

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 30, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	YEAR 2019 EDUCATION TAX RATES

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer:

- a) a by-law to levy education tax rates for 2019 **BE INTRODUCED** at the Council meeting of May 7, 2019.
- b) the Mayor **BE REQUESTED** to send a letter to the Minister of Finance on behalf of City Council requesting further clarification with respect to the long term intention of the current government with respect the business education property tax cuts that were temporarily frozen with the 2012 Provincial budget.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Corporate Services Committee, April 3th, 2018, Item # 2.5, Year 2018 Education Tax Rates

Corporate Services Committee, April 25th, 2017, Item # 3, Year 2017 Education Tax Rates

Corporate Services Committee, April 26th, 2016, Item #10, Year 2016 Education Tax Rates

BACKGROUND

On April 9th, 2019, the Minister of Finance for the Province of Ontario filed Ontario Regulation 64/19 to set education property tax rates for 2019. 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	0.161000%
Farm and Managed Forests Classes	0.040250%

Education tax rates for the above property classes have been reduced 5.3% by the Province to offset the reassessment change in assessed values across the Province.

The regulation also sets out property tax rates applicable to other property classes. The tax rates for other property classes, however, are 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 (8) year period ending in 2014. Previously, the Province had a system in place that maintained education tax rates at historical levels, at the time of major property tax reform in 1998. The transition to the new system would have meant by the year 2014 London businesses should have been paying \$33.6 million dollars less in education property taxes every year compared to what they would otherwise be paying.

However, in the Ontario budget introduced to legislature on March 27th, 2012, it was announced that

business education property tax cuts previously scheduled for 2013-2014 would be deferred at least until 2017-2018, and 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 were deferred, until Ontario returned to a balanced budget, should be in excess of \$10 million in total for commercial and industrial properties in London.

In April 2017, the Minister of Finance for Ontario announced that the Provincial budget for 2017 to 2018 had returned to balance. No announcement, however, was made with respect to the unfreezing of the business education tax cuts originally frozen with the 2012 Provincial budget.

In the report on Education Taxes submitted to the Corporate Services Committee on April 3rd 2018 it was recommended that the Mayor send a letter to the then Minister of Finance to request clarification with respect to the current status of the business education tax cuts that were temporarily frozen with the 2012 Provincial budget. In October 2018 Mayor Brown sent a letter to the Minister of Finance requesting clarification status of the promised reduction in Business Education Property Tax rates. The current Minister of Finance, Vic Fedeli, responded in December 2018.

In his letter, the Minister of Finance appeared to acknowledge that the current system for setting business education property tax rates is inequitable and the intentions of the previous government to address the situation were never fully implemented. He did not specifically indicate, however, how or if the current government planned to proceed with the promised cuts in the future. It was noted that in the letter issued to all Municipal Treasurers dated April 9th, 2019 from the Assistant Deputy Minister, the lower business education tax rate that was promised by the previous Liberal government is identified as the "BET Target". "BET" would appear to be an abbreviation for Business Education Tax rate and the use of the term target would seem to imply an intention to reduce rates that are above the target, as is the case in London.

It is therefore recommended that a letter again be sent by the Mayor to clarify what the long term intention of the current government is with respect to business education property tax rates in the Province.

New construction in the commercial and industrial property classes is already subject to the lower uniform Provincial education tax rate, provided the application for the building permit was made after March 22nd, 2007 and certain other criteria are met. For 2019, the new construction rate has been set at 1.03% to reflect the phase in of the 2019 reassessment. In 2018, the rate was 1.09%.

Ontario Regulation 64/19, filed on April 9th, 2019, also changed the way vacant and excess commercial and industrial land is taxed for education purposes for 2019 and subsequent years. Prior to 2019 vacant and excess land, in the commercial and industrial classes, were subject to an education tax rate that was discounted by 30%. This regulation changes the discount to 15% in 2019 and eliminates the discount in 2020. This means that education taxes on vacant and excess land in these property classes will increase by approximately 21%.

Education tax rates for 2019 for other property classes for the City of London that have been set out by regulation, are as follows:

Commercial	1.290000%
Industrial	1.290000%
Pipeline	1.290000%

SUMMARY

In summary, it is recommended that a by-law be introduced prior to the final billing for 2019 to levy education tax rates as required by Provincial regulation. It is also recommended that Council request the Mayor to send a letter to the Minister of Finance, on behalf of City Council, requesting further clarification with respect this government's intention in addressing inequities in business education property tax rates.

PREPARED BY:	CONCURRED BY:
JIM LOGAN, CPA, CA DIVISION MANAGER – TAXATION & REVENUE	IAN COLLINS, CPA, CMA DIRECTOR, FINANCIAL SERVICES
RECOMMENDED BY:	
ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER	

Attachment – Appendix “A”

APPENDIX "A"

Bill No.
2019

By-law No.

A by-law levying rates for 2019 for school purposes
in the City of London.

WHEREAS by section 257.7 of the *Education Act*, the Municipal Council is required to levy and collect upon all the residential property and business property in the City of London the tax rates prescribed under section 257.12 of the said *Act* for school purposes;

THEREFORE the Municipal Council of the Corporation of the City of London enacts as follows:

2019 SCHOOL RATE BY-LAW

School Rates

1. The rates set out in column 3 of Schedule "A" of this by-law are hereby levied for 2019 upon all the rateable property for school purposes in the City of London.

Definitions - Realty Tax Classes and Realty Tax Qualifiers

2. For purposes of this by-law, Realty Tax Classes and Realty Tax Qualifiers (Taxable/PIL) under the Ontario Fair Assessment System (OFAS) are defined in Schedule "B" of this by-law and are indicated in the first two characters of column 2 of Schedule "A" of this by-law.

Administration of By-law

3. The administration of this by-law is assigned to the City Treasurer, Chief Financial Officer who is hereby authorized and directed to do such things as may be necessary or advisable to carry out fully the provisions of this by-law.

Commencement

4. This by-law comes into force on the day it is passed.

PASSED in Open Council on May 7, 2019.

Ed Holder
Mayor

Catharine Saunders
City Clerk

**SCHEDULE “A”
By-law No.**

COLUMN 1	COLUMN 2	COLUMN 3
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2019 EDUCATION TAX RATES
commercial taxable farmland 1	c1n	0.120750%
commercial taxable farmland 2	c4n	1.290000%
commercial taxable – hydro	chn	1.290000%
commercial taxable vacant -hydro	cjn	1.096500%
commercial taxable - excess - hydro	ckn	1.096500%
commercial taxable tenant of prov	cpn	1.290000%
commercial taxable	ctn	1.290000%
commercial taxable excess land	cun	1.096500%
commercial taxable vacant land	cxn	1.096500%
office bldg taxable – hydro	dhn	1.290000%
office bldg taxable	dtm	1.290000%
office bldg taxable excess land	dun	1.096500%
farmland taxable fp	ffp	0.040250%
farmland taxable fs	ffs	0.040250%
farmland taxable no support	ftn	0.040250%
farmland taxable ep	ftep	0.040250%
farmland taxable es	ftes	0.040250%
parking lot taxable	gtn	1.290000%
industrial taxable farmland 1	i1n	0.120750%
industrial taxable farmland 2	i4n	1.290000%
industrial taxable - hydro	ihn	1.290000%
industrial taxable-hydro- excess land	ikn	1.096500%
industrial taxable	itm	1.290000%
industrial taxable excess land	iun	1.096500%
industrial taxable vacant land	ixn	1.096500%
large industrial taxable	Ltn	1.290000%
large industrial excess land	Lun	1.096500%
multi-res taxable farmland 1 ns	m1n	0.120750%
multi-res taxable farmland 1 ep	m1ep	0.120750%
multi-res taxable farmland 1 es	m1es	0.120750%
multi-res taxable farmland 1 fp	m1fp	0.120750%
multi-res taxable farmland 1fs	m1fs	0.120750%
multi-res taxable farmland 2 ep	m4ep	0.161000%
multi-res taxable fp	mtfp	0.161000%
multi-res taxable fs	mtfs	0.161000%
multi-res taxable ep	mtep	0.161000%
multi-res taxable es	mtes	0.161000%
multi-res taxable n	mtn	0.161000%
pipeline taxable	ptn	1.290000%
res/farm taxable 1 fp	r1fp	0.120750%
res/farm taxable 1 fs	r1fs	0.120750%
res/farm taxable farmland 1 ep	r1ep	0.120750%
res/farm taxable farmland 1 es	r1es	0.120750%
res/farm taxable farmland 2 ep	r4ep	0.161000%
res/farm taxable -hydro fp	rhfp	0.161000%
res/farm taxable-hydro fs	rhfs	0.161000%
res/farm taxable-hydro ep	rhep	0.161000%
res/farm taxable-hydro es	rhes	0.161000%
res/farm taxable fp	rtp	0.161000%
res/farm taxable fs	rtps	0.161000%
res/farm taxable ns	rtn	0.161000%
res/farm taxable ep	rtep	0.161000%
res/farm taxable es	rtes	0.161000%
shopping centre taxable	stn	1.290000%
shopping centre excess land	sun	1.096500%
managed forest taxable fp	tftp	0.040250%
managed forest taxable fs	ttps	0.040250%

SCHEDULE "A" cont'd
By-law No.

COLUMN 1	COLUMN 2	COLUMN 3
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2019 EDUCATION TAX RATES
managed forest taxable ep	ttep	0.040250%
managed forest taxable es	ttes	0.040250%
Landfill	Ht	1.290000%
commercial taxable (new construction)	Xtn	1.030000%
commercial taxable excess land (new construction)	Xun	0.875500%
commercial taxable vacant land (new construction)	Xxn	0.875500%
office bldg (new construction)	ytn	1.030000%
office bldg excess land (new construction)	yun	0.875500%
shopping centre (new construction)	ztn	1.030000%
shopping centre excess land (new construction)	zun	0.875500%
industrial taxable (new construction)	Jtn	1.030000%
industrial taxable excess land (new construction)	Jun	0.875500%
industrial taxable vacant land (new construction)	Jxn	0.875500%
industrial taxable (new construction)	ktn	1.030000%
industrial taxable excess land (new construction)	kun	0.875500%
New multi-residential	nt	0.161000%

**SCHEDULE “B”
By-law No.**

**Definitions of
Realty Tax Classes (RTC) and Realty Tax Qualifiers (RTQ) (Taxable/PIL) Under
OFAS**

Realty Tax Class (RTC)	Description	Realty Tax Qualifier (RTQ)	Description
A	Theatre	A	Taxable: General Vacant Land
C	Commercial	B	Taxable
D	Office Building	D	Taxable: Education Only
E	Exempt	F	Payment-In-Lieu: Full
F	Farm	G	Payment-In-Lieu: General
G	Parking Lot	H	Taxable: Full, Shared Payment-in-Lieu
I	Industrial	J	Taxable: Vacant Land, Shared Payment-in-Lieu
L	Large Industrial	K	Taxable: Excess Land, Shared Payment-in-Lieu
M	Multi-Residential	M	Taxable: General
N	New Multi-Residential	P	Taxable Tenant of Province
O	Other	Q	Payment-in-Lieu: Full Excess Land, Taxable Tenant of Province
P	Pipeline	T	Taxable: Full
Q	Professional Sports Facility	U	Taxable: Excess Land
R	Residential	V	Payment-in-Lieu: Full Excess Land
S	Shopping Centre	W	Payment-In-Lieu: General Excess Land
T	Managed Forest	X	Taxable: Vacant Land
U	Utility Transmission / Distribution	Y	Payment-In-Lieu: Full Vacant Land
W	Railway Right-of-Way	Z	Payment-In-Lieu: General Vacant Land
X	Commercial (new construction)	1	Taxable: Farmland Awaiting Development Phase I
Y	Office Building (new construction)	2	Payment-In-Lieu: Full, Farmland 1
Z	Shopping Centre (new construction)	3	Payment-In-Lieu: General, Farmland 1
J	Industrial (new construction)	4	Taxable: Farmland Awaiting Development Phase II
K	Large Industrial (new construction)	5	Payment-In-Lieu: Full, Farmland II
H	Landfill	6	Payment-In-Lieu: General, Farmland II

Note that each RTC will be applied in combination with an appropriate RTQ.

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