

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON APRIL 14, 2020
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	YEAR 2020 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 2020 **BE INTRODUCED** at the Council meeting of April 21, 2020, attached as Appendix "A".
- 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 to the business education property tax cuts that were temporarily frozen with the 2012 Provincial budget.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

Corporate Services Committee, April 30th, 2019, Item # 2.2, Year 2019 Education Tax Rates
 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 January 22, 2020, the Ontario Minister of Finance filed Ontario Regulation 6/20 to set education property tax rates for 2020. 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	0.153000%
Farm and Managed Forests Classes	0.038250%

Education tax rates for the above property classes have been reduced 5.0% 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 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 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.

In the Ontario budget introduced in legislature on March 27th, 2012, it was announced that business education property tax cuts previously scheduled for 2013 and 2014 would be deferred at least until 2017-2018 and after Ontario had 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 would be in excess of \$10 million in total for commercial and industrial properties in London.

In April 2017, the Ontario Minister of Finance 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, Vic Fedeli, to request clarification with respect to the current status of the business education tax cuts. In October 2018, then Mayor Brown sent a letter to the Minister of Finance requesting clarification status of the promised reduction in Business Education Property Tax rates. The then Minister of Finance Vic Fedeli responded in December 2018.

In his letter Mr. Fedeli 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. However, he did not specifically indicate how or if the current government planned to proceed with the promised cuts in the future. If the Province had fully implemented the tax cuts originally promised in 2012, in 2019 it would have reduced most commercial and industrial property taxes in the City of London in excess of 7%.

In our April 30th, 2019, 2019 Education Tax Rates report to the Corporate Services Committee, it was 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. This was approved, and Mayor Holder subsequently sent a letter to Minister of Finance Rod Phillips dated July 16th, 2019. A copy of that letter is attached as Appendix "B".

In the letter issued to all Municipal Treasurers dated December 20, 2019, attached as Appendix "C", from the Assistant Deputy Minister of Finance, advising of important provincial property tax policy decisions for 2020, the lower business education tax rate that was promised by the previous Liberal government is identified as the "BET Target". "BET" is identified as 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. The letter gives no indication as to if and when the target will be achieved in the future.

As of mid-March 2020 it is understood that no response has been received by Mayor Holder from the Minister of Finance. We have contacted the staff at the Ministry of Finance and it is our expectation that a letter from the Minister will be forthcoming.

New construction, in the commercial and industrial property classes, is already subject to the lower uniform Provincial education tax rate (i.e. BET Target), provided the application for the building permit was made after March 22, 2007 and certain other criteria are met. For 2020, the new construction rate has been set at 0.98% to reflect the phase in of the 2020 reassessment. In 2019, the rate was 1.03%.

Ontario Regulation 6/20 also changed the way vacant and excess commercial and industrial land is taxed, for education purposes for 2020 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%. The regulation changed the discount to 15% in 2019 and eliminates the discount in 2020.

Education tax rates for 2020 for the other property classes for the City of London that have been set out by regulation are as follows:

Commercial	1.250000%
Industrial	1.250000%
Pipeline	1.250000%
Landfill	1.250000%
Small Scale on Farm (Commercial and Industrial)	0.245000%

SUMMARY

In summary, it is recommended that a by-law be introduced prior to the final billing for 2020 to levy education tax rates as required by Provincial regulation. It is also recommended that Council direct the Mayor to send a letter to the Minister of Finance on behalf of City Council. The intention of the letter is to request further clarification with respect to the current status of the business education tax cuts that were temporarily frozen with the 2012 Provincial budget and an indication as to when it is anticipated the cuts that were deferred will occur.

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	

Attached