

The Corporation of the City of Kawartha Lakes
Council Report

Report Number CORP2019-010

Date: April 23, 2019
Time: 2:00 p.m.
Place: Council Chambers

Ward Community Identifier: All

Title: 2019 Tax Policy Decisions

Author and Title: Linda Liotti, Manager of Revenue & Taxation

Recommendation(s):

That Report CORP2019-010, 2019 Tax Policy decisions, be received;

That optional property classes for the 2019 tax year are not adopted;

That the tax rate reduction for vacant and excess land in the commercial and industrial class be set as 30% and 35% respectively for 2019;

That the tax rate reduction for First Class Undeveloped Farm Land be set at 45% for 2019;

That the City exit the capping/clawback program as no properties fall within the threshold parameters;

That Council approve the 2019 tax ratios as outlined in Appendix A to report CORP2019-010; and

That the necessary by-laws be forwarded to Council for adoption.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

The Municipal Act, 2001 and the Assessment Act provide Council with the authority to make decisions concerning property taxation.

These decisions include:

1. adoption of optional property classes;
2. tax rate reductions for commercial and industrial properties where the land is in the property subclass of vacant land, or excess land;
3. capping and threshold parameters for properties in the multi-residential, commercial, and industrial property classes;
4. limiting the decrease for commercial, industrial, and multi-residential property classes subject to “clawback” provisions; and
5. revising tax ratios to mitigate tax shifts between the broad property classifications.

Rationale:

1. Optional Property Classes

The *Assessment Act* provides for the implementation of optional property classes. This allows Council to apply different tax ratios to different property classes within the “main” property classes of commercial and industrial. Optional property classes include:

- Shopping Centre (included in the Commercial Broad Class)
- Parking Lots (included in the Commercial Broad Class)
- Office Building (included in the Commercial Broad Class)
- Large Industrial (included in the Industrial Broad Class)
- New Multi-Residential (included in the Multi Residential Broad Class)
- Small-Scale On-Farm Business Subclasses
 - Farms with a commercial and/or industrial facility on the property may be eligible for the small-scale on-farm business subclasses if it is an extension of the farming operation. The commercial and industrial subclasses provide a tax rate that is 75% lower than the industrial or commercial tax rates.
 - To qualify, 51% of the facility must be used to sell, process or manufacture a product produced on the farmland. If the commercial and/or industrial operation has an assessed value equal to or greater than \$1 million, it is not eligible for the small-scale on-farm business subclasses (O. Reg 361/18) of the Assessment Act

Different tax ratios may be implemented if optional property classes are adopted. The tax ratios in these situations must fall within the legislated ranges of fairness.

The City of Kawartha Lakes has not adopted optional property classes ensuring that all properties within a defined “broader” property class are taxed at the same level.

Recommendation 1:

That Council does not adopt optional property classes for the 2019 tax year.

2. Tax Rate Reduction Factors

Subsection 313(1) of the *Municipal Act, 2001* provides that tax rates levied for property in the commercial and industrial classes that are not classed as “occupied” be reduced.

Recommendation 2:

The tax rate reduction by-law for 2019 provide for reductions as follows:

Commercial:	30%
Industrial:	35%
First Class Undeveloped Farm Land:	45%

3. 2019 Capping and Threshold Parameters

The tools allowing for the movement of properties out of the capping calculation were updated in 2016, and implemented in 2017. The updated limits are reflected below:

- 5 - 10% of prior year capped taxes, or
- 0 - 10% of the prior year CVA taxes, or
- If the property is within \$500 of paying CVA taxes (either capped or claw backed), and
- If all the properties within the class are at CVA tax the property class can exit the capping program

Staff is recommending Council eliminate the capping/clawback program as all properties in the City of Kawartha Lakes are now paying Current Value Assessment taxes.

Recommendation 3:

The City of Kawartha eliminates the capping/clawback program as all properties in the City of Kawartha Lakes are now paying Current Value Assessment taxes.

4. Clawback

Each year a by-law is required to provide the percentage of the tax decrease that is retained by the municipality (clawed back) in order to fund the properties that receive capping protection. The purpose of this by-law is to allow staff to apply these provisions to subsequent adjustments to the tax roll after the final tax bills are calculated.

Recommendation 4:

If Council does not approve the elimination of the capping/clawback program, then as in 2018, it is recommended that the decrease clawback parameters be established at 0% for multi-residential, commercial and industrial properties.

5. Tax Ratios

Section 308 of the Municipal Act, 2001 requires municipalities to pass a by-law establishing tax ratios for each taxation year. Municipalities have the opportunity to decrease tax ratios, moving the ratios closer to the “range of fairness”.

Recommendation 3:

The City of Kawartha Lakes establishes tax ratios as outlined in Appendix A.

Financial/Operation Impacts:

There are no financial implications for the municipality with the recommendations.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

Tax policy recommendations do not directly impact or align with a specific Strategic Priority.

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Department Head: Jennifer Stover

Appendix A
2019 Tax Ratios

Property Class	Tax Ratio
Residential and Farm	1.000000
New Multi Residential	1.000000
Residential FAD 1	0.550000
Farmland	0.250000
Managed Forest	0.250000
Multi Residential	1.956823
Commercial Occupied	1.379305
Commercial Excess Land	1.379305
Commercial Vacant Land	1.379305
Landfill Occupied	1.353442
Industrial Occupied	1.346448
Industrial Excess Land	1.346448
Industrial Vacant Units	1.346448
Pipelines	2.001314