <b>-\$320,281</b> | <b>-0.97%</b>                   |

If we adopted the revenue neutral ratios, the residential class would see 0.97% of the tax burden shifted away to other classes (County tax rate)

## Capping - 2011

## **What is Capping?**

**The general formula for property taxes in Ontario is tax rate multiplied by property assessment value. However, this formula can vary significantly for properties in the non-residential tax classes. The Province of Ontario protects commercial, industrial, and multi-residential properties from significant tax increases. The program limits or "caps" any change to the property taxes resulting from assessment increases on any individual property.**

## **What is Capping?**

**Effectively, capping protects landowners from paying the full amount of taxes based on the assessed value of the property ..... as they are paying less tax than if they calculate their taxes using the general formula.**

## What is Clawback?

On the other side, when MPAC re-assesses all properties in Ontario, some commercial, industrial or multi-residential properties decline in value. Ordinarily, this decline would decrease property tax. However, the capping program can use a "clawback" to fund revenue shortfall resulting from lower assessment values by withholding some or all of the reduction to property owners.

## Clawback Options

Municipalities continue to have three choices regarding the claw back percentage calculation

1. revenue neutral by class which is the default selection
2. set no claw-back percentage
3. set a claw-back percentage by class

## **County Position on Clawbacks**

Since capping was first introduced in 1998 the County of Renfrew decided that a property owner should receive 100% of the benefit of having a decrease in the assessed value of their property.

Based on this belief, the County has never used the “clawback” option and has passed the reductions on to all non-residential tax classes

## **County Position on Changing to A Clawback Now**

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.

## County Position on Changing to A Clawback Now

The remaining slides dealing with the Tax Capping Program will disregard all clawback calculations and focus exclusively on the cost of the various capping options.

## Capping

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 - 2011

Municipalities must pass a by-law to specify the capping threshold parameters that they wish to implement for 2011. 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 – 2011

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) – clawback option ignored
5. **New for 2009 was "Stay at CVA Tax" and "Cross CVA Tax" Options**

## 1. Capping 2011 – 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 2011 – 5% Annualized Tax Limit

|                    | 5% Tax |
|--------------------|--------|
| <b>Multi – Res</b> | 81     |
| <b>Commercial</b>  | 42,721 |
| <b>Industrial</b>  | 3,793  |
| <b>Subtotal</b>    | 46,595 |

## 1 a) Capping 2011 – 5% Annualized Tax Limit

|                           | Multi-Res | Comm        | Ind        | Total        |
|---------------------------|-----------|-------------|------------|--------------|
| Protected by the Cap      | 4         | 140         | 16         | 160          |
| Paying Full CVA Tax       | 11        | 421         | 2          | 434          |
| At CVA Tax – 0% Claw Back | 84        | 1363        | 222        | 1669         |
| <b>Total Properties</b>   | <b>99</b> | <b>1924</b> | <b>240</b> | <b>2,263</b> |

## 1 b) Capping 2011 – 10% Annualized Tax Limit

|                    | 5% Tax        | 10% Tax       |
|--------------------|---------------|---------------|
| <b>Multi – Res</b> | 81            | 17            |
| <b>Commercial</b>  | 42,721        | 30,478        |
| <b>Industrial</b>  | 3,793         | 3,464         |
| <b>Subtotal</b>    | <b>46,595</b> | <b>33,959</b> |

## 1 b) Capping 2011 – 10% Annualized Tax Limit

|                           | Multi-Res | Comm  | Ind | Total | 5%    |
|---------------------------|-----------|-------|-----|-------|-------|
| Protected by the Cap      | 1         | 61    | 12  | 74    | 160   |
| Paying Full CVA Tax       | 14        | 500   | 6   | 520   | 434   |
| At CVA Tax – 0% Claw Back | 84        | 1,363 | 222 | 1669  | 1669  |
| Total Properties          | 99        | 1,924 | 240 | 2,263 | 2,263 |

## 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 2011 – 10% Annualized Tax & 5% CVA Tax

|                    | 5% Tax | 10% Tax | +10% +5% CVA |
|--------------------|--------|---------|--------------|
| <b>Multi – Res</b> | 81     | 17      | 17           |
| <b>Commercial</b>  | 42,721 | 30,478  | 30,421       |
| <b>Industrial</b>  | 3,793  | 3,464   | 3,387        |
| <b>Subtotal</b>    | 46,595 | 33,959  | 33,825       |

## 2. Capping 2011 – 10% Annualized Tax & 5% CVA Tax

|                                   | Multi-Res | Comm      | Ind       | Total     | 10%       |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Protected by Annualized Cap       | 1         | 56        | 9         | 66        | 74        |
| Protected by CVA Cap              | 0         | 5         | 3         | 8         | 0         |
| CVA Tax due to \$250 - Increasers | 0         | 0         | 0         | 0         | 0         |
| Stay at CVA                       | 0         | 0         | 0         | 0         | 0         |
| <b>Total</b>                      | <b>1</b>  | <b>61</b> | <b>12</b> | <b>74</b> | <b>74</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 2011 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 2011 Revised Taxes are initially calculated to incorporate the increases based on the capping parameters, prior to the application of the threshold.

### 3. Capping 2011 – 10% Annualized Tax & 5% CVA Tax & \$250 Threshold - Increasers

|                    | 5% Tax | 10% Tax | +10% +5%<br>CVA | +10% +5%<br>CVA + \$250<br>Inc |
|--------------------|--------|---------|-----------------|--------------------------------|
| <b>Multi – Res</b> | 81     | 17      | 17              | 0                              |
| <b>Commercial</b>  | 42,721 | 30,478  | 30,421          | 27,387                         |
| <b>Industrial</b>  | 3,793  | 3,464   | 3,387           | 2,196                          |
| <b>Subtotal</b>    | 46,595 | 33,959  | 33,825          | 29,583                         |

### 3. Capping 2011 – 10% Annualized Tax & 5% CVA Tax & \$250 Threshold - Increasers

|                                   | Multi-Res | Comm      | Ind       | Total     | 10%       |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Protected by Annualized Cap       | 0         | 15        | 0         | 15        | 74        |
| Protected by CVA Cap              | 0         | 5         | 3         | 8         |           |
| CVA Tax due to \$250 – Increasers | 1         | 41        | 9         | 51        |           |
| Stay at CVA                       | 0         | 0         | 0         | 0         |           |
| <b>Total</b>                      | <b>1</b>  | <b>61</b> | <b>12</b> | <b>74</b> | <b>74</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 2011 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)**

**As mentioned in an earlier slide, the County of Renfrew has never used the clawback option**

#### **5. "Stay at CVA Tax" and "Cross CVA Tax" Options**

- **New in 2009, this initiative allows municipalities to pass a by-law to exclude properties in certain situations from the capping program.**
- **If these options are selected, properties will be liable to pay full CVA taxes.**

## 5. "Stay at CVA Tax" Option

**(a) The "Stay at CVA Tax" Option excludes properties that were at CVA tax in 2010 from the capping in 2011.**

## 5. "Cross CVA Tax" Option

**(b) The "Cross CVA Tax" Option excludes properties that would move from being capped in 2010 to being clawed back in 2011 or from being clawed back in 2010 to being capped in 2011 as a result of the changes to the CVA tax caused by the 2009 reassessment.**

**N/A for the County if we don't use clawback**

## 5. Stay At CVA Tax \$

|                    | 5% Tax | 10% Tax | +10%<br>+5% CVA | +10%<br>+5% CVA<br>+ \$250 Inc | Stay At<br>CVA |
|--------------------|--------|---------|-----------------|--------------------------------|----------------|
| <b>Multi – Res</b> | 81     | 17      | 17              | 0                              | 0              |
| <b>Commercial</b>  | 42,721 | 30,478  | 30,421          | 27,387                         | 20,809         |
| <b>Industrial</b>  | 3,793  | 3,464   | 3,387           | 2,196                          | 2,196          |
| <b>Subtotal</b>    | 46,595 | 33,959  | 33,825          | 29,583                         | 23,005         |

## Capping 2011 – 5% Annualized Tax Limit vs “Stay at CVA”

|                                    | Multi-Res | Comm  | Ind | Total | 5%    |
|------------------------------------|-----------|-------|-----|-------|-------|
| <b>Protected<br/>by the Cap</b>    | 0         | 14    | 3   | 17    | 160   |
| <b>Paying<br/>Full CVA<br/>Tax</b> | 99        | 1910  | 237 | 2246  | 2103  |
| <b>Total<br/>Properties</b>        | 99        | 1,924 | 240 | 2,263 | 2,263 |

## Capping Option 5 – Municipal \$

|             | 2011   | 2010   | 2009    | 2008    | 2007    | 2006    | 2001    |
|-------------|--------|--------|---------|---------|---------|---------|---------|
| Multi – Res | 0      | 1,101  | 7140    | 41277   | 73417   | 141080  | 18,941  |
| Commercial  | 20,809 | 77,925 | 92297   | 146576  | 249488  | 304354  | 817,978 |
| Industrial  | 2,196  | 10,934 | 13175   | 38147   | 31388   | 50808   | 161,493 |
| Subtotal    | 23,005 | 89,960 | 112,612 | 226,000 | 354,293 | 496,242 | 998,412 |

**In 1998 (1st Yr) Capping Cost was \$998,412**

## Discount Rates - 2011

- ✦ 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%.

## Optional Class - 2011

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

## Tax Relief for Low Income Seniors/Disabled -2011

- ✦ 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 (30-02) establishing that tax increases for these groups be **deferred**

## Tax Rebate Program for Eligible Charities - 2011

- ✦ The County of Renfrew currently has a By-law (31-02) establishing a 40% tax rebate to eligible charities for eligible properties (within the commercial or industrial classes) shared between the upper and lower tier and the school boards in the same proportion as they share the tax revenue from the property.

## Graduated Taxation-2011

- ✦ 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.

## Municipal Tax Reduction Program -2011

- ✦ 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.

*Thank You &  
Questions ?*