

HOW YOUR TOTAL PROPERTY TAX BILL IS DETERMINED

Recommendation

The Commissioner of Finance & Corporate Services in consultation with the Director of Financial Services recommends:

That the following report be received for information purposes.

Economic Impact

None

Purpose

To provide information and clarification with respect to a letter to the editor that appeared in the February 8, 2006 edition of the Vaughan Weekly.

Background - Analysis and Options

Recently a letter to the editor appeared in the Vaughan Weekly. The article expressed concerns with respect to property assessments and other matters as they relate to determining individual property tax billings. There are four (4) components that together determine your property tax bill. The objective of this report is to provide some facts, clarify how property taxes are determined and who is responsible for each of the four (4) components that impact your property taxes. The components that determine your property taxes are as follows:

1. Property Assessment;
2. York Region Budgetary Requirements;
3. Provincial Budgetary Requirements for Education; and
4. City of Vaughan Budgetary Requirements.

Each of these is discussed in more detail in the following paragraphs.

1. **Property Assessment - Provincial Legislation Administered by MPAC**

Property assessment is governed by provincial legislation and administered by the Municipal Property Assessment Corporation "MPAC". Current value assessment "CVA" is the method used to value properties and it was introduced in 1998.

There was a Province-wide reassessment conducted January 2005 for all properties in Ontario. This exercise is revenue neutral to municipalities. Municipalities do not gain financially from the process of updating individual property assessments. Although a re-assessment will increase the total value of assessed properties in a municipality; Provincial legislation requires that municipalities must reduce its tax rate so that in total no additional revenue is generated, i.e. revenue neutral. Although reassessment is revenue neutral overall, it can shift the property tax burden between property owners. Some property owners will see an increase; some will see a decrease and some will remain relatively unchanged as a result of a re-assessment.

The average increase in assessment for residential property owners in Vaughan was 11.74% as a result of the re-assessment. For residential properties this average increase is important as it directly relates to the impact that reassessment will have on a specific property. For each property the impact will be different, depending on the change in assessment for each specific property. Properties with a re-assessment increase greater than the average will see an

unfavourable re-assessment impact and an increase in property taxes. Conversely those properties with an increase that is less than the City's average will see a favourable re-assessment impact and a decrease in property taxes.

A home that was previously assessed at \$368,759 and was re-assessed at \$412,070, an increase of 11.74% would not see a property tax increase due to reassessment. A home that increased by 15.74%, a 4% increase over the City's average would see an unfavourable reassessment impact of \$35. If an assessment increased by only 7.64% or 4% less than the City's average the favourable impact would be \$35.

Although the impact on your property taxes as a result of re-assessment will depend on how the assessment of your specific property changed relative to the average within the municipality all property owners will be impacted by any budgetary increases that are required.

The average residential value of \$412,020 is the average assessed value of the various types of residential properties in the City of Vaughan. This would include single detached homes, semi-detached, townhouses, link homes and condominiums.

2. York Region Budgetary Requirements

Approximately 48% of your residential property taxes go fund services that are provided by York Region. The annual budgetary requirements are approved by Regional Council and local municipalities are instructed to bill and collect the funds then remit them to the Region.

It is important to note that GTA Pooling represents a significant portion of York Regions annual budgetary requirements. GTA Pooling is the process of collecting property tax dollars throughout the Greater Toronto Area "GTA" and giving those funds to Toronto to assist them in providing social service programs. GTA Pooling is the second largest expense in the York Region. Approximately \$90M is sent annually from York Region. Of that amount approximately \$30M is collected from the tax payers of the City of Vaughan.

3. Provincial Requirements to Fund Education

Education is funded through property taxation. The funding requirements are determined by the Province and local municipalities are instructed to bill and collect the funds and remit them to the Province. Educational requirements represent approximately 28% of your residential property taxes.

4. City of Vaughan Budgetary Requirements Represent the Smallest Portion of Your Tax Bill

The City of Vaughan only has control over 24% of your residential property tax bill. This is the smallest component of your tax bill and it is used to fund a wide range of services that are provided by the City of Vaughan. What was presented to the public at the public budget meeting were the issues the City was facing in 2006 and how Council and staff have balanced those issues over which the City has control. The City's budgetary requirements for tax purposes increased by 3.2%.

Over the years the City of Vaughan has consistently demonstrated its ability to meet the many challenges that all municipalities have continued to face over the years. These include Provincial downloading, inflationary increases, economic downturns, interest rate fluctuations and other impacts beyond municipal control. Since 1993 the City's cumulative tax rate increases have approximated the cumulative rate of inflation over that same period of time. In addition, Vaughan's property tax rate is among the lowest in the GTA.

Relationship to Vaughan Vision 2007

Not Applicable

Conclusion

The City of Vaughan continues to provide value to the residents of Vaughan for their local property tax dollar.

Attachments

Attachment 1 – Letter to the Editor

Report prepared by:

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Respectfully submitted,

Clayton D. Harris, CA
Commissioner of Finance & Corporate Services

Published
every
Wednesday

by
King/Vaughan
News

LETTERS & OPINION

Resident says City sees with rose-tinted glasses

DEAR EDITOR,

Hello I am a Vaughan resident and regularly read your articles. I read a recent article in the *Weekly* published on February 1 and found it disturbing. What disturbed me was that someone would publish information that I

believe can lead residents to be further mislead away from a real and dangerous truth.

That truth is that the politicians, especially at the provincial level, want the residents of Ontario to be lulled to sleep with information such as you published. "Vaughan will face only modest tax increases this year," and suggesting that the average home in Vaughan being assessed at "\$412,000" will only increase "\$30" without calculating their percentage of increase in assessed value, and that taxes would only increase 3.2% based on municipal budgets.

What is your source for this information? Judging from a very similar article in another local paper last week, I assume your information came from the City.

I challenge this information and ask that you qualify and clarify this information so that the *Vaughan Weekly* reports responsibly to their readers.

The 3.2% increase is not actually an increase in taxes it is an increase in the City's operating budget, and the "\$30" increase, if accurate, is related to the mill rate set by dividing the operating budget by the tax base (total of

assessed values as set by MPAC of all the properties in Vaughan), this mill rate is then multiplied by the individual homeowners assessed value. Please tell me where we would find properties in Vaughan which is mainly made up of single family dwellings that are assessed at an average of \$412,000?

My point is that although City Council would like us to believe that they are our heroes by not increasing taxes, they really have very little to do with it other than to set (budget) our cost of operating the city.

The people who really determine the amount of taxes we pay and how the burden of tax is assigned is the Municipal Property Assessment Corporation, through an exercise done every year on 4.4 million properties in Ontario called Current Value Assessments.

MPAC is empowered by provincial legislation and falls under the Minister of Finance's portfolio. MPAC has determined that the average assessed value increases in Vaughan for the purposes of determining tax burden distribution was 11.64 per cent for this taxation period. Having heard various Council members confirm

that 11.64 per cent is the correct number, then how can a 3.2 per cent operating budget increase relate to only a 3.2 per cent increase in taxes when the values used to calculate taxes went up by 11.64 per cent. With my limited mathematical prowess, that means that the actual tax increases on average for 2006 is 8.44 per cent and not 3.2 per cent.

The truth is that politicians like to give us the rosy side of the equation and not the real hard facts. Let's face it: How would they get votes if they told us that our current system of municipal property taxes was out of control with no upper limit caps on value assessment increases, no predictability from year to year as to the distribution of the tax burden to individual property owners, that the way the system determines value is seriously flawed and clouded in confusion and secrecy, and the appeal process is generally intimidating to most of us.

The truth is, people should be up in arms over value assessment increases of up to 75 per cent over the last 18 months. Remember, come January 1, MPAC will once again review the real estate market and sales and once

again increase your value assessments on your homes, with no limitations on how much they can increase the assessed value of the home. A value the municipalities of Ontario pay them to calculate to the tune of \$142,000,000 a year, at last look. All of us are subjected to this runaway monster, both young and old alike and that is the real truth and the real tragedy!

Waiting for the Ombudsman's report is a luxury only the politicians can afford. I, for one, believe that a proactive approach better serves the people of Ontario than a reactive one and people should remember that when the elections roll around.

In my opinion, being the responsible newspaper that you are, you should, when looking at this issue, dig a little further on behalf of your readers so that the reported news is accurate and complete telling the whole truth.

I challenge the politicians to respond and prove me wrong if they dare, both our MPP's and Municipal representatives alike.

FROM,
MICHAEL MENACOLA