

The Corporation of the City of Kawartha Lakes
Council Report

Report Number CORP2020-006

Meeting Date: May 26, 2020

Title: 2020 Tax Policy Decisions

Ward Number: All

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

Recommendation(s):

That Report CORP2020-006, 2020 Tax Policy Decisions be received.

That optional property classes for the 2020 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 2020;

That the tax rate reduction for First Class Undeveloped Farm Land be set at 45% for 2020;

That the capping and threshold parameters be established as follows:

	Commercial	Industrial
Annualized Tax Limit	10%	10%
Prior Year's CVA Tax Limit	10%	10%
CVA Tax Threshold for Protected Properties (Increases) (\$0 to \$500)	500	500
CVA Tax Threshold for Clawed Back Properties (Decreases) (\$0 to \$500)	500	500
Properties that were at CVA Tax in 2019 or that would cross over CVA Tax in 2020 are to be excluded from capping.	Yes	Yes

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

That the decrease claw back parameters for 2020 be set at 0% for multi-residential, commercial and industrial;

That Council approve the 2020 tax ratios as outlined in Appendix A to report CORP2020-006; and

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

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 “claw back” provisions; and
5. revising tax ratios to mitigate tax shifts between the broad property classifications.

Further to item 5 above relating to tax ratios, at the Council meeting of April 23, 2019, Council adopted the resolution (CR2019-293) that staff be directed to examine the impacts of adjusting the Farm tax ratio and the impacts of different incremental reductions of Farm tax ratios.

The findings of staff’s examination were reported (CORP-2019-026- Farm Tax Ratio Review) at the Committee of the Whole meeting on October 8, 2019, where it was received and recommended to be brought forward to Council.

Subsequently, at the Council meeting of October 22, 2019, Council adopted a resolution (CR2019-575) that the Farm Tax Ratio Review report be received and referred to the Agricultural Development Advisory Committee to provide comment.

The Agricultural Development Advisory Committee comments and supporting data charts are attached as Appendices B, C and D.

Rationale:

All recommendations noted below are consistent with the prior taxation year.

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)

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 2020 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 2020 provide for reductions as follows:

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

3. 2020 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, and
- If the property is within \$500 of paying CVA taxes (either capped or claw backed).

Staff is recommending Council continue approving the maximum options available to move as many properties to CVA tax as possible once again this year.

Recommendation 3:

The City of Kawartha Lakes implements the capping and threshold parameters as shown above.

4. Claw back_

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:

As in 2019, it is recommended that the decrease claw back 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”.

Property Class	Range		Kawartha Lakes
	Lower Limit	Upper Limit	
Residential	1.00		1.00
Multi-Residential	1.00	1.10	1.956823
New Multi-Residential	1.00	1.10	1.00
Commercial / Office / Shopping Centre	0.60	1.10	1.379305
Industrial / Large Industrial	0.60	1.10	1.346448
Pipeline	0.60	0.70	2.001314
Farm	up to 0.25		0.25
Managed Forests	0.25		0.25

The farm tax class is within the “range of fairness”. The Agricultural Development Advisory Committee comment on this ratio, is attached as Appendix B.

Recommendation 5:
The City of Kawartha Lakes establishes tax ratios as outlined in Appendix A.

Financial/Operation Impacts:

To lessen the financial burden on residents impacted by COVID-19, the City deferred the payment of property taxes for 60 days. The interim property tax installment due on April 29 was extended to June 27. As a result of this extension, the historical final property tax due dates of June and September will need to be amended accordingly. A 60-day deferral would result in final billing due dates of August and November.

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

Relationship of Recommendation(s) To The 2020-2023 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
2020 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

Appendix B

At the March 10, 2020 meeting of the Agricultural Development Advisory Committee the following motion was carried unanimously:

Moved by P. Brown and seconded by R. Bonis That the information regarding percentage of tax collected by class provided by Councillor Veale be received; and That the ADAC committee recommends that Council adjusts the percentage of the residential class that that the farmland class pays, in order to keep the percentage of the total tax burden that farmland pays the same as the 2019 levels. The request aims to maintain the percentage of the total tax burden for farmland, rather than continuing to result in an increasing share of the total tax burden.

Appendix C

Chart of Percentage of Taxes by Class



Appendix C-Chart -
Percentage of Taxes

Appendix D

Graphical Data of Cumulative Change



Appendix D -
Graphical Data - Cui