

Report FR-CS-22-14

To: Chair Pringle and Members of the Corporate Services Committee
From: Kevin Wepler, Director of Finance
Meeting Date: June 10, 2014
Subject: **City of Owen Sound – Request to Increase Commercial Tax Ratio**
Status: Recommendation adopted by Committee as presented per Resolution CS62-14; Endorsed by County Council July 8, 2014 per Resolution CC97-14;

Recommendation(s)

WHEREAS the County of Grey has in place established tax policies;

AND WHEREAS it is the responsibility of the upper-tier municipality to pass by-laws relating to tax policy decisions;

AND WHEREAS the City of Owen Sound has requested that the County of Grey increase the Commercial Tax Ratio;

AND WHEREAS the 2014 tax policies were endorsed by County Council on February 4, 2014 per Resolution CC24-14;

NOW THEREFORE BE IT RESOLVED THAT Report FR-CS-22-14 regarding the City of Owen Sound’s request to Increase the Commercial Tax Ratio be received;

AND THAT the Director of Finance in establishing tax policies for 2015, share this request with the local municipal treasurers and staff to receive their input and recommendations;

AND FINALLY THAT the City of Owen Sound’s request be shared and considered with local municipal treasurers and staff, as part of the County’s 2015 review of established tax policies.

Background

At the Corporate Services Committee meeting on May 13, 2014, Councillor Wright noted that Owen Sound City Council had requested that the County increase its commercial tax ratio. The Corporate Services Committee requested staff to prepare a report on the matter for presentation to the Committee.

Annually a report is provided to County Council with background and advice to enable the County to establish tax policies that effect how the County of Grey apportions the tax burden by property class, as well as between the nine local municipalities.

It is the responsibility of the upper-tier municipality to pass by-laws relating to tax policy decisions. In preparation for this annual tax policy report, the report is shared and discussed with the local municipal treasurers and staff to receive their input and endorsement for these tax policy items.

This tax policy, including tax ratios, was shared with the local municipal treasurers and staff and included on the Grey County Treasurer’s fall meeting agenda held on October 25, 2013, to receive their input and endorsement, with no changes to tax ratios being recommended at that time.

Tax Ratios

County Council establishes the relative tax burden on each property class by setting tax ratios. Property tax ratios determine how a property class municipal tax rate compares with the residential tax rate which is legislated to equal 1.0. For instance, if the tax ratio for the commercial class is 2, a commercial property would pay twice the amount of municipal property tax as a similar valued residential property.

The Province established prescribed tax ratios and the “range of fairness” for municipalities. The County can maintain the prescribed tax ratios, or adjust tax ratios closer to or within the range of fairness. It should be noted that ratios above the range of fairness cannot be increased but can only be reduced. Ratios that are within the range of fairness can be moved within the range.

Tax Ratios – Provincial Range of Fairness & Grey County 2014 Tax Ratios

Property Class	Ranges of Fairness	Grey County – 2014 Tax Ratios
Residential	1.00	1.000000
Multi-Residential	1.00 – 1.10	1.441197
Commercial	0.60 – 1.10	1.306940
Industrial	0.60 – 1.10	1.858187
Pipeline	0.60 – 0.70	0.906848

Property Class	Ranges of Fairness	Grey County – 2014 Tax Ratios
Farm	0.25	0.250000
Managed Forest	0.25	0.250000

Over the past number of years, the Province has provided municipalities with the ability to adopt class-neutral transition ratios to mitigate inter-class tax shifts resulting from reassessment. This has permitted municipalities to increase the tax ratio of one or more business property classes to the extent to maintain existing tax burdens between residential and business classes.

This increase in tax ratios is only permitted where there is a reassessment or phase-in related tax shift off of a class, and the municipality must follow a strict formula. With 2012 being a reassessment year, updates in assessment values are being made as part of a four year phase-in, with 2014 being year two of the phase-in. In order to mitigate the inter-class tax shifts associated with reassessment, the County would have needed to increase the tax ratio of one or more business property classes in order to prevent some of the tax shift onto the Residential property class as a result of the 2012 reassessment.

As stated previously, in order to increase tax ratios, the County must follow a prescribed formula as set out by the Province to calculate these higher maximum “transition ratios”. By utilizing this formula, these transition ratios could result in other ratios being forced down. If the formula does calculate a ratio that is lower than the municipality’s current ratio for any class that calculated ratio then becomes the maximum ratio for this class.

By changing tax ratios, the County can influence how much of the tax burden is shouldered by each class but it also could cause inter-municipal shifts in taxation.

Before the County was to increase the tax ratio for the Commercial Tax Class, a number of things should be considered:

- The competitiveness of the municipality’s current tax ratios.
- Are there compelling reasons or evidence to suggest that changes are warranted?
- Rate increases may not be seen to signal a business friendly atmosphere for existing and/or future or potential businesses.
- What impact will ratio increases have on future capping calculations for business properties?
- The impact ratio changes will have in a two-tier system.

It is therefore being recommended that prior to establishing tax policies for 2015, that the Director of Finance shares this request to increase Commercial Tax Ratios with the local municipal treasurers and staff for their input and recommendations.

Financial / Staffing / Legal / Information Technology

Considerations

The use of transition ratios to increase commercial tax ratios would be calculated as revenue neutral and would not have any budgetary impacts. Changes in tax ratios would impact how Grey County apportions the tax burden by property class, as well as between the nine local municipalities.

Link to Strategic Goals / Priorities

The County of Grey as an upper-tier municipality is responsible for making annual tax policy decisions and to pass by-laws relating to tax policy decisions.

Respectfully submitted by,

Kevin Weppler
Director of Finance