



Administrative Report

Office of the Director, Financial Services/Treasurer

To: Warden MacDonald and Members of Essex County Council

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

Date: Wednesday, February 01, 2023

Subject: 2023 Tax Policy Discussion and Recommendations

Report #: 2023-0201-FIN-R02-SZ

Purpose

To provide recommendations to County Council regarding 2023 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.

In terms of process, the Director of Financial Services / Treasurer annually chairs a regional meeting attended by Treasurers and Tax Collectors representing each local municipality. There is a long-standing tradition of collaborative decision making on tax policy topics. Even though the County has the jurisdictional authority to set policy for the whole of the County, recommendations have always resulted from input from every municipality. Tax policy for the County and its locals has been rooted in the principles of stability, equity, transparency and simplicity.

In January 2023, the regional treasurer and tax collector group convened to review existing tax policies and consider option tax tools for the 2023

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

Discussion

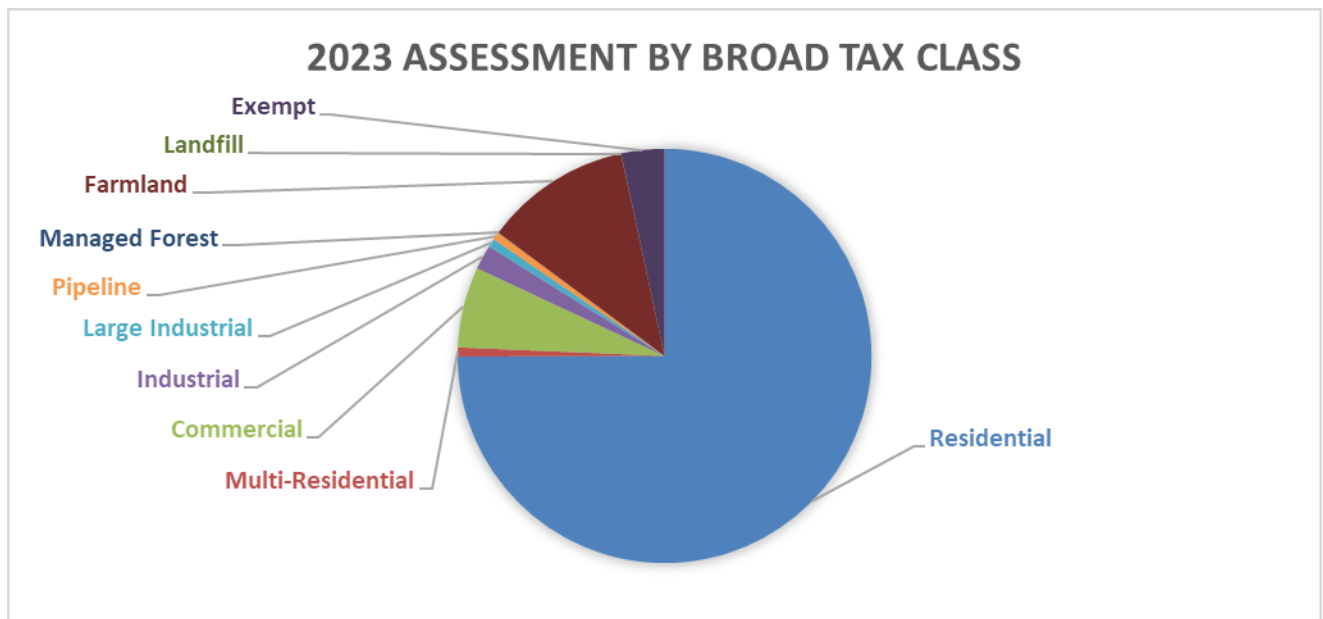
The regional group reviewed a number of tax policies and by-laws. The following discussion summarizes the issues and recommendations made by the group.

Part One – Current Value Assessment (CVA)

As a result of the COVID-19 pandemic, the Ministry of Finance postponed the re-assessment cycle. Taxation in the province has been frozen at January 1, 2016 levels since 2020. At the time of writing this report, the province remains silent on when the next re-assessment cycle will commence and what the CVA base year will be. As a result of the freeze, only in year growth/changes are impacting year over year CVA.

A comparison of the 2022 and 2023 returned rolls shows a 2.46% increase in raw assessment. The most notable growth occurred in the residential and new multi-residential classes. The residential class increased in raw assessment by \$466,409,144 and the new multi-residential class increased by \$16,296,700.

The County continues to be heavily weighted in the residential classes. The chart below illustrates the mix of assessment for 2023 by broad tax class.



Part Two – Tax Tools

In response to municipal need, the Province establishes tax tools from time to time. On an annual basis, the regional treasurers and tax collectors group reviews the tools available to determine their applicability to the taxation circumstance of the County.

Tax Ratios

In 2017, the Province made the New Multi-Residential tax class mandatory. Prior to 2017, the class was optional and hadn't been adopted by the County of Essex. The range of fairness for the tax ratio established for the class was prescribed between 1.0 and 1.1. In 2017, the County established the ratio at 1.1 for this new multi-residential class. The tax class capturing multi-residential assessment prior to 2017 had a tax ratio of 1.9554. In essence, multi-residential properties captured in the original tax class were taxed nearly double what a new multi-residential property was taxed in the new class. 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 ratio (1.1) is reached in 2024. The multi-residential ratio reduction is the only ratio change being recommended for 2023.

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. The regional group analyzed the assessment of the County's commercial classes and did not find support for gross inequities. This analysis has been conducted each year since 2021 and, consistent with previous years, the regional group deemed this optional class unnecessary. For context, since the optional class was introduced in 2021, only two municipalities have implemented this optional class: Ottawa and Toronto.

Small-Scale On-Farm Business Subclass

In May 2018, the Province established two 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 commercial and industrial tax rates that would

otherwise apply. The Province established a two-tier threshold for qualifying commercial and industrial assessment. The first subclass limit is \$50,000 and the second subclass limit is equal to assessment exceeding \$50,000 up to \$100,000. An analysis of the properties in the County revealed only 12 eligible properties. A comparison of the estimated relief to eligible properties against the administrative costs of implementing the optional subclass resulted in the regional group declining the creation of the subclass. This analysis has been conducted each year since 2018 and, consistent with previous years, the regional group recommends against adoption of the subclass. It is important to note that regardless of whether a subclass is adopted, all eligible properties will continue to receive an education tax reduction.

Part Three – Tax Assistance Programs

Essex County Tax Assistance Program for Low-Income Seniors and Low-Income Persons with Disabilities (By-law 2021-05)

Section 319 of the Municipal Act 2011, 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 spouse are low-income seniors as defined in the bylaw or low-income persons with disabilities as defined in the bylaw. The maximum amount that an eligible applicant would be able to receive, according to the provisions of 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 re-assessment 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.

The program is reviewed annually by the regional group. Similar to the experience for the 2021 taxation year, applications received at the local level have increased during the 2022 taxation year. Given the current economic climate and inflationary pressures impacting property owners, it is anticipated that interest in this relief program will continue to increase.

The regional group recommends continuation of this program as represented in By-law 2021-05.

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/or industrial tax class and that make application.

This program is reviewed annually by the regional group. There are no changes being recommended for 2023 and no amendments to Bylaw 16-2007, which sets out the eligibility criteria and process for applying for this tax assistance program.

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

Tracy Pringle, Municipal Property Assessment Corporation

Jana Thiessen, Municipal Property Assessment Corporation

Recommendation

That Essex County Council adopt the tax ratios as set out in By-law 2023-04 for the 2023 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,

Mary Birch

Mary Birch, B.A., CMO, Interim Chief Administrative Officer

Appendix Number	Title
See Agenda Item 15.1 on Feb. 1 2023 Agenda.	By-law 2023-04 A By-law to establish tax policy and levy property taxes for the year 2023.