

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON MARCH 25, 2014
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	YEAR 2014 EDUCATION TAX RATES

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, a by-law to levy education tax rates for 2014 (Appendix "A") **BE INTRODUCED** at the Council meeting of April 1, 2014.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Corporate Services Committee Report, Year 2014 Tax Policy. March 25, 2014.

BACKGROUND

On January 21, 2014, the Minister of Finance for the Province of Ontario filed Ontario Regulation 2/14. This regulation amends Regulation 400/98 and sets out the property tax rates for education purposes which will be applicable for all properties in Ontario for 2014. The regulation sets out the following uniform tax rates for all properties in the residential, multi-residential, farm and managed forests property classes in Ontario

Residential and Multi-Residential Classes	.203000%
Farm and Managed Forests Classes	.050750%

Education tax rates for the above property classes have been reduced 4.24% by the Province to offset the average reassessment change in residential assessed values across the Province.

Ontario Regulation 2/14 also sets out property tax rates applicable to other property classes. The tax rates for other property classes are however, not yet uniform across the Province. In March 2007, the Province announced that it will be phasing in uniform rates for commercial and industrial property classes over an eight year period ending in 2014. Previously, the Province had a system that maintained education tax rates at historical levels in place at the time of major property tax reform in the year 1998. The transition to the new system would have meant by the year 2014 London businesses should be paying \$33.6 million dollars less in education property taxes every year compared to what they would otherwise be paying.

In the Ontario budget introduced in the Legislature on March 27, 2012, however, it was announced that business education property tax cuts previously scheduled for 2013 and 2014 would be deferred until 2017-2018 after Ontario has returned to a balanced budget. These reductions were originally introduced to correct historical inequities in education tax rates which the City of London and others had drawn to the attention of the Province. It is estimated that the reductions the recent budget has deferred until at least 2017-2018 should be in the \$10 million range in total for commercial and industrial properties in London.

New construction in the commercial and industrial property classes is subject to the lower uniform Provincial education tax rate immediately, provided the application for the building permit was made after March 22, 2007 and certain other criteria are met. For 2007 and 2008, this uniform rate was set at 1.60%. For 2009, the new construction rate was decreased to 1.52% as a result of the increase in property values from the 2009 general reassessment. In 2010, the new construction rate was decreased to 1.43% to reflect the continued phase-in of the 2009 general reassessment. In 2011, the new construction rate was decreased to 1.33% to reflect the continued phase-in of the 2009 general reassessment. For 2012, the new construction rate was decreased to 1.26% to reflect the continued phase-in of the 2009 general reassessment. For 2013, the new construction rate was maintained at the 1.26% rate. For 2014, the new construction rate has been decreased to 1.22% to reflect the continued phase-in of the 2013 general reassessment.

Education tax rates for 2014 for the other property classes for the City of London as set out in Regulation 2/14 are as follows:

Commercial	1.460000%
Industrial	1.560000%
Pipeline	1.560000%

Schedule "A" of this report shows the education tax rates set by the Province combined with tax levy and tax ratios recommended by staff in the Year 2014 Tax Policy report. The tax percentage changes shown in Schedule "A" of this report are averages only. Individual properties will also be affected by the general reassessment. Very few properties will be exactly at the average. Most properties will be slightly below or slightly above the average. The final tax bills will itemize changes on individual properties (levy change, education and reassessment).

SUMMARY

In summary, it is recommended that a by-law be introduced prior to the final billing for 2014 to levy education tax rates as required by Provincial regulation.

PREPARED BY:	CONCURRED BY:
JIM LOGAN DIVISION MANAGER, TAXATION & REVENUE	MIKE TURNER DEPUTY CITY TREASURER
RECOMMENDED BY:	
MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	