The Regional Municipality of York

Committee of the Whole
Finance and Administration
May 14, 2020

Report of the Commissioner of Finance

2020 Property Tax Ratios

1. Recommendations

1. The property tax ratios for the 2020 taxation year be established as follows:

Broad Property Class	Proposed 2020 Tax Ratios
Multi-Residential	1.0000
Commercial (incl. office)	1.3321
Industrial	1.6432
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500
Landfill	1.1000

2. Council approve a bylaw to implement the tax ratios using the notional property tax rate calculation adjustment for 2020.

3. Council authorize staff to conduct public consultations to help inform tax ratio recommendations for the next reassessment cycle which begins with the 2022 taxation year.

4. The Regional Clerk circulate this report to the local municipalities.

2. Summary

This report identifies proposed property tax ratios for the 2020 taxation year.

Tax ratios reflect how the tax rate of a given property class compares to the residential tax rate, with the residential class tax ratio being equal to “one.” They have the effect of distributing the tax burden between classes.

In 2017, Council adopted the use of "revenue neutral tax ratios" for the four year phase-in of the 2016 property reassessment prepared by the Municipal Property Assessment Corporation (MPAC), which ends with the 2020 taxation year. Revenue neutral tax ratios result in the share of revenue collected from each property class within the Region remaining the same as what was raised from the property class prior to reassessment. While revenue neutrality mitigates the change in the relative tax burden of a property class, it does not eliminate tax shifts among municipalities.

The tax ratios proposed in this report are based on the fourth year of the 2016 reassessment results and, consistent with Council's 2017 decision, are revenue neutral.

3. Background

Tax ratios influence the share of taxation paid by each class of property

Tax ratios influence the relative share of taxation borne by each property class. The tax rate for a given property class is determined by multiplying the residential tax rate by the tax ratio for the class. For example, if the proposed tax ratios are adopted, the tax rate for a property in the commercial class would be 1.3321 times the residential tax rate per one hundred dollars of assessment. Table 1 shows the tax ratios the Region has had in place since 2010.

Table 1

Property Tax Ratios Since 2010 Taxation Year

Property Class*	2010 Ratios	2011 Ratios	2012 Ratios	2013-2016 Ratios	2017 Ratios	2018 Ratios	2019 Ratios	2020 Ratios (Proposed)	Ranges of Fairness **
Reassessment Year		**2008**		**2012**			**2016**		
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	**1.0000**	**1.0000**	1.0000
Multi-Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	**1.0000**	**1.0000**	1.0 to 1.1
Commercial (incl. office)	1.1800	1.1431	1.1172	1.1172	1.1813	1.2323	**1.2794**	**1.3321**	0.6 to 1.1
Industrial	1.3575	1.3305	1.3124	1.3124	1.4169	1.4973	**1.5704**	**1.6432**	0.6 to 1.1
Pipelines	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	**0.9190**	**0.9190**	0.6 to 0.7
Farmland	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	**0.2500**	**0.2500**	0.25
Managed Forests	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	**0.2500**	**0.2500**	0.25
Landfill	-	-	-	-	1.1000	1.1000	**1.1000**	**1.1000**	0.6 to 1.1

* Note that tax ratios have only been adjusted for the business classes as Council's policy has been to maintain tax ratios for multi-residential, farmland, managed forests and pipelines.

** Ranges of fairness are the ranges of tax ratios established by the Province with the aim to ensure equity among the classes, meaning one dollar of assessment value should generate the same amount of tax revenue regardless of class. In addition, the Ranges of Fairness promote a fairness principle, in which the level of taxation on a class is related to the cost of providing services to that class. Business classes typically consume fewer municipal services than residential classes.

Revenue neutral tax ratios were adopted for 2017 to 2020

MPAC determines the assessed value used for taxation purposes of all properties within Ontario. Since the 2009 taxation year, the reassessment of properties has taken place every four years, with increases phased-in equally over the following four years. For the 2017 to 2020 taxation years, properties were assessed based on their valuation as of January 1, 2016.

In the 2016 reassessment, the value of the residential property class in York Region increased at a significantly faster rate than other classes. In response to the reassessment outcomes, Council decided to adopt “revenue neutral tax ratios” for the 2017 to 2020 taxation years, which had the result of shifting taxation impact of the reassessment primarily from residential class to both business classes.

The Province’s response to the COVID-19 pandemic resulted in a delay of the next reassessment cycle by one year

Prior to the COVID-19 situation, MPAC planned to release their results from the 2020 reassessment of properties later this year. On March 25, 2020, in view of the unprecedented challenges that municipalities, residents and businesses were facing, the Province announced the reassessment will be postponed, and the 2021 property taxes will be based on property values in effect for the 2020 taxation year. Currently, there is no specific information on how the delay of the implementation of the new reassessment could affect the next taxation cycle from 2022 to 2024. It is expected Council will be required to set the tax ratio policy for 2022 to 2024 period, before the release of final tax bills in 2022.

4. Analysis

Revenue neutrality means new revenue neutral tax ratios need to be approved annually based on actual assessment outcomes for each year of the phase-in

As increases to the assessed values are phased-in over a four-year period, Council must approve new tax ratios each year to achieve revenue neutrality. These ratios are based on actual assessment outcomes for the year, as the relative share of the total Current Value Assessment (CVA) for each broad property class shifts from year-to-year due to the phase-in of the reassessed values and the addition of new assessment. The 2020 tax ratio outcomes were generated by the Online Property Tax Analysis System (“OPTA”) which is an online tool provided by the Government of Ontario.

2020 taxable CVA is 8.7% higher than 2019, of which 7.1% can be attributable to the last phase-in of the 2016 reassessment, and 1.5% to new growth*

Table 2 illustrates the increase in total value assessment between 2019 and 2020.

Table 2

Current Value Assessment Comparison

Broad Property Class	2019 CVA ($ millions)	2020 CVA ($ millions)	% Increase
Residential	276,463	302,521	9.4
Multi-Residential	2,658	2,899	9.1
Commercial (incl. office)	35,686	37,415	4.8
Industrial	7,999	8,192	2.4
Pipelines	390	405	3.9
Farmland	1,724	1,801	4.5
Managed Forests	71	77	8.7
Total	324,991	353,311	8.7%

*total percentage does not add up due to the effect of compounding

The 2019 Current Value Assessment is used as the basis to calculate revenue neutral tax ratios for 2020 (Table 3).

Table 3

Revenue Neutral Tax Ratios for 2020

	2019 Actual	2020 (Online Property Tax Analysis)
Residential	1.0000	1.0000
Multi-Residential	1.0000	1.0000
Commercial (incl. office)	1.2794	1.3321
Industrial	1.5704	1.6432
Pipelines	0.9190	0.9190
Farmland	0.2500	0.2500
Managed Forests	0.2500	0.2500
Landfill*	1.1000	1.1000

*Currently, the Region has landfill properties as payment-in-lieu only, and not as a taxable property class.

Revenue neutral ratios result in property tax savings for residential property owners

By adopting new revenue neutral ratios in 2020, residential tax payers will save approximately $6.7 million compared to 2019 tax ratios. However, the commercial and industrial classes will pay $5.0 million and $1.6 million more, respectively.

Table 4

Estimated Tax Shift ($ 000s)
Impact to Property Tax Classes for 2020
Continuation of Revenue Neutral Ratios Compared to 2019 Tax Ratios

Municipality	Residential	Commercial	Industrial	Other	Total
Aurora	(348)	197	50	(0)	(102)
East Gwillimbury	(167)	69	15	(2)	(85)
Georgina	(180)	59	4	(1)	(118)
King	(203)	51	14	(4)	(143)
Markham	(1,980)	1,579	255	(3)	(149)
Newmarket	(388)	317	70	(0)	(1)
Richmond Hill	(1,359)	675	118	(1)	(567)
Vaughan	(1,895)	2,137	962	(4)	1,199
Whitchurch-Stouffville	(275)	112	34	(2)	(131)
PIL					95
Total	(6,795)	5,196	1,522	(19)	(1)

* Positive figures denote tax expenditures and bracketed figures denote tax savings.

If 2016 tax ratios had been maintained, residential tax payers would be paying $29.0 million more in property taxes in 2020. The commercial and industrial classes would pay $21.5 million and $7.2 million less respectively. As a result of the adoption of revenue neutral ratios, it is estimated that the average single family detached house in the York Region will save $91 this year.

Commercial and Industrial tax ratios are still competitive among GTA municipalities

Despite adopting revenue tax ratios for 2019, the Region still had the lowest tax ratio for commercial properties and second lowest in the industrial class among GTA municipalities (Charts 1 and 2).

When translated to tax rates, the Region's 2019 commercial tax rate was lower than Durham and each of the Peel Region municipalities (only York Region has the identical Regional tax rates for every municipality in its jurisdiction) and is competitive with Halton municipalities. York's industrial tax rate remains the lowest among the 905 municipalities.

Compared to the City of Toronto, all nine York Region municipalities have a lower combined (Regional, Local, and Education) commercial property tax rate than the City of Toronto. Eight of the nine York Region municipalities have a lower industrial tax rate than Toronto, with Georgina being slightly higher (2.394474% for Georgina vs 2.328711% for Toronto).

Chart 1

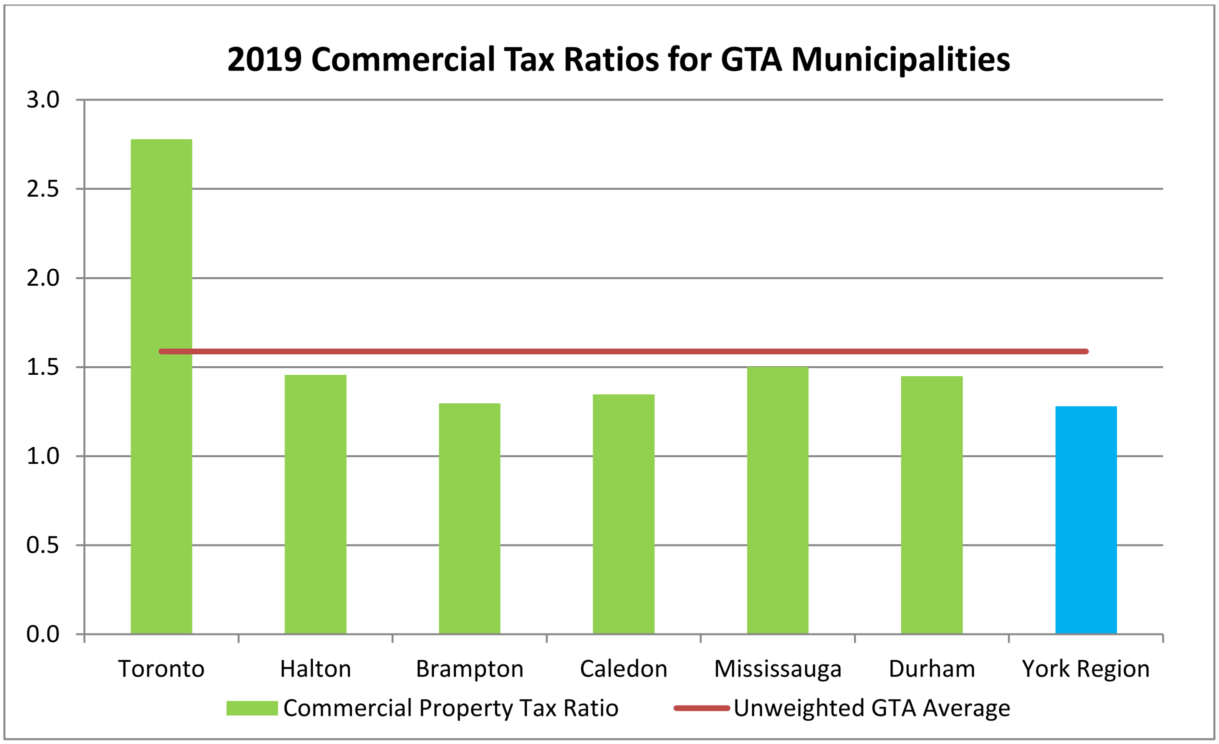
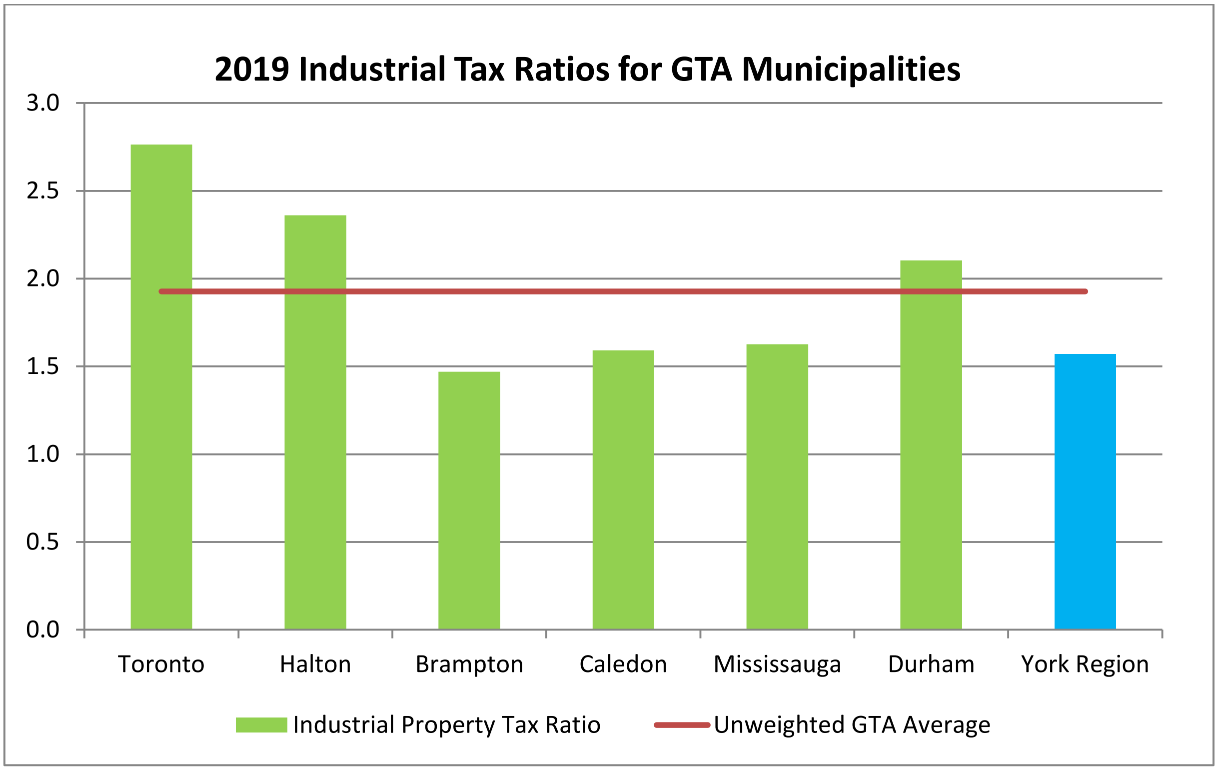


Chart 2



Public and stakeholder consultations would help inform staff recommendations on tax ratio policy for the next cycle

As noted earlier, tax ratios determine how property taxes are shared among the various classes. They can also influence competitiveness of the Region to attract and maintain businesses, Since 2017, the adoption of revenue neutral tax ratios has resulted in businesses in York Region paying an increasingly higher property tax rate compared with residential properties with the same assessed value than in prior years. The current ratios of 1.3321 for Commercial class, 1.6432 for Industrial class and 0.9190 for Pipelines are all outside of the Province's stated "Range of Fairness". The new reassessment cycle provides the best opportunity for the Region to determine whether adjustments to its tax ratio policy would be in the best interests of the Region. Upon receipt of new reassessment outcomes from MPAC, staff will prepare an analysis on the impact to each of the property classes for different potential tax policy options. Staff also propose to consult with stakeholders including local municipalities, businesses and residents to help inform its recommendations to Council.

Council approval is required annually for municipalities to adopt the notional tax rate calculation adjustment

The notional tax rate calculation is an input for determining revenue neutral tax ratios. Notional tax rates are tax rates that would raise the same amount of property taxes as the previous year, while using updated assessment roll information for the current year. As the total assessment value increases each year due to assessment value phase-in and new assessment addition, the notional tax rate declines to keep revenues at the previous year's level. While the notional tax rate has no impact on respective tax rates, it is used to explain changes in tax levies year over year. The notional tax rate is not used to establish property tax rates to fund the Council-approved operating budgetary increase.

In 2016, the Province introduced an option for municipalities to adjust the notional tax rate calculation. This option is a technical adjustment allowing municipalities to remove in-year assessment losses due to factual errors and methodological changes when calculating notional tax rates.

Adopting provincial methodology for calculating notional tax rates does not materially affect revenue neutral tax ratios

When calculating 2020 property tax ratios, staff utilized the notional tax rate adjustment to provide a more accurate illustration of the impact of assessment growth.

The notional rate adjustment has only a minor impact on calculations of revenue neutral tax ratios. This adjustment impacts only the overall levy change in the disclosure notice of the final bills, because it is calculated by comparing the adopted tax rates using the notional rates as a base.

The notional tax rate adjustment option has been adopted by the Region since 2017 and is reflected in proposed 2020 tax ratios.

5. Financial

The adoption of tax ratios enables the Region to set tax rates to raise the amount of revenue Council approves through the annual budget process.

6. Local Impact

Revenue neutral ratios do not eliminate tax shifts between municipalities

While revenue neutrality mitigates the change in relative tax burden of a property class, it does not eliminate tax shifts amongst municipalities. The public consultations regarding tax ratio setting for the next reassessment cycle will be held in conjunction with local municipal staff.

7. Conclusion

The proposed 2020 tax ratio will raise the property tax levy requirement approved by Council in December 2019.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

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