



## Committee of the Whole Report

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**Report Number:** CORP2024-007  
**Meeting Date:** April 9, 2024  
**Title:** 2024 Tax Policy Decisions  
**Author and Title:** Linda Liotti, Manager, Revenue and Taxation

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### Recommendation(s):

**That** Report CORP2024-007, 2024 Tax Policy Decisions, be received; and

**That** optional property classes for the 2024 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 2024; and

**That** the tax rate reduction for First Class Undeveloped Farm Land be set at 45% for 2024; and

**That** Council approve the 2024 tax ratios as outlined in Appendix A to report CORP2024-007; and

**That** the "Eligible amount" for the Low Income, Senior and Disabled Persons Property Tax relief be \$300.00; and

**That** these recommendations be brought forward to Council for consideration at the next regular Council Meeting.

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

## **Background:**

This report is intended to establish tax policy for 2024.

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. 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**

Further, staff have undertaken a review of the Low Income Senior and Disabled Persons Program and are providing the outcome for Council's consideration.

## **Rationale:**

### **Assessment Update**

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 intended 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.

On November 4, 2021, as part of the Ontario government's Ontario Economic Outlook and Fiscal Review, the Minister of Finance announced the Province's decision to further postpone a province-wide property assessment update due to the pandemic.

In July 2023, a group of industry and municipal organizations urged the Provincial government to move forward with the long overdue reassessment. The organizations included the Association of Municipalities of Ontario (AMO), the Municipal Finance Officers' Association of Ontario (MFOA), the Canadian Federation of Independent Business, the Ontario Chamber of Commerce and other organizations. The group warned that the reassessment delay "is compromising the province's economic competitiveness" and that frequent reassessments are needed to "stabilize and make taxes more predictable." In response, on August 16, 2023, Ontario's Minister of Finance, officially responded advising that the "government will conduct a review of the property assessment and taxation system that will focus on fairness, affordability and business competitiveness." Additionally, the government will be "exploring modernized administration tools to provide support to municipalities with ongoing assessment base management and increased access to data, to enhance the transparency and equity of future assessments."

While this review is ongoing, and to maintain stability, the government announced a further deferral of the province-wide property assessment and filed Ontario Regulation 261/23 which, among other things, officially extends the January 1, 2016 current value assessment base year to apply to the 2024 taxation year.

In alignment with Council's resolution CW2020-065, the Special Rate Area Tax Levy for street lights is currently calculated as it was in 2023 until the Assessment Update is implemented or until a staff report comes forward to Council to recommend ending this practice.

## **2024 Tax Policy**

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.

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 2022, the Ministry of Finance expanded the existing Small-Scale On-Farm Business. In addition to the first Subclass, a 75% tax rate reduction for the first \$50,000 of eligible commercial or industrial assessment, municipalities are now permitted to adopt a second Subclass, a 75% tax rate reduction for the next \$50,000 in eligible assessments for these same properties.

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

## **2. Small Business Tax Class**

Municipalities continue to have the flexibility to offer property tax reductions to eligible small business properties through adoption of the Small Business Property Subclass.

Staff continued to review the core requirements of the program, listed below, and conduct real-time analysis of the effects of implementing this subclass. A report will be brought forward to Council once the Province implements the Assessment Update.

- The program may only apply to properties in the commercial or industrial property classes
- Large industrial, parking lot and excess / vacant land property classes are excluded
- Must be revenue neutral (no additional taxes)
- Municipalities can specify that the subclass only applies to a portion of the municipality
- Requires an annual By-law
- By-law can stipulate that landlords must pass reduction on to tenants:
  - Public listing of eligible properties is required
  - Discounts can range from 5% to 35%
- The Province will automatically match municipal property tax reductions within any municipality that adopts the subclass.

This approach is consistent with other municipalities in the Province, as to date, only two large single tier municipalities have adopted this subclass.

3. **Education Taxes**

Education property tax rates for 2024 will remain unchanged from the previous year as assessments continue to be based on the same valuation date used for 2023.

4. **Property Tax Assistance Program for Low Income Seniors or Low Income Disabled Persons**

Municipalities offer property tax relief programs in addition to the below Provincial programs:

Senior Homeowners' Property Tax Grant:

Program that aids low-to-moderate income seniors with the cost of their property taxes. Applicants can qualify for the grant and receive up to \$500 per annum, depending on their adjusted family income.

Ontario Energy and Property Tax Credit:

Program offered under the Ontario Trillium Benefit that provides a tax-free payment to help with property taxes and sales tax on energy costs.

The City offers a tax rebate to certain City of Kawartha Lakes property owners who are low income elderly persons, low income persons between the ages of 55 and 64 or low income disabled persons/Ontario Disability Support Program recipients, under Section 319 of the Municipal Act, 2001 and Section 365 of the Municipal Act, 2001, which authorizes a local municipality to pass a by-law to offer such a program.

The purpose of the program is to assist low-income seniors/disabled persons on a fixed income with their annual property tax bill. The City has offered this tax relief program since 2006.

Qualifying property owners can apply annually to the City for the rebate. The deadline to apply is June 30<sup>th</sup> of each year for the preceding tax year. A person is eligible if they or their spouse meet all the following requirements:

- Be at least 65 years of age as of January 1 of the application year
- Be the assessed owner and occupant of a residential property in the City of Kawartha Lakes for at least one year preceding the application

- Receiving funds under one of the prescribed programs (eg. Canada Pension Plan Disabilities Pension, Ontario Disability Support Program, Guaranteed Income Supplement, etc)
- A person who is 55-64 years of age, as of December 31<sup>st</sup> and whose combined taxable income as reported on Line 26000 of last year's Income Tax Notice of Assessment is less than \$30,000
- Have paid property taxes in full excluding the applicable rebate

A review of similar tax rebate programs being offered by neighbouring municipalities is provided below:

Municipality	Kawartha Lakes	Peterborough	Twp of Brock	Kingston	Belleville	Oshawa	Whitby
Rebate Amount	\$175	\$400	\$355	\$100	\$1,000	\$535	\$500
Eligibility:							
Low Income Senior aged 65 years or older	√	√	√	√	√	√	√
Low Income Senior aged 55-64	√	√	x	x	x	x	x
Low Income Person with a Disability	√	√	x	x	x	√	√
Combined household income not to exceed	\$30,000	\$30,000	GIS	GIS	GIS	GIS or ODSP	GIS or ODSP

Guaranteed Income Supplement (GIS)	
single, widowed, or divorced	your income is below \$21,624
spouse/common-law combined income	\$28,560 if your spouse/common-law partner receives the full Old Age Security pension
	\$51,840 if your spouse/common-law partner does not receive an Old Age Security pension
	\$39,984 if your spouse/common-law partner receives the Allowance

Ontario Disability Support Program (ODSP)	
	Have a substantial mental or physical impairment that is continuous or recurrent, and is expected to last one year or more
	The direct and cumulative effect of your impairment results in a substantial restriction in your ability to work, care for yourself, or take part in community life
	Impairment, its likely duration and restrictions have been verified by an approved health care professional

Based on the above, staff have made a recommendation to update the “eligible amount” for the City’s Program.

Upon receiving Council's direction, associated updates to the By-law to Provide Tax Relief to Certain City of Kawartha Lakes Property Owners Who Are Low Income Elderly Persons, Low Income Persons Between the Ages Of 55 And 64, Low Income Disabled Persons or Ontario Disability Support Program Recipients, will be brought forward to the April 30<sup>th</sup> Council meeting.

## **Recommendations**

**Recommendations 1 through 3 noted below are consistent with the prior taxation year.**

### 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 2024 tax year.**

### 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 2024 provide for reductions as follows:**

**Commercial:**

**30%**

**Industrial: 35%**  
**First Class Undeveloped Farm Land: 45%**

2024 Tax Clawback / Capping Parameters

**There are no 2024 capping adjustments. Kawartha Lakes is taxed at full Current Value Assessment and has exited the program.**

Tax Ratios

Section 308 of the Municipal Act, 2001 requires municipalities to pass a by-law establishing tax ratios for each taxation year. Municipalities could 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 3:**  
**The City of Kawartha Lakes establishes tax ratios as outlined in Appendix A.**

Property Tax Assistance Program for Low Income Seniors or Low Income Disabled Persons

**Recommendation 4:**

**That the “Eligible amount” for the Low Income, Senior and Disabled Persons Property Tax relief be \$300.00**

**Other Alternatives Considered:**

N/A

**Alignment to Strategic Priorities**

This report aligns with the strategic priority of Good Government.

**Financial/Operation Impacts:**

Financial implications for the municipality with the recommended change the “Eligible amount” for the Low Income, Senior and Disabled Persons Property Tax relief being updated to \$300.00 is approximately \$30,875.00, based on 2023 approved applications.

**Attachments:**

Appendix A – 2024 Tax Ratios



Appendix A - 2024  
Tax Ratios.docx

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