

Date: February 16, 2022

To: Chair and Members of General Committee

From: Shari Lichterman, CPA, CMA, Commissioner of  
Corporate Services and Chief Financial Officer

Originator's files:

Meeting date:  
March 30, 2022

## **Subject**

**Review of Tax Ratio Adjustments**

## **Recommendation**

That the report dated February 16, 2022, entitled "Review of Tax Ratio Adjustments" from the Commissioner of Corporate Services and Chief Financial Officer be received for information.

## **Executive Summary**

- Tax 'transition' ratios were established by the Provincial government in 1998 with the introduction of Current Value Assessment (CVA) taxation methodology and represented the relative tax burden by property class prior to the change in methodology;
- Adjusting tax ratios is one of the tax policy tools available to municipalities to address the relative tax burden between property classes and achieve desired outcomes;
- Tax ratio changes are incorporated into the calculation of the final tax rates for the year of implementation and therefore do not change the total amount of tax levy collected but rather creates a shift in the tax burden for each property class.

## **Background**

In 1998, the Province of Ontario introduced Current Value Assessment (CVA), a Province-wide reform to the methodology in how property assessments and tax rates are calculated. This change resulted in significant shifts in the tax burden between property classes. In order to mitigate these shifts, the Province introduced prescribed transition ratios that represented the tax burden in each property class relative to the residential class prior to the change in methodology. The Province also mandated a residential tax ratio of 1.000, introduced policy tools to adjust tax ratios and established a range of fairness for each property class. Legislation limits the ability to increase tax ratios outside of the range of fairness. The table below lists the range of fairness by property class.

Property Class	Tax Ratio Range
Commercial	0.6 to 1.1
Industrial	0.6 to 1.1
Multi-Residential	1.0 to 1.1
New Multi-Residential	1.0 to 1.1
Pipeline	0.6 to 0.7

Tax ratios beyond the range of fairness can only be increased to maintain a revenue-neutral tax impact after reassessment where tax ratios are adjusted to maintain the same relative tax burden as before the reassessment. Provincial legislation provides single and upper-tier municipalities the ability to implement the various tax policy tools and also provides for upper-tier municipalities to delegate the authority for setting tax ratios to the lower-tier municipalities. The Region of Peel has delegated this authority annually since the change in methodology.

Tax ratio changes are incorporated into the calculation of the final tax rates for the year of implementation and therefore do not change the total amount of tax levy collected but rather creates a shift in the tax burden for each property class. The tax ratio change impacts both the tax rates for the City and the Region. Adjusting tax ratios impacts all properties and depending on the adjustment may lead to a reduction or increase in tax burden.

In October 2017, the “Strategy to Reduce the Multi-Residential Property Class Tax Ratio” report was presented to Council for consideration. This report analyzed the impacts of a three-year phased approach to reduce the multi-residential tax ratio to match the residential tax ratio. This report also established the New Multi-Residential property class for newly built properties and set the tax ratio for New Multi-Residential at 1.000 equal to the Residential tax ratio. As of 2021, no properties have been assessed for the New Multi-Residential property class. The strategy was not implemented because of the impacts that would have occurred to residential property owners. Although the strategy was not implemented, reductions to the multi-residential tax ratio did occur in 2017 through 2020 to maintain a revenue-neutral tax impact resulting from the 2016 reassessment. The multi-residential tax ratio in 2021 was set at 1.2656.

The Province released their Housing Affordability Task Force Report on February 8, 2022. In this report it notes that municipal property taxes on purpose-built rental can be as much as 2.5 times greater than property taxes for condominium or other ownership housing and recommends that property taxes for purpose-built rental align with those of condominiums and low-rise homes.

In 2021, the Province introduced a new property sub class for small businesses that would allow municipalities to specifically target tax adjustments to small businesses. This was reviewed by the Region of Peel as it would be an upper-tier decision to implement. After this review it was determined that the Region would not implement the small business sub class. Tax ratio adjustments could be used to provide a reduction to the tax burden for either or both of the commercial and industrial property classes.

## Comments

Staff have prepared the following review of tax ratio adjustments to provide Council with information on the impacts of various adjustments for the multi-residential, commercial and industrial tax ratios. The review is based on the tax ratios and municipal levies for 2021. Direction to proceed with any tax ratio adjustment would be incorporated into the calculation of the tax rates for 2022 with final impacts being reported as part of the annual Tax Ratio, Rates and Due Date Report later this spring.

The table below shows the tax ratios for 2021 for the multi-residential, commercial and industrial classes for the upper-tier regions, Hamilton, Toronto and Ottawa. As the Region of Peel delegates the authority to set tax ratios to the local municipalities, individual rates are shown for Brampton, Caledon and Mississauga, for all other Regions, the tax ratios are set at the regional level and apply to all municipalities within that Region. This information is from the annual BMA Municipal Study, the municipalities shown are a sampling from the study, the minimum, maximum and average are for the entire BMA Municipal Study.

Municipality	Multi-Residential	Commercial	Industrial
Brampton	1.7050	1.2971	1.4700
Caledon	1.7223	1.3475	1.5910
Durham Region	1.8665	1.4500	2.0235
Halton Region	2.0000	1.4565	2.0907
Hamilton	2.4407	1.9800	3.2493
<b>Mississauga</b>	<b>1.2656</b>	<b>1.5170</b>	<b>1.6150</b>
Niagara Region	1.9700	1.7349	2.6300
Ottawa	1.3867	1.8353	2.5203
Toronto	2.0984	2.6400	2.6233
Waterloo Region	1.9500	1.9500	1.9500
York Region	1.0000	1.3321	1.6432
Min	1.0000	1.0820	1.1000
Max	2.4407	2.6400	4.5177
Average	1.6719	1.5549	2.0416

The tax ratios for Mississauga are currently below the average in each class and above the Provincial range of fairness. In this sampling only York Region has a lower multi-residential tax ratio.

### Multi-Residential Tax Ratio Adjustments

The table below shows the impacts of changing the multi-residential tax ratio to 1.000, equal to the residential ratio. This results in \$11.6 million in taxes being shifted away from multi-residential properties, a reduction of 20.2% and creates a shift of 0.97% in tax burden onto all other properties mainly to residential properties with \$7.9 million in taxes shifting to residential.

This equates to an increase in 2021 taxes of \$46.20 to a typical single family home assessed at 730,000.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	821,055,413	\$ 7,917,703	0.97%
Multi-Residential	<b>1.265604</b>	<b>1.000000</b>	57,275,690	45,696,255	-\$ 11,579,435	-20.22%
Commercial	1.516977	1.516977	313,634,449	316,687,726	\$ 3,053,277	0.97%
Industrial	1.615021	1.615021	61,093,522	61,688,340	\$ 594,818	0.97%
Pipeline	1.313120	1.313120	1,388,773	1,402,295	\$ 13,522	0.97%
Farm	0.250000	0.250000	10,439	10,541	\$ 102	0.97%
Managed Forest	0.250000	0.250000	1,258	1,271	\$ 12	0.97%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

Reducing the multi-residential tax ratio to 1.100, the upper limit of the range of fairness results in a shift of \$7.2 million in taxes away from multi-residential taxes, a reduction of 12.6% and shifts \$4.9 million onto the residential class or a 0.6% increase in tax burden. This would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$28.70.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	818,055,835	\$ 4,918,125	0.60%
Multi-Residential	<b>1.265604</b>	<b>1.100000</b>	57,275,690	50,082,356	-\$ 7,193,334	-12.56%
Commercial	1.516977	1.516977	313,634,449	315,531,631	\$ 1,897,182	0.60%
Industrial	1.615021	1.615021	61,093,522	61,463,079	\$ 369,558	0.60%
Pipeline	1.313120	1.313120	1,388,773	1,397,172	\$ 8,399	0.60%
Farm	0.250000	0.250000	10,439	10,502	\$ 63	0.60%
Managed Forest	0.250000	0.250000	1,258	1,266	\$ 8	0.60%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

Reducing the multi-residential tax ratio to 1.200 results in a shift of \$2.8 million in taxes away from multi-residential taxes, a reduction of 5.0% and shifts \$1.9 million onto the residential class or a 0.2% increase in tax burden. This would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$11.33.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	815,079,036	\$ 1,941,325	0.24%
Multi-Residential	<b>1.265604</b>	<b>1.200000</b>	57,275,690	54,436,432	-\$ 2,839,258	-4.96%
Commercial	1.516977	1.516977	313,634,449	314,383,168	\$ 748,720	0.24%
Industrial	1.615021	1.615021	61,093,522	61,239,390	\$ 145,869	0.24%
Pipeline	1.313120	1.313120	1,388,773	1,392,090	\$ 3,317	0.24%
Farm	0.250000	0.250000	10,439	10,464	\$ 25	0.24%
Managed Forest	0.250000	0.250000	1,258	1,261	\$ 3	0.24%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

Commercial Tax Ratio Adjustments

The City's tax ratio for the commercial class in 2021 is set at 1.5170, this is above the legislated range of fairness for the commercial class and higher than the commercial tax ratios in both Brampton (1.2971) and Caledon (1.3475). The City's ratio is below the average commercial ratio for the 2021 BMA Municipal Study. As the commercial class represents 19% of the total assessment base, any change in the tax ratio for the commercial class has a more significant impact than changing the tax ratios for either the multi-residential or industrial classes.

The table below shows the shifts in tax burden if the commercial ratio was reduced to 1.100, the upper limit of the range of fairness. This results in a 7.43% shift in taxes onto the residential class and would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$352.58.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	873,552,018	\$ 60,414,308	7.43%
Multi-Residential	1.265604	1.265604	57,275,690	61,531,119	\$ 4,255,429	7.43%
Commercial	<b>1.516977</b>	<b>1.100000</b>	313,634,449	244,321,529	-\$ 69,312,920	-22.10%
Industrial	1.615021	1.615021	61,093,522	65,632,654	\$ 4,539,133	7.43%
Pipeline	1.313120	1.313120	1,388,773	1,491,955	\$ 103,182	7.43%
Farm	0.250000	0.250000	10,439	11,215	\$ 776	7.43%
Managed Forest	0.250000	0.250000	1,258	1,352	\$ 93	7.43%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

As noted above the City's current commercial tax ratio is higher than the ratios in both Brampton and Caledon, The table below shows the shifts in tax burden if the commercial ratio was reduced to 1.2971 to match the ratio for Brampton. This results in a 3.78% shift in taxes onto the residential class and would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$179.60.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	843,914,816	\$ 30,777,106	3.78%
Multi-Residential	1.265604	1.265604	57,275,690	59,443,434	\$ 2,167,744	3.78%
Commercial	<b>1.516977</b>	<b>1.297100</b>	313,634,449	278,324,405	-\$ 35,310,044	-11.26%
Industrial	1.615021	1.615021	61,093,522	63,405,713	\$ 2,312,192	3.78%
Pipeline	1.313120	1.313120	1,388,773	1,441,333	\$ 52,560	3.78%
Farm	0.250000	0.250000	10,439	10,834	\$ 395	3.78%
Managed Forest	0.250000	0.250000	1,258	1,306	\$ 48	3.78%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

The table below shows the shifts in tax burden if a minimal change was made to the commercial ratio to 1.5000. This results in a 0.28% shift in taxes onto the residential class and would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$13.40.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	815,434,315	\$ 2,296,605	0.28%
Multi-Residential	1.265604	1.265604	57,275,690	57,437,342	\$ 161,651	0.28%
Commercial	<b>1.516977</b>	<b>1.500000</b>	313,634,449	310,999,760	-\$ 2,634,689	-0.84%
Industrial	1.615021	1.615021	61,093,522	61,266,002	\$ 172,480	0.28%
Pipeline	1.313120	1.313120	1,388,773	1,392,692	\$ 3,919	0.28%
Farm	0.250000	0.250000	10,439	10,469	\$ 29	0.28%
Managed Forest	0.250000	0.250000	1,258	1,262	\$ 4	0.28%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

#### Industrial Tax Ratio Adjustment

The City's tax ratio for the industrial class in 2021 is set at 1.6150, this is above the legislated range of fairness for the commercial class and higher than the industrial tax ratios in both Brampton (1.4700) and Caledon (1.5910).

The table below shows the shifts in tax burden if the industrial ratio was reduced to 1.100, the upper limit of the range of fairness. This results in a 1.59% shift in taxes onto the residential class and would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$75.34.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	826,048,148	\$ 12,910,438	1.59%
Multi-Residential	1.265604	1.265604	57,275,690	58,185,101	\$ 909,411	1.59%
Commercial	1.516977	1.516977	313,634,449	318,614,086	\$ 4,979,638	1.59%
Industrial	<b>1.615021</b>	<b>1.100000</b>	61,093,522	42,271,800	-\$ 18,821,721	-30.81%
Pipeline	1.313120	1.313120	1,388,773	1,410,821	\$ 22,048	1.59%
Farm	0.250000	0.250000	10,439	10,605	\$ 166	1.59%
Managed Forest	0.250000	0.250000	1,258	1,278	\$ 20	1.59%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

As noted above the City's current industrial tax ratio is higher than the ratios in both Brampton and Caledon, The table below shows the shifts in tax burden if the industrial ratio was reduced to 1.4700 to match the ratio for Brampton. This results in a 0.44% shift in taxes onto the residential class and would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$20.97.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	816,732,461	\$ 3,594,751	0.44%
Multi-Residential	1.265604	1.265604	57,275,690	57,528,819	\$ 253,129	0.44%
Commercial	1.516977	1.516977	313,634,449	315,020,491	\$ 1,386,042	0.44%
Industrial	<b>1.615021</b>	<b>1.470000</b>	61,093,522	55,853,411	-\$ 5,240,111	-8.58%
Pipeline	1.313120	1.313120	1,388,773	1,394,911	\$ 6,138	0.44%
Farm	0.250000	0.250000	10,439	10,485	\$ 46	0.44%
Managed Forest	0.250000	0.250000	1,258	1,264	\$ 6	0.44%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

The table below shows the shifts in tax burden if a minimal change was made to the industrial ratio to 1.5000. This results in a 0.35% shift in taxes onto the residential class and would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$16.62.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	815,985,854	\$ 2,848,144	0.35%
Multi-Residential	1.265604	1.265604	57,275,690	57,476,327	\$ 200,637	0.35%
Commercial	1.516977	1.516977	313,634,449	314,732,978	\$ 1,098,529	0.35%
Industrial	<b>1.615021</b>	<b>1.500000</b>	61,093,522	56,941,306	-\$ 4,152,216	-6.80%
Pipeline	1.313120	1.313120	1,388,773	1,393,637	\$ 4,864	0.35%
Farm	0.250000	0.250000	10,439	10,476	\$ 37	0.35%
Managed Forest	0.250000	0.250000	1,258	1,263	\$ 4	0.35%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

#### Combination of Tax Ratio Adjustments

There is no limit to the number of tax ratios adjustments implemented in one year as long as the adjustments either move the ratio closer to the range of fairness for each property class or establish revenue neutral tax impacts relating to a reassessment. The table below includes adjusting both the commercial and industrial ratios to 1.500 and moving the multi-residential ratio to 1.200. This results in a shift in tax burden away from the commercial, industrial and multi-residential classes and a shift in tax burden of 0.88% onto the residential, pipeline, farm and managed forest property classes. This would increase the 2021 taxes for a typical single family home assessed at 730,000 by \$41.59.

Property Class	2021 Tax Ratios	Adjusted Tax Ratios	2021 Tax Revenue	Adjusted Tax Revenue	Shift in Tax Revenue	Change in Tax Burden
Residential	1.000000	1.000000	813,137,710	820,264,435	\$ 7,126,725	0.88%
Multi-Residential	<b>1.265604</b>	<b>1.200000</b>	57,275,690	54,782,694	-\$ 2,492,996	-4.35%
Commercial	<b>1.516977</b>	<b>1.500000</b>	313,634,449	312,842,197	-\$ 792,251	-0.25%
Industrial	<b>1.615021</b>	<b>1.500000</b>	61,093,522	57,239,771	-\$ 3,853,750	-6.31%
Pipeline	1.313120	1.313120	1,388,773	1,400,944	\$ 12,171	0.88%
Farm	0.250000	0.250000	10,439	10,531	\$ 91	0.88%
Managed Forest	0.250000	0.250000	1,258	1,269	\$ 11	0.88%
<b>Total</b>			<b>1,246,541,841</b>	<b>1,246,541,841</b>	<b>\$ 0</b>	

As stated in the “Strategy to Reduce the Multi-Residential Property Class Tax Ratio” report it is possible to consider a phased approach for tax ratio reductions to minimize the impacts on an annual basis. If a phased approach is to be considered, it is best to review the impacts in the first year following a provincial reassessment as the shifts in tax burden results from the reassessment may result in an unintended negative impact to the planned tax ratio adjustments.

## Financial Impact

Adjusting tax ratios does not create a financial impact for the City as using this tax policy tool results in a shift of the relative tax burden between property classes. Since the residential tax ratio has been set through legislation at 1.000 any change to the tax ratio for other property classes will result in a shift of taxes onto the residential class resulting in an impact to the individual residential taxpayer. This impact is dependent on the ratio change for the other classes.

Tax ratio impacts would be in addition to the increase in taxes resulting from the annual levy change.

## Conclusion

Annually, the authority to set tax ratios has been delegated from the Region of Peel to the City of Mississauga and as such adjusting tax ratios can be used as a mechanism for adjusting the tax burden amongst property classes to achieve a desired outcome.

Tax ratio changes are incorporated into the calculation of the final tax rates for the year of implementation and therefore do not change the total amount of tax levy collected but rather creates a shift in the tax burden for each property class. The tax ratio change impacts both the tax rates for the City and the Region. Adjusting tax ratios impacts all properties and depending on the adjustment may lead to a reduction or increase in tax burden.



Shari Lichterman, CPA, CMA, Commissioner of Corporate Services and Chief Financial Officer

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