



## TAX POLICY WORKING GROUP

1:15 p.m., Tuesday, March 29, 2011

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A meeting of the Tax Policy Working Group was held at 1:15 p.m., Tuesday, March 29, 2011 at the County of Renfrew Administration Office, 9 International Drive, Pembroke, Ontario.

Members:

- Annette Louis, Admaston/Bromley Township
- David Pollard, Town of Arnprior
- Sandra Barr, Township of Bonnechere Valley
- Michelle Mantifel, Township of Brudenell, Lyndoch & Raglan
- Brian Quibell, Town of Deep River
- Angela Yolkowskie, Greater Madawaska
- Noella Lebreton, Ruth Morin, Township of Head, Clara & Maria
- Jennifer M. Barr, Township of Horton
- Susan Sheridan, Township of Killaloe, Hagarty and Richards
- Bruce Lloyd, Township of Laurentian Valley
- Sherry Batten, Township of Laurentian Hills
- Brenda Sabatine, Madawaska Valley Township
- Connie Graham, Township of McNab/Braeside
- Dan Scissons, Town of Petawawa
- Valerie Jahn, Town of Renfrew
- Annette Mantifel, Whitewater Region

Staff Present:

- James D. Kutschke, Treasurer/Deputy Clerk
- Jeff Foss, Financial Services Officer
- Connie Wilson, Administrative Assistant, Finance Department

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Mr. Jeff Foss, Financial Services Officer for the County of Renfrew called the meeting to order at 1:15 p.m. Mr. Foss distributed a copy of the presentation and began his overview.

Mr. Foss advised the Tax Policy Working Group that the 2011 taxation year is very similar to 2010 and will continue to be the same in 2012 unless the provincial policy changes dramatically.

### **2011 Tax Policy**

The Municipal Act previously required the Councils of upper-tier and single-tier municipalities to make certain mandatory tax policy decisions by April 30<sup>th</sup> each year. However, 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> of each year.

**Issues**

Upper and single-tier municipalities are required on an annual basis to make a number of decisions in respect to tax policy that will affect the apportionment of the tax burden within and between classes, and among area municipalities. To meet these demands, the following issues must be examined for 2011:

1. The tax impacts related to assessment growth.
2. The impact of valuation (re-assessment).
3. The effect of tax ratios on the distribution of the tax burden.
4. The effect of the levy restriction.
5. The impact of the mandatory limit tax protection program (capping).
6. The discontinuation of or use of optional tools such as optional tax classes and graduated taxation.
7. The effect of changes to vacant property, farmland awaiting development, charitable organizations, low income seniors and persons with disabilities.

The following information is provided relative to these key issues:

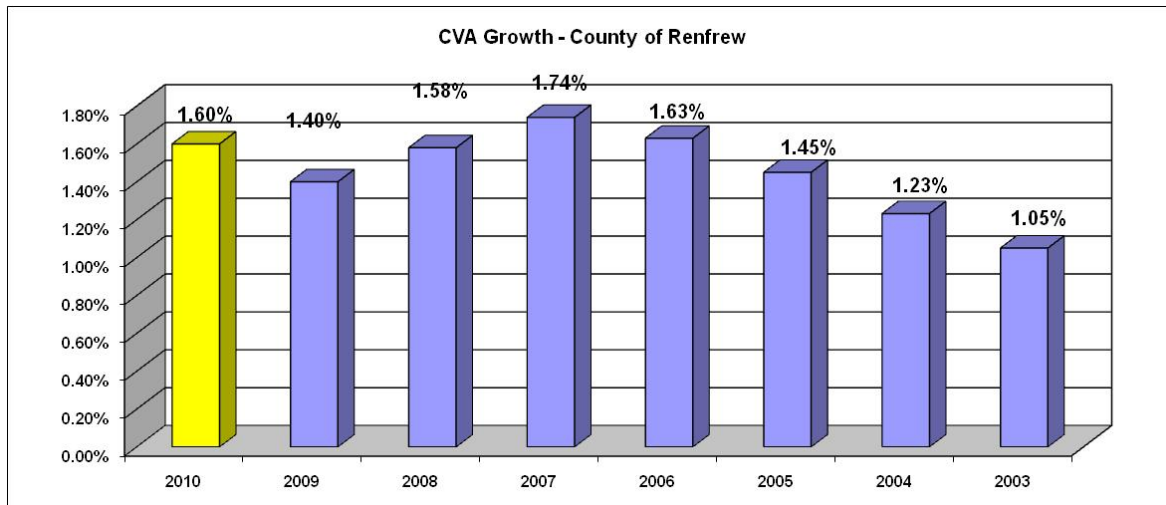
**Current Value Assessment**

Changes in current value assessment must be analyzed in terms of physical changes and change in use (growth) and changes related to valuation (re-assessment).

Physical changes to property like new construction, additions, improvements and demolitions as well as any equity changes in value triggered by Minutes of Settlement, decisions of the ARB or refund applications, all effect the tax base (growth or loss). Growth always has an impact to the municipal tax revenue base. For the County of Renfrew, the impact of growth is 1.64% or \$558,234 using notional tax rates for 2011. The following chart provides details on the 2010 net assessment growth by class:

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%
<b>Commercial Total</b>	<b>4,360,966</b>	<b>1.05%</b>
<b>Industrial Total</b>	<b>-843,809</b>	<b>-1.14%</b>
<b>Total Taxable</b>	<b>110,770,140</b>	<b>1.57%</b>
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%
<b>Commercial Total</b>	<b>11,667,529</b>	<b>4.26%</b>
<b>Industrial Total</b>	<b>-30,032</b>	<b>-0.34%</b>
<b>Total PIL</b>	<b>14,344,412</b>	<b>3.29%</b>
<b>Total Taxable and PIL</b>	<b>125,114,552</b>	<b>1.67%</b>
<b>E - Exempt</b>	<b>3,315,385</b>	<b>0.98%</b>
<b>Grand Total</b>	<b>128,429,937</b>	<b>1.64%</b>

The CVA growth throughout the County of Renfrew in 2010 is consistent with the growth experienced over the last several years, as shown in the following chart:



Although the overall growth in CVA across the County was 1.64%, municipalities experienced growth differently, as shown in the following chart:

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

Once again, one of the more significant issues for the tax policy decision process for 2011 is the change in the current assessment valuation date. The 2009, 2010, 2011 and 2012 assessment information is based on January 1, 2008 values. For 2006, 2007 and 2008 the valuation date was January 1, 2005. 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. The theory behind CVA is that it is designed to represent the current value a willing buyer would pay to a willing seller, within an arm's length transaction, in a competitive and open market. Valuation change happens each time MPAC updates the CVA to a new, more recent point in time, and generally reflects changes in real estate market conditions. 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.

To isolate the impact of reassessment from growth and physical changes, valuation change is measured from the previous year's assessment (as most recently revised) and the new updated assessment as returned. By calculating the difference between these two values, we can isolate the impact of reassessment from the Jan 1, 2005 value to the January 1, 2008 value. For the County of Renfrew, the valuation change was 29.99%.

Property Class (RTC)	2009-2012 Value/ Equity Change	2009-2012 Value/ 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%

New for 2009 was the impact of the 4 year phase in of assessment increases, designed to protect taxpayers from extreme market volatility. This program is predictable over the 4 year period (2009-2012). Decreases are not phased in as they will flow through automatically to avoid ratepayers being taxed on a value higher than CVA. The valuation change for the third year of the phase in (2011) will be 6.64% County-wide, as shown on the following chart:

Property Class (RTC)	2011 Value/ Equity Change	2011 Value/ 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%

As described earlier, valuation change impacts the apportionment of taxation between municipalities in a two tier municipal government structure. Local municipalities with valuation changes less than 6.64% will see some of their upper tier tax burden shift away from them, and onto other local municipalities. Those municipalities with valuation changes above 6.64% will have an increased share of total County taxation. Likewise, within a local municipality, shifts will occur between properties when any property exceeds the average valuation change for that particular property class. Valuation changes by lower-tier municipality are reflected in the chart below:

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

### Tax Ratios

Upper and single-tier municipalities are required to establish ratios that govern the relationship between the rate of taxation for each class compared to the tax rate for the residential class. Council may choose to adopt the current 2011 starting ratios (where the levy restriction applied) or establish a new ratio that is closer to the Provincial Range of Fairness.

**Ratio Reductions** - Options available to municipalities are generally limited to ratio reductions. Reductions are typically considered to relieve tax burdens that are perceived to be creating competitive disadvantage or inequity for properties in one or more classes. It must be clearly understood, that ratio reductions for one class would result in an increased tax burden to all other classes. To illustrate this point, a reduction in the business class ratios of 5% translates into a shift in the tax burden onto the residential class of \$420,777 and impacts the residential rate by 1.28% (see Table below).

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

Section 311 of the Municipal Act mandates that where a municipal tax ratio for any of the Multi-Residential, or Broad Commercial and Industrial classes is above the Provincial “Threshold” Average, the classes are deemed to be levy restricted and may not absorb any municipal budgetary increases. When this circumstance prevails, levy changes may only be passed through to unrestricted classes. In Renfrew County, the municipal levy restriction applies to the Industrial class. In 2010, the County of Renfrew experienced a budgetary increase, which caused a levy restriction on the Industrial and Large Industrial assessment class.

As a result, the 2011 starting ratios for the Industrial and Large Industrial assessment classes have been reduced from the 2010 adopted ratios. By applying the levy restriction in 2010, tax rate increases were fully applied to the non-restricted classes and only 50% of the tax rate increase applied to the restricted class, bringing the class rates for the restricted and non-restricted classes closer together, which has effectively reduced the tax ratio for the restricted class. Due to the levy restriction in 2010, the 2011 starting ratios for the Industrial and Large Industrial assessment classes are reduced to 2.954810 and 3.686334, respectively.

	2011 Start 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	0.25000	0.250000	0%

The following chart shows the downward movement of the Industrial Ratio each year that the levy restriction has been in place. The ratio has reduced a total of 18.81% over this time period.

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

The levy restriction still applies to the industrial classes in 2011 because we are still above the Provincial broad Industrial threshold ratio of 2.63.

	2011 Tax Ratio	Threshold	Subject to Levy 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>

To remove this barrier entirely and allow a full levy increase to the industrial class, the industrial tax ratio must be set to 2.63. If this option was chosen, all other classes of properties would see an increase in their tax rates of 0.62% and a transfer of the upper-tier tax burden away from the restricted classes onto the non-restricted classes of \$262,922.

	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%

### **Levy Restriction – 2011 Option**

The Province is 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 County budgetary increase in 2011 (Growth is \$558,234 and County levy only increased by \$168,267), therefore there will be no shift to the restricted industrial class and, as a result, this option does not apply to upper tier taxation in 2011. Since this option can be utilized at either the upper or lower-tier independently, all lower-tiers can still take advantage of this option.

### **Revenue Neutral Ratios – 2011 Option**

For 2011, the Province is again giving municipalities the tax ratio flexibility that was provided in previous reassessment years. Using revenue neutral tax ratios would avoid tax shifts between property classes as a result of reassessment. In other words, all classes would pick up the same share of the tax burden as they had during the previous valuation period.

Class	2011 Starting Ratio	Neutral Ratio	Tax Increase	Residential Rate 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>

The preceding chart attempts to show the impact on the residential class if we moved the business class tax ratios to a revenue neutral ratio for 2011. The residential class would experience a decrease in their share of the total tax burden of 0.97%, or \$320,281 using County notional tax rates.

If an upper-tier municipality wishes to adopt revenue neutral ratios, they must make application to the Ministry of Finance. This process has been streamlined from prior years, and it now makes use of the Online Property Tax Analysis system to perform the required calculations.

## Capping

For 2011, upper and single-tier municipalities will have the option to:

1. Continue with existing 5% capping rule; or
2. Increase the annual cap from 5% of last year's capped taxes up to a maximum of 10% of last year's capped taxes; and/or
3. Set an upper limit on annual increases at the greater of the amount calculated under (1) or (2) and up to 5% of the previous year's annualized CVA tax; and/or
4. Up to a maximum of \$250 threshold may be set for increasing properties, decreasing properties or both; this would move properties with a billing adjustment of less than the threshold to their full CVA tax liability for the year.
5. Exclude properties from capping in 2011 if they that were at CVA tax in 2010.

Any of these tools may be used on their own, or in combination and be applied differently to each capped class. Municipalities must pass a by-law setting out their capping threshold parameters if they differ from the default capping mechanism as outlined under item 1 above. If no by-law is passed, capped tax increases will be limited to 5% of the previous year's Annualized tax (funded by foregone revenue).

If clawbacks are to be utilized, municipalities must pass a by-law to specify the clawback percentage that they wish to implement for 2011. The default for funding the costs of capping is foregone revenue. For each capped class, municipalities may choose a single parameter or a combination of parameters.

As always, municipalities have 2 alternatives to fund the costs of capping:

- (i) **Foregone Revenue** - Under the forgone revenue approach, the upper and lower-tier would share in this cost based on our proportionate share of the tax levy from the class, similar to the approach in previous years. Council will recall that this method of funding the cost of capping was chosen in 1998 to support the existing businesses in Renfrew County by allowing them to keep any assessment related decreases they are entitled to.
- (ii) **Within Class Recovery** – Under this approach, the upper and lower-tier would share in any net cost based on our proportionate share of the tax levy from the class. A change to in-class recovery (clawback) by the County of Renfrew would represent a significant departure from past practice. Taxpayers who have enjoyed the full effect of decreases in CVA in the past, would now have to forego part or all of their anticipated reduction in order to fund those properties with increases.

Since capping was first introduced in 1998 the County of Renfrew decided that a property owner should always 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 on the reductions on to all tax classes. Therefore, the remaining analysis will disregard all clawback calculations and focus exclusively on the cost of the various capping options.

**OPTION 1 – Use the default 5% Capping Rule**

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

If no by-law is passed, capped tax increases will be limited to 5% of the previous year's Annualized tax.

**OPTION 2 – Increase the Capping to 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>	46,595	33,959

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%.

**OPTION 3 – Increase the Capping to the Greater of 10% of the Prior Year Annualized Tax Limit or 5% of the Prior Year 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

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%. The capped increase for 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%).

**OPTION 4 – 10% Annualized Tax & 5% CVA Tax & \$250 Threshold – Increasers**

	5% Tax	10% Tax	+10% +5% CVA	+10% +5% CVA + \$250 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

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. The 2011 Revised Taxes are initially calculated to incorporate the increases based on the capping parameters, prior to the application of the threshold.

**OPTION 5 – Stay at CVA**

	5% Tax	10% Tax	+10% +5% CVA	+10% +5% CVA + \$250 Inc	Stay At 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

In 2009, the Province created a new initiative to allow 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. The "Stay at CVA Tax" Option excludes properties that were at CVA tax in 2010 from the capping and claw-back calculation in 2011.

**Optional Classes**

Municipalities that would like to create new, or collapse existing, optional classes must now do so by December 31<sup>st</sup> of the current tax cycle. The County of Renfrew made the decision to introduce the Large Industrial class in 1998 and this continues to be the only optional class.

**Discount Rates**

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 (Phase 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%.

**Tax Relief for Low Income Seniors/ Disabled**

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 on Eligible Property Occupied By Eligible Charities**

The County of Renfrew currently has a by-law 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.

**Graduated Taxation**

Graduated taxation, a mechanism whereby properties with higher assessments are taxed at a higher rate than those with lower values, was not considered as a viable alternative.

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**

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.

**Recommendations from the Tax Policy Working Group**

A meeting of the Tax Policy Working Group (TPWG), consisting of the Treasurers of all local municipalities within the County of Renfrew, was convened on Tuesday March 29, 2011 to discuss the 2011 Tax Policy Impact Study. This same presentation was made to County Council on Wednesday, March 30, 2011.

The following recommendations were received, based on the majority of opinion, from the Tax Policy Working Group:

**Ratios** – The Tax Policy Working Group (TPWG) is recommending that we maintain the 2011 starting ratios. Although there was discussion related to a movement to the Provincial threshold ratio for industrial, it was also recognized that because of the levy restriction, this ratio has been reducing each year regardless. Tax rate increases are applied to the non-restricted classes in a greater proportion than to restricted classes, thus bringing the class rates for the restricted and non-restricted classes closer together, which has the effective of reducing the tax ratio for the restricted class. The impact of moving all the way to the threshold ratio, which would cause all other properties to see an increase in their County tax rates by 0.62%, is considered excessive. The group also noted that the industrial ratios have dropped by 18.81% since 2001 and that the ratio will continue to reduce provided the rules regarding levy restriction are unchanged. Finally, a change to revenue neutral ratios would place an additional burden on business property owners that TPWG felt was a movement in the wrong direction in an already difficult economic climate.

**Levy Restriction (2011 Option)** – This option is not applicable to the upper tier in 2011 since the County budget did not use all of the CVA growth available (\$558,234) with the adopted budget increase of only \$168,267. This option can still be utilized by any lower-tier that has a budgetary increase.

**Capping** – TPWG is recommending that we do not change the current foregone revenue approach to fund capping. TPWG is again recommending we elect Option 5 of our 2011 choices as outlined previously. Option 5 is being recommended as the preferred option due to its acceleration toward CVA tax and also because it reflects the lowest overall cost for capping. The following chart reflects the cost reductions realized by the County of Renfrew and all lower-tier municipalities through the dedicated pursuit of utilizing all options available to us to achieve full CVA taxation for all properties as quickly as possible.

	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

A change to in-class recovery by the County of Renfrew would represent a significant departure from past practice. In addition, TPWG 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.

**Discount Rates, Tax Relief for Low Income Seniors/Disabled** – TPWG is not recommending any changes to the commercial and industrial discount rates for vacant land and vacant units, or to the current policy to defer assessment related tax increases for low income and disabled seniors.

**Optional Classes** – TPWG recommends the continued use of the ‘Large Industrial’ optional class. No changes to existing optional tax classes are being considered for the upcoming tax year.

**Tax Relief on Eligible Property Occupied By Eligible Charities** – TPWG is not recommending any change to the current by-law establishing a tax rebate program for eligible charities in the amount of 40% of the taxes payable on eligible commercial or industrial properties.

**Graduated Taxation** – TPWG is not recommending that the County of Renfrew consider a system of graduated taxation. 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** – Since we treat all capping protection as foregone revenue, institution of this program would be a redundant measure as the protection is already being funded by all classes. Therefore, TPWG has not considered this policy tool for 2011.

**Deadlines for LTM Tax Rating By-laws** - As we are all using OPTA to create a CD to generate all business class property tax bills, the CD will not be available until ALL LTM’s complete their budget processes and adopt a rating by-law. Therefore, as recommended in 2010, all tax rating by-laws should be adopted prior to June 30, 2011 and all tax rates should be entered by each municipality into the OPTA system by that same date. This process would allow the issuance of property tax bills to the business community before the summer vacation period.

Mr. Kutschke questioned what the significant increase in assessment growth was in the Town of Deep River. Mr. Quibell, Town of Deep River indicated that the increase was the result of AECL’s constructing a new building.

Mr. Kutschke questioned if any municipalities have been impacted by the appeal in process regarding Municipal Property Assessment Corporation (MPAC) assessment for golf courses. Ms. Connie Graham, Township of McNab/Braeside indicated that they have two golf courses within their municipality and noted that the local golf courses have been contacting them for assessment information back to 2003. Discussion followed on the impact this appeal decision will have on municipal taxation.

Mr. Foss advised that we are currently in year number three of the four year reassessment phase-in and starting in 2013 there will be a new property assessment valuation based on January 1, 2012 assessment.

Ms. Jennifer Barr, Township of Horton questioned if there are details available summarizing the percentage increase on each municipality based on the County of Renfrew’s Budget. Mr. Foss advised that the County of Renfrew By-law to Adopt the Estimates for the Sums Required During the 2011 for General, Capital and all Purposes of the County of Renfrew will contain this information and will be released to all lower-tier municipalities following the April 2011 County Council session.

Mr. Kutschke advised that for 2011 there is no budgetary increase at the County of Renfrew level and based on the assessment growth the County of Renfrew is creating tax room for the local municipalities to utilize to their benefit.

Discussion was held regarding the levy restriction option and applying it directly to the industrial classes. Mr. Kutschke advised that the County of Renfrew has always taken advantage of this option but cannot do it this year since there is no County budget increase in 2011 (Growth is \$558,234 and County levy only increased by \$168,267), therefore there will be no shift to the restricted industrial class and, as a result, this option does not apply to upper tier taxation in 2011. Mr. Foss advised that local municipalities can still take advantage of this option.

Mr. Foss overviewed the County of Renfrew by-law's that deal with tax relief; By-law 30-02 – A By-law to Provide Tax Relief to Certain Elderly and Disabled Persons in the County of Renfrew. Discussion was held and municipalities indicated that there are no taxpayers that have taken advantage of this option. Essentially there has to be a lien registered against the property therefore once the taxpayers realize this is a requirement they don't take advantage of this option to defer tax increases resulting from CVA increases. Ms. Connie Graham, McNab/Braeside advised that Mayor Campbell will be discussing the option of providing a flat tax rate to seniors. Mr. Kutschke advised that there are two sections within the Municipal Act that deals specifically with these options; Section 319 – Tax Deferrals, relief of financial hardships and Section 365 – Cancellation, reduction or refund of taxes. Mr. Kutschke advised that Mayor Campbell will have an opportunity to discuss it with other Elected Officials at the March 30, 2011 session of County Council.

Mr. Pollard, Town of Arnprior questioned why the County of Renfrew did not take advantage of the full growth reassessment for 2011 to replenish reserves. Mr. Kutschke advised that with the funding Upload of Social Assistance in 2011 this allowed the County of Renfrew to make tax room for the local municipalities in 2011. This will not be the case in 2012. County staff would have liked to put more funding into reserves but elected officials felt that it was more appropriate to allow local municipality's additional tax room from the Upload of Social Assistance.

Ms. Michelle Mantifel, Brudenell, Lyndoch and Raglan asked if any municipalities contract out their animal control services. McNab/Braeside, Laurentian Valley and the Town of Arnprior advised that they contract out this service. The person has his own animal control business and provides monthly reports and bills directly to the municipality.

Mr. Foss thanked the Tax Policy Working Group members for attending today's meeting and advised that the Tax Policy Working Group has made wise decisions year over year regarding tax policy. Mr. Foss advised that he will present today's recommendations to County Council tomorrow, Wednesday, March 30, 2011. Formal recommendations will then be made to the April 18, 2011 session of the Finance & Administration Committee for adoption of these recommendations along with the Taxation By-laws at the April 27, 2011 session of County Council.

The meeting adjourned at 2:30 p.m.