## TAX POLICY UPDATE AND 2001 TAX RATES

### Recommendation

The Director of Finance in consultation with the Property Tax Manager recommends:

That the following report be received for information purposes.

### Purpose

To provide Council with information relating to tax rates, the residential impact of final property tax rates for 2001 and to update Council on the property tax policies that will be considered by Regional Council later this month.

### Background - Analysis and Options

2001 Property Tax Rates and Residential Impact

| | | |
|---|---|---|
| Residential Property Tax Rates: | 2001 | 1.179634% |
| | 2000 | 1.276117% |

2001 is a reassessment year and property values for 2001 and 2002 are based on June 1999. As a result of this reassessment there will be impacts on property taxes depending on the incremental change in assessment on each property. The average increase in the residential class for Vaughan was 13% therefore any increase or decrease in assessment from the average will result in a property experiencing a city reassessment related impact.

This reassessment impact will also be different depending on the jurisdiction, whether it is the City, Region or Education portion. The jurisdictional reassessment impact difference can be attributable to the incremental change in property assessment in Vaughan relative to the increases experienced in the other jurisdictions. For example Vaughan's average residential class increase was 13% compared to the Region's increase of 10%. This difference has impacted the Regional portion of the property taxes. The same can be said for the Provincial average assessment. Municipalities such as Vaughan that have a larger increase in reassessment will experience a larger property tax impact. As a result of reassessment, Vaughan's share of both the Regional budget and Provincial education portion is higher.

Tax Rate Impact

Attached is a chart, Attachment #1, showing a Vaughan residential property, as a result of reassessment, going up by 13% the residential class average increase. The attached chart reflects a City budgetary increase of 3%, a Regional budgetary increase of 4.5% and education budget increase of 0%, the balance of the impact is the result of reassessment. The province has indicated that on a province wide basis residential education rates are revenue neutral.

This property valued at $282,500 ($250,000 in 2000) will see an overall property tax increase of $142 or 4.4% as a result of a City and Regional budget increase of $85 or 2.7% and a CVA increase of $57 or 1.7%. The reassessment impact of $57 is the result of the difference in the reassessment impact to the Region and Province relative to Vaughan.

Below is an additional chart showing residential properties all valued in 2000 at $250,000 with a 10%, 13% and 16% reassessment impact. This chart illustrates the reassessment impact on a property that is above and below the average. The budgetary impact will be the same however this chart shows that if a property is below the average, the reassessment impact is favourable and above the average reassessment is negative. This chart also demonstrates the difference in the reassessment impact by jurisdiction.

**SAMPLE IMPACTS BY PROPERTY**

| | City | Region | Education | Total | % |
|---|---|---|---|---|---|
| **10% Increase-Below Average** | | | | | |
| **Budget** | 21 | 64 | 0 | 85 | 2.7% |
| **Re-assessment** | (21) | (2) | (9) | (32) | (1.0%) |
| **Net** | 0 | 62 | (9) | (53) | 1.7% |
| **13% Increase-Average** | | | | | |
| **Budget** | 21 | 64 | 0 | 85 | 2.7% |
| **Re-assessment** | 0 | 38 | 19 | 57 | 1.7% |
| **Net** | 21 | 102 | 19 | 142 | 4.4% |
| **16% Increase-Above Average** | | | | | |
| **Budget** | 21 | 64 | 0 | 85 | 2.7% |
| **Re-assessment** | 19 | 79 | 46 | 144 | 4.5% |
| **Net** | 40 | 143 | 46 | 229 | 7.2% |

Commercial & Industrial Tax Rates

| | | |
|---|---|---|
| Commercial Property Tax Rates: | 2001 | 2.889313% |
| | 2000 | 3.322606% |
| Industrial Property Tax Rates | 2001 | 3.551747% |
| | 2000 | 4.076165% |

The commercial and industrial tax rates are lower in 2001 due to the increase in assessed values. Taxes will be calculated with these rates; however, these properties are subject to a cap of 5%, plus budgetary increases over their 2000 taxes. Any commercial or industrial properties that have experienced a decrease in their assessment, combined with the lower tax rates, would see a significantly lowered bill, however, they will be subject to a clawback in order the fund the 5% caps on the increasing properties.

The clawback rates are calculated by the Region, on a region-wide basis, with the assistance of the OPTA system, maintained by the Ministry of Municipal Affairs and Housing. We are currently awaiting updated data from these sources and once this is received we will report further to Council on these property classes.

Tax Relief for Low Income Seniors and Low Income Disabled Persons

For 2001, Provincial legislation requires the upper tier to continue protecting low-income seniors and disabled persons from tax increases. The previous program, in place for the past three years, protected only assessment related increases greater than $300 by deferring payment of these taxes, and the deferred amounts would have attracted interest starting in 2006.

The changes to the prior program, as recommended to Regional Council are shown in bold in the chart below:

| | Senior – 55 to 64 years of age. | Senior – 65 years of age or over. | Disabled Person – any age. |
|---|---|---|---|
| Income Criteria: | Receiving a Federal or Provincial Guaranteed Income supplement,<br>Or;<br>A Single person earning $23,000 per year or less,<br>Or;<br>A Family earning $40,000 per year or less. | **No Income Criteria** | Receiving a Federal or Provincial Income supplement for the disabled,<br>Or;<br>Provides documentation confirming their disabled status,<br>And;<br>Are a Single person earning $23,000 per year or less,<br>Or;<br>Are a Family earning $40,000 per year or less. |
| Taxes Deferred: | **Any tax increase, assessment or budget related**, after the first $300. | **Any tax increase, assessment or budget related. No threshold**. | **Any tax increase, assessment or budget related. No threshold.** |
| Interest: | **New legislation removes the option to charge interest.** | **New legislation removes the option to charge interest.** | **New legislation removes the option to charge interest.** |
| Maximum Deferral: | 75% of the homes assessed value. | 75% of the homes assessed value. | 75% of the homes assessed value. |

<u>Tax Rebates for Charities and “Similar” Organizations</u>

Registered Charities:

For 2001, Provincial legislation requires the upper tier to pass a by-law to continue protecting Registered Charities that lease space in commercial or industrial buildings. The eligibility criteria has not changed, the organization must have a valid charity number as issued by Revenue Canada. The new legislation requires a rebate amount of 40% of the property taxes paid by the registered charity. This program is significantly more generous than the program carried out under Bill 79 for the last three years. Previously a charity received 40% of the tax increase on their share of the building. If taxes decreased nothing was rebated. Now, each registered charity that applies, must be rebated 40% of the total taxes remitted on their share of the building, regardless whether the taxes increased or decreased.

Organizations “Similar” to Registered Charities:

A poll of the surrounding Region’s revealed that Durham, Halton, Peel and Toronto are not implementing programs for organizations “similar” to charities. Based on this information and in view of the potential for significantly increased amounts which must be rebated to the registered charities, the recommendation to Regional Council will be to discontinue rebates to “similar” organizations, with the exception of those that received a rebate in 2000. Those similar organizations will be “grand fathered” and will be paid an amount equal to the rebate received in 2000 for up to 3 more years or until they vacate the subject property.

Tax Policy for Residential and Farm Properties – Phase-In

Extensive analysis has been conducted by the committee of area municipal Treasurers and Region of York staff and agreement has been reached to recommend that Regional Council not phase-in tax increases for the residential, farmland and managed forest property classes.

Phase-in was not implemented in 1998, based in part on the principle of “taxation based on CVA” and the desire to allow decreases to flow through to property owners that are entitled to them. Since this is the second re-assessment in three years, the impacts of this reassessment are not as drastic as the first round. With each subsequent reassessment the impacts will diminish since the market value changes between reassessments cover a shorter period of time.

Impacts of Phase-In:

In terms of impacts to homeowners, legislation requires that all properties within the residential, farmland and managed forest classes be considered as one class for the purposes of phase-in. This results in homeowners being burdened with the cost of the phase-in to assist properties such as vacant residential land, golf course lands, and farmlands for development.

Phase-in programs are calculated across the Region. Analysis of residential homes on a Region wide basis shows 127,250 homes are entitled to tax decreases while only 65,909 homes are experiencing increases. Regionally 94% of the increases are less than 15%. Included in these numbers are 31,565 Vaughan homes entitled to tax decreases and 15,673 experiencing increases.

The chart below illustrates the local municipal impact on each lower tier in order to fund a program where increases over $300 or 10% are phased-in. Residential property owners in Vaughan that would receive a decrease would be funding $3,723,568. to cover the budget and assessment increases being experienced in the other York Region municipalities.

| **Phase-in of Tax Increases >$300 and >10%** | |
|---|---|
| **Local Municipality** | **Gain / (Loss)** |
| Aurora | $31,460. |
| East Gwillimbury | $74,254. |
| Georgina | ($168,987.) |
| King | $328,127. |
| Markham | ($2,507,291.) |
| Newmarket | $111,752. |
| Richmond Hill | ($1,926,543.) |
| Vaughan | $3,723,568. |
| Whitchurch-Stouffville | $333,660. |
| Total | $0 |

A change in the phase-in parameters would result in a shortfall in the funding of the phase-in through the decreases, and the Province will not share in the cost of the shortfall; it would be fully funded by the City and the Region.

## Conclusion

Residential properties in Vaughan will experience different property tax impacts in relation to their reassessment increase or decrease from the average.

Commercial and Industrial properties will see the same type of impact however as a result of Bill 140 capping reassessment impacts will be mitigated.

**Attachments**

Attachment #1 - Chart

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Respectfully submitted,

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# C I T Y  O F  V A U G H A N

## Residential Tax Rates and Impact
## 2000 vs. 2001

**Reassessment Increase 13 %**

### T O T A L  P R O P E R T Y  T A X E S

| | 2000 Valued at $250,000 | 2001 Valued at $282,500 | Increase $ | Increase % |
|---|---|---|---|---|
| Tax Rate | 1.276117% | 1.179634% | | |
| Property Taxes | $3,190 | $3,332 | $142 | 4.4% |

### I M P A C T

| | City | Region | Education | Total | Increase % |
|---|---|---|---|---|---|
| 2000 Property Taxes | $722 | $1,433 | $1,035 | $3,190 | |
| 2001 Property Taxes | $743 | $1,535 | $1,054 | $3,332 | |
| Budget Impact | $21 | $64 | $0 | $85 | 2.7% |
| CVA Impact | $0 | $38 | $19 | $57 | 1.7% |
| Total Impact | $21 | $102 | $19 | $142 | 4.4% |