To: Warden and Members of County Council

From: Director of Corporate Services

2021 Tax Policy

RECOMMENDATIONS

1. That consideration of a 2021 tax policy by-law be given at the Council meeting scheduled for April 14, 2021, 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 hereby reaffirms tax policy previously established by By-law No. 5912-2017, being a by-law to provide a Financial Hardship Program;

3. And further, that Council hereby reaffirms 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.

REPORT HIGHLIGHTS

- Property taxes will be calculated on current value property assessments as of January 1, 2016 – January 1, 2019 assessment update for the 2021 tax year was postponed due to the pandemic

- 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 decisions to be considered by Council contained within this report are recommendations of the Area Municipal Treasurers, Tax Collectors and County Treasurer

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 2021. It is important to note that assessment values will only change in 2021 if there have been improvements or deletions to a property, due to the Provincial Government deferring implementation of the January 1, 2019 assessment values in response to COVID-19.

This report marks the beginning of the 2021 tax policy setting process which is intended to conclude in April in order to allow time for completing reviews and calculations for final tax billing in July. All tax policy authorizing by-laws will be presented to Council for consideration at that time.

The next step of the 2021 tax policy setting process may be further analysis of tax policy options, subject to specific direction from Council.

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 typical properties based on 2021 property assessment values provided by MPAC.

The Treasurer has prepared this report in consultation with the Area Municipal Treasurers.

Communications

The County and Area Municipal Treasurers will continue to collaborate throughout the policy review process and in formulating further recommendations regarding any addition 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 2021 County tax dollars explained** will be updated accordingly.

Strategic Plan (2015-2018)

WORKS WELL TOGETHER	*WELL CONNECTED*	*SHAPES THE FUTURE*	*INFORMS & ENGAGES*	*PERFORMS & DELIVERS*	*POSITIVE IMPACT*
		3.ii. 3.iii.			

DISCUSSION

Background

County Council is required, on an annual basis, 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 30, 2020, Council received for information Report No. CS 2020-59 entitled “2021 Preliminary Assessment and Tax Analysis”. The information presented in the report was based on MPAC’s assessment roll as returned for 2021 taxation extracted from MPAC’s Municipal Connect[1]. The assessment related information contained in Report No. CS 2020-59 forms the basis of the tax policy analysis presented throughout this report.

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 2020 as a result of extending the current assessment cycle.

Tables 1 and 2 compare the 2020 growth related assessment and revenue in comparison with those for 2016 to 2020, providing a five-year trend analysis.

[1] https://www.mpac.ca , Municipal Property Assessment Corporation (MPAC), *Municipal Connect,* November 30, 2020

Table 1 – Assessment Growth for Years 2016 to 2020

	2016		2017		2018		2019		2020	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	148,313,896	1.64%	293,641,419	2.90%	225,551,378	2.27%	329,521,106	3.17%	231,158,558	2.11%
Farm	58,020,500	1.72%	25,722,131	0.40%	11,649,888	0.24%	-14,399,958	-0.25%	14,418,663	0.22%
Managed Forest	133,200	1.60%	336,700	2.79%	-402,914	-3.82%	35,775	0.32%	317,500	2.64%
New Multi-residential							2,155,000	100.00%	-28,000	-1.30%
Multi-residential	-4,220,000	-2.09%	5,396,800	2.77%	2,571,393	1.34%	3,108,337	1.57%	-3,643,100	-1.77%
Commercial	2,812,796	0.28%	12,333,321	1.10%	38,941,926	3.70%	7,391,642	0.65%	32,480,074	2.76%
Industrial	473,636	0.22%	5,383,166	2.39%	1,570,950	0.71%	12,054,628	5.30%	20,072,000	8.23%
Large Industrial	-2,070,300	-0.55%	-4,265,100	-1.05%	16,092,246	4.25%	-4,192,271	-1.03%	-2,923,464	-0.71%
Pipeline	554,000	0.24%	581,000	0.23%	876,850	0.36%	1,455,661	0.58%	3,781,000	1.45%
Sub-total Taxable	**204,017,728**	**1.41%**	**339,129,437**	**1.81%**	**296,851,717**	**1.75%**	**337,129,920**	**1.84%**	**295,633,231**	**1.50%**

Table 2 – Revenue Growth for Years 2016 to 2020

	2016		2017		2018		2019		2020	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	559,275	1.64%	1,127,911	3.17%	824,706	2.28%	1,205,809	3.17%	853,749	2.11%
Farm	54,704	1.72%	16,592	0.42%	9,978	0.24%	-12,380	-0.25%	11,590	0.22%
Managed Forest	126	1.60%	271	3.07%	-366	-3.81%	32	0.32%	292	2.64%
New Multi-residential							7,885	100.00%	-103	-1.29%
Multi-residential	-48,713	-2.33%	38,551	2.22%	22,217	1.34%	23,974	1.57%	-26,900	-1.77%
Commercial	18,636	0.26%	113,683	1.60%	265,857	3.68%	51,146	0.66%	227,219	2.78%
Industrial	333	0.02%	61,812	3.05%	9,966	0.48%	116,525	5.51%	200,236	8.74%
Large Industrial	-19,405	-0.53%	-39,215	-1.09%	154,011	4.34%	-40,616	-1.06%	-27,065	-0.69%
Pipeline	2,630	0.24%	2,539	0.22%	4,026	0.36%	6,707	0.58%	17,579	1.45%
Sub-total Taxable	**567,586**	**1.07%**	**1,322,144**	**2.40%**	**1,290,395**	**2.30%**	**1,359,082**	**2.29%**	**1,256,597**	**2.00%**

In summary, it appears that assessment growth peaked in 2017, modified slightly in 2018 and again in 2020, while remaining somewhat higher in comparison to 2016. From a revenue generation perspective, the residential classes are contributing 65.8% of the additional tax revenue while commercial and industrial are trailing at 18.1% and 13.8% respectively, cumulatively representing 97.7% of the annualized revenue growth.

The 2020 in-year growth figures cited in this report may not be reflective of the actual development that occurred, and may be somewhat suppressed by impacts of the ongoing pandemic due to:

- fewer changes being recorded by MPAC caused by logistical and/or capacity issues from work disruptions;
- reduced information flow within local municipalities and between local municipalities and MPAC; and
- delayed construction projects and fewer anticipated completions due to shut-downs.

In light of the foregoing, there may be more significant growth realized in 2021 and beyond.

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 2016 to 2020

	2016		2017		2018 as revised		2019 as revised		2020 as revised	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	34,178,985	64.17%	35,558,014	64.51%	37,039,543	64.58%	39,262,218	64.63%	41,381,878	64.56%
Farm	3,181,470	5.97%	3,927,535	7.13%	4,223,269	7.36%	4,871,139	8.02%	5,165,231	8.06%
Managed Forest	7,829	0.01%	8,835	0.02%	9,245	0.02%	10,162	0.02%	11,403	0.02%
New Multi-residential							7,885		7,853	0.01%
Multi-residential	2,089,519	3.92%	1,734,422	3.15%	1,678,974	2.93%	1,555,321	2.56%	1,492,465	2.33%
Commercial	7,041,814	13.22%	7,114,414	12.91%	7,496,038	13.07%	7,847,640	12.92%	8,412,140	13.12%
Industrial	1,850,487	3.47%	2,029,507	3.68%	2,066,556	3.60%	2,231,139	3.67%	2,491,816	3.89%
Large Industrial	3,817,124	7.17%	3,611,233	6.55%	3,706,345	6.46%	3,790,795	6.24%	3,906,899	6.09%
Pipeline	1,099,039	2.06%	1,136,180	2.06%	1,131,259	1.97%	1,172,369	1.93%	1,231,152	1.92%
Sub-total Taxable	**53,266,267**	**100.00%**	**55,120,140**	**100.00%**	**57,351,229**	**100.00%**	**60,748,668**	**100.00%**	**64,100,837**	**100.00%**

The levy distributions among classes have remained fairly flat over the five year comparison, with the exception of the farm class which has increased 2.0%. The figures also demonstrate how the multi-residential class is responding to the phased-in reduction of its ratio which has reached the destination ratio of 2.0 in 2020. Notably, we are now beginning to see assessment growth within the new multi-residential class which may be in response to the intention of the provinces' mandated 2.0 ratio to incent multi-residential development.

Tax Policy Decisions

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

Table 4 – Optional Classes of Property
Table 5 – Tax Rate Discounts
Tables 6 – 6.5 – Tax Ratios
Table 7 – Graduated Tax Rates (Banding)
Table 8 – Education Tax Rates

2021 property tax will be based on the same assessment as 2020 due to the Provincial Government's deferral of reassessment, therefore 2021 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 year, 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 the Municipal Property Assessment Corporation (MPAC). As part of the review, the Province has been consulting with municipalities, including seeking input though the Property Assessment and Taxation Review Municipal Advisory Committee.

While the consultation process is ongoing, early action is being taken on a number of measures as announced through the *2020 Ontario Budget*. More specifically, new to the suite of tax policy options for municipalities in 2021 include:

- assessment of business properties in redevelopment areas;
- small business property subclasses;
- streamlining the business vacancy rebate and reduction programs; and
- tax exemption for Army, Navy and Air Force Veterans in Canada.

These options as well as the regulated education tax cuts for 2021, all in response to the ongoing pandemic, will be 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

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 for addition of an optional tax class, the Ministry of Finance would need to be consulted regarding the respective transition ratios. This would be necessary to determine the effect of any new 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 initiative will provide 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 will be 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.

This new sub-class for small-scale on-farm business initiative is an optional program that single and upper-tier municipalities have the option to adopt. Over the course of 2019, MPAC completed property reviews to determine eligibility for inclusion in the new sub-classes.

The current year's tax roll for Oxford only lists four potential eligible properties – three commercial and one industrial with assessment totalling $88,400 and $50,000 respectively. The potential impact of employing this new tax policy option would be approximately $1,500 collectively, however three of the four 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.

New Tax Policy Option in 2021 – Small Business Property Subclass
2020 Ontario Budget, released November 5, 2020

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 is being introduced in 2021.

Based on the information available to date, municipalities would be able to provide a property tax reduction for eligible small businesses through the adoption of a new optional small business property subclass. The Province will also consider matching these municipal property tax reductions in order to provide further support for small businesses.

Amendments are being proposed to the *Assessment Act* that would allow municipalities to define small business eligibility in a way that best meets local needs and priorities. Further details on the optional small business subclass have yet to be set in regulation.

In the absence of a regulation and based on the duration of implementation for the new sub-class for small-scale on-farm business being more than a year, consideration of this option for 2021 is not recommended. Furthermore, staff suggest approaching this option with caution to prevent unintended conflict between properties that meet the criteria and those that do not, which has the potential for posing costly challenges that would have to be defensible on the basis of clearly defined policy. A more fulsome review will be conducted once the regulation is passed.

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%	55% (no change)
2.	Farmland Awaiting Development Subclass 2	55%	55% (no change)
3.	Commercial Vacant/Excess Land	30%	30% (no change)
4.	Industrial Vacant/Excess Land	35%	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.

As previously cited, included in the *2020 Ontario Budget* is a response to requests from municipalities to streamline the ability to modify the process for defining vacant unit rebate and vacant and excess land subclasses programs. The Province is proposing amendments to the *Municipal Act, 2001* and the *City of Toronto Act*, *2006* that will enable municipalities to implement program changes through municipal by-law going forward, rather than requiring the approval of a regulatory amendment by the Minister of Finance.

In setting 2017 tax policy, Oxford County received a regulatory amendment for the vacant unit rebate program, adopted under O. Reg. 325/01. The County vacant unit rebate program caps a commercial or industrial property to five years' of benefit from the rebate program and became effective in 2018.

No further changes to the County's vacant unit rebate and vacant and excess land subclasses programs are proposed at this time.

Table 6 - Tax Ratios

	Decision Points – Funding Options	Recommendation
1.	Adopt previous year's actual tax ratios - refer to Table 6.1 – 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

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

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 6.1.

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.

As for all other property tax classes in Oxford, the tax ratios 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 6.1 – Tax Ratio Summary illustrates the County's 2021 starting tax ratios compared to the range of fairness regulated by the Province.

Table 6.1 - 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

Multi-Residential Tax Ratio

In 2017, the Province announced several tax policy amendments. One of the more significant policy changes was the tax treatment of multi-residential properties. The change requires all municipalities with a multi-residential ratio in excess of 2.0 to either reduce their ratio to at least 2.0 or be subject to a levy restriction, meaning that no portion of a levy increase can be imposed on the multi-residential tax class. Considering the County's 2016 multi-residential ratio was 2.74, the amendment applied to Oxford.

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 – within the current property value assessment cycle expected to end in 2020.

The following table illustrates the annual multi-residential ratios that apply under the four-year migration plan to 2.0 which was adopted by Council beginning with the 2017 taxation year. This would result in the County meeting the Province's revised threshold of 2.0 by the end of the current assessment cycle.

Table 6.2 – Multi-residential Property Tax Ratio Migration Model – from 2.74 to 2.0

Model Description	2017	2018	2019	2020
Migration to 2.0	2.555000	2.370000	2.185000	2.000000

The migration plan as set out in Table 6.2 was followed, reaching the destination tax ratio for pre-existing multi-residential properties in 2020. As such, that class is no longer subject to a hard-cap levy restriction.

Farm Property Tax Ratio

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 seek 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 five-year history of the County Council's efforts to mitigate the increase in the farm class property tax burden imposed by the significant increase in assessed values.

Table 6.3 – Farm Tax Ratio – Five Year History

	2017	2018	2019	2020	2021
Farm tax ratio	0.250000	0.235000	0.235000	0.217700	0.217700
Levy share	7.1%	7.5%	8.2%	8.2%	8.1%

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 2021 assessment remains at full value that was reached in 2020, the slight reduction in the farm class share in 2021 with no change in ratio from the prior year is 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 tax purposes in order to avoid further economic strain on the on businesses and residents that are currently being experienced due to the ongoing global pandemic that are likely to arise from increased property values. This is only one measure that the Province has introduced to support businesses and residents in meeting their financial obligations. In keeping with the Province's lead, staff are recommending no change in 2021 tax ratios from those employed in 2020 to maintain as much of a stable financial obligation for property owners as is possible.

Tables 6.4 and 6.5 presented under this section of the report illustrate the impact on the typical residential and typical farm properties respectively based on no change in ratios over the prior year.

Table 6.4 – Tax Impact on Typical Residential Properties

Single Family Detached Residential	2020 Actual	2021 Preliminary	$ Change	% Change
Phased CVA	$271,277	$271,277	$0	0.00%
General tax rate	0.00369205	0.00367037	-0.00002168	-0.59%
General tax	$1,002	$996	($6)	-0.59%
Single Family Detached Residential	**2020 Actual**	**2021 Preliminary**	**$ Change**	**% Change**
Phased CVA	$250,000	$250,000	$0	0.00%
General tax rate	0.00369205	0.00367037	-0.00002168	-0.59%
General tax	$923	$918	($5)	-0.59%

The typical residential property in Oxford County is valued at $271,277 for 2020 and 2021. Although there is an increase in the 2021 general levy of $880,000 or 1.4% over 2020, the 2020 assessment growth assists in providing a broader base for distribution, resulting in a marginal decrease in property tax for the typical property of $6. 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 6.5 – Tax Impact on Farm Related Properties - Farm Ratio 0.2177

Farm Related Properties	2020 Actual	2021 Preliminary	$ Change	% Change
Farm House CVA	$182,100	$182,100	$0	0.00%
General tax rate	0.00369205	0.00367037	-0.00002168	-0.59%
General tax	$672	$668	($4)	-0.59%
Farm Related Properties	**2020 Actual**	**2021 Preliminary**	**$ Change**	**% Change**
Farm Land CVA	$1,331,000	$1,331,000	$0	0.00%
General tax rate	0.00080376	0.00079904	-0.00000472	-0.59%
General tax	$1,070	$1,064	($6)	-0.59%

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 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 that in determining farmland values for properties that are farmed by the owner and/or tenant are valued based farmer-to-farmer sales. If a farm residence is occupied by the persons farming the property, a one-acre parcel of land is valued at the farmland rate. The farm residence and one-acre parcel is classified in the residential tax class. The value of the residence on the one-acre parcel is determined by establishing a replacement cost less depreciation and the land is valued as farmland.

Tax Rates

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

Table 7 - 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 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 have not identified any required changes and there have not been any provincial legislative changes from the prior year's review that would require amendment 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 No. 1 to review the policy.
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> 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 No. 2 to this report.
>
> There are no changes required for this by-law with respect to the Provincial budget changes to provide tax exemption for Army, Navy and Air Force Veterans in Canada as the assessment is deemed exempt under the *Assessment Act*.
>
> Assessment of Business Properties in Redevelopment Areas – Another area of concern raised that the Province is addressing as part of the property tax and assessment system review, is the impact of redevelopment pressure and speculative sales on the assessment of small businesses. The Province will continue to seek advice of municipalities, businesses and other interested stakeholders through the review to inform a regulatory framework to offer more flexibility in the *Assessment Act* to support the potential creation of optional new assessment tools.
>
> It has been suggested that these optional tools will only have a material impact in jurisdictions where there are significant discrepancies between values of similar properties due to their geographic location.

Education Tax Rates

An additional outcome of the Province's ongoing property tax and assessment review, the Province announced a reduction of business education tax rates (BET) to a rate of 0.88% in 2021. This rate is 10 basis points below the County's existing target rate and represents a reduction of 30% for many businesses. To ensure municipalities are not negatively impacted by the BET reductions, the Province will maintain BET rates at the 2020 BET rates for properties whose payments in lieu of education taxes municipalities are permitted to be retained. The

Province will also adjust transfer payments to school boards to offset the reduction in education property taxes to ensure there is no financial impact on school boards.

The Ministry of Finance annually prescribes education tax rates for municipalities. Table 8 reflects the 2021 rates as set by O.Reg. 46/21 in comparison to the rates set in 2020.

Table 8 – Education Tax Rates Comparison

	2020	2021	% Chg
Residential	0.00153000	0.00153000	0%
Multi-Residential	0.00153000	0.00153000	0%
New Multi-Residential	0.00153000	0.00153000	0%
Farm	0.00038250	0.00038250	0%
Managed Forest	0.00038250	0.00038250	0%
Commercial	0.01250000	0.00880000	-30%
Industrial	0.01250000	0.00880000	-30%
Pipeline	0.00980000	0.00880000	-10%
Landfill	0.01250000	0.00880000	-30%
Commercial - new construction	0.00980000	0.00880000	-10%
Industrial - new construction	0.00980000	0.00880000	-10%

Conclusions

This report is presented for information and for Council to provide staff direction regarding 2021 tax policy. The Province has provided upper and single-tier municipalities with the authority to define what that fair distribution should be within those municipalities' jurisdictions with ratios within a "range of fairness".

Over the next few weeks, Council is asked to consider the decision points contained within the report in consultation with their Area Municipal Treasurer, and provide direction to staff for further review. Any direction from Council in regards to tax policy options and allocation of the property tax burden received at this meeting, or the meeting scheduled for March 25, will allow staff to prepare the appropriate by-laws for Council's consideration on April 8, 2021.

SIGNATURES

Departmental Approval:

Original signed by

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

Approved for submission:

Original signed by

Michael Duben, B.A., LL.B.
Chief Administrative Officer

ATTACHMENTS

Attachment 1 - By-law No. 5912-2017 - Financial Hardship Program
Attachment 2 - By-law No. 5913-2017 - Tax Rebates to Eligible Charities and Similar Organizations