



Council Report

Report Number: CORP2026-021
Meeting Date: April 21, 2026
Title: **2026 Tax Policy Decisions**
Author and Title: Linda Liotti, Manager, Revenue and Taxation

Recommendation(s):

That Report CORP2026-021, **2026 Tax Policy Decisions**, be received;

That optional property classes for the 2026 tax year are not adopted;

That the tax rate reduction for vacant and excess land in the commercial and industrial class be set at 0% for 2026;

That the tax rate reduction for First Class Undeveloped Farm Land be set at 25% for 2026;

That Council approve the 2026 tax ratios as outlined in Appendix A to report CORP2026-021;

That the "Eligible amount" for the Low Income, Senior and Disabled Persons Property Tax relief be \$350.00; and

That the necessary by-laws be brought forward to Council for consideration.

Department Head: _____

Financial/Legal/HR/Other: _____

Chief Administrative Officer: _____

Background:

This report is intended to establish a tax policy for 2026.

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.

With Council's adoption on July 23, 2024, of the below resolution relating to the Special Rate Area tax levies;

CR2024-403

Moved By Councillor Ashmore

Seconded By Deputy Mayor McDonald

That Report CORP2024-019, **Special Rate Area (SRA) Update**, be received, and;

That Street Lights, Parks and Fire be moved from the Special Rate Area Tax Levy to the General Rate Tax Levy, and

That the Special Rate Area Reserves be transferred to the General Tax Stabilization Reserve for the following and closed:

Lindsay Parks Special Rate Area Reserve of \$254,889.74

Fire Special Rate Area A Reserve of \$1,543.89

Fire Special Rate Area C Reserve of \$22,192.71

Carried

This leaves the below special rate areas:

1. City of Kawartha Lakes Police
 - Cost of service equally shared amongst all properties in Lindsay and OPS

2. Ontario Provincial Police
 - Cost of service equally shared amongst all properties outside of Lindsay and OPS
3. Lindsay Transit
 - Cost of services equally shared amongst all properties in the Lindsay's Urban Settlement Boundary area

Further, staff have reviewed the Low-Income Senior and Disabled Persons Program and are providing the outcome for Council's consideration.

Rationale:

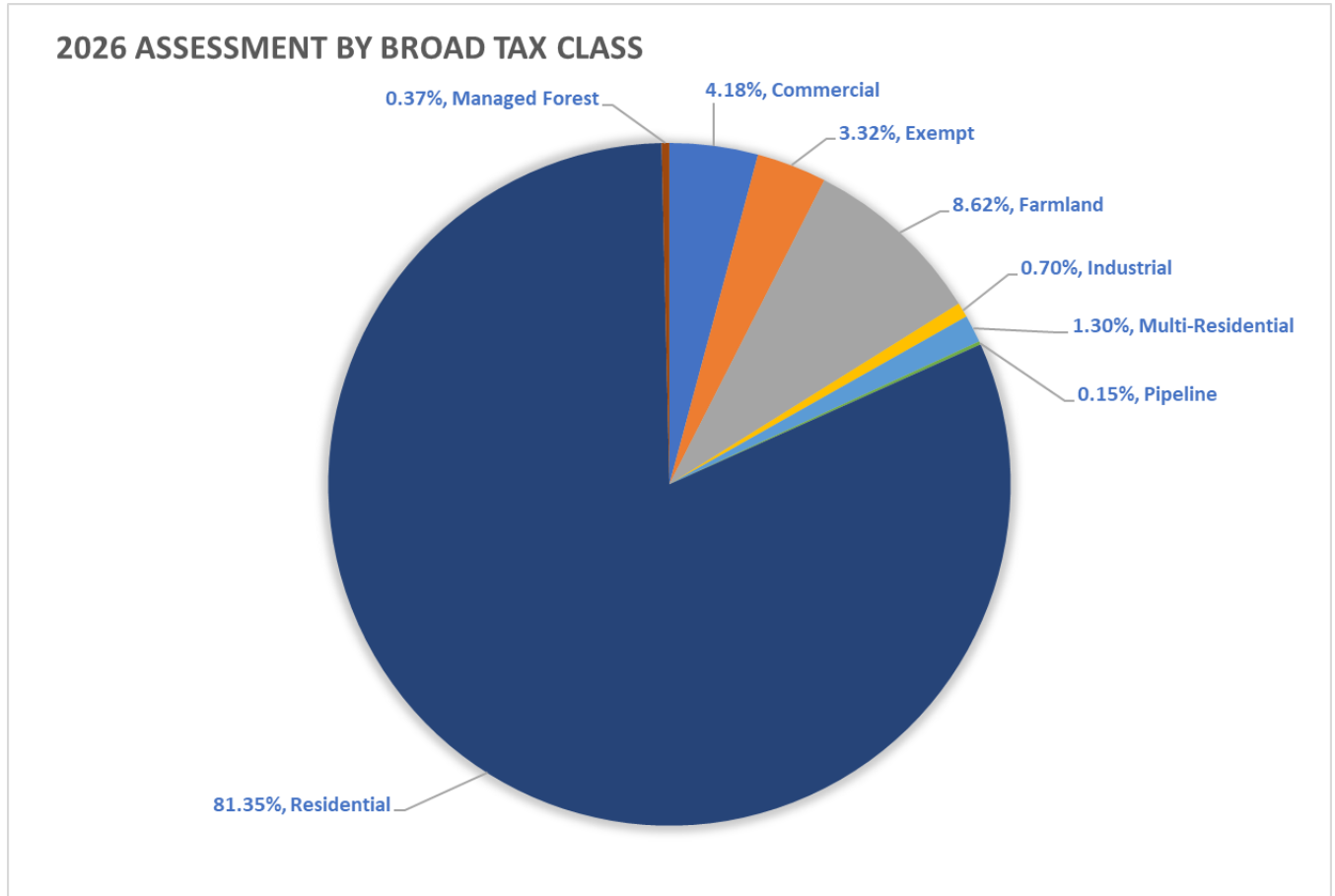
Re-assessment Update

On March 26, 2026, The Ontario government tabled its 2026 Budget. The Ministry of Finance, has again, postponed the re-assessment update, meaning Ontario's property assessment system will continue to be based on January 1, 2016 valuation, now entering its eleventh year.

In the Budget, the Ontario government states it is “continuing to make sure that the property assessment and taxation system is working effectively for Ontario businesses and families, while ensuring stability in challenging economic circumstances.” Further, it indicates that the Ontario government continues to receive feedback on approaches that could make the property assessment and taxation system more effective from a broad range of stakeholders, including residential and business property owners and their affiliated organizations and the professional property tax and assessment sector.

As a result of the freeze, only in-year growth/changes are impacting year over year Current Value Assessment (CVA). A comparison of the 2025 and 2026 returned assessment rolls shows a 1.10% increase in the City's overall assessment base. The City continues to be heavily weighted in residential classes, at approximately 81%.

The chart below illustrates the mix of assessments for 2026 by broad tax class.



2026 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. On an annual basis, City staff

review the tax tools available to municipalities to determine their applicability to the City and seek direction from Council.

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

1. Small Business Tax Class (Optional)

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%
 - i. 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 of early this year, only two large single tier municipalities have adopted this subclass.

2. Small-Scale On-Farm Business Subclass

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 of 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 continues to be no properties eligible for this subclass.

3. Affordable Rental Housing Subclass (New 2026 Option)

A new provincial tool introduced in 2026 allows municipalities to create an optional subclass for existing or new multi-residential properties that meet affordable rent definitions. The intent is to support housing affordability by enabling a municipal tax reduction of up to 35% for eligible properties, while the education portion of taxes remains unchanged. MPAC will identify eligible properties, and adoption of the by-law does not require immediate application for the discount. City staff are reviewing the implications and will be bringing forward a report later this year for Council's review and consideration.

4. New Multi Residential Subclass (2024)

On April 4, 2024, Ontario introduced a new property tax option to encourage the development of purpose-built rental housing as part of its strategy to address the housing crisis. This initiative allows municipalities to create an optional subclass within the multi-residential property class, offering a reduced municipal property tax rate for new multi-residential rental properties.

Key Features

- **Tax Reduction:** Municipalities can offer a tax reduction of up to 35% for qualifying properties. If the new-multi residential class was established, it would shift the burden to others in this multi residential tax class.
- **Eligibility:** Only newly constructed purpose built multi-residential developments qualify, provided building permits are issued on or after a date specified in the municipality's by-law.
- **Duration:** The reduced tax rate applies for 35 years once construction is completed, and the building is ready for occupancy.
- **Implementation:** Municipalities must pass a by-law to adopt the subclass and set the reduction percentage.

This subclass is intended to incentivize investment in rental housing construction, providing long-term stability to developers while addressing housing shortages.

There have been province wide concerns raised by municipal tax collectors regarding the proposed 35-year duration for this new multi-residential subclass, deeming it excessively long.

The City of Kawartha Lakes adopted the residential tax ratio (1.0) for the New Multi-residential class that was introduced in 2017, whereby all new multi-residential construction is taxed at the same rate as a residential property, which already addresses the parity goals of the City.

Furthermore, it was noted that some developers may already incentivize rental housing construction through existing grants provided at the provincial level, local by-laws or Community Improvement Plans.

Given these considerations, there is no need to adopt this additional new multi-residential subclass for the 2026 year.

5. Municipal Vacant Home/Unit Tax (VHT or VUT)

The Municipal Vacant Home/Unit Tax (VHT/VUT) is a taxation tool aimed at addressing housing shortages by encouraging property owners to sell or rent out unoccupied homes.

Before 2024, only the cities of Toronto and Ottawa had the authority to impose a Vacant Home Tax, which was set at 1% of the Current Value Assessment (CVA) of vacant properties.

Effective March 27, 2024, the Ontario government expanded this authority to all single-tier and upper-tier municipalities, introducing a Provincial Policy Framework to guide implementation and ensure consistency. Municipalities now have the flexibility to establish their own tax rates and define exemptions, such as for principal residences, seasonal homes, or properties undergoing significant renovations.

Legislative provision - O. Reg. 143/24: Optional Tax on Vacant Residential Units

It is an additional tax based on property's current assessed value for any self-contained residential unit (suitable for residential habitation) that is vacant for greater than 183 days in previous year.

Any municipality imposing a VHT/VUT must establish processes for appeals and dispute resolution related to the imposition of this tax.

Last year, in Q2, City staff completed a comprehensive review to assess the viability of the VHT/VUT. The review identified challenges related to the availability of reliable, verifiable data needed to ensure fairness and equity in determining property eligibility, as compared to implementing a “self-declaration” model.

Following extensive discussion and careful consideration of these data limitations, as well as the need for any generated revenue to sufficiently offset the administrative costs associated with implementing and managing the program, it is recommended that the VHT/VUT not be pursued for implementation for the 2026 tax year.

6. Education Taxes

Education Property Tax (EPT) helps fund elementary and secondary education systems in Ontario. The Ontario government has announced EPT rates for 2026 will remain unchanged from the previous year as assessments continue to be based on the same valuation date used for 2025.

The City of Kawartha Lakes remits EPT to the following four school boards:

i. Trillium Lakelands District School Board (TLDSB) – English Public

The main public board for the region, which provides public education for elementary and secondary students in the region.

ii. Peterborough Victoria Northumberland and Clarington Catholic District School Board (PVNCCDSB) – English Catholic

Provides Catholic education for elementary and secondary students in the region.

iii. Conseil Scolaire Viamonde - French Public

Provides French-speaking public education for elementary and secondary students in the region.

iv. Conseil Scolaire catholique MonAvenir - French Catholic Serves French-speaking Catholic students.

Provides French-speaking Catholic education for elementary and secondary students in the region.

On March 27, 2026, the Ministry of Finance announced they will be introducing a change to streamline the municipal EPT remittance process.

Beginning in 2028, the government plans to modernize the administration of EPT through legislative changes. These changes will have municipalities remitting EPT directly to the Ministry of Finance rather than to each school board within their jurisdiction.

These legislative changes are in alignment with the 2025 Ontario Economic Outlook and Fiscal Review, as the intention is to simplify the EPT administration and reduce the number of transactions between municipalities and school boards and thereby reduce both the administrative burden and costs for municipalities.

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

Municipalities offer property tax relief programs in addition to the following 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 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 30th annually for the preceding tax year. A person is eligible for one of the three program intakes if they or their spouse meets the following requirement(s):

- 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 31st 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	\$300	\$414	\$355	\$100	\$1,000	\$535	\$462
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 \$22,488
spouse/common-law combined income	\$29,760 if your spouse/common-law partner receives the full Old Age Security pension
	\$53,952 if your spouse/common-law partner does not receive an Old Age Security pension
	\$41,664 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 recommend updating the “eligible amount” from \$300 to \$350 for 2026.

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, are being brought forward to this Council meeting.

Recommendations

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

Optional Property Classes and Subclasses

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)
- Professional Sports Facility (no eligible properties)
- 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 2026 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 2026 provide for reductions as follows:

Commercial: 0%
Industrial: 0%
First Class Undeveloped Farm Land: 25%

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 \$350.00

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 to the “Eligible amount” for the Low Income, Senior and Disabled Persons Property Tax relief being updated to \$350.00 is approximately \$14,224.00, based on the 2025 approved applications.

Attachments:

Appendix A – 2026 Tax Ratios



2026 Tax Ratios.docx

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Department Head: Sara Beukeboom, Director, Corporate Services