

Ministry of Finance Update

AMO Conference 2016

August 16, 2016

Ministry of Finance
Provincial-Local Finance Division

Ontario's Property Tax and Assessment System

- Importance to Ontario's communities:

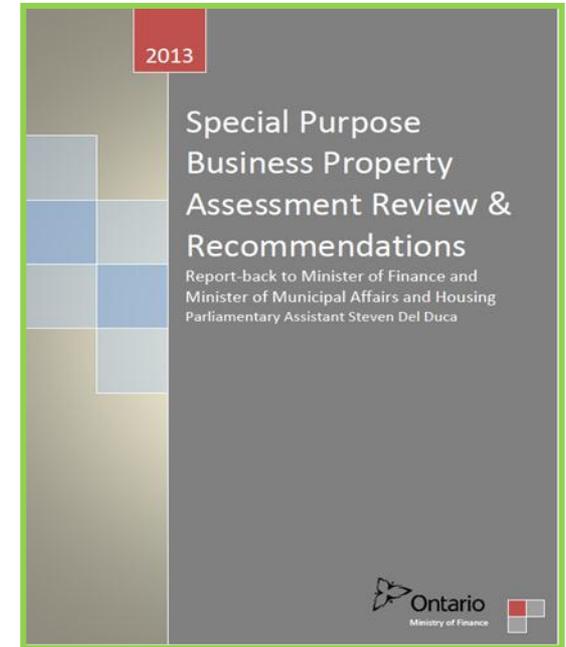
\$26 billion in Property Tax Revenues for Municipalities and School Boards

\$2.3 trillion in Assessment
5 million Properties

- The Province has been working to strengthen Ontario's property tax and assessment system, by:
 - Implementing the recommendations of the Assessment Review (Special Purpose Business Property Assessment Review), and
 - Reviewing property tax issues to address municipal and taxpayer feedback
- Building on the success of past work with municipalities, the Province will be engaging in further consultations with the municipal sector on these initiatives.

Implementation of the Assessment Review

- The Province has worked in partnership with MPAC, municipalities and stakeholders to finalize the implementation of the Assessment Review recommendations in time for the 2016 Reassessment.
 - This work was guided by extensive consultations with municipalities.
- Implementation of the Review recommendations will strengthen Ontario's property assessment system by improving transparency, predictability and accuracy of assessed values for the 2016 reassessment.
- A key recommendation of the report is the introduction of an advance disclosure process for special purpose business properties that involve complex assessment methodologies.
 - MPAC is in the final stages of implementing this process for the 2016 reassessment.
- The Ministry will release a final progress update bulletin this Fall to summarize the implementation of the Assessment Review recommendations.

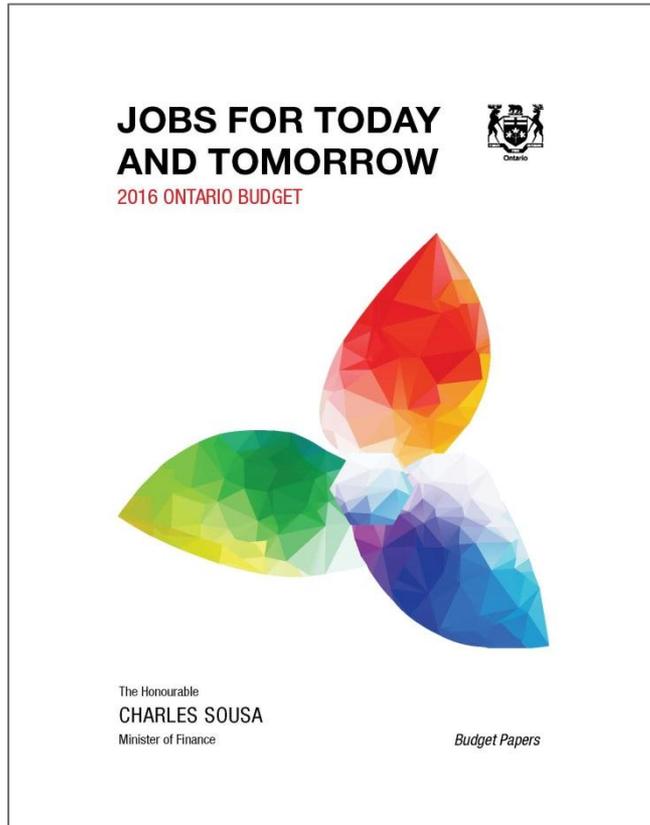


Landfill Assessment Methodology Review

- The Assessment Review recommended that the Ministry of Finance continue working to arrive at a methodology to assess landfills for the 2016 reassessment.
- This spring, former Cabinet Minister John Wilkinson led a review on the assessment methodology to value landfills.
- The Minister of Finance has accepted the recommendations in Mr. Wilkinson's report and has directed ministry staff to move forward with their implementation.
- Mr. Wilkinson's report was informed by consultations with municipalities, the landfill sector and other interested stakeholders. The three key recommendations were:
 1. To apply an income approach for the 2020 reassessment and future years
 2. To apply MPAC's historic valuation approach for the 2016 reassessment, but to exclude the value of key environmental protection features of landfills
 3. Create a new landfill property class
- The creation of a new property class for landfills is intended to provide municipalities with the flexibility required to manage the impacts of assessment changes and maintain stability in local level of taxation.



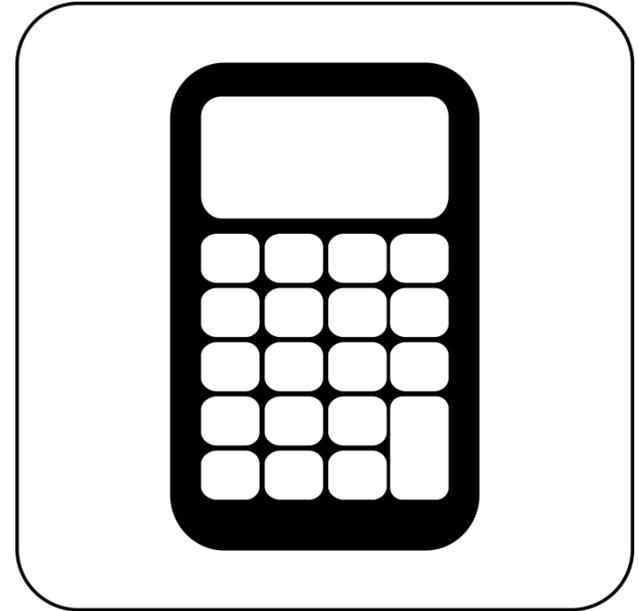
2016 Ontario Budget Initiatives



- Property Tax Rate Calculation Adjustment
- Provincial Land Tax Review
- 2016 Ontario Municipal Partnership Fund (OMPF) and Provincial Uploads
- Small-Scale Value-Added and Commercial Farm Activities
- Business Tax Capping Review
- Vacant Unit Rebate and Vacant/Excess Land Subclasses Review

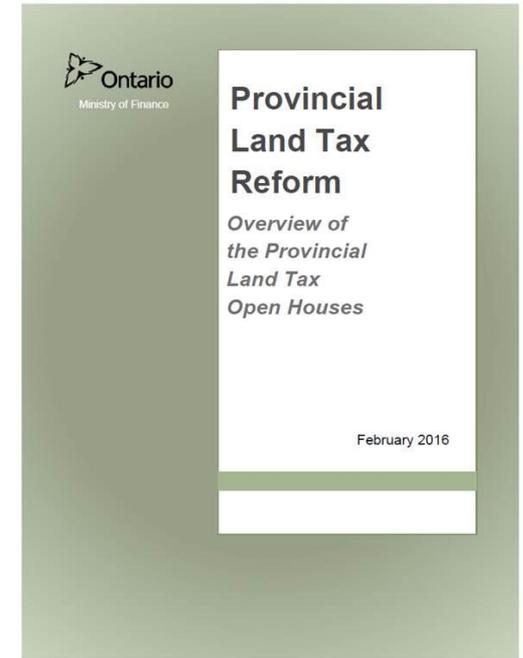
Property Tax Rate Calculation Adjustment

- As announced in the *2016 Ontario Budget* and in response to municipal requests, a technical adjustment to the provincially prescribed property tax rate calculation has been made available to municipalities starting in 2016.
- This adjustment is designed to ensure that when calculating tax rates, municipalities and the Province are able to address any unintended effects due to in-year property assessment changes, such as assessment appeal losses.
- Municipalities that still wish to adopt the adjustment for 2016 can do so by making a request to the Minister of Finance by August 31, 2016.



Provincial Land Tax Review

- The *2015 Ontario Budget* announced changes to the Provincial Land Tax (PLT) for 2015 and 2016. This marked the first time in over 60 years that PLT rates were updated to increase revenues.
- While the initial stage of PLT reform made important strides, the government committed to consult with northerners on ways to further address inequities in taxation and in how services are paid for in the North before determining PLT rate adjustments for 2017.
- Input from northern municipalities has been instrumental in shaping PLT reform.

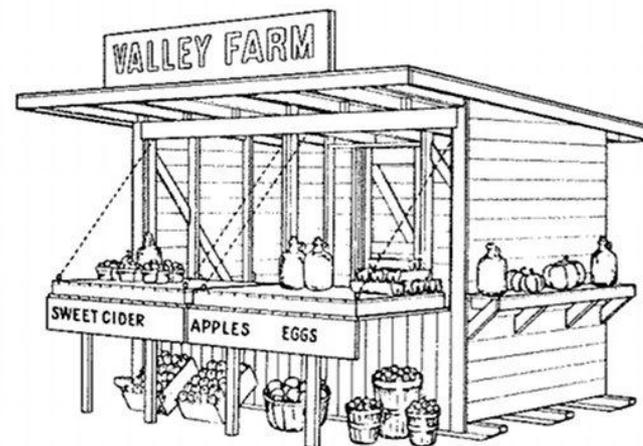


2016 OMPF and Provincial Uploads

- The Ontario Municipal Partnership Fund (OMPF) is the Province's main unconditional transfer payment to municipalities.
- In 2016, the OMPF is providing a total of \$505 million in unconditional funding to 388 municipalities across the province.
 - This funding, combined with the municipal benefit resulting from the provincial uploads, totals more than \$2.3 billion in 2016 – nearly four times the level of funding provided in 2004.
- The OMPF has been redesigned following consultations with our municipalities from across the province.
- The Ministry of Finance is currently consulting with municipalities on the design of the 2017 OMPF to ensure the design of the OMPF continues to reflect the long-term priorities of municipalities.
 - Support for rural farming communities and municipalities with challenging fiscal circumstances continue to be an important part of our discussions.
- The *2016 Ontario Budget* confirmed that the 2017 OMPF will provide municipalities with \$505 million in unconditional support and that the provincial uploads will be fully implemented in 2018.

Small-Scale Value-Added and Commercial Farm Activities

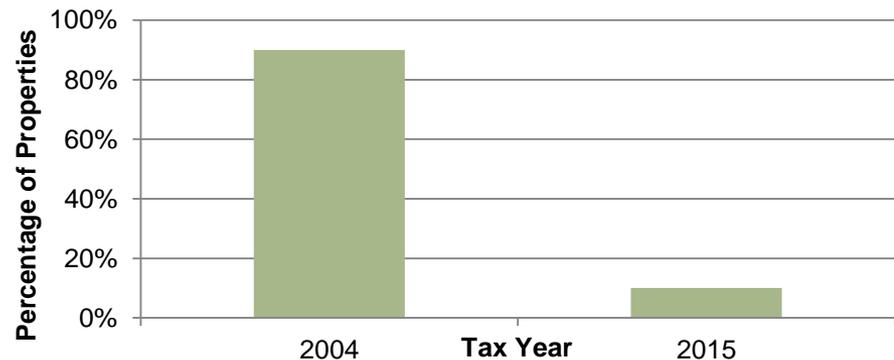
- In the *2016 Ontario Budget*, the government announced that the Ministry of Finance would consult with municipalities and the farming community as part of a review of the property tax treatment of small-scale value-added activities on farms.
- Earlier this summer, Ministry of Finance staff worked with AMO to establish a municipal reference group to support the consultation.
 - Discussions have focused on how we can provide sustainable property tax treatment to farmers who engage in small-scale, value-added activities as part of their farming business, while maintaining a level playing field for large agricultural processors located off farms.
 - The group has been exploring potential approaches that would allow municipalities to tax eligible small scale on-farm operations at rates lower than commercial or industrial.
- Further discussions are planned for the early fall and will help to inform specific options that could be brought forward for the government's consideration.



Business Tax Capping Review

- The 2016 Budget confirmed that the Province will take further steps in reviewing the Business Property Tax Capping Program, including consultations with municipalities and business stakeholders to identify opportunities to enhance the program.
- This review is supported by a municipal reference group and responds to municipal requests to address the administrative burden and potential inequities that may result from the program.
- As a result of previous enhancements, the proportion of capped business properties has decreased from about 90 percent in 2004 to approximately 10 percent in 2015.
- Building on this past progress, last fall the government announced significant enhancements that increase municipal flexibility to further accelerate progress to current value assessment (CVA) level taxes, and allow municipalities that meet certain eligibility criteria to exit or phase-out of the program.

Percentage of Capped Properties



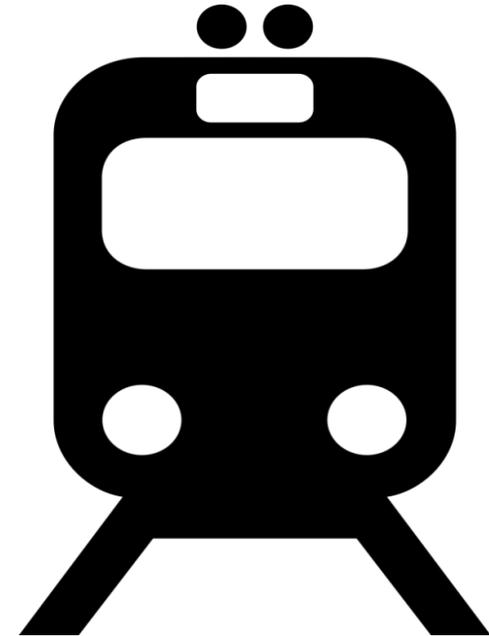
Vacant Unit Rebate and Vacant/Excess Land Subclasses Review

- In response to municipal and business stakeholders' concerns, the Province initiated a review of the Vacant Unit Rebate and Vacant/Excess Land Subclasses in 2015. The review is focused on concerns regarding the appropriateness of the programs and their implications for local economies.
- The *2016 Ontario Budget* announced a legislative framework to facilitate potential changes to the programs as a result of the on-going review.



Review of Railway Right-of-Way Property Taxation

- In response to municipal requests, the Ministry of Finance is currently undertaking a review of the property taxation of railway rights-of-ways (ROWs) in the province.
 - Railway ROWs in Ontario are not assessed using current value assessment; they are taxed based on fixed rates per acre. These rates have not been updated since they were established in 1998.
 - These properties generate approximately \$16 million in property taxes annually.
- In order to support the review, the Ministry established a municipal reference group and is consulting with municipalities and representatives of the railway industry.
- The Ministry has also conducted inter-jurisdictional research and is analyzing the implications of a range of potential approaches.
 - However it is important to note that no decisions have been made regarding the outcome of the review



Property Tax and Assessment Municipal Advisory Committee

- The Ministry of Finance will continue to work collaboratively with the municipal sector on improvements to Ontario's property tax and assessment systems.
- In order to better support work with municipalities, the Ministry has established a new Property Tax and Assessment Municipal Advisory Committee, which provides a collaborative environment for municipal and the provincial staff to discuss property tax and assessment policy issues.
 - The first meeting of the Advisory Committee took place this spring.
- Membership consists of municipal representatives that reflect the diversity of the municipal sector in Ontario.



Contact Information

Issues	Contact	Additional References
<ul style="list-style-type: none"> ▪ Assessment Review ▪ Landfill Assessment Review ▪ Value Added Farm Activities 	<p>Diane Ross</p> <p>Director, Provincial Local Finance Division, Assessment Policy & Legislation Branch</p> <p>Diane.Ross@ontario.ca</p>	<p>http://www.fin.gov.on.ca/en/consultations/par/</p> <p>landfillsreview@ontario.ca</p>
<ul style="list-style-type: none"> ▪ Provincial Land Tax ▪ Business Property Tax Capping Program Review ▪ Vacant Unit Rebate and Vacant/Excess Land Subclasses Review ▪ Property Tax Rate Calculation Adjustment ▪ Review of Railway Taxation 	<p>Chris Broughton</p> <p>Director, Provincial Local Finance Division, Property Tax Policy Branch</p> <p>Chris.Broughton@ontario.ca</p>	<p>http://www.fin.gov.on.ca/en/consultations/landtaxreform/</p>
<ul style="list-style-type: none"> ▪ Ontario Municipal Partnership Fund ▪ Provincial Uploads 	<p>Robert Lowry</p> <p>Director, Provincial Local Finance Division, Municipal Funding Policy Branch</p> <p>Robert.Lowry@ontario.ca</p>	<p>http://www.fin.gov.on.ca/en/budget/ompf/2016/techguide.html</p>