

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 7, 2015
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	YEAR 2015 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 2015 (Appendix "A") **BE INTRODUCED** at the Council meeting of April 14, 2015.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Corporate Services Committee Report – April 7, 2015 - Year 2015 Tax Policy

BACKGROUND

At the time of writing this report we have been advised that the Minister of Finance for the Province of Ontario will soon file a regulation to set education property tax rates for 2015. This regulation will amend Regulation 400/98 and will set out the property tax rates for education purposes which will be applicable for all properties in Ontario for 2015. We have been advised that the regulation will set 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	.195000%
Farm and Managed Forests Classes	.048750%

Education tax rates for the above property classes have been reduced 3.94% by the Province to offset the average reassessment change in residential assessed values across the Province.

The regulation will also set out property tax rates applicable to other property classes. The tax rates for other property classes will however not yet be uniform across the Province. In March 2007, the Province announced that it would 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 that 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 was decreased to 1.22% to reflect the continued phase-in of the 2013 general reassessment. For 2015, the new construction rate will be set at 1.19% to reflect the continued phase in of the 2013 reassessment.

Education tax rates for 2015 for the other property classes for the City of London will be as follows:

Commercial	1.430000%
Industrial	1.530000%
Pipeline	1.530000%

Schedule "A" of this report shows the education tax rates to be set by the Province combined with tax levy and tax ratios recommended by staff in the Year 2015 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 2015 to levy education tax rates as required by Provincial regulation.

PREPARED BY:	CONCURRED BY:
JIM LOGAN DIVISION MANAGER – TAXATION & REVENUE	ANNA LISA BARBON DIRECTOR, FINANCIAL SERVICES
RECOMMENDED BY:	
MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

Attach.