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TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 26, 2016
FROM:	MARTIN HAYWARD MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	YEAR 2016 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 2016 **BE INTRODUCED** at the Council meeting of May 3, 2016 assuming by that date the appropriate Regulation has been issued by the Minister of Finance.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

None.

BACKGROUND

At the time of writing this report, the Minister of Finance for the Province of Ontario has not yet filed a Regulation to set education property tax rates for 2016. We however have been advised that a regulation is forthcoming by the Ministry of Finance. We have also been notified in writing of the rates which will be included in the regulation. 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	.188000%
Farm and Managed Forests Classes	.047000%

Education tax rates for the above property classes have been reduced 3.59% by the Province to offset the average reassessment change in assessed values across the Province.

The Regulation to be issued will also set 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 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 that 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 27th, 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 Ontario budget deferred until at least 2017-2018 should be in the \$10 million range in total for commercial and industrial properties in London.

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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 2016, the new construction rate has been set at 1.18% to reflect the continued phase in of the 2013 reassessment. In 2015 the rate was 1.19%.

Education tax rates for 2016 for the other property classes for the City of London that will be set out by Regulation are as follows:

Commercial	1.400000%
Industrial	1.500000%
Pipeline	1.500000%

SUMMARY

In summary, it is recommended that a By-law be introduced prior to the final billing for 2016 to levy education tax rates as required by Provincial Regulation.

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