1
PROPERTY TAX RATIOS AND TAX RATES FOR 2005

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, April 7, 2005, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The property tax ratios and tax rates for the taxation year 2005 be established as follows:

Broad Property Class	Tax Ratios	Tax Rates
Residential/Farm	1.0000	0.510942%
Multi-Residential	1.0000	0.510942%
New Multi-Residential	1.0000	0.510942%
Commercial	1.2070	0.616707%
Industrial	1.3737	0.701881%
Pipelines	0.9190	0.469556%
Farmlands	0.2500	0.127736%
Managed Forests	0.2500	0.127736%

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

2. PURPOSE

At its meeting on February 17, 2005, Council approved the 2005 Regional budget of which $568,117,000 will be funded through tax levy. The purpose of this report is to recommend the tax ratios and tax rates required to generate such levy amount.

3. BACKGROUND

It is required by legislation under Section 308(5) of the Municipal Act, 2001 (the "Act") that Regional Council establish tax ratios through a by-law in each year for the upper-tier and lower-tier municipalities. Tax ratios represent the amount of taxation to be borne by each property class in relation to the Residential class.

Section 311(2) of the Act also requires that Council pass a rating by-law that sets out the tax rates for each property class along with an estimate of the amount to be raised by each lower-tier municipality needed to satisfy the Regional tax requirement. According to the Ontario Regulation 79/05, the deadline for Council to pass the by-laws is June 30, 2005.

Municipalities were delegated by the Province the ability to set tax ratios since 1998 and to develop municipal specific property tax policies as part of the tax reform. The Province also established "ranges of fairness" for the setting of tax ratios. Municipalities are normally only permitted to move their tax ratios closer to or within the "ranges of fairness" (see Table 1).

Notwithstanding in 2004, the Province permitted municipalities to increase the business class tax ratios that were currently above the "ranges of fairness" to a level which would be sufficient to neutralize assessment-related tax shifts for some or all classes that resulted from the 2003 property reassessment. Council opted to neutralize assessment related tax shifts from the Commercial and Industrial classes, and adopted new tax ratios in 2004. This option does not apply for 2005.

4. ANALYSIS AND OPTIONS

4.1 Tax Ratios

Tax ratios determine the relative amount of taxation to be borne by property classes relative to the residential class. They reflect how the tax rate of a property class compares to residential tax rate. Residential tax ratio is equal to "one".

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, Council decided to maintain 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.

In developing the proposed tax ratios and tax rates, the updated current value assessment provided by the Municipal Property Assessment Corporation (MPAC) is taken into account. For the year 2005, properties were assessed at June 30, 2003 value, which was the same valuation used for the 2004 taxation.

Table 1 illustrates the ranges of fairness established by the Province, the Region's approved tax ratios in 2003 and 2004, as well as the proposed 2005 tax ratios:

Table 1
Comparison of Provincially Prescribed Ranges of Fairness, the Approved Ratios for 2003 and 2004, and the Proposed Ratios for 2005

Property Class	Ranges of Fairness	Approved 2003 Ratios	Approved 2004 Ratios	Proposed 2005 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	1.1000	1.2070	1.2070
Industrial	0.6 to 1.1	1.3000	1.3737	1.3737
Pipelines	0.6 to 1.1	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

No changes are being recommended to the current tax ratios for the broad property classes and the sub-classes for the 2005 taxation year.

4.2 Tax Rates

Property tax rates are calculated based on the following formula:

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

Table 2 illustrates the 2004 approved Regional tax rates and the 2004 proposed Regional tax rates for the broad property classes.

Table 2
2004 and 2005 Estimated Regional Tax Rates

Broad Property Class	2004 Approved Regional Tax Rates	2005 Proposed Regional Tax Rates
	%	%
Residential/Farm	0.485717	0.510942
Multi-Residential	0.485717	0.510942
New Multi-Residential	0.485717	0.510942
Commercial	0.586260	0.616707
Industrial	0.667229	0.701881
Pipelines	0.446374	0.469556
Farmland	0.121429	0.127736
Managed Forests	0.121429	0.127736

5. FINANCIAL IMPLICATIONS

Table 3 lists the distribution of Regional revenues by class and their corresponding proposed tax rates for 2005:

Table 3
2005 Proposed Tax Rates and Regional Revenues by Class

Property Assessment Class	Regional Revenue Generated	Regional Tax Rate
Residential	$448,304,595	0.510942%
Residential Taxable (Shared as PIL)	20,172	0.510942%
Residential – FAD Phase 1	692	0.127736%
Multi-Residential	4,247,175	0.510942%
New Multi-Residential	0	0.510942%
Commercial Occupied	55,581,453	0.616707%
Commercial Excess Land	1,771,963	0.431695%
Commercial Vacant Land	1,468,190	0.431695%
Commercial – FAD Phase 1	38,742	0.127736%
Commercial (previous Ontario Hydro)	102,329	0.616707%
Commercial Vacant (Shared as PIL)	11,181	0.431695%
Office Building	7,341,137	0.616707%
Office Building Vacant Units and Excess	65,933	0.431695%
Shopping Centre	15,624,353	0.616707%
Shopping Centre Vacant Units and Excess	207,309	0.431695%
Industrial Occupied	19,469,719	0.701881%
Industrial Excess Land	223,543	0.456223%
Industrial Vacant Land	2,417,439	0.456223%
Industrial FAD Phase 1	85,306	0.127736%
Industrial (previous Ontario Hydro)	291,076	0.701881%
Industrial (previous Ontario Hydro) Excess	85,638	0.456223%
Large Industrial	4,954,679	0.701881%
Large Industrial Vacant Units and Excess	87,211	0.456223%
Pipeline	799,602	0.469556%
Farmlands	997,441	0.127736%
Managed Forests	71,877	0.127736%
Railway Right-Of-Way (Estimated)	458,107	*
Utility Transmission (Estimated)	1,090,138	*
Payments-in-Lieu (Estimated)	2,300,000	N/A
Total 2005 Regional Tax Requirement	**$568,117,000**	

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

6. LOCAL MUNICIPAL IMPACT

The Act requires that an upper-tier rating by-law should also estimate the amount of tax levy to be raised in the local municipalities. They will collect property taxes to fund the 2005 Regional property tax levy requirement based on the tax rates contained in this report. While the local municipalities will also set local property tax rates to fund their local services, the education portion of the property tax bill will be raised by the local municipalities based on the education tax rates as prescribed by the Province.

Table 4
2005 Estimated Regional Tax Revenue to be Raised by Local Municipalities

Municipality	2004 Estimated Tax Requirement	2004 Share	2005 Estimated Tax Requirement	2005 Share
	$	%	$	%
Aurora	24,611,536	4.8	27,341,901	4.83
East Gwillimbury	10,554,889	2.06	11,388,925	2.01
Georgina	16,127,244	3.15	17,289,593	3.06
King	13,951,871	2.72	14,826,451	2.62
Markham	146,080,963	28.49	162,136,832	28.66
Newmarket	34,115,820	6.65	37,281,722	6.59
Richmond Hill	92,006,469	17.94	101,692,516	17.97
Vaughan	160,518,839	31.31	177,765,320	31.42
Whitchurch-Stouffville	14,783,369	2.88	16,093,740	2.84
Sub-Total	512,751,000	100.00	565,817,000	100.00
Payments-in-Lieu	2,200,000		2,300,000	
Total Tax Requirement	**514,951,000**		**568,117,000**	

7. CONCLUSION

As required by the Municipal Act and the Ontario Regulation, this report recommends the tax ratios and tax rates that must be established by the Region by June 30, 2005, as well as the estimated amount of Regional tax to be raised in the local municipalities.

The Senior Management Group has reviewed this report.