

To:	Warden Hicks and Members of Grey County Council
Committee Date:	April 28, 2022
Subject / Report No:	FR-CW-09-22
Title:	2022 Tax Policy
Prepared by:	Mary Lou Spicer, Director of Finance
Reviewed by:	Kim Wingrove, CAO
Lower Tier(s) Affected:	All Local Municipalities
Status:	

Recommendation

- 1. That Report FR-CW-09-22 regarding 2022 property tax policy be received; and**
- 2. That County Council adopt the same tax ratios and subclass tax reductions that applied in 2021 for 2022 taxation; and**
- 3. That the necessary By-laws be drafted for Council's consideration and approval.**

Executive Summary

This report provides Council with background and advice in support making decisions with regard to 2022 tax policy matters.

Under the rules and regulations created by the Province, Grey County as the upper tier municipality is responsible for the development of property tax policies. These are set annually, working in collaboration with member municipalities. The tax policies serve to apportion the tax burden across the different tax classes. They must be ratified by bylaw each year.

The local and County portion of a property owner's tax bill is based on the budgetary needs of the lower and upper tier municipality. For residential property owners, the residential tax rate is determined by dividing the total tax requirement by the total weighted assessment. MPAC allocates properties into one of nine mandatory property tax classes and provides a current value assessment figure for each property.

The member municipalities are responsible for the administration of tax billing, tax adjustments, tax collection, issuing rebates and taxpayer inquiries.

After consultation with member municipality treasurers and their staff and the County's tax consultant, Municipal Tax Equity (MTE), staff recommend the use of the same tax ratios, subclass discounts and class structure utilized in 2021 for 2022 taxation.

The information and recommendations contained in this report have no impact on the County's 2022 approved budget; it reflects how the County and member municipalities tax levies will be distributed among the various property tax classes.

Background and Discussion

The purpose of this report is to provide County Council with the background and advice in regard to various tax policy decisions that will influence how the 2022 property tax levy is shared amongst different classes of property and also among the County's 9 member municipalities.

These decisions, which must be ratified and enacted via by-law, will impact the final balance of both local and County tax levies, however, they will have no bearing on tax rates for school purposes, which are set by the Province.

In preparation for this report, the tax policy items set out below were discussed on February 15th and March 11th with the local municipal treasurers and staff to receive their input, direction, and support.

Property Assessment and Taxation

Ontario's property tax system is complex and relies on a number of participants including Provincial Government, the Municipal Property Assessment Corporation (MPAC), municipalities and taxpayers themselves.

The overall tax and assessment system is shaped by provincial legislation and regulations, which establish each participant's roles, responsibilities, and limitations. As an upper-tier municipality, the County of Grey is charged with levying its own purpose taxes and must also make a host of tax policy decisions that will shape the property tax program throughout the County.

Current Value Assessment and Assessment Cycles

The Municipal Property Assessment Corporation (MPAC) is responsible for returning and adjusting the property assessment rolls against which property taxes are levied in Ontario. Each property is classified in accordance with its use, nature and/or zoning and is assigned an assessment value based on a specific valuation date. Between 2009 and 2020, values were updated to reflect a newer valuation date every four years with the latest reassessment based on the estimated market value of properties as of January 1, 2016. Valuation increases from one cycle to the next were phased-in in equal 25% increases over the four-year cycles, while decreases flowed through immediately.

2021 was scheduled to be the first year of a new assessment cycle moving from January 1, 2016, values to January 1, 2019, market values, however, this reassessment was *Paused* in early 2020 as part of the Province's response to the ongoing public health crisis (COVID-19). As part of its 2021 Spring Budget, the Province extended this pause through 2023. As such, property taxes will once again be levied against the 2016 based CVA's for 2022. At no time since the current system was introduced in 1998 have taxes been levied against assessments so disconnected and distant from actual market values and it is unknown/unclear when or how the reassessment exercise will be restarted.

Real Assessment Growth and Loss

Property assessments change in one of two fundamental ways:

- 1) They are updated to reflect the property's value as of a more current/recent real estate market (Reassessment); or
- 2) In response to a change in a property's state, use or condition, which represents actual growth (negative or positive) within the municipality's assessment and tax base.

Despite the pause on reassessment, real growth continues to occur in the real world and the roll is continually updated to reflect these changes in the state, use and condition of property. And, unlike reassessment, which simply involves valuing the same properties at a different point in time, positive growth represents new property, an expanded tax base and additional revenue for the municipality.

A municipality's annual growth is measured as the net of all changes processed from when the roll is originally returned, to when it is finally closed (coincided with the return of the next year's roll). The County's 2021 assessment growth, as was noted in the 2022 budget, is summarized in Table 1.

Table 1: 2021 Assessment Growth

Realty Tax Class	2021 Current Value Assessment			
	As Returned	As Revised	In-Year Growth	
Residential	14,119,480,883	14,409,254,734	289,773,851	2.05%
Farm	2,969,708,885	2,993,349,325	23,640,440	0.80%
Managed Forest	181,344,106	186,219,523	4,875,417	2.69%
New Multi-Residential	13,735,000	13,735,000	0	0.00%
Multi-Residential	258,364,295	259,620,395	1,256,100	0.49%
Commercial	1,020,265,957	1,038,835,786	18,569,829	1.82%
Resort Condominium	237,943,100	237,943,100	0	0.00%
Industrial	189,868,247	187,349,471	-2,518,776	-1.33%
Landfill	1,689,000	1,689,000	0	0.00%
Pipeline	45,696,300	55,148,300	9,452,000	20.68%
Total (Taxable + PIL)	19,038,095,773	19,383,144,634	345,048,861	1.81%

Revenue Growth and New Year Tax Base Capacity

When the roll is updated to reflect new property, the changes can reach back for multiple years, a single year, or in some cases, the changes will only apply on a go-forward basis. These changes and updates will generally result in actual cash revenues collected from retroactive supplementary and omitted assessment billings.

From a tax policy perspective, and for the purposes of the municipality's annual levy decisions, we must consider this growth from a different perspective. In this context we are measuring the overall size and capacity of the tax base as we enter the new year, in comparison to the tax base against which the County levied taxes last year.

On an annualized basis, the net growth-related gain or loss in taxation capacity is the difference between the total tax amount as determined against the returned roll and the total tax as determined against the roll as revised. The County's 2021 annualized revenue growth is summarized in Table 2.

Table 2: 2021 Revenue Growth and Year-End Levy Capacity

Realty Tax Class	Grey County General Levy			
	As Levied	As Revised	In-Year Growth	
Residential	\$45,695,877	\$46,722,888	\$1,027,011	2.25%
Farm	\$2,350,278	\$2,369,412	\$19,134	0.81%
Managed Forest	\$164,743	\$169,174	\$4,431	2.69%
New Multi-Residential	\$11,942	\$11,942	\$0	0.00%
Multi-Residential	\$579,208	\$579,177	-\$31	-0.01%
Commercial	\$3,195,727	\$3,287,891	\$92,164	2.88%
Resort Condominium	\$864,978	\$864,978	\$0	0.00%
Industrial	\$1,037,148	\$1,030,295	-\$6,853	-0.66%
Landfill	\$6,140	\$6,140	\$0	0.00%
Pipeline	\$130,962	\$166,802	\$35,840	27.37%
Total (Excluding O.S.)	\$54,037,003	\$55,208,699	\$1,171,696	2.17%
Owen Sound Requisition	\$8,305,863	\$8,307,411	\$1,548	0.02%
Grand Total	\$62,342,866	\$63,516,110	\$1,173,244	1.88%

The calculation of annualized revenue growth is a critical input for the new taxation year as it establishes the “revenue limit” for the coming year. This revenue limit represents the tax dollars that can be raised for the new year with a 0% levy change. Table 3 provides a summary of 2021 revenue growth by member municipality along with the corresponding growth in each municipality’s own purpose general levy.

Table 3: 2021 Revenue Growth by Local Area Municipality

Local Municipality	2021 Municipal Levy Growth			
	County Levy		Local Municipal Levies	
Chatsworth	\$46,057	1.45%	\$89,828	1.45%
Georgian Bluffs	\$94,617	1.43%	\$150,651	1.43%
Grey Highlands	\$73,844	1.02%	\$122,824	1.02%
Hanover	\$41,626	1.36%	\$100,124	1.36%
Meaford	\$94,080	1.37%	\$212,416	1.37%
Owen Sound	\$1,548	0.02%	\$5,902	0.02%
Southgate	\$90,870	2.45%	\$196,111	2.45%
The Blue Mountains	\$626,480	3.65%	\$635,690	3.65%
West Grey	\$104,124	1.68%	\$185,576	1.68%
County Wide	\$1,173,246	1.88%	\$1,699,122	1.42%

Another aspect of growth that is critical to keep in mind, is that the increased revenue is derived exclusively from new or newly improved property. Existing taxpayers do not contribute to this revenue increase. This is particularly important when considering changes in upper-tier requisition from one year to the next.

2022 Base-Line Taxation Landscape

In the absence of any reassessment or phase-in for 2022 the distribution of the County's 2022 revenue neutral starting levy varies little from the year-end position summarized in Tables 2 and 3 above. There is a modest realignment when the County's revenue limit is raised against the assessment roll as returned for 2022 under status quo tax policy. The starting notional tax rates for County purposes are set out in Table 4.

Table 4: Starting Ratios Notional Tax Rates – County Levy

Realty Tax Class	Start Ratios	Upper Tier General Rates		
		2021 Actual	2022 Notional	Change
Residential	1.000000	0.00363523	0.00363459	-0.02%
Farm	0.218000	0.00079248	0.00079234	-0.02%
Managed Forest	0.250000	0.00090881	0.00090865	-0.02%
New Multi-Residential	1.000000	0.00363523	0.00363459	-0.02%
Multi-Residential	1.441197	0.00523908	0.00523816	-0.02%
Commercial	1.296900	0.00471453	0.00471370	-0.02%
Resort Condominium	1.000000	0.00363523	0.00363459	-0.02%
Industrial	1.831000	0.00665611	0.00665493	-0.02%
Landfill	1.000000	0.00363523	0.00363459	-0.02%
Pipeline	0.906848	0.00329660	0.00329602	-0.02%

Table 5 provides a summary of this year's notional levy.

Table 5: 2022 Notional Levy and Year-Over-Year Shifts

Realty Tax Class	Grey County General Levy			
	2021 As Revised	2022 Notional	Difference	
Residential	\$46,722,888	\$46,714,662	-\$8,226	-0.02%
Farm	\$2,369,412	\$2,368,994	-\$418	-0.02%
Managed Forest	\$169,174	\$169,144	-\$30	-0.02%
New Multi-Residential	\$11,942	\$11,940	-\$2	-0.02%
Multi-Residential	\$579,177	\$579,075	-\$102	-0.02%
Commercial	\$3,287,891	\$3,287,312	-\$579	-0.02%
Resort Condominium	\$864,978	\$864,826	-\$152	-0.02%
Industrial	\$1,030,295	\$1,030,112	-\$183	-0.02%
Landfill	\$6,140	\$6,139	-\$1	-0.02%
Pipeline	\$166,802	\$166,773	-\$29	-0.02%
Total (Excluding O.S.)	\$55,208,699	\$55,198,977	-\$9,722	-0.02%
Owen Sound Requisition	\$8,307,411	\$8,317,137	\$9,726	0.12%
Grand Total	\$63,516,110	\$63,516,114	\$4	0.00%

Tax Policy and the Balance of Taxation

The *Municipal Act, 2001* provides municipalities with a range of tax policy tools that serve to influence and alter the distribution of the tax burden both within and between property tax classes. Some of these tools are optional and may be called upon to address specific circumstances, others are integral to our tax system and must be set each year before final tax rates can be calculated.

As an upper-tier municipality, the County is responsible for establishing the class structure that applies and for setting tax ratios and subclass discounts on an annual basis. The tax ratios and discounts influence how the overall levy will be shared amongst different classes and types of property. Optional classes and subclasses may be employed to create more fine-grained policy schemes with varied ratio and discount sets.

The tax policy scheme employed does not impact the amount of taxes levied or collected, simply the distribution of the taxes to be raised. Similarly, changing tax ratios, discounts or class structure will not result in a municipality raising any more, or any fewer tax dollars overall; such changes will, however, result in tax shifts at the property and class levels and among area municipalities depending on the assessment make up within each.

Tax Ratios

Tax ratios effectively alter the weighting, or distribution of the levy which results in the share of tax differing from the share of assessment for each class. The more dramatic the ratio, the larger the difference between the share of assessment and share of tax each class carries. By changing tax ratios, the municipality can influence and alter this balance. Table 6 documents how the County's status quo tax class and tax policy scheme influences the balance of taxation.

Table 6: 2022 Starting Ratios and Balance of Taxation

Realty Tax Class	2022 CVA	Share	Start Ratio	Notional Tax	Share
Residential	12,853,487,287	66.31%	1.000000	\$46,714,662	73.55%
Farm	2,989,870,125	15.43%	0.218000	\$2,368,994	3.73%
Managed Forest	186,148,423	0.96%	0.250000	\$169,144	0.27%
New Multi-Residential	3,285,000	0.02%	1.000000	\$11,940	0.02%
Multi-Residential	110,549,328	0.57%	1.441197	\$579,075	0.91%
Commercial	697,395,227	3.60%	1.296900	\$3,287,312	5.18%
Resort Condominium	237,943,100	1.23%	1.000000	\$864,826	1.36%
Industrial	154,789,317	0.80%	1.831000	\$1,030,112	1.62%
Landfill	1,689,000	0.01%	1.000000	\$6,139	0.01%
Pipeline	50,598,300	0.26%	0.906848	\$166,773	0.26%
Total (Excluding OS)	17,285,755,107	89.18%		\$55,198,977	86.91%
Owen Sound Requisition	2,097,389,527	10.82%	See Note ¹	\$8,317,137	13.09%
Grand Total	19,383,144,634	100.00%		\$63,516,114	100.00%

In setting tax ratios for any year, Council is constrained by a complex set of Provincial rules and limitations. Generally speaking, a municipality may choose to maintain the prior year's ratios or establish new ratio(s) that are closer to or fall within the Provincially prescribed *Ranges of Fairness*. The exemptions to this are the residential and managed forest classes. Residential is the fixed base against which all other ratios are applied, the managed forest ratio is fixed at 0.25. Table 7 sets out the County's 2022 status quo tax ratios and Council's range of flexibility for each.

¹ The City of Owen Sound's annual requisition is calculated using the County's actual rates and ratios. The total amount is shown here because the distribution will change for actual tax billing based on the City's unique tax ratio structure.

Table 7: Status Quo Tax Ratios, Provincial Limits and Ranges of Flexibility

Realty Tax Class	2022 Start Ratios	Provincial Ranges		2022 Ratio Flexibility	
		Lower	Upper	Lower	Upper
Residential	1.000000	1.00	1.00	1.000000	1.000000
Farm	0.218000	0.00	0.25	0.000000	0.250000
Managed Forest	0.250000	0.25	0.25	0.250000	0.250000
New Multi-Residential	1.000000	1.00	1.10	1.000000	1.100000
Multi-Residential	1.441197	1.00	1.10	1.000000	1.441197
Commercial	1.296900	0.60	1.10	0.600000	1.296900
Resort Condominium	1.000000	1.00	1.10	1.000000	1.100000
Industrial	1.831000	0.60	1.10	0.600000	1.831000
Landfill	1.000000	0.60	1.10	0.600000	1.100000
Pipeline	0.906848	0.60	0.70	0.600000	0.906848

Subclasses and Subclass Discounts

In addition to classes and ratios, there are subclasses that apply to different property types depending on use, zoning, nature of improvements and nature of enterprise. These include:

- Commercial and Industrial **Vacant Land**, which apply primarily to properties in these classes, that have no assessable improvement (buildings).
- Commercial and Industrial **Excess Land** subclasses capture portions of improved property where the land a building sits on is larger than required under municipal planning rules.
- Properties coded as **Farmland Awaiting Development (FAD)** are properties still being farmed but have had a plan of subdivision registered (**FAD1**) or building permits have been issued (**FAD2**). These may be residential, multi-residential, commercial, or industrial subclasses, depending on the future use of the land.
- **Small Scale-On Farm Business (SSOFB)** subclasses apply to marginal portions of eligible commercial and industrial improvements on farm properties. Eligible improvements must be primarily used to process, manufacture, sell or market something connected with the farming activity. (**SSOFB 1**) applies to the first 50,000 of eligible CVA, (**SSOFB 2**) applies to the next 50,000 of eligible CVA.

Municipalities may also implement Small Business Subclasses; however, these must be designed locally within Provincially established parameters.

As of 2021, the County only utilizes the first subclass of Farmland Awaiting Development. These subclasses are taxed at 25% of the residential tax rate for municipal and education purposes.

Optional Property Classes

The County of Grey in 2005 established a Resort Condominium property class and in 2012 adopted the New Multi-Residential property, which became a default class in 2017.

2022 Tax Policy Recommendations

That the Director of Finance be directed to prepare the necessary by-law to set tax policy and County tax rates for 2022 based on:

- The County's 2021 tax class structure, tax ratios and subclass discount treatment; and
- The County's 2022 own-purpose levy requirement as established under By-Law No. 5129-22, a By-law to Adopt the Estimates and Revenue and Expenditures for the Year 2022, which was adopted by Council on February 10, 2022.

Draft Tax Rates and Levy Distribution

Tables 8, 9 and 10 have been included to document the tax parameters and the general distribution of the County levy based on the recommendations set out above.

Table 8: Tax Ratios, Discount Factors and County Rates under Recommended Policy

Realty Tax Class / Subclass	Tax Ratios / Discounts	2022 County Levy Tax Rates		
		Revenue Neutral	Total	Difference
Residential	1.000000	0.00363459	0.00374005	2.90%
Farmland Awaiting Dev.	0.25	0.00090865	0.00093501	2.90%
Farm	0.218000	0.00079234	0.00081533	2.90%
Managed Forest	0.250000	0.00090865	0.00093501	2.90%
New Multi-Residential	1.000000	0.00363459	0.00374005	2.90%
Multi-Residential	1.441197	0.00523816	0.00539015	2.90%
Commercial	1.296900	0.00471370	0.00485047	2.90%
Resort Condominium	1.000000	0.00363459	0.00374005	2.90%
Industrial	1.831000	0.00665493	0.00684803	2.90%
Landfill	1.000000	0.00363459	0.00374005	2.90%
Pipeline	0.906848	0.00329602	0.00339166	2.90%

Table 9: 2022 County Levy Based on Recommended Tax Policy

Realty Tax Class	2022 Grey County General Levy			
	Revenue Neutral	Total Requirement	Levy Change	
Residential	\$46,714,662	\$48,070,119	\$1,355,457	2.90%
Farm	\$2,368,994	\$2,437,731	\$68,737	2.90%
Managed Forest	\$169,144	\$174,051	\$4,907	2.90%
New Multi-Residential	\$11,940	\$12,286	\$346	2.90%
Multi-Residential	\$579,075	\$595,877	\$16,802	2.90%
Commercial	\$3,287,312	\$3,382,695	\$95,383	2.90%
Resort Condominium	\$864,826	\$889,919	\$25,093	2.90%
Industrial	\$1,030,112	\$1,060,002	\$29,890	2.90%

Landfill	\$6,139	\$6,317	\$178	2.90%
Pipeline	\$166,773	\$171,612	\$4,839	2.90%
Total (Excluding O.S.)	\$55,198,977	\$56,800,609	\$1,601,632	2.90%
Owen Sound Requisition	\$8,317,137	\$8,558,464	\$241,327	2.90%
Grand Total	\$63,516,114	\$65,359,073	\$1,842,959	2.90%

Table 10: 2022 County Levy by Local Based on Recommended Tax Policy

Local Municipality	2022 County General Levy			
	Revenue Neutral	Total Requirement	Levy Change	
Chatsworth	\$3,226,807	\$3,320,434	\$93,627	2.90%
Georgian Bluffs	\$6,703,921	\$6,898,436	\$194,515	2.90%
Grey Highlands	\$7,331,547	\$7,544,274	\$212,727	2.90%
Hanover	\$3,103,616	\$3,193,669	\$90,053	2.90%
Meaford	\$6,969,101	\$7,171,312	\$202,211	2.90%
Owen Sound	\$8,317,139	\$8,558,463	\$241,324	2.90%
Southgate	\$3,802,944	\$3,913,286	\$110,342	2.90%
The Blue Mountains	\$17,768,077	\$18,283,627	\$515,550	2.90%
West Grey	\$6,292,966	\$6,475,562	\$182,596	2.90%
County Wide	\$63,516,118	\$65,359,063	\$1,842,945	2.90%

Other Policies

The following policies have been adopted by Council in the past and legislation does not require ratification or reconsideration on an annual basis and is mentioned here for information purposes.

Tax Relief to Certain Elderly and Disabled Persons who are Owners of Real Property in the County of Grey – In 2021 the County's relief program was updated to provide for the cancellation of annual tax increases for the purpose of relieving financial hardship for the low-income seniors and low-income persons with disabilities.

Tax Rebate Program for the purposes of Providing relief from taxes on Eligible Property Occupied by Eligible Charities – This program provides for the partial rebate of taxes, or amounts paid on account of taxes by eligible charities and designed similar organizations.

Business Class Tax Capping - Business tax capping was originally introduced as a mandatory program to limit reassessment related year-over-year tax changes for multi-residential, commercial, and industrial class properties. As of 2016 municipalities were given tools that allowed for the wind-down of these protection mechanisms as properties reached their full destination tax levels. As of 2020 all business class properties in Grey County had reached this level and the County's requirement to maintain the program ceased.

Provincial Education Property Tax

Residential and Farm Rates - Since 1998, the Minister of Finance has regulated a uniform residential education tax rate (applies to: residential, multi-residential, new multi-residential, and resort condominium) as well as uniform rate for the farm and managed forest property classes.

These rates apply province wide and are unchanged from 2021 at 0.0015300 for residential and 0.0003825 for Farm and Managed Forest.

Business Education Tax (BET) Rates - The Province also prescribes business education (BET) rates which were set uniquely by Single and Upper-Tier from 1998 through 2007. In 2008, the Province began a migration towards uniform commercial and industrial education tax rates. This was finally achieved as of 2021 with mostly all business class rates, including commercial, industrial, pipeline and landfill classes, being set at 0.008800.

Retained Education Levies for Certain Payment in Lieu (PIL) Properties - Federal and Provincially owned and occupied properties are exempt from both municipal and provincial (education) property taxes. Both levels of government do, however, maintain programs whereby payments are made to local governments in lieu of the taxes that would otherwise be applicable to property that they own and occupy. Under certain circumstances local municipalities (single or lower tier) retain the education portion of the levy as local revenue.

For municipalities that were accustomed to large, retained education payments the reduction of BET rates posed significant budgetary concerns. In an attempt to alleviate these concerns, the Province regulated special PIL rates for properties to which these special retention rules apply. This, however, has not been a universal solution as many Federal organizations have remitted payments based on the lower taxable rates, which they are entitled to do under Federal law. The overall issue around these retained education payments, and short payments remains

unresolved at this time.

Legal and Legislated Requirements

Assessment Act, R.S.O. 1990, c.A. 31
Municipal Act, 2001, and the various supporting regulations

Financial and Resource Implications

The information and recommendations contained in this report have no impact on the County's 2022 budget. It reflects how the County and member municipalities tax levies will be distributed among the various property tax classes.

This report has been prepared after consultation with Local Municipal Treasurers and with the services of the County's tax consultant Municipal Tax Equity (MTE).

Relevant Consultation

- Internal CAO Kim Wingrove
- External Local Municipal Treasurers and Staff, and the County's tax consultant Municipal Tax Equity (MTE).

Appendices and Attachments -none