

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON JUNE 19, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	TAXATION OF RAILWAY RIGHTS OF WAY – HIGH TONNAGE

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, Council **PASS A RESOLUTION** requesting that the Minister of Finance impose a high tonnage rate for railway rights of way in the City of London where such a rate is appropriately based on the data available to the Minister and that the resolution passed by Council **BE FORWARDED** to the Minister of Finance by the City Clerk on or before June 29th, 2018.

BACKGROUND

On April 3, 2018, the Ministry of Finance sent out letters to Municipal Treasurers in Ontario regarding various tax matters. One of the topics covered in the letter was changes to the taxation of railway rights of way to be effective in 2018 and future years. The letter indicated that standard rates would be increased in 2018 and future years. The letter also indicated that the Province would implement a higher rate for high tonnage rail lines but did not specify what that rate would be or where the high tonnage routes existed. The letter indicated that the Province would provide additional information to municipalities that it anticipated may have high-tonnage rail lines for which the higher tax rate would be appropriate based on preliminary data.

On May 7, 2018, the City Treasurer received an e-mail from the Province indicating that a regulation had been filed to set the standard tax rate for railway rights of way for 2018. The letter also indicated that the Province would be doing another regulation later in the year to set a rate for high tonnage routes but did not provide any information as to where in Ontario high tonnage rates would be applicable. The letter identified a contact for further information and indicated that if a municipality was interested in imposing a high tonnage rate for 2018 it “must submit a formal Council resolution on or before June 29, 2018.”

On May 9, 2018, City Finance staff contacted the Ministry of Finance to clarify whether or not the high tonnage rate was applicable in the City of London and if so, what was the high tonnage rate. The Ministry of Finance responded that the Province does not have the information to determine whether or not the high tonnage rate would be applicable in the City of London. Nonetheless, the high tonnage rate would be \$300 per acre compared to the standard rate of \$110 applicable in 2018. Finance staff were also advised that in order for the Province to proceed to determine whether or not the high tonnage rate was applicable in the City of London it would be necessary for Council to pass a resolution requesting that the high tonnage rate be applied in the City of London if and where applicable and the resolution would have to be submitted on or before June 29th, 2018.

The City of London has approximately 462 acres (308 acres at CN and 154 acres at CP) of railway rights of way where a high tonnage rate may or may not be applicable. If the rate were applicable to all the right of way property the increase in revenue in 2018 would be approximately \$190 per acre and would amount to approximately \$88,000. If the high tonnage rate were applicable, then a similar annual rate differential should continue into the future.

SUMMARY

A high tonnage rate may or may not be applicable for railway rights of way in the City of London. In order to determine the applicability of a high tonnage rate, Council must submit a formal resolution on or before June 29th, 2018 to the Minister of Finance requesting that a high tonnage rate be imposed where applicable. If a high tonnage rate were applicable to all the right of way property in London, it could increase revenue in 2018 by approximately \$88,000. If the high tonnage rate were applicable it would also provide increased revenue on an annual basis.

PREPARED BY:	CONCURRED BY:
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