



## Committee of the Whole Report

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**Report Number:** CORP2021-010  
**Meeting Date:** May 4, 2021  
**Title:** 2021 Tax Policy Decisions  
**Author and Title:** Linda Liotti, Manager, Revenue and Taxation

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### Recommendation(s):

**That** Report **CORP2021-010, 2021 Tax Policy Decisions**, be received; and

**That** optional property classes for the 2021 tax year are not adopted; and

**That** the tax rate reduction for vacant and excess land in the commercial and industrial class be set as 30% and 35% respectively for 2021; and

**That** the tax rate reduction for First Class Undeveloped Farm Land be set at 45% for 2021; and

**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 2021 be set at 0% for multi-residential, commercial and industrial; and

**That** Council approve the 2021 tax ratios as outlined in Appendix A to report CORP2021-010; and

**That** these recommendations and the embedded draft by-laws be brought forward to Council for consideration at the next regular Council Meeting.

## **Background:**

This report is intended to establish tax policy for 2021.

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.

Also, on March 29, 2020, Council adopted the following resolution relating to the Streetlights Special Rate Area tax levy:

CW2020-065

**That** street lights be moved from the Special Rate Area Tax Levy to the General Rate Tax Levy; and

**That** the Special Rate Area Tax Levy for street lights be phased into the General Rate Tax Levy over the next four-year assessment period.

**Carried**

## **Rationale:**

Assessment values were last updated by MPAC with a valuation date of January 1, 2016. These assessments were implemented on January 1, 2017 and were to be used to levy taxes for the 2017 to 2020 taxation years. As a result of the COVID-19 pandemic, the Province of Ontario announced in March 2020 that the Province-wide Assessment Update scheduled to take effect January 1, 2021 was being postponed. The Province recently announced that the Assessment Update will be further postponed and will not take effect in 2022. Property assessments for the 2021 and 2022 tax years will continue to be based on January 1, 2016 values.

In alignment with Council's resolution CW2020-065, the Special Rate Area Tax Levy for street lights will continue to be calculated as it was in 2020 until the Assessment Update is implemented.

Tax policy changes have implications on the final tax bill of each property. Provincial regulations may dictate some of the shifts in taxation and direction provided by Council also has an impact.

The below are recent Provincial tax policy changes that were considered in recommendations made for this report:

1. Small-Scale On-Farm Business Subclasses:

On May 3, 2018, the Government of Ontario established two new optional subclasses for small-scale on-farm businesses to promote and support local farms across Ontario. The commercial and industrial subclasses were created to provide a tax rate that is 75% lower than the existing commercial and industrial tax rates. The reduced tax rate applies to the first \$50,000 of eligible commercial or industrial assessment. To qualify, the commercial and/or industrial facility must be an extension of the farming operation. In addition, 51% of the facility must be used to sell, process or manufacture something from a product produced on the farmland. If the commercial and/or industrial operation has an assessed value equal to or greater than \$1M, it is not eligible for the small-scale on-farm business subclass.

In Kawartha Lakes, there continue to be no properties eligible for this subclass.

2. Small Business Tax Class:

As part of the 2020-21 Provincial Budget delivered on November 5, 2020, the Province provided municipalities with the ability to establish a new Small Business tax sub-class. Under this change, municipalities can now establish a tax ratio, specifically, for small businesses.

The parameters for determining how a property qualifies for inclusion under this class would be at the discretion of each Single and Upper Tier jurisdiction. The Province has also indicated it may provide matching relief in the form of an education tax reduction, however, has not provided further details at this time.

It is recognized that small businesses have been disproportionately impacted by the COVID-19 pandemic, however, this class cannot be implemented before the 2022 taxation year as municipalities are awaiting the Province to publish the required regulation(s).

The Province currently has a number of programs intended to support businesses through the COVID-19 pandemic including:

- Cost recovery for personal protective equipment through one time grants of up to \$1,000
- Grants to support businesses which were required to shut down or restrict services with respect to fixed costs such as property taxes and utility costs
- \$8 million COVID-19 Energy Assistance Program for Small Business

Once the regulation is published, staff will undertake a review and engage other municipalities and MPAC and bring a report forward to Council with recommendation(s) whether the Small Business tax class is appropriate for Kawartha Lakes.

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 2021 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 2021 provide for reductions as follows:**

<b>Commercial:</b>	<b>30%</b>
<b>Industrial:</b>	<b>35%</b>
<b>First Class Undeveloped Farm Land:</b>	<b>45%</b>

3. 2021 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 2020, 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

**Recommendation 5:**

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

**Other Alternatives Considered:**

N/A

**Alignment to Strategic Priorities**

This report aligns with the strategic priority of Good Government.

**Operation Impacts:**

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

## **Attachments:**

### Appendix A – 2021 Tax Ratios



APPENDIX A - 2021  
Tax Ratios.pdf

### Appendix B – 2021 Tax By-laws



2021 Tax By-laws.pdf

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