



Administrative Report

Office of the Director, Financial Services/Treasurer

To: Warden McNamara and Members of Essex County Council

From: Sandra Zwiers, MAcc, CPA, CA
Director, Financial Services/Treasurer

Date: Wednesday, March 02, 2022

Subject: 2022 Tax Policy Discussion and Recommendations

Report #: 2022-0302-FIN-R02-SZ

Purpose

To provide recommendations to County Council regarding 2022 Property Tax Policies for the County of Essex.

Background

In accordance with Section 308 of the Municipal Act, 2001, as amended, the County of Essex is responsible for establishing the tax ratios and property tax policy for the local municipalities within the geographic boundaries of the County of Essex for the current year. Following the approval of the Corporation's annual Budget, an administrative report is prepared to present recommendations for County Council to set the Tax Policy it and all local municipalities will follow to determine the relative tax burden of each class of property for the current taxation year.

At the October 7, 2020 Regular Meeting of County Council, a recommendation, in principle, was approved that provided for the phased reduction of the multi-residential tax ratio over a four-year period. Beginning in 2021, the multi-residential tax ratio was reduced by 0.21385 annually, and reductions will continue until parity with the new multi-residential tax class is reached in 2024. The multi-residential ratio reduction is the only ratio change being recommended for 2022.

In January 2022, the regional treasurer and tax collector group convened to review existing tax policies and consider optional tax tools for the 2022

taxation year. The recommendations contained in this report reflect the unanimous support by representatives from all seven local municipalities.

Discussion

The regional group reviewed a number of tax policies and bylaws. The following discussion summarized the issues and recommendations made by the group.

Part One – Current Value Assessment (CVA)

As a result of the COVID-19 pandemic, the Ministry of Finance postponed the 2020 Assessment Update. During 2021 it was announced that the postponement would continue for the 2022 and 2023 taxation years. Properties continue to be captured at their January 1, 2016 assessment value.

A comparison of the 2021 and 2022 returned rolls shows a 2.08% increase in raw assessment for the County. The most notable growth occurred in the residential, new construction and farmland classes. The residential class increased in raw assessment by \$467,553,934, the new construction class by \$30,970,200 and the farmland class by \$13,523,884.

Part Two – Tax Tools & Initiatives

Small-Scale On-Farm Business Subclass

The Provincial Fall Economic Statement included changes to this optional subclass program. The assessment threshold was increased from \$50,000 to \$100,000. A review of the program by the regional group reaffirmed the position previously taken that this program, while benefitting a very small group of properties, continues to exclude the majority of others and creates a tax shift primarily onto the residential class. Unlike other jurisdictions in the province, Essex County is not experiencing a tax shift onto the farm class. It's actually seeing the opposite. Adding this optional subclass adds complexity to the taxation system, division among properties in the farm class and creates a significant amount of administrative work for tax departments that are already at capacity. Regardless of whether a municipality adopts the optional subclass, these properties will see financial relief due to the fact the province applies a reduced business education tax rate to these eligible properties.

Optional Small Business Class

In May 2021, the Province released the regulation related to the implementation of an optional small business class. The primary objective of the optional class is to assist municipalities that have gross assessment inequities among their commercial properties. As an example, a 50-year-old barber shop in the heart of downtown Toronto is assessed using the same methodology as the skyscraper it is adjacent to. The result is an assessment value that generates exorbitant property taxes when compared to the same small barber shop in other areas of the municipality. The authority to establish a custom designed optional small business class to separate out properties in these unique situations has been a desire of large urban municipalities for many years. The regional group evaluated the inventory of commercial properties to identify if similar gross assessment inequities exist in our region. None were found. A jurisdictional scan of other municipalities outside of the GTA revealed municipalities are not adopting this small business class.

Because it was released during the pandemic, the optional small business class tax tool has often incorrectly been perceived to be a financial relief measure to address COVID pressures. While the tool does have the effect of capping the property taxes paid by eligible commercial properties, its impacts are long lasting to the taxation system and are not meant to be temporary in nature. The design of the tool is to address systemic assessment inequities and not short-term pandemic financial hardship.

The regional group unanimously recommends against implementing the optional small business class.

Vacant Home Tax

The City of Windsor recently announced its plans to pursue a vacant home tax. A program of this type is designed to incentivize owners of vacant residential property to actively rent or sell their unused properties to increase the supply of housing. If a property remains vacant for a specified period of time a penalty is charged. A program of this design can also be used to deter speculative buying of residential properties.

Based on discussions with the regional group, general supply of housing is an issue but vacant residential housing is not. The regional group does not recommend the implementation of a vacant home tax.

Part Three – Tax Assistance Programs

Pandemic Relief Measures

A number of financial relief measures were implemented in 2020 to help support taxpayers. These measures included:

- Waiving of late fees/penalties
- Moratorium on tax sale proceedings
- Payment due date extensions
- Moratorium on utility shut offs due to non-payment
- Small business grant programs

At the County level, leniency was granted to the local municipalities in the form of quarterly level payment extensions and the waiving of late fees/penalties. The unified approach to supporting positive cashflow for all County municipalities was well received and allowed for the uninterrupted provision of critical municipal services.

By the end of 2020, the regional group determined the financial relief measures were no longer needed. The provincial and federal levels of government came forward with relief programs that directly supported individuals and businesses and alleviated the burden on local municipalities.

At the regional meeting in January 2022, the group confirmed there is no immediate need to reinstate pandemic financial relief measures.

Essex County Tax Assistance Program for Low-Income Seniors and Low-Income Persons with Disabilities (By-law 2021-06)

Section 319 of the Municipal Act 2001, S.O. 2001 c.25 as amended, provides that, for the purposes of relieving financial hardship, a municipality, other than a lower tier municipality, shall pass a by-law providing for deferrals or cancelation of, or other relief in respect of, all or part of a tax increase on property in the residential class for persons assessed as owners who are, or whose spouses are low-income seniors as defined in the by-law or low-income persons with disabilities as defined in the by-law. The maximum amount that an eligible applicant would be able to receive, according to the provisions in the Act, would be the difference between the total taxes for the property in the current year less the total taxes for that property in the most recent reassessment year. The upper tier municipality may opt to provide some relief that is less than the maximum amount, albeit some type of tax relief program is mandatory under Section 319. The County of Essex has had

a tax assistance program for low-income seniors and low-income persons with disabilities in place since 1998.

This program is reviewed annually by the regional group. In 2021, an amendment was passed to remove the eligibility requirement that an applicant's tax account must not be in arrears. Feedback from the local level suggests there has been a corresponding increase in applications to this program. The regional group recommends continuation of this program as amended.

Essex County Charity Rebate Program

Section 361 of the Municipal Act 2001, S.O. 2001, c.25 as amended, mandates an upper tier or single tier municipality to pass a by-law implementing rebate policies of at least 40% for registered charities and similar charitable and non-profit organizations, for the purpose of providing relief from taxes on properties occupied in the commercial or industrial property tax class. Section 361 also provides an option to extend this rebate program to charities and similar organizations occupying property that is not assessed in the commercial and industrial property classes.

The Essex County Charity Rebate Program has been in place since 1998 and provides a rebate of 40% of taxes paid by eligible charities and similar organizations that occupy property in the commercial and industrial property tax class and that make application.

This program is reviewed annually by the regional group. There are no changes to this program being recommended for 2022 and no amendments to By-law 16-2007, which sets out the eligibility criteria and process for applying for this Tax Assistance program.

Section 357 Rebates due to Sickness and Extreme Poverty

The Corporation currently does not have a rebate program addressing financial hardship due to sickness and extreme poverty. Consensus could not be reached at the regional level as to whether a rebate program for this purpose is warranted. A cursory survey identified some larger urban municipalities have prescriptive rebate programs while other, smaller municipalities have chosen to delegate relief authority to the Assessment Review Board. The regional group will continue to monitor the level of interest in this rebate program and Administration will report to Council as appropriate.

Financial Implications

The proposed tax policy recommendations contained in this report reflect tax ratios and programs that consider the principles of fairness, affordability and equity in support of the continued long-term fiscal sustainability of the Corporation and its local municipalities.

Consultations

Regional Treasurers and Tax Collectors

Peter Frise, Municipal Tax Equity Consultants

Tracy Pringle, Municipal Property Assessment Corporation

Jana Thiessen, Municipal Property Assessment Corporation

Policy Department, Municipal Finance Officers Association

Recommendation

That Essex County Council adopt the tax ratios as set out in Bylaw 2022-06, for the 2022 taxation year;

And further that the reductions for sub-classes for excess commercial, excess industrial and vacant industrial land be set at 30%, 35% and 35% respectively;

And further that the Essex County Tax Assistance Program for Low-Income Seniors and Low-Income Persons with Disabilities established under By-law 04-2004 and amended under By-law 2021-05 continue with no amendments;

And further that the Essex County Charity Tax Rebate Program established under By-law 16-2007 continue with no amendments.

Approvals

Respectfully Submitted,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Director, Financial Services/Treasurer

Concurred With,

Mike Galloway

Mike Galloway, MBA, CMO, Chief Administrative Officer

Appendix Number	Title
A	Bylaw 2022-06 A By-law to establish tax policy and levy property taxes for the year 2022.