3
2011 PROPERTY TAX RATIO

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report dated March 8, 2011, from the Commissioner of Finance.

1. RECOMMENDATIONS

It is recommended that:

1. The tax ratios be confirmed for 2011 as presented in this report and as previously approved by Council.

2. That a by-law be presented to Council to give effect to the recommendation.

2. PURPOSE

This report requests that Council approve a by-law to set the 2011 property tax ratios as previously approved by Council. The report provides a summary of the approved tax ratios for the taxation years 2009 to 2012 and additional information on tax ratios.

3. BACKGROUND

Tax ratios distribute tax burden between property classes relative to the residential property class tax ratio

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”.

4. ANALYSIS AND OPTIONS

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.

At its December 3, 2009 meeting, Council approved the broad property class tax ratios for 2010, 2011 and 2012 (*Report 9 of the Finance and Administration Committee).* While approved in the above mentioned report, a by law is required each year.

Table 1 illustrates the Region's approved tax ratios from 2009 to 2012 and compares it to the Ranges of Fairness established by the Province:

Table 1
Phase In of Tax Ratios and Comparison of Provincially Prescribed Ranges of Fairness

Property Class	Approved 2009 Ratios	Approved 2010 Ratios	Approved 2011 Ratios	Approved 2012 Ratios	Ranges of Fairness
Residential	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Residential	1.0000	1.0000	1.0000	1.0000	1.0 to 1.1
Commercial	1.2070	1.1800	1.1431	1.1172	0.6 to 1.1
Industrial	1.3737	1.3575	1.3305	1.3124	0.6 to 1.1
Pipelines	0.9190	0.9190	0.9190	0.9190	0.6 to 0.7
Farmland	0.2500	0.2500	0.2500	0.2500	0.2500
Managed Forests	0.2500	0.2500	0.2500	0.2500	0.2500

While the multi-residential, commercial, industrial and pipeline classes typically pay relatively higher property taxes, the province only permits municipalities to change tax ratios towards established Ranges of Fairness. These ranges ensure that taxes are not shifted onto properties that are already subject to relatively high tax rates. However, any reduction in the tax ratios for commercial, industrial, multi-residential or pipeline classes would directly impact the residential and related classes. Municipalities can maintain their tax ratios at existing levels or elect to move towards the Ranges of Fairness.

The tax ratio for the managed forest class is prescribed by the Province at 25% of the residential tax rate. The Region has also the option to use the provincially prescribed tax ratio of 0.25 for the farmland class, which the Region has adopted. Lastly, the Region has a long standing policy of maintaining the tax ratio for the multi residential class at 1.0 and therefore at the same weighting as the Residential class.

Table 2 following provides an illustration of the 2010 current or proposed tax ratios for the GTA municipalities as a comparator to York Region.

Table 2
Comparison of Property Tax Ratios for 2010

Broad Property Class	York	Peel		Halton	Durham	Toronto
		Mississauga	Brampton/ Caledon			
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Residential	1.0000	1.7788	1.7050	2.2619	1.8665	3.2700
Commercial	1.1800	1.4098	1.2971	1.4565	1.4500	3.2700
Industrial	1.3575	1.5708	1.4700	2.3599	2.2598	3.2700
Pipelines	0.9190	1.1512	0.9239	1.0617	1.2294	1.9236
Farmland	0.2500	0.2500	0.2500	0.2000	0.2000	0.2500
Managed Forests	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500

In 2010 Council approved tax ratios to mitigate a tax shift onto the business property classes

The 2008 general assessment would have created a significant tax shift to the business property classes had the tax ratios remained unchanged at the 2009 tax ratio levels. For the year 2009, local municipal treasurers requested no change to the status quo tax ratios. However, based on consultation with local municipal treasurers in 2009, Council then approved the tax ratios for 2010, 2011 and 2012 at its December 3, 2009 meeting (*Report 9 of the Finance and Administration Committee).*

5. FINANCIAL IMPLICATIONS

There are no direct financial impacts as a result of the recommendation contained in the report.

6. LOCAL MUNICIPAL IMPACT

Each of the municipalities within the Region will realize tax shifts unique to the composition of their property classes in 2011.

7. CONCLUSION

At its meeting on December 3, 2009, Council approved the property tax ratios for the taxation years 2010, 2011 and 2012. This report provides an overview on the objective of the tax ratios and presents a summary of tax ratios for the years 2009 through 2012 as previously approved by Council. Lastly, Table 2 illustrates the tax ratios with respect to our neighbouring municipalities for 2010.

Since authority to set the tax ratios for 2011 was provided in the 2009 report, a by law will be submitted to Council to approve the 2011 tax ratios.

For more information on this report, please contact Clayton Pereira, Tax Policy Specialist at Ext.1679.

The Senior Management Group has reviewed this report.