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PROPERTY TAX RATIOS AND TAX RATES FOR 2006

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, March 2, 2006, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The property tax ratios and tax rates for the taxation year 2006 be established as follows:

Broad Property Class	Tax Ratios	Tax Rates
Residential/Farm	1.0000	0.473336%
Multi-Residential	1.0000	0.473336%
New Multi-Residential	1.0000	0.473336%
Commercial	1.2070	0.571316%
Industrial	1.3737	0.650221%
Pipelines	0.9190	0.434995%
Farmlands	0.2500	0.118334%
Managed Forests	0.2500	0.118334%

2. The final instalments from the local municipalities for the property tax levy be paid on or before September 29, 2006 and December 15, 2006.

3. The Regional Solicitor be authorized to prepare the necessary by-laws to give effect to the above recommendation.

2. PURPOSE

At its meeting on December 15, 2005, Council approved its 2006 Regional Budget with a net tax levy requirement of $607,541,000. The purpose of this report is to recommend the tax ratios and tax rates required to generate the required levy amount.

3. BACKGROUND

3.1 Tax Ratios

Tax ratios represent the amount of taxation to be borne by each property class in relation to the Residential class. The ratios reflect how the tax rate of a property class compares to the residential tax rate, with the Residential class tax ratio being equal to "one".

Unless otherwise approved by the Province, municipalities may only move their ratios within or closer to the "Ranges of Fairness".

Table 1 illustrates the Ranges of Fairness established by the Province, the Region's approved tax ratios in 2004 and 2005, as well as the proposed 2006 tax ratios:

Table 1
Comparison of Provincially Prescribed Ranges of Fairness, the Approved Ratios for 2004 and 2005, and the Proposed Ratios for 2006

Property Class	Ranges of Fairness	Approved 2004 Ratios	Approved 2005 Ratios	Proposed 2006 Ratios
Residential	1.0000	1.0000	1.0000	1.0000
Multi-Residential	1.0 to 1.1	1.0000	1.0000	1.0000
New Multi-Residential	1.0 to 1.1	1.0000	1.0000	1.0000
Commercial	0.6 to 1.1	1.2070	1.2070	1.2070
Industrial	0.6 to 1.1	1.3737	1.3737	1.3737
Pipelines	0.6 to 0.7	0.9190	0.9190	0.9190
Farmland	0.2500	0.2500	0.2500	0.2500
Managed Forests	0.2500	0.2500	0.2500	0.2500

While the tax ratios for the Multi-Residential, Commercial, Industrial and Pipelines classes are determined by Council, the tax ratio for Managed Forests is prescribed by the Province at 25% of the Residential tax rate. The Region has the option to use the provincially prescribed tax ratio for Farmlands set at 0.25, which the Region has adopted, or apply a tax ratio of less than this amount. In addition, certain prescribed sub-classes are subject to discounts. In 2004, as part of a review of its long term tax policy, Council approved maintaining the discounts on vacant land and excess land subclasses in the Commercial class at 30% and in the Industrial class at 35%. Discounts for the first and second subclasses for farmland awaiting development were maintained at 75% and 0% respectively.

Subsection 308(5) of the Municipal Act, 2001 (the "Act") requires that Regional Council establish tax ratios through a by-law in each year for the upper-tier and lower-tier municipalities. The by-law must be passed on or before June 30 in each year, unless otherwise specified by the Province.

3.2 Tax Rates

Subsection 311(2) of the Act also requires that Council pass a rating by-law on or before June 30 in each year that sets out the tax rates for each property class that would raise sufficient revenues to meet its budgetary requirements.

Property tax rates are calculated based on the following formula:

$$\text{Property tax Rates} = \frac{\text{Total Property Tax Funding Requirement for 2006}}{\text{2005 Weighted and Discounted Assessment for All Classes}} \times \text{Tax Ratio for the Class}$$

4. ANALYSIS AND OPTIONS

The Municipal Property Assessment Corporation (MPAC) recently reassessed properties based on sales and other factors that simulate a property's market value. For the 2005 taxation year, property owners were taxed using their Current Value Assessment as at June 30, 2003. However, starting with the 2006 taxation year, properties will be reassessed annually, with the annual property valuation date being moved from June 30 to January 1 of the preceding year.

While the Region's assessment base may increase due to reassessment, it does not result in an increase in overall property tax revenue that it receives. Those properties for which the increase of assessment value is greater than the average will generally be subject to property tax increase, while those with an increase less than the average will generally be subject to a decrease in the tax bill.

4.1 Tax Ratios

Table 2 illustrates the dollar value of Regional property taxes that would shift compared to 2005 as a result of reassessment, using the existing tax ratios.

Table 2
2006 Tax Shift Amount ($) and Percentages by Property Class

Property Class	Tax Shift ($)	Tax Shift as a Percentage of Total Tax Levy
Residential	(73,848)	-0.01%
Multi-Residential	55,469	0.01%
Commercial	616,294	0.11%
Industrial	(396,719)	-0.07%
Pipelines	(100,210)	-0.02%
Farmlands	(61,664)	-0.01%
Managed Forests	(39,322)	
Total	**0**	

As shown above, the tax shift between property classes as a result of the 2005 reassessment is minimal, and therefore no changes are being recommended to the current tax ratios for the 2006 taxation year. It should also be noted that the tax shift impact to the Multi-Residential, Commercial and Industrial classes will also be mitigated by the capping provisions adopted by the Region in 2005, which limited reassessment-related property tax increases to the greater of 10% of the previous year's annualized capped taxes, or 5% of the previous year's annualized full Current Value Assessment (CVA) taxes.

4.2 Tax Rates

Table 3 illustrates the 2005 approved Regional tax rates and the 2006 proposed Regional tax rates for the broad property classes.

Table 3
2005 and 2006 Estimated Regional Tax Rates

Broad Property Class	2005 Approved Regional Tax Rates	2006 Proposed Regional Tax Rates
	%	%
Residential/Farm	0.510942	0.473336
Multi-Residential	0.510942	0.473336
New Multi-Residential	0.510942	0.473336
Commercial	0.616707	0.571316
Industrial	0.701881	0.650221
Pipelines	0.469556	0.434995
Farmland	0.127736	0.118334
Managed Forests	0.127736	0.118334

5. FINANCIAL IMPLICATIONS

Table 4 lists the distribution of Regional revenues by class and their corresponding proposed tax rates for 2006:

Table 4
2006 Proposed Tax Rates and Regional Revenues by Class

Property Assessment Class	Regional Revenue Generated	Regional Tax Rate
Residential	$479,619,780	0.473336%
Residential Taxable (Shared as PIL)	18,713	0.473336%
Residential – FAD Phase 1	1,465	0.118334%
Multi-Residential	4,603,932	0.473336%
New Multi-Residential	0	0.473336%
Commercial Occupied	60,269,156	0.571316%

Commercial Excess Land	1,718,702	0.399921%
Commercial Vacant Land	1,953,384	0.399921%
Commercial – FAD Phase 1	37,744	0.118334%
Commercial (previous Ontario Hydro)	146,239	0.571316%
Commercial Vacant (Shared as PIL)	10,130	0.399921%
Office Building	7,576,586	0.571316%
Office Building Vacant Units and Excess	51,182	0.399921%
Shopping Centre	16,632,722	0.571316%
Shopping Centre Vacant Units and Excess	222,925	0.399921%
Parking Lot	10,118	0.571316%
Industrial Occupied	21,088,343	0.650221%
Industrial Excess Land	231,727	0.422644%
Industrial Vacant Land	2,100,649	0.422644%
Industrial FAD Phase 1	81,188	0.118334%
Industrial (previous Ontario Hydro)	291,343	0.650221%
Industrial (previous Ontario Hydro) Excess	73,690	0.422644%
Large Industrial	5,195,654	0.650221%
Large Industrial Vacant Units and Excess	61,204	0.422644%
Pipeline	748,366	0.434995%
Farmlands	1,001,304	0.118334%
Managed Forests	34,835	0.118334%
Railway Right-Of-Way (Estimated)	456,557	*
Utility Transmission (Estimated)	1,103,362	*
Payments-in-Lieu (Estimated)	2,200,000	N/A
Total 2005 Regional Tax Requirement	**$607,541,000**	

* Tax rates for linear properties have been prescribed by the Minister of Finance.

6. LOCAL MUNICIPAL IMPACT

6.1 Estimate of Taxes Raised

Subsection 311(11) of the Act requires that an upper-tier rating by-law shall estimate the amount of upper-tier tax to be raised in each of the local municipalities.

Table 5
2006 Estimated Regional Tax Revenue to be Raised by Local Municipalities

Municipality	2005 Estimated Tax Requirement	2005 Share	2006 Estimated Tax Requirement	2006 Share
	$	%	$	%
Aurora	27,341,901	4.83	29,489,727	4.87
East Gwillimbury	11,388,925	2.01	12,400,658	2.05
Georgina	17,289,593	3.06	19,095,396	3.15
King	14,826,451	2.62	16,114,227	2.66
Markham	162,136,832	28.66	170,322,847	28.14
Newmarket	37,281,722	6.59	40,056,523	6.62
Richmond Hill	101,692,516	17.97	109,703,297	18.12
Vaughan	177,765,320	31.42	190,254,269	31.43
Whitchurch-Stouffville	16,093,740	2.84	17,904,056	2.96
Sub-Total	565,817,000	100.00	605,341,000	100.00
Payments-in-Lieu	2,300,000		2,200,000	
Total Tax Requirement	**568,117,000**		**607,541,000**	

6.2 Dates for Instalment Payments

Subsection 311(12) of the Act provides that an upper-tier rating by-law may require specified portions of the estimate to be paid by the local municipalities on or before specified dates. It is recommended that the Regional Treasurer request that the remaining instalments for the property tax levy estimate be paid on or before September 29, 2006 and December 15, 2006.

7. CONCLUSION

This report recommends the tax ratios and tax rates that must be approved by Council to raise the approved property tax levy. As well, the report provides an estimate of the tax levy to be raised in the local municipalities and the dates for remittance of the remaining instalment payments.

The Senior Management Group has reviewed this report.