REPORT TO COUNTY COUNCIL

2025 Tax Policy

To: **Warden and Members of County Council**

From: **Director of Corporate Services**

RECOMMENDATIONS

1. **That consideration of a 2025 tax policy and rates by-law be given at the Council meeting scheduled for April 9, 2025, that establishes:**
   a. **Tax Ratios;**
   b. **Tax Rate Reductions for Prescribed Property Subclasses;**
   c. **Tax Rates for Upper Tier Purposes;**
2. **And further, that Council reaffirm tax policy previously established by By-law No. 5912-2017, being a by-law to provide a Financial Hardship Program, as set out in Attachment 1;**
3. **And further, that Council reaffirm tax policy previously established by By-law No. 5913-2017, being a by-law to establish a tax rebate program for the purpose of providing relief from taxes or amounts paid on account of taxes on eligible property occupied by eligible charities and similar organizations, as set out in Attachment 2.**

REPORT HIGHLIGHTS

- Property taxes will continue to be calculated using property values as of January 1, 2016 for the 2025 tax year as implementation of the January 1, 2019 reassessment has been postponed since 2021.
- Legislation requires upper tier municipalities in a two-tier municipal structure to enact by-laws adopting certain tax policies that influence the distribution of annual tax levies of upper and lower tier municipalities among property tax classes.
- All tax policy recommendations contained within this report were prepared in consultation with the Area Municipal Treasurers/Finance Group.

IMPLEMENTATION POINTS

The information contained in this report is intended to inform Council of the changes in the assessment values of properties within the County for the purpose of determining the most appropriate tax policies for 2025. It is important to note that assessment values will only change in 2025 if there have been improvements or deletions to a property, due to the Provincial Government deferring implementation of the January 1, 2019 assessment values.

This report marks the beginning of the 2025 tax policy setting process, which will conclude in April to allow time for completing final reviews and calculations required for the Area Municipalities to issue final tax bills in July. The tax policy and rates by-law will be presented to Council for consideration at that time.

The next step of the 2025 tax policy setting process may require further analysis of tax policy options, if specified by Council direction.

Financial Impact

The information contained in this report has no impact on the County's budget.

Tax policy decisions will reflect how the County and Area Municipalities' tax levies will be distributed among the various property tax classes and by property based on 2024 property assessment values determined by the Municipal Property Assessment Corporation (MPAC).

Communications

Staff will continue to collaborate with the Area Municipal Treasurers throughout the policy review process and in formulating further recommendations regarding any additional information that may be requested by County Council.

The resulting final tax policy and rates by-law will be circulated to the Area Municipalities for reference in preparing final tax bills for properties within their respective jurisdictions.

The County's webpage Property Taxes – Your County tax dollars explained will be updated accordingly.

2023-2026 STRATEGIC PLAN

Oxford County Council approved the 2023-2026 Strategic Plan on September 13, 2023. The Plan outlines 39 goals across three strategic pillars that advance Council's vision of "Working together for a healthy, vibrant, and sustainable future." These pillars are: *(1) Promoting community vitality, (2) Enhancing environmental sustainability, and (3) Fostering progressive government*.

The recommendations in this report supports the following strategic goal.

Strategic Plan Pillars and Goals

PILLAR 1	PILLAR 2	PILLAR 3
Promoting community vitality	**Enhancing environmental sustainability**	**Fostering progressive government**
		Goal 3.4 – Financial sustainability

See: Oxford County 2023-2026 Strategic Plan

DISCUSSION

Background

Annually, County Council is required to establish tax policy that will affect the apportionment of the tax burden both within and between tax classes, and among Area Municipalities. In setting these policies the following relationships need to be considered:

1. Effect of tax ratios on the distribution of the tax burden between tax classes, and "levy restriction" provisions;
2. Implications of use or discontinuation of other optional tax policy tools i.e. optional tax classes and graduated taxation; and/or
3. Changes to existing tax policies affecting taxation on vacant property or land and farmland awaiting development, and programs that provide relief for charitable organizations, and low-income seniors and persons with disabilities.

Many of the tax policy decisions are required to be enacted by by-law on an annual basis to recognize the importance of the responsibility and the impacts of the decisions that fluctuate from year to year due to changes in assessment and the economic environment.

At the regular meeting of County Council held November 13, 2024, Council received for information Report CS 2024-43 entitled "2025 Preliminary Assessment and Tax Analysis". The information presented in the report, as compiled by Municipal Tax Equity (MTE) Consultants Inc., was based on MPAC's Municipal Connect data as of October 25, 2024, as the assessment roll for 2025 taxation was not yet available. The assessment related information contained in Report CS 2024-43 has now been updated to reflect the assessment roll as returned and forms the basis of the tax policy analysis presented throughout this report.

Subsequent to Council adopting 2024 tax policy, the Province introduced a temporary industrial class, specifically for gravel pits and quarries. Due to the timing of the decision, the "temporary" subclass was based on existing industrial rates, however was provided a reduced education tax rate, set at 5% of the existing industrial education tax rate, or 0.000440 (industrial class education rate 0.008800).

At the time of the announcement, the Province indicated that the Aggregate Extraction class would be made permanent and they would set starting ratios for 2025 taxation. The regulated starting ratio for the County is 2.140048 (industrial ratio 2.630000), representing an 18.63% reduction relative to the County's industrial ratio, which effectively increases the tax burden on all other property classes.

Also introduced in 2024, is a new optional multi-residential subclass, similar to the New Residential class. It applies to any building or complex that would otherwise be classified as multi-residential, provided the building permit for its construction or conversion was issued after the municipality enacts a by-law to implement the subclass.

The application of the various multi-residential classes are as follows:

- Multi-Residential class – before April 2017, or Municipal opt-in date;
- New Multi-Residential class – after the earlier of April 2017 or the Municipal opt-in date;
- New Multi-Residential subclass - after the Municipal opt-in date.

Effectively, this could result in three identical buildings adjacent to one another that are taxed differently based on the timing of their respective building permits, however after 35 years of a New Multi-Residential property being developed, it will transition to the standard Multi-Residential class. There is no reduction to the residential education rate applied to both of the multi-residential classes or the subclass.

Comments

Assessment and Revenue Growth

Prior to considering any change in tax policy, which is intended to determine the most stable and equitable distribution of the tax burden among the property classes, it is important to understand how the prior years' growth has impacted the assessment, regardless of the absence of phased-in assessment in 2025 as a result of the Province indefinitely pausing the current assessment cycle.

Tables 1 and 2 compares growth related assessment and revenue for the previous five-year period.

Table 1 – Assessment Growth for Years 2020 to 2024

	2020		2021		2022		2023		2024	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	231,158,558	2.11%	250,124,276	2.23%	386,888,495	3.38%	132,105,150	1.12%	216,126,361	1.80%
Farm	14,418,663	0.22%	35,511,508	0.55%	(27,753,857)	-0.43%	172,183,179	2.68%	9,932,690	0.15%
Managed Forest	317,500	2.64%	853,900	6.91%	312,000	2.36%	414,100	3.06%	660,600	4.74%
New Multi-residential	(28,000)	-1.30%	25,254,700	1187.34%	23,855,000	87.12%	29,051,700	56.70%	36,184,900	45.07%
Multi-residential	(3,643,100)	-1.77%	(500,629)	-0.25%	3,246,781	1.61%	(2,327,800)	-1.13%	(608,300)	-0.30%
Commercial	32,480,074	2.76%	28,515,450	2.36%	31,024,023	2.50%	40,125,045	3.16%	52,606,068	4.02%
Industrial	20,072,000	8.23%	24,802,153	9.39%	4,978,995	1.72%	43,676,475	14.86%	(21,080,300)	-6.25%
Aggregate Extraction	-	-	-	-	-	-	-	-	37,397,500	100.00%
Large Industrial	(2,923,464)	-0.71%	(24,877,889)	-6.05%	1,822,369	0.47%	(5,576,232)	-1.44%	214,500	0.06%
Pipeline	3,781,000	1.45%	2,032,000	0.77%	(525,000)	-0.20%	(406,000)	-0.15%	653,000	0.25%
Sub-total Taxable	**295,633,231**	**1.50%**	**341,715,469**	**1.71%**	**423,848,806**	**2.08%**	**409,245,617**	**1.97%**	**332,087,019**	**1.57%**

In summary, over the five-year period, assessment growth peaked in 2022, showing an increase of 2.08% over 2021 with a slight retreat in 2023 at 1.97% over 2022. Notably, the industrial class assessment showed well in 2023 with a 14.86% increase, whereas the commercial class had its best showing in 2024 with a 4.02% increase.

The 2024 adjusted roll reflects continued assessment growth in the new multi-residential class, with a 45.07% increase year over year, representing 10.9% of the $332.1 million in total growth. The new multi-residential assessment relates to properties in the City of Woodstock and Town of Tillsonburg in the amounts of $23.5 million and $12.6 million respectively.

Table 2 – Revenue Growth for Years 2020 to 2024

	2020		2021		2022		2023		2024	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	853,749	2.11%	900,174	2.19%	1,471,950	3.42%	477,325	1.04%	970,267	1.82%
Farm	11,590	0.22%	28,374	0.55%	(22,716)	-0.43%	145,819	2.68%	9,625	0.15%
Managed Forest	292	2.64%	783	6.90%	294	2.36%	403	3.06%	735	4.75%
New Multi-residential	(103)	-1.29%	92,694	1187.32%	89,682	87.12%	113,014	56.70%	161,057	45.07%
Multi-residential	(26,900)	-1.77%	60	0.00%	24,413	1.61%	(18,110)	-1.13%	(5,415)	-0.30%
Commercial	227,219	2.78%	198,761	2.38%	219,092	2.50%	295,830	3.18%	450,377	4.10%
Industrial	200,236	8.74%	234,158	9.45%	35,923	1.29%	448,816	15.42%	(255,587)	-6.65%
Aggregate Extraction	-	-	-	-	-	-	-	-	437,773	100.00%
Large Industrial	(27,065)	-0.69%	(213,842)	-5.51%	14,299	0.38%	(57,051)	-1.46%	2,510	0.06%
Pipeline	17,579	1.45%	9,393	0.77%	(2,486)	-0.20%	(1,989)	-0.15%	3,659	0.25%
Sub-total Taxable	**1,256,597**	**2.00%**	**1,250,555**	**1.96%**	**1,830,451**	**2.75%**	**1,404,057**	**1.98%**	**1,775,001**	**2.15%**

From a revenue generation perspective, the residential classes are contributing 63.4% of the additional tax revenue while commercial and industrial generated healthy gains at 25.4% and 10.4% respectively, cumulatively representing 99.2% of the annualized revenue growth.

Tax Levy Comparisons

The following table depicts how the County's general tax levy has changed over the past five years and how it has been shared among the property classes. The distribution of the tax levy between property classes is driven by unique ratios for each class relative to the residential class, which is set at one.

Table 3 – County General Levy Distribution for Years 2020 to 2024

	2020 as revised		2021 as revised		2022 as revised		2023 as revised		2024 as revised	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	41,381,878	64.56%	42,039,055	64.70%	46,079,205	65.12%	46,556,530	64.52%	54,238,372	64.31%
Farm	5,165,231	8.06%	5,163,273	7.95%	5,448,904	7.70%	5,594,723	7.75%	6,410,907	7.60%
Managed Forest	11,403	0.02%	12,119	0.02%	13,149	0.02%	13,552	0.02%	16,239	0.02%
New Multi-residential	7,853	0.01%	100,501	0.15%	199,317	0.28%	312,332	0.43%	518,415	0.61%
Multi-residential	1,492,465	2.33%	1,483,760	2.28%	1,597,862	2.26%	1,579,752	2.19%	1,802,072	2.14%
Commercial	8,412,140	13.12%	8,561,500	13.18%	9,300,820	13.14%	9,596,652	13.30%	11,430,479	13.55%
Industrial	2,491,816	3.89%	2,711,338	4.17%	2,910,844	4.11%	3,359,661	4.66%	3,588,407	4.25%
Aggregate Extraction	-	-	-	-	-	-	-	-	437,773	0.52%
Large Industrial	3,906,899	6.09%	3,670,117	5.65%	3,904,659	5.52%	3,847,607	5.33%	4,404,791	5.22%
Pipeline	1,231,152	1.92%	1,233,315	1.90%	1,304,586	1.84%	1,302,596	1.81%	1,498,040	1.78%
Sub-total Taxable	**64,100,837**	**100.00%**	**64,974,978**	**100.00%**	**70,759,346**	**100.00%**	**72,163,405**	**100.00%**	**84,345,495**	**100.00%**

The levy distributions among the classes have remained fairly consistent over the five-year period.

Tax Policy Decisions

The following tables list the tax policy decisions to be considered by Council along with recommendations of the Area Municipal Treasurers/Finance Group and County Treasurer.

Table 4 – Optional Classes of Property
Table 5 – Tax Rate Discounts
Table 6 – Vacant Unit Rebate
Tables 7 – 7.5 – Tax Ratios
Table 8 – Graduated Tax Rates (Banding)

2025 property tax will be based on the same property values as in 2020 through to 2024 due to the Provincial Government’s deferral of reassessment, therefore 2025 tax policy decisions will be less complicated in the absence of shifts in tax that would typically result in a reassessment year or years of phase-in values.

Over the course of the past few years, the Provincial Government has been conducting a review of Ontario’s property tax and assessment system. The review is intended to explore opportunities to support a competitive business environment, enhance the accuracy and stability of property assessments, and strengthen the governance and accountability of MPAC.

As part of the review, the Province has been consulting with municipalities through a Property Assessment and Taxation Review Municipal Advisory Committee. During the consultation process, property tax decisions for the past few taxation years were considered by the Province and announced in their *2021 Economic Outlook and Fiscal Review* that property assessments for the 2022 and 2023 tax years would continue to be based on the same valuation date that was used for 2020 and 2021 in order to maintain stability for municipalities and taxpayers. The deferral of a provincial reassessment was resounded in 2023, postponing a reassessment through O.Reg. 261/23, amending the previous year’s regulation, followed by an indefinite postponement passed under the *2024 Ontario Budget - Building a Better Ontario.*

The annual tax policy options as well as the regulated education tax for 2025 are described in more detail below.

Table 4 - Optional Classes of Property

	Decision Points	Recommendation
1.	Office buildings	Not recommended
2.	Shopping centres	Not recommended
3.	Parking lots	Not recommended
4.	Large industrial	Notwithstanding the fact that Council has effectively eliminated the class by setting the ratio to be equivalent to the residual industrial class, it is recommended to retain the class
5.	Small-Scale Value-Added and Commercial Activities on Farms	Not recommended
6.	Small Business Tax Class	Not recommended
7.	New Multi-Residential Subclass	Not recommended

Considerations - the greatest advantage of adopting optional classes was in 1998, when the Provincial transition ratios showed the most tax burden differentiation between classes. There is no longer a legislated deadline for creating or collapsing an optional tax class, however the decision must be made before tax ratios and rates are set. Furthermore, if consideration is being given to introduce an optional tax class, the Ministry of Finance would need to be consulted to legislate a respective transition ratio. This process would be necessary to establish any new optional class.

Small-Scale Value-Added and Commercial Activities on Farms

Bill 70, Building Ontario Up for Everyone Act (Budget Measures), 2016

Considerations – In 2018, the Province announced support for the growth of small-scale agri-food business on farms by enabling property tax changes to be made at the local level. This optional tax policy initiative provides municipalities with the flexibility to tax the first $50,000 of assessed value of qualifying value-added and commercial activities on farms at a rate that is 75 per cent lower than the commercial or industrial tax rate that would otherwise apply. To support a level playing field with larger processors and off-farm businesses, this treatment is limited to on-farm processing and commercial facilities that are assessed below $1 million. This is a part of Ontario’s plan to encourage job growth in the agriculture sector and support rural economies.

In 2022, the Province enhanced this program with a second subclass, effectively increasing the maximum assessed value to $100,000. Eligibility for a tax reduction under the second $50,000 tier, is subject to the following being in place:

- First subclass for industrial property class, $50,000;
- First subclass for commercial property class, $50,000 less assessed value of the land included in the first subclass for the industrial property class;
    - Subject to having a first class industrial property class;
- Second subclass for industrial property class, $50,000;
- Second subclass for commercial property class, $50,000 less assessed value of the land included in the second subclass for the industrial property class;
    - Subject to having a second subclass for industrial property and a first class for the commercial property class.

The current year's tax roll for Oxford identifies seven potential eligible properties – four commercial properties and one industrial property with assessment totalling $257,600. The potential impact of employing this tax policy option would be approximately $3,650 collectively, however four of the properties are already benefitting from the vacant land reduction policy, therefore eligibility would require further investigation. Concern has also been expressed regarding resources required to identify and confirm the nature of each enterprise to ensure eligibility, and to deal with appeals disputing the eligibility and/or assessment values assigned by MPAC.

Small Business Property Subclass

Considerations – in response to some municipalities requesting additional property tax tools that would provide targeted tax relief to small businesses and increase business competitiveness, through the Province's review of Ontario's property tax and assessment system an optional small business class policy was introduced in 2021.

Following release of the regulations, staff in collaboration with the Area Municipal Treasurers, undertook a review of the provincial regulations released in May 2021 to determine if there would be benefit in pursuing the development of a small business subclass for Oxford County. The findings were reported to Council on October 13, 2021 under Report CS 2021-39 entitled "Tax Policy – Optional Small Business Subclass".

In summary, the policy is limited to granting authority to municipalities the option to develop and implement a locally designed program, which is a significant departure from the standard approach to optional tax policies in Ontario. This subclass will require a much different approach than what municipalities have been used to in considering tax policy options. Instead, municipalities will have to give careful consideration to:

- deciding what will qualify as a small business locally;
- determine what criteria will be relied on and how eligibility will be documented in order to be substantiated;
- design and implement an ongoing administrative structure including a quasi-judicial function administered by municipal staff; and
- provide MPAC with annual listings of eligible properties and updates as necessary to ensure compliance in accordance with the local program.

Further, it was determined that there are a number of preliminary challenges to address if the County and its Area Municipalities are interested in employing an optional small business subclass, starting with defining “Small Business” – arriving at a definition that determines who gets the benefit, who does not, and who will bear the costs of the benefits of those properties in the subclass. These decisions will likely face opposition, not only at the time the policy is established, but in post implementation when properties are determined eligible or ineligible.

As for the eligibility criteria, assessment data does not support an effective or objective assessment of whether a business is large or small, rather it relates to the building’s general use and not the value, wealth or sustainability of the business. In light of the foregoing, there should be other factors considered when defining properties that are eligible, such as:

- responsibility for tax burden – landlord vs tenant;
- size of operation – whether the business is family owned and operated on a street-facing building, owned by a local owned franchise, or operating in a mall and owned by a nation-wide chain;
- type or nature of business, sector – targeting certain businesses such as tourism sector, hospitality, personal care and excluding certain businesses that are not generally open to the public providing off-site services, as examples;
- location – main street, existing commercial zones, new commercial zones, business parks, etc.

To date, the Cities of Toronto and Ottawa have implemented a small business property sub-class while Grey County and City of Barrie undertook the necessary public consultation process and decided against implementation. Other counties in our region who have decided not to consider the small business property subclass includes Perth and Wellington.

Aside from employing tax policy to support our local small business community, the County, in collaboration with the Area Municipalities, provides Community Improvement Plans to assist in making improvements to their buildings.

In addition to the local support for our business community, effective January 1, 2021, the Province reduced the Business Education Tax Rates province-wide to a uniform level of 0.88%. Although this provided an education tax reduction of 30% for businesses in Oxford County, the loss of education funding is now funded by provincial and local taxpayers, and a portion previously retained by the municipalities for certain Payment in Lieu Properties.

In light of the challenges and additional costs anticipated by the adoption of an optional small business property subclass, County Treasurers are of the opinion that the challenges and cost burden to other taxpayers will outweigh benefits to local small businesses. In response, County Council adopted the recommendation contained in Report CS 2021-39 – that an optional Small Business Subclass not be implemented for the 2022 taxation year with that decision being carried through to 2024 tax policy.

It is important to note that due to the time that would be involved in conducting the prescribed public consultation process; establishing necessary policies, an administrative framework and sourcing staff resources to implement and maintain the policy; and MPAC modifying the roll to accommodate the defined criteria, the process would need to commence at least 18 months in advance of the tax year for implementation.

Tax Rate Discounts

In the *2020 Ontario Budget*, the Province responded to requests from municipalities to streamline the ability to modify the process for defining vacant unit rebate and vacant and excess land subclass programs. Subsequently, the Province amended the *Municipal Act, 2001* and the *City of Toronto Act*, *2006* to enable municipalities to implement program changes through municipal by-law rather than requiring the approval of a regulatory amendment by the Minister of Finance. Furthermore, the *Municipal Act, 2001* permits a municipality, other than a lower-tier municipality, to pass a by-law indicating that the prescribed subclass reductions do not apply[1].

Subclass tax rate discounts are available for reducing the tax apportionment to certain property types meeting specified criteria, including:

- Commercial and industrial vacant land, with specified zoning or planning details which have no assessable buildings; (upper limit 1.00 – lower limit 0.65)
- Commercial and industrial excess land, are lands in excess of land required to support the improved portions of the land under municipal planning rules;
- Farmland awaiting development, being actively farmed and has a registered plan of subdivision or building permits have been issued.

Table 5 - Tax Rate Discounts – to establish policy to reduce the tax burden on vacant commercial and industrial land and farmland awaiting development.

	Decision Points	Previous Program	Recommendation
1.	Farmland Awaiting Development Subclass 1	55%	No change
2.	Farmland Awaiting Development Subclass 2	55%	No change
3.	Commercial Vacant/Excess Land	30%	No change
4.	Industrial Vacant/Excess Land	35%	No change

Considerations – may establish a uniform reduction factor for both commercial and industrial anywhere between 30% and 35%. Farmland awaiting development can have a reduced rate adjusted by 10% up or down in any given year, provided that the reduction remains within 25% to 75% for the first subclass, and 0% to 75% for the second subclass.

Since the amendments were implemented to the *Municipal Act, 2001* to allow municipalities to eliminate vacant and excess land subclass tax reduction programs, most municipalities across the province have eliminated this program. In light of this, the Area Municipal Finance Group undertook a review prior to proposing 2023, 2024 and 2025 tax policy. Considering recent

[1] *Municipal Act, 2001* Subsection 313 (1.3)

geopolitical pressures and the industries that would be financially impacted the most, the Area Municipal Finance Group does not recommend change in the vacant and excess land subclass rate reduction program and will further review impacts during 2026 tax policy review.

Table 6 – Vacant Unit Rebate – to establish policy to provide tax rebates to owners of property that have vacant portions if that property is in any of the commercial classes or industrial classes.

	Decision Points	County-Wide Regulated Program	Recommendation
1.	Vacant Unit Rebate Program	O.Reg. 325/01 - County of Oxford 20. (2) No rebate is payable under section 364 of the Act for a taxation year in respect of a building, structure or portion of a building if the municipality paid or credited a rebate in respect of the building, structure or portion, as the case may be, for any five previous taxation years.	Local municipal decision

In setting 2017 tax policy, Oxford County was granted a regulatory amendment for the vacant unit rebate program, adopted under O. Reg. 325/01 – see Table 6. The County's vacant unit rebate program caps a commercial or industrial property to five years of benefit from the rebate program which became effective in 2018. Subsequently, the Province amended the *Municipal Act, 2001* to allow lower-tier municipalities, by by-law, to determine that a vacant unit program does not apply in the municipality[2].

Based on the review undertaken in 2023 by the Area Municipal staff who administer the vacant unit rebate program, they were generally of the opinion that tracking the number of years each property has remaining for eligibility under the program was administratively cumbersome, making it difficult to justify based on the number of applications recently being approved. In response, five of the Area Municipalities have enacted by-laws to opt out of the Vacant Unit Rebate program in 2023, being Woodstock, Ingersoll, East Zorra-Tavistock, Norwich and South-West Oxford.

Although some of our Area Municipalities have enacted by-laws to exercise the opt-out provision eliminating the vacant unit rebate program, the County's regulated program under O.Reg. 325/01 will continue to apply for the remaining Area Municipalities.

Vacant Housing Tax

The Province's *Fair Housing Plan* legislated in 2022 empowered municipalities to implement a Vacant Homes Tax ("VHT") within their jurisdictions. The intent of this legislation is to

[2] *Municipal Act, 2001* Subsection 364 (1.1)

"encourage" property owners to either sell unoccupied housing units or actively rent them to increase the supply and reduce the cost of housing.

Amendments to the *City of Toronto Act* effectively grants the City of Toronto unconditional authority to implement a VHT, however amendments to the *Municipal Act, 2001* require all other municipalities in the province to seek approval from the Ministry of Finance before doing so.

In order to consider a VHT in a municipality it is important to understand which properties would be subject to the tax and if the inventory is significant enough to justify the cost of establishing the necessary administrative structure to maintain the program to ensure it is sustainable. More specifically, the administrative structure will include ongoing maintenance of the inventory of applicable properties, enforcement and appeal processes.

Prior to requesting Ministry approval for a VHT program, the following framework should be carefully considered:

- definition of vacant homes;
- exemption criteria;
- tax rates and penalty options;
- projected revenue generated;
- cost of implementation and ongoing administration of the VHT program;
- in two-tier jurisdictions, which level of government will be responsible for what aspects of the VHT program; and,
- proposed application of revenues in excess of program expenditures.

Cities in the GTA, Ottawa and London have implemented VHT programs. Considering the administrative requirements of a VHT program, staff are of the opinion that it is likely to be most effective in large urban centers where residential speculation is more prevalent and has a significant impact on the availability of housing in comparison to municipalities with significant farmland assessments. Therefore, staff are not recommending consideration of pursuing a VHT at this time and will continue to monitor its relevance for our jurisdiction over time.

Tax Ratios

Tax ratios are a factor in the calculation of tax rates, used to weight assessed values by property class in determining the allocation of the tax levy among properties, however tax ratios are restricted in movement, either closer to or, within the prescribed thresholds set by the Province – refer to Table 7.1.

In 2017, the Minister of Finance introduced new legislation proclaiming that the multi-residential ratio cannot be greater than 2.0 or the property class will be subject to a levy restriction, meaning that no portion of a levy increase can be imposed on the multi-residential tax class, which applied to Oxford at that time.

Municipalities were also informed by the Ministry in 2017 that, according to the *Fair Housing Plan*, the Province implemented a mandatory new multi-residential property class province-wide to ensure that municipalities tax new multi-residential development at the same rate as residential properties. The intent was to support and encourage the development of new, purpose-built rental housing as a step to improve housing affordability in the rental market.

In response, analysis was conducted to assess the impacts of migrating the County's 2.74 multi-residential tax ratio to the new Provincial maximum threshold for multi-residential tax ratio of 2.0 over a four-year period. This was achieved within the property value assessment cycle at the time, reaching the destination ratio of 2.0 in 2020.

The New Multi-Residential subclass offers a discounted rate of up to 35% of the New Multi-Residential class which is 1.0 equivalent to the Residential class, is another option to incent additional housing. As it may be appealing to developers, it is too soon to determine if it will actually increase supply, particularly when the construction industry is experiencing challenges related to resource and supply chain constraints. On that basis, staff will review the effectiveness of this initiative and its potential impact on the residential class when proposing tax policy in the coming years.

In Oxford, the tax ratios, with the exception of the farm class ratio, can only be decreased toward the range of fairness, which will result in additional permanent tax burden to other classes such as the residential class. Table 7.1 – Tax Ratio Summary illustrates the County's 2024 starting tax ratios compared to the range of fairness regulated by the Province.

As the farm class ratio falls within the range of fairness, it can be increased up to the upper limit if deemed appropriate – more information regarding the farm class ratio follows Table 7.1.

Table 7 - Tax Ratios

	Decision Points – Funding Options	Recommendation
1.	Adopt previous year's actual tax ratios - refer to Table 7.1 – Tax Ratio Summary	Recommended
2.	Class neutral transition ratios to mitigate inter-class shifts that would otherwise occur due to reassessment	Not applicable
3.	Flow through a rate increase of less than or equal to a maximum of 50% of the rate increase to the residential class to levy-restricted (hard-capped classes)	Not applicable
4.	Move Class Tax Ratios that exceed the Ranges of Fairness closer towards them; this will shift a larger share of the tax burden onto residential ratepayers	Not recommended
5.	Establish Class Tax Ratios anywhere within the Ranges of Fairness	Not recommended
6.	Reduce Farm Class Tax Ratio below 25%	Recommend previous year's tax ratio
7.	New Multi-Residential subclass – discount of up to 35% of the New Multi-Residential class	Not recommended

Considerations – Tax ratios may be moved within or closer to the range of fairness if the ratio is currently not within that range – refer to Table 7.1.

Table 7.1 - Tax Ratio Summary

Realty Tax Class	County Ratio	Range of Fairness		Threshold Ratios	
		Lower Limit	Upper Limit	Threshold	Subject to Levy Restriction
Residential	1.000000	1.00	1.00	-	N/A
Farm	0.217700	0.00	0.25	-	N/A
Managed Forest	0.250000	0.25	0.25	-	N/A
Pipeline	1.259300	0.60	0.70	-	N/A
New Multi-Residential	1.000000	1.00	1.00	-	N/A
Multi-Residential	2.000000	1.00	1.10	2.0	No
Commercial	1.901800	0.60	1.10	1.98	No
Landfill	1.901800	0.60	1.10	1.98	No
Industrial – including Large Industrial	2.630000	0.60	1.10	2.63	No
Aggregate Extraction	2.140048	0.60	1.10	2.63	No

The tax ratio for the residential class is legislated at 1.0, while the farm and managed forest classes have a prescribed tax ratio of 0.25. Municipalities have the flexibility to set a tax ratio for the farm class below 0.25, however, this reduction would only apply to the municipal portion of the tax bill.

As background information, 2017 and 2018 annual tax policy introductory reports included reference to the January 1, 2016 property value reassessment conducted by MPAC for tax purposes which resulted in significant increases for farm properties in southwestern Ontario. In recognition of the potential impact on local farm businesses, the County and Area Municipal Treasurers and Tax Collectors hosted an information session at an Oxford Federation of Agriculture meeting at the Regional OMAFRA office in March of 2016. Presenters at the session included representation from MPAC and a professional property valuator from London having expertise in farm property valuations. It was evident from the information provided at that event that the farm property values in Oxford had historically been undervalued and would be experiencing a marked increase in the 2016 CVA update. Some of the reasoning behind the significant increase specific to our jurisdiction was cited as past history of farm properties being passed on from generation to generation, whereas more recently farmers are retiring without succession plans and they have been selling to independent third parties at what is considered a more fair “market” value.

In response to receiving the 2017 Reassessment Notices based on January 1, 2016 CVA, the Ontario Federation of Agriculture rallied the farming communities across the province to lobby their local tax policy decision makers (upper and single-tier municipalities) to reduce the farm property class tax ratio typically set at 0.25, or 25% of the residential rate, to lessen the shift in tax to that class.

The following table presents the comparison of County Council’s efforts to mitigate the increase in the farm class property tax burden imposed by the significant increase in assessed values during the current (extended) assessment cycle.

Table 7.2 – Farm Tax Ratio – Current Assessment Cycle

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Farm tax ratio	0.250000	0.235000	0.235000	0.217700	0.217700	0.217700	0.217700	0.217700	0.217700
Levy share	7.1%	7.4%	8.0%	8.1%	7.9%	7.9%	7.7%	7.6%	7.6%

The figures illustrate how the phased-in reassessment increased the farm class share of the general levy and Council’s action taken in 2020 to cap that share. Considering the 2024 assessment remains at full value that was reached in 2020, the proportionate share of the levy for the farm class has remained relatively consistent without any change in the ratio over those years due to growth related assessment predominantly in the residential, commercial and industrial classes, all having higher tax ratios.

Impact on Typical Properties

As previously referenced in this report, the Provincial Government has delayed implementation of the January 1, 2019 assessment figures for 2021 to 2025 tax purposes. In keeping with the Province’s lead, staff are recommending no change in 2025 tax ratios from those employed in 2020 to 2024 to maintain as much of a stable financial obligation for property owners as is possible.

Tables 7.3 and 7.4 presented under this section of the report illustrate how the County’s 2025 composite tax levy increase will impact the typical residential and farm properties respectively, based on no change in ratios over the prior year.

Table 7.3 – Tax Impact on Typical Residential Properties

Single Family Detached Residential	2024 Tax	2025 Tax	$ Change	% Change
Phased CVA	$275,022	$275,022	$0	0.00%
Composite tax rate	0.00489998	0.00523067	0.00033069	6.75%
Total tax	$1,348	$1,439	$91	6.75%
Single Family Detached Residential	**2024 Tax**	**2025 Tax**	**$ Change**	**% Change**
Phased CVA	$250,000	$250,000	$0	0.00%
Composite tax rate	0.00489998	0.00523067	0.00033069	6.75%
Total tax	$1,225	$1,308	$83	6.75%

The typical residential property in Oxford County is valued at $275,022 for 2024 and 2025. Although there is an increase in the 2025 composite levy (general, library and court security grant levies combined) of $7.8 million or 8.9% over 2024, the 2024 assessment growth assists in providing a broader base for distribution, resulting in an increase in property tax for the typical property of $91. The lower portion of this chart illustrates the residential property tax burden and the change over the prior year for $250,000 in assessment.

Table 7.4 – Tax Impact on Farm Related Properties

Farm Related Properties	2024 Tax	2025 Tax	$ Change	% Change
Farm House CVA	$201,500	$201,500	$0	0.00%
Composite tax rate	0.00489998	0.00523067	0.00033069	6.75%
Total tax	$987	$1,054	$67	6.75%
Farm Related Properties	**2023 Tax**	**2025 Tax**	**$ Change**	**% Change**
Farm Land CVA	$1,471,700	$1,471,700	$0	0.00%
Composite tax rate	0.00106673	0.00113871	0.00007198	6.75%
Total tax	$1,570	$1,676	$106	6.75%
Total Property Tax	**$2,557**	**$2,730**	**$173**	**6.75%**

Due to the fact that such a large proportion of farm properties are made up of multiple portions (residential, commercial, etc.), the impact on farm related properties illustrated in Table 7.4 is based on the median CVA for a farm house and for farm land per roll number. This is prepared for illustrative purposes only as assessment per roll as it relates to farmland and is not necessarily reflective of an entire farming operation.

It is important to understand other tax benefits that are available to farm properties. As an example, farm owners who reside on the property pay a residential tax component for their home plus one acre of land at the farmland rate. However, the valuation is based on a replacement cost method that produces a much lower value than non-farm residences. Property owners who are not engaged in farm activity or business and lease their land to a bona fide farmer, are inherently benefitting from lower residential taxes. Many farmland properties are also benefiting from property tax discounts, subject to eligibility criteria, under the Managed Forest Tax Incentive Program (0.25 ratio) or the Conservation Land Programme which is fully exempt from property taxes.

Tax Rates

Prior to calculating tax rates, the following additional decisions need to be made:

Table 8 - Graduated Tax Rates (Banding)

	Decision Points	**Recommendation**
1.	Two bands and thresholds for each band	Not recommended
2.	Three bands and thresholds for each band	Not recommended

Considerations – typically used so that properties with higher assessments within the class are taxed at a higher rate than properties with lower assessments. Not commonly used since it disregards the correlation between the assessed value of the property and the size, or businesses' ability to pay. In addition, it tends to create tax advantages and disadvantages on a per-property basis.

Other Policies

The following policies have been adopted by Council in the past and, although legislation does not require ratification or reconsideration on an annual basis, the Area Municipal Treasurers/Finance Group review these policies on an annual basis to ensure they remain relevant and effective.

In response to this year's review, the Area Municipal Treasurers/Finance Group are not proposing any amendments to these policies and there have not been any provincial legislative changes from the prior year's review that would require further amendments to these policies.

> Financial Hardship Program – By-law No. 5912-2017, being a by-law that provides for deferral of the annual eligible amount for eligible property. Amounts deferred under this program are permitted to accrue as long as the person remains eligible until such time as the property is sold, or otherwise transferred, or taxes paid. Refer to Attachment 1 to review the policy.

> Tax Rebates to Eligible Charities and Similar Organizations – By-law No. 5913-2017 being a by-law that establishes a tax rebate program for the purposes of providing relief from taxes or amounts paid on taxes on eligible property owned by eligible charities and similar organizations, is attached as Attachment 2 to this report.

Education Tax Rates

The Ministry of Finance annually prescribes education tax rates for municipalities. Table 9 reflects the 2025 rates as set by O.Reg. 400/98 which have remained consistent since 2021.

Table 9 – Education Tax Rates

	2025
Residential	0.00153000
Multi-Residential	0.00153000
New Multi-Residential	0.00153000
Farm	0.00038250
Managed Forest	0.00038250
Commercial	0.00880000
Industrial	0.00880000
Aggregate Extraction	0.00511000
Pipeline	0.00880000
Landfill	0.00880000
Commercial	0.00880000
Industrial	0.00880000

CONCLUSIONS

This report is presented for Council's consideration of setting 2025 tax policy for the purpose of levy distribution among the various tax classes. The Province has provided upper and single-tier municipalities with the authority to define what fair distribution should be within those municipalities' jurisdictions using ratios intended to be set within a prescribed "range of fairness".

Council is asked to consider the decision points contained within the report in consultation with their Area Municipal Treasurer. Any direction from Council regarding tax policy options and allocation of the 2025 property tax received at this meeting will allow staff to prepare the appropriate by-law for Council's consideration on April 9, 2025.

SIGNATURES

Departmental approval:

Original signed by

Lynn S. Buchner, CPA, CGA
Director of Corporate Services

Approved for submission:

Original signed by

Benjamin R. Addley
Chief Administrative Officer

ATTACHMENTS

Attachment 1 – By-law No. 5912-2017 – Financial Hardship Program
Attachment 1 – By-law No. 5913-2017 – Tax Rebates for Eligible Charities and Similar Organizations