To: Warden and Members of County Council

From: Director of Corporate Services

2023 Tax Policy

RECOMMENDATIONS

1. **That consideration of a 2023 tax policy by-law be given at the Council meeting scheduled for April 12, 2023, 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 continue to be calculated using property values as of January 1, 2016 for the 2023 tax year as implementation of the January 1, 2019 reassessment has been postponed since 2021 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 recommendations contained within this report were prepared in consultation with the Area Municipal Treasurers and Tax Collectors.

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 2023. It is important to note that assessment values will only change in 2023 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 the COVID-19 pandemic.

This report marks the beginning of the 2023 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. The tax policy authorizing and rates by-law will be presented to Council for consideration at that time.

The next step of the 2023 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 2023 property assessment values determined by 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.

Strategic Plan (2020-2022)

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 December 14, 2022, Council received for information Report No. CS 2022-46 entitled "2023 Preliminary Assessment and Tax Analysis". The information presented in the report was extracted from MPAC's Municipal Connect[1] as the assessment roll for 2023 taxation was not yet available. The assessment related information contained in Report No. CS 2022-46 has now been updated to reflect the assessment roll as returned and 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 2023 as a result of the Province extending the current assessment cycle.

Tables 1 and 2 compare the 2022 growth related assessment and revenue in comparison with those for 2018 to 2022, providing a five-year trend analysis.

[1] https://www.mpac.ca , Municipal Property Assessment Corporation (MPAC), *Municipal Connect,* November 3, 2022

Table 1 – Assessment Growth for Years 2018 to 2022

	2018		2019		2020		2021		2022	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	225,551,378	2.27%	329,521,106	3.17%	231,158,558	2.11%	250,124,276	2.23%	386,888,495	3.38%
Farm	11,649,888	0.24%	-14,399,958	-0.25%	14,418,663	0.22%	35,511,508	0.55%	-27,753,857	-0.43%
Managed Forest	-402,914	-3.82%	35,775	0.32%	317,500	2.64%	853,900	6.91%	312,000	2.36%
New Multi-residential			2,155,000	100.00%	-28,000	-1.30%	25,254,700	1187.34%	23,855,000	87.12%
Multi-residential	2,571,393	1.34%	3,108,337	1.57%	-3,643,100	-1.77%	-500,629	-0.25%	3,246,781	1.61%
Commercial	38,941,926	3.70%	7,391,642	0.65%	32,480,074	2.76%	28,515,450	2.36%	31,024,023	2.50%
Industrial	1,570,950	0.71%	12,054,628	5.30%	20,072,000	8.23%	24,802,153	9.39%	4,978,995	1.72%
Large Industrial	16,092,246	4.25%	-4,192,271	-1.03%	-2,923,464	-0.71%	-24,877,889	-6.05%	1,822,369	0.47%
Pipeline	876,850	0.36%	1,455,661	0.58%	3,781,000	1.45%	2,032,000	0.77%	-525,000	-0.20%
Sub-total Taxable	**296,851,717**	**1.75%**	**337,129,920**	**1.84%**	**295,633,231**	**1.50%**	**341,715,469**	**1.71%**	**423,848,806**	**2.08%**

In summary, over the five-year period, assessment growth peaked in 2022, showing an increase of 2.08% over 2021 and a significant spike over the second largest increase of 1.84% in 2019. Notably, the new multi-residential class continues to realize assessment growth in response to the Province's prescribed 1.0 ratio to incent multi-residential development.

The 2022 adjusted roll reflects $23.9 million of assessment growth in the new multi-residential class, representing 5.6% of the $423.8 million in total growth. The new multi-residential assessment relates to properties in the City of Woodstock and the Town of Tillsonburg in the amounts of $22.9 million and $1.0 million respectively.

Table 2 – Revenue Growth for Years 2018 to 2022

	2018		2019		2020		2021		2022	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	824,706	2.28%	1,205,809	3.17%	853,749	2.11%	900,174	2.19%	1,471,950	3.42%
Farm	9,978	0.24%	-12,380	-0.25%	11,590	0.22%	28,374	0.55%	-22,716	-0.43%
Managed Forest	-366	-3.81%	32	0.32%	292	2.64%	783	6.90%	294	2.36%
New Multi-residential			7,885	100.00%	-103	-1.29%	92,694	1187.32%	89,682	87.12%
Multi-residential	22,217	1.34%	23,974	1.57%	-26,900	-1.77%	60	0.00%	24,413	1.61%
Commercial	265,857	3.68%	51,146	0.66%	227,219	2.78%	198,761	2.38%	219,092	2.50%
Industrial	9,966	0.48%	116,525	5.51%	200,236	8.74%	234,158	9.45%	35,923	1.29%
Large Industrial	154,011	4.34%	-40,616	-1.06%	-27,065	-0.69%	-213,842	-5.51%	14,299	0.38%
Pipeline	4,026	0.36%	6,707	0.58%	17,579	1.45%	9,393	0.77%	-2,486	-0.20%
Sub-total Taxable	**1,290,395**	**2.30%**	**1,359,082**	**2.29%**	**1,256,597**	**2.00%**	**1,250,555**	**1.96%**	**1,830,451**	**2.75%**

From a revenue generation perspective, the residential classes are contributing 86.6% of the additional tax revenue while commercial and industrial are trailing at 12.0% and 2.7% respectively, cumulatively representing 101.4% of the annualized revenue growth, as minor net revenue losses were incurred in the remaining classes.

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 2018 to 2022

	2018 as revised		2019 as revised		2020 as revised		2021 as revised		2022 as revised	
Property Tax Class	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Residential	37,039,543	64.58%	39,262,218	64.63%	41,381,878	64.56%	42,039,055	64.70%	46,079,205	65.12%
Farm	4,223,269	7.36%	4,871,139	8.02%	5,165,231	8.06%	5,163,273	7.95%	5,448,904	7.70%
Managed Forest	9,245	0.02%	10,162	0.02%	11,403	0.02%	12,119	0.02%	13,149	0.02%
New Multi-residential			7,885		7,853	0.01%	100,501	0.15%	199,317	0.28%
Multi-residential	1,678,974	2.93%	1,555,321	2.56%	1,492,465	2.33%	1,483,760	2.28%	1,597,862	2.26%
Commercial	7,496,038	13.07%	7,847,640	12.92%	8,412,140	13.12%	8,561,500	13.18%	9,300,820	13.14%
Industrial	2,066,556	3.60%	2,231,139	3.67%	2,491,816	3.89%	2,711,338	4.17%	2,910,844	4.11%
Large Industrial	3,706,345	6.46%	3,790,795	6.24%	3,906,899	6.09%	3,670,117	5.65%	3,904,659	5.52%
Pipeline	1,131,259	1.97%	1,172,369	1.93%	1,231,152	1.92%	1,233,315	1.90%	1,304,586	1.84%
Sub-total Taxable	**57,351,229**	**100.00%**	**60,748,668**	**100.00%**	**64,100,837**	**100.00%**	**64,974,978**	**100.00%**	**70,759,346**	**100.00%**

The levy distributions among classes have remained fairly flat over the five year comparison with the residential class's share increasing slightly in 2022 relative to its share of assessment growth.

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
Table 6 – Vacant Unit Rebate
Tables 7 – 7.5 – Tax Ratios
Table 8 – Graduated Tax Rates (Banding)
Table 9 – Education Tax Rates

2023 property tax will be based on the same property values as in 2020 through to 2022 due to the Provincial Government's deferral of reassessment, therefore 2023 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 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 remains ongoing, property tax decisions for the 2023 taxation year 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 will 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 annual tax policy options as well as the regulated education tax for 2023 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

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.

The 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.

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 five potential eligible properties – four commercial and one industrial with assessment totalling $111,800 and $45,800 respectively. The potential impact of employing this tax policy option would be approximately $2,000 collectively, however four of the five 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 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 No. 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 to 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 those 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 the Counties of Bruce, Grey 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 Bruce, 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. The County also funds a "Future Oxford Legacy Fund" administered by Community Futures Oxford that offers financial supports to small and medium sized local business through grants and loans that are subject to meeting specific criteria demonstrating need and positive community impact in alignment with the "Future Oxford Sustainability Plan".

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%. This meant an education tax reduction of 30% for businesses in Oxford County that is now funded by other provincial taxpayers and local taxpayers who now make up for the loss of the education tax portion previously retained by the municipality 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 No. CS 2021-39 – that an optional Small Business Subclass not be implemented for the 2022 taxation year.

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.

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% (to review in 2023)
2.	Farmland Awaiting Development Subclass 2	55%	55% (to review in 2023)
3.	Commercial Vacant/Excess Land	30%	30% (to review in 2023)
4.	Industrial Vacant/Excess Land	35%	35% (to review in 2023)

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.

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 has amended the *Municipal Act, 2001* and the *City of Toronto Act*, *2006* to 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. 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[2].

Since the amendments were implemented to the *Municipal Act, 2001* to allow municipalities to determine their own vacant and excess land subclass tax reduction program, there have been many municipalities across the province that have effectively eliminated this program. In light of this, the Area Municipal Finance Group have discussed whether this program remains relevant in Oxford and, in order to make that determination, will undertake a review in 2023 to inform any recommended changes that may be brought forward for setting 2024 tax policy.

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

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. Similar to the changes made to the prescribed subclass tax reductions, the Province amended the *Municipal Act, 2001* to allow municipalities, by by-law, to determine that a vacant unit program does not apply in the municipality[3].

In discussions with the Area Municipal Finance Group, it has been determined that the Vacant Unit Rebate program has experienced a significant decline in applications since the program was modified in 2018. More specifically, the number of vacant unit rebates approved in 2018 were 76 followed by a notable reduction in 2019 to 27, gradually declining to 20 applications in 2022.

Based on comments received from the Area Municipal staff who administer the program, general consensus suggests that tracking the number of years each property has remaining for eligibility under the program is an administrative burden that is difficult to justify considering the number of applications now being approved.

It is important to note that the vacant unit rebate program is a local municipal program, therefore each Area Municipality would have to exercise this opt-out provision in order to eliminate the vacant unit rebate program on a county-wide basis. In the event that any Area Municipality choses not to proceed, the County's regulated program under O.Reg. 325/01 will continue to apply.

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

Vacant Housing Tax

As part of the Province's *Fair Housing Plan* introduced in 2022 is legislation which empowers municipalities to implement a Vacant Homes Tax ("VHT") within their jurisdictions. The intent of this legislation is to "encourage" property owners to either sell unoccupied housing units or actively rent them to increase the supply and reduce the cost of housing.

The 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 responsibility for what aspects of the VHT program; and,
- proposed application of revenues in excess of program expenditures.

The Cities of Toronto and Ottawa have already implemented VHT programs and the City of Hamilton has requested Ministry approval for their custom VHT program. 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, instead will monitor how it evolves in the coming years.

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

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

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 current property value assessment cycle, reaching the destination ratio of 2.0 in 2020.

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 2022 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 7.1 - 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

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 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 the 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
Farm tax ratio	0.250000	0.235000	0.235000	0.217700	0.217700	0.217700	0.217700
Levy share	7.1%	7.4%	8.0%	8.1%	7.9%	7.9%	7.7%

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 2022 assessment remains at full value that was reached in 2020, there is a slight reduction in the farm class share beginning in the 2021 carrying through to the 2023 with no change in 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 2023 tax purposes in order to avoid further economic strain on businesses and residents that are currently experiencing financial challenges due to the ongoing global pandemic. This is one of many measures 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 2023 tax ratios from those employed in 2020 to 2022 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 2023 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	**2022 Tax**	**2023 Tax**	**$ Change**	**% Change**
Phased CVA	$277,846	$277,846	$0	0.00%
Composite tax rate	0.00412477	0.00426166	0.00013689	3.32%
Total tax	$1,146	$1,184	$38	3.32%
Single Family Detached Residential	**2022 Tax**	**2023 Tax**	**$ Change**	**% Change**
Phased CVA	$250,000	$250,000	$0	0.00%
Composite tax rate	0.00412477	0.00426166	0.00013689	3.32%
Total tax	$1,031	$1,065	$34	3.32%

The typical residential property in Oxford County is valued at $277,846 for 2022 and 2023. Although there is an increase in the 2023 composite levy (general, library and court security grant levies combined) of $4.4 million or 6.2% over 2022, the 2022 assessment growth assists in providing a broader base for distribution, resulting in an increase in property tax for the typical property of $38. 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	**2022 Tax**	**2023 Tax**	**$ Change**	**% Change**
Farm House CVA	$201,500	$201,500	$0	0.00%
Composite tax rate	0.00412477	0.00426166	0.00013689	3.32%
Total tax	$831	$859	$28	3.32%
Farm Related Properties	**2022 Tax**	**2023 Tax**	**$ Change**	**% Change**
Farm Land CVA	$1,471,700	$1,471,700	$0	0.00%
Composite tax rate	0.00089796	0.00092776	0.00002980	3.32%
Total tax	$1,322	$1,365	$44	3.32%
Total Property Tax	**$2,153**	**$2,224**	**$71**	**3.32%**

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 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 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 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 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.

There is no reference to provide tax exemption for Army, Navy and Air Force Veterans in Canada as these properties are now deemed exempt under the *Assessment Act*.

Education Tax Rates

The Ministry of Finance annually prescribes education tax rates for municipalities. Table 9 reflects the 2023 rates as set by O.Reg. 11/22 in comparison to the rates set in 2021 and 2022.

Table 9 – Education Tax Rates Comparison

	2021	2022	2023	% Chg
Residential	0.00153000	0.00153000	0.00153000	0%
Multi-Residential	0.00153000	0.00153000	0.00153000	0%
New Multi-Residential	0.00153000	0.00153000	0.00153000	0%
Farm	0.00038250	0.00038250	0.00038250	0%
Managed Forest	0.00038250	0.00038250	0.00038250	0%
Commercial	0.00880000	0.00880000	0.00880000	0%
Industrial	0.00880000	0.00880000	0.00880000	0%
Pipeline	0.00880000	0.00880000	0.00880000	0%
Landfill	0.00880000	0.00880000	0.00880000	0%
Commercial - new construction	0.00880000	0.00880000	0.00880000	0%
Industrial - new construction	0.00880000	0.00880000	0.00880000	0%

Conclusions

This report is presented for information and for Council to provide staff direction regarding 2023 tax policy. 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".

Over the next few weeks, Council is asked to consider the decision points contained within the report in consultation with their Area Municipal Treasurer. Any direction from Council in regard to tax policy options and allocation of the property tax burden received at this meeting, or the meeting scheduled for March 22, will allow staff to prepare the appropriate by-laws for Council's consideration on April 12, 2023.

SIGNATURES

Departmental Approval:

Original signed by

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

Approved for submission:

Original signed by

Benjamin R. Addley
Interim 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