



Administrative Report

To: Warden MacDonald and Members of Essex County Council

From: Melissa Ryan, CPA, Director, Financial Services/Treasurer

Date: Wednesday, February 4, 2026

Subject: 2026 Tax Policy Discussion and Recommendation

Report #: 2026-0204-FIN-R01-MR

Purpose

To provide recommendations to County Council regarding 2026 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 that the County 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 of 2026, the regional treasurer and tax collector group held a final review of existing tax policies and evaluated optional tax tools for the 2026 taxation year. During this meeting, they examined various tax options and assessed the potential impacts of proposed changes on tax revenue and

their communities. The recommendations outlined in this report reflect support from representatives of all seven local municipalities.

Discussion

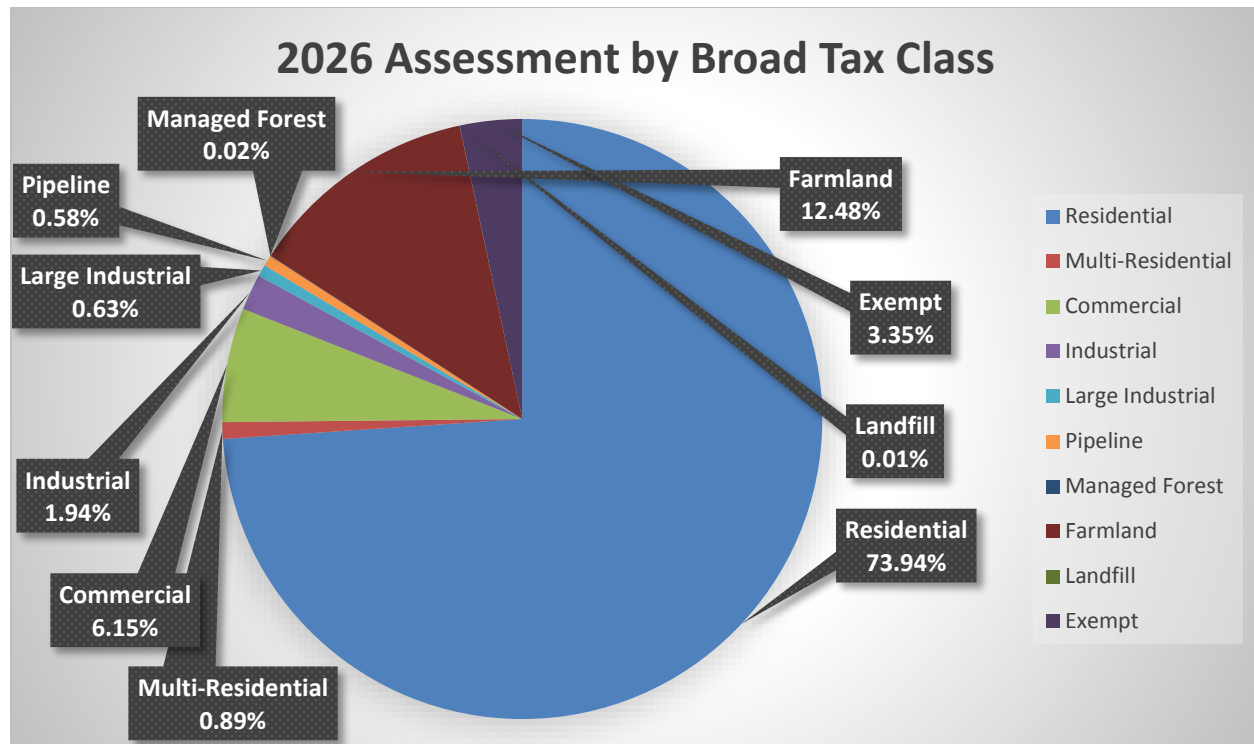
The regional group reviewed a number of tax policies and by-laws. The following discussion summarizes the issues and recommendations made by the group.

Part One – Current Value Assessment (CVA)

The Ministry of Finance postponed the re-assessment cycle for 2026 again. Taxation in the province has been frozen at January 1, 2016 levels since 2020. At the time of writing this report, the review of the property assessment and taxation system is ongoing, as such the province-wide property tax reassessment will continue to be deferred. 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 2025 and 2026 returned rolls shows a 1.63% increase in raw assessment. The most notable growth occurred in the residential, new multi-residential classes and farmland. The residential class increased in raw assessment by \$207,091,047 the new multi-residential class increased by \$42,376,000 and Farmland increased by \$146,675,334.

The County continues to be heavily weighted in the residential classes. The chart below illustrates the mix of assessments for 2026 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.

Below are the typical tools that are discussed annually at the Regional Treasurer and Tax Collector meeting, as well as new tools that were introduced by the Province in 2026.

Optional Tax Classes

The County has the authority to establish optional tax classes, providing flexibility to tailor tax policies to local priorities. These classes can incentivize development, promote equity, and support specific policy goals. Implementation requires a municipal by-law and adherence to provincial guidelines to ensure fairness across property classes.

Here are the detailed discussions had on some of the main optional classes the County has considered in the past.

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 of the discount. The County did pass a By-law in September of 2025 in order to provide the option to pursue this subclass in 2026 if warranted. At the meeting, the County's discussion highlighted potential benefits, such as aligning with provincial priorities and signaling support for affordable housing. However, actual eligibility of properties is currently unknown, and sufficient rent data is not yet available to determine which units qualify. MPAC did not have enough details yet about the program therefore the decision to implement is deferred for 2026, with the Regional group planning to revisit the option once eligible properties, potential impacts on other tax classes and the details of how the program will work are confirmed.

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; therefore, the group decided not to pursue this option. 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 a few municipalities have chosen to implement it, and it varies across municipalities, with each jurisdiction establishing specific eligibility criteria and tax relief measures based on local priorities and economic conditions. For example, in Toronto, the optional subclass provides targeted tax relief to small businesses in areas like Kensington Market, where rising property assessments have threatened the viability of local shops.

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 approximately 17 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.

New Multi Residential (2017)

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 continued through to 2024. This ratio is now in parity with the new multi-residential tax ratio (1.1).

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

During the annual discussion, the group once again raised concerns about the proposed 35-year duration for this new multi-residential subclass, deeming it excessively long. There was also consensus that the current new multi-residential tax ratio, which achieved alignment with the old multi-residential ratio in 2024, already addresses the parity goals of the County. Furthermore, it was noted that some Local Partners already incentivize rental housing construction through existing By-laws or Community Improvement Plans. Given these considerations, the group agreed there is still no need to adopt this additional new multi-residential subclass for the 2026 year.

Municipal Vacant Home Tax (VHT)

The Municipal Vacant Home Tax (VHT) is a strategic taxation tool aimed at addressing housing shortages by encouraging property owners to sell or rent out unoccupied homes. This penalty tax is applied to the assessed value of vacant residential properties and supports the province's broader objectives of improving housing affordability and availability.

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.

To date the following municipalities have implemented the vacant home tax and each program is unique in what they set as a tax rate and how they administer the program: Toronto, Ottawa, Hamilton, Windsor, Sault Saint Marie.

The VHT was discussed in detail in 2025 and revisited during the 2026 Treasurer and Tax Collector meeting. The same considerations and outcomes remain applicable for 2026.

While the Province has expanded municipal authority to implement a VHT, analysis undertaken by Local Partners indicated that available data, such as low water usage, could overstate vacancy levels by capturing seasonal or secondary residences. As a result, the reliability of the data remains a concern, and the potential revenue generated would need to be sufficient to offset the administrative costs of implementing and managing the program.

Based on these factors, the consensus of the group was not to pursue implementation of a Vacant Home Tax for 2026. It was also reiterated that this tax tool applies only to residential properties and does not extend to vacant commercial or industrial property classes.

Part Three – Regional Tax Subclass Discounts

Commercial Excess and Industrial Vacant & Excess Discounts

Since 1998, the mandatory vacant and excess land subclass reduction program provided tax relief to commercial and industrial property owners. Recognizing evolving municipal priorities, the Province has empowered local governments with flexibility to modify or eliminate these discounts through changes to the *Municipal Act* introduced in the Province's 2020 Budget Bill. This allowed municipalities to better align tax policies with local needs and community development goals.

In February of 2024, County Council approved the removal of the subclass discounts for Commercial Excess Land (30%) and Industrial Vacant Land (35%). At the January 2026 Treasurer and Tax Collector meeting, the implementation of this decision was discussed with all the Local Municipal Partners. While there were some questions raised from the public initially

about the removal of the discounts, there was no significant opposition expressed by affected parties over the last two years.

Farmland Awaiting Development

Currently, and in past taxation years, the County has applied subclass discounts for Farmland Awaiting Development (FAD) to assist landowners during the transition from agricultural use to development. These discounts, set at 75% for Residential Subclass I and all other property classes under Subclass II as outlined in O. Reg. 393/98, provide financial relief while land remains in a holding stage. For other property classes under Subclass I, a formula-based discount is applied. This approach has supported the County's growth objectives by encouraging farmland preservation during the planning process while providing stability for landowners.

As part of the 2026 Treasurer and Tax Collector review, the group revisited the application of the FAD subclasses at a high level, including how eligibility is determined and how long properties may remain in these subclasses. Based on clarification received from MPAC, development land classification is driven by actual land use and formal development activity, and farmland tax treatment remains appropriate where farming continues.

Given this clarification, and to maintain consistency and equity across agricultural properties, it remains appropriate to continue applying the existing Farmland Awaiting Development discounts. Any limited risks associated with properties transitioning out of farming can be effectively managed through administrative oversight rather than policy changes, ensuring the County continues to align with the intent to treat farmland consistently.

Part Four – 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 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 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 2024 taxation year, applications received at the local level have remained consistent during the 2025 taxation year.

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 2026 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

Strategic Plan Alignment

Working as Team Essex County	Growing as Leaders in Public Service Excellence	Building a Regional Powerhouse
<ul style="list-style-type: none"> <input type="checkbox"/> Scaling Sustainable Services through Innovation <input type="checkbox"/> Focusing "Team Essex County" for Results <input type="checkbox"/> Advocating for Essex County's Fair Share 	<ul style="list-style-type: none"> <input type="checkbox"/> Being an Employer with Impact <input type="checkbox"/> A Government Working for the People <input checked="" type="checkbox"/> Promoting Transparency and Awareness 	<ul style="list-style-type: none"> <input type="checkbox"/> Providing Reliable Infrastructure for Partners <input checked="" type="checkbox"/> Supporting Dynamic and Thriving Communities Across the County <input type="checkbox"/> Harmonizing Action for Growth <input type="checkbox"/> Advancing Truth and Reconciliation

Recommendation

That Essex County Council receive report number 2026-0204-FIN-R01-MR, 2026 Tax Policy Discussion and Recommendation as information.

Approvals

Respectfully Submitted,

Melissa Ryan

Melissa Ryan, CPA, Director, Financial Services/Treasurer

Concurred With,

Sandra Zwiers

Sandra Zwiers, MAcc, CPA, CA, Chief Administrative Officer

Appendix	Title
N/A	