

Report to Corporate Services Committee

To: Chair and Members
Corporate Services Committee

From: Anna Lisa Barbon, Deputy City Manager, Finance Supports

Subject: Year 2022 Education Tax Rates

Date: March 28, 2022

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports, the attached proposed by-law (Appendix 'A') BE INTRODUCED at the Municipal Council meeting to be held on April 12, 2022 to levy education tax rates for 2022.

Executive Summary

In summary, it is recommended that a by-law be introduced prior to the final billing for 2022 to levy education tax rates as required and set out by Provincial regulation.

Linkage to the Corporate Strategic Plan

Council's 2019 to 2023 Strategic Plan for the City of London identifies "Leading in Public Services" as a strategic area of focus. The information contained in this report would assist in developing tax policy to align with Council priorities of the Strategic Plan.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Corporate Services Committee, April 19th, 2021, Item # 2.3, Year 2021 Education Tax Rates

Corporate Services Committee, April 14th, 2020, Item # 2.4, Year 2020 Education Tax Rates

2.0 Discussion and Considerations

On November 5, 2020, the Ontario Minister of Finance announced the *2020 Ontario Budget* which included decisions regarding education property tax rates for 2021. During a review of Ontario's property tax and assessment system, municipalities and business stakeholders, including the City of London, expressed concerns regarding the variation of Business Education Tax (BET) rates and the resulting impact on business competitiveness. The provincial government also heard that, as the province recovers from the COVID-19 pandemic, addressing this variation in BET rates would reduce regional tax inequities and improve business competitiveness.

In response to these concerns, the Province announced that it will reduce all high BET rates to a rate of 0.88 per cent in 2021. It is estimated that this will result in annual savings of 20.95 million dollars for London business property owners.

3.0 Key Issues and Considerations

On January 18, 2022, Assistant Deputy Minister of Finance, Allan Doheny, sent a letter, attached as Appendix “B”, to municipalities with details of the 2022 property tax and assessment decisions. Education property tax rates for 2022 will remain unchanged from the previous year as assessments continue to be based on a valuation date of January 1, 2016. BET rates, reduced to 0.88 for 95 per cent of Ontario municipalities in 2021, will also remain unchanged.

To ensure municipalities are not negatively impacted by BET reductions, the Province will maintain BET rates at the 2021 BET rate for properties where municipalities are permitted to retain the education portion of Payment-in-Lieu of Taxation (PILT).

The Province acknowledges municipal concerns that the federal government may no longer make PILT payments at the BET rates prescribed in the regulation and continues to support municipalities as they work together to emphasize the negative financial impact on Ontario municipalities if the federal government fails to pay at the regulated Payment-in-Lieu of Taxation rates. The potential impact to the City of London if the federal government pays PILT at the lower BET rate is a reduction of approximately \$254,000 in PILT revenue.

On August 23, 2021, the Ontario Municipal Tax and Revenue Association (OMTRA), on behalf of affected Ontario municipalities, sent a letter to the minister of Public Services and Procurement Canada, illustrating the approximately \$20 million revenue loss to municipalities that would occur if the federal government paid PILT based on the reduced rates rather than the prescribed rates for PILT properties. On February 11, 2022, the Association of Municipalities of Ontario (AMO) also sent a letter to the Honourable Filomena Tassi, Minister of Public Services and Procurement Canada urging that federal agencies and crown corporations make payments at the prescribed rates. OMTRA and AMO urge the Minister to direct federal agencies and crown corporations to PILT payments to municipalities based on the prescribed rates established by the provincial regulation or, alternatively, find other means to keep municipal finances whole for 2021 and beyond. As part of the strategy to convince the federal government to pay PILT at the prescribed rate, both OMTRA and AMO encouraged municipalities to contact the federal government directly and, on March 4, 2022, Mayor Ed Holder sent a letter, to the Honourable Filomena Tassi, Minister of Public Services and Procurement Canada echoing the concerns expressed.

Education tax rates for 2022 for property classes for the City of London that have been set out by the Ministry of Finance letter are as follows:

Residential	0.153000%
Multi-Residential	0.153000%
Farm/Managed Forests	0.038250%
Commercial	0.880000%
Industrial	0.880000%
Pipeline	0.880000%
Landfill	0.880000%
Small Scale on Farm (Commercial and Industrial)	0.220000%

Conclusion

Due to property values remaining frozen at a valuation date of January 1, 2016, education property tax rates for 2022 will remain unchanged from the previous year. Changes to the Ontario Education Property Tax system in 2021 which resulted in lower BET tax levies for London business property owners and a more equitable treatment of business properties province-wide will continue in 2022. Municipal administration will continue to monitor the federal PILT issue and will report any updates on a future report.

Prepared by: Joseph McMillan, Division Manager Revenue (Taxation)

Submitted by: Ian Collins, Director, Financial Services

Recommended by: Anna Lisa Barbon, Deputy City Manager, Finance Supports

APPENDIX "A"

Bill No.
2022

By-law No.

A by-law levying rates for 2022 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:

2022 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 2022 upon all the property rateable 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. Where there is more than one code in column 2 of Schedule "A" the codes are separated by a comma.

Administration of By-law

3. The administration of this by-law is assigned to the City Treasurer 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 April 12, 2022.

Ed Holder
Mayor

Michael Schulthess
City Clerk

SCHEDULE "A"
By-law No.

COLUMN 1	COLUMN 2	COLUMN 3
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2022 EDUCATION TAX RATE
com taxable farmland 1	c1n	0.114750%
com taxable farmland 2	c4n	0.880000%
commercial small scale on farm business	c7n	0.220000%
commercial taxable - hydro	chn, xhn	1.250000%
commercial taxable vacant - hydro	cjn, xjn	1.250000%
commercial taxable - excess - hydro	ckn, xkn	1.250000%
commercial taxable tenant of Province	cpn, xpn	0.880000%
commmercial taxable	ctn, xtn	0.880000%
commercial taxable excess land	cun, xun	0.880000%
commercial taxable vacant land	cxn, xxn	0.880000%
office bldg taxable - hydro	dhn, yhn	1.250000%
office bldg taxable	dtn, ytn	0.880000%
office bldg taxable excess land	dun, yun	0.880000%
farmland taxable fp	ffp	0.038250%
farmland taxable fs	ffs	0.038250%
farmland taxable no support	ftn	0.038250%
farmland taxable ep	ftep	0.038250%
farmland taxable es	ftes	0.038250%
parking lot taxable	gtn	0.880000%
industrial taxable farmland 1	i1n	0.114750%
industrial taxable farmland 2	i4n	0.880000%
industrial taxable - hydro	ihn, jhn	1.250000%
industrial generating station	isn	1.250000%
industrial taxable - hydro- el	ikn, jkn	1.250000%
industrial taxable	itn, jtn	0.880000%
industrial taxable excess land	iun, jun	0.880000%
industrial taxable vacant land	ixn, jxn	0.880000%
large industrial taxable	Ltn, ktn	0.880000%
large industrial excess land	Lun, kun	0.880000%
multi-res taxable farmland 1 ns	m1n	0.114750%
multi-res taxable farmland 1 ep	m1ep	0.114750%
multi-res taxable farmland 1 es	m1es	0.114750%
multi-res taxable farmland 1 fp	m1fp	0.114750%
multi-res taxable farmland 1 fs	m1fs	0.114750%
multi-res taxable farmland 2 ep	m4ep	0.153000%
multi-res taxable fp	mtfp	0.153000%
muti-res taxable fs	mtfs	0.153000%
multi-res taxable ep	mtep	0.153000%
multi-res taxable es	mtes	0.153000%
multi-res taxable n	mtn	0.153000%
new multi-res taxable ntfp	ntfp	0.153000%
new multi-res taxable ntfs	ntfs	0.153000%
new multi-res taxable ntep	ntep	0.153000%
new multi-res taxable ntes	ntes	0.153000%
new multi-res taxable ntn	ntn	0.153000%
pipeline taxable	ptn	0.880000%
res/farm taxable 1 fp	r1fp	0.114750%
res/farm taxable 1 fs	r1fs	0.114750%
res/farm taxable farmland 1 ep	r1ep	0.114750%
res/farm taxable farmland 1 es	r1es	0.114750%
res/farm taxable farmland 2 ep	r4ep	0.153000%
res/farm taxable -hydro fp	rhfp	0.153000%
res/farm taxable-hydro fs	rhfs	0.153000%
res/farm taxable-hydro ep	rhep	0.153000%
res/farm taxable-hydro es	rhes	0.153000%

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

COLUMN 1	COLUMN 2	COLUMN 3
ABBREVIATED RATEABLE PROPERTY DESCRIPTION	CODE	YEAR 2022 EDUCATION TAX RATE
res/farm taxable fp	rtp	0.153000%
res/farm taxable fs	rfs	0.153000%
res/farm taxable ns	rtn	0.153000%
res/farm taxable ep	rtep	0.153000%
res/farm taxable es	rtes	0.153000%
shopping centre taxable	stn, ztn	0.880000%
shopping centre excess land	sun, zun	0.880000%
managed forest taxable fp	tftp	0.038250%
managed forest taxable fs	tfs	0.038250%
managed forest taxable ep	ttep	0.038250%
managed forest taxable es	ttes	0.038250%
landfill taxable	ht	0.880000%

**SCHEDULE “B”
By-law No.**

**Definitions of
Realty Tax Classes and Realty Tax Qualifiers (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.

Ministry of Finance

Provincial-Local Finance Division

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January 18, 2022

Dear Municipal Treasurer / Clerk-Treasurer:

I am writing to advise you of a number of important property tax decisions for the 2022 taxation year.

Regulations implementing the property tax policy decisions have been enacted and will be available on the e-laws website at www.ontario.ca/laws.

Reassessment

As announced in the *2021 Ontario Economic Outlook and Fiscal Review*, property assessments for the 2022 and 2023 tax years will continue to be based on the same valuation date that was used for 2021. This will maintain stability for municipalities and taxpayers.

The input that has been received during the Property Assessment and Taxation Review will help to inform decisions regarding future reassessments. The government remains open to receiving further advice related to property assessment accuracy and stability.

Education Property Tax Rates

Education property tax rates for 2022 will remain unchanged from the previous year as assessments continue to be based on the same valuation date used for 2021. This means that the residential education tax rate will remain at 0.153 per cent and the business education tax (BET) rate reductions implemented in 2021 will be maintained. BET rates have been reduced to 0.88 for 95 per cent of Ontario municipalities. The 2022 BET rates for your municipality are attached.

BET rates for certain properties where municipalities are permitted to retain the education portion of payment in lieu of taxes (PILs) will also remain at the rates set for 2021. The government is aware of municipal concerns that the federal government may no longer make PIL payments at the BET rates prescribed in provincial regulation. The

Province continues to encourage the federal government to make its payments at the prescribed rates, and has issued a [technical bulletin](#) and corresponding amendment to the *Education Act* that provides the legislative clarity for the federal government to pay at the regulated rates. The Province also continues to support municipalities as they work together to ensure the federal government is fully aware that failure to make payments at the regulated PIL rate would have a very negative financial impact on local Ontario communities.

Small Business Property Subclass

Municipalities currently have the flexibility to target tax relief for small businesses through the adoption of the small business property subclass. As announced in the *2020 Budget*, the government will also consider matching municipal property tax reductions with education property tax reductions to provide further support for small businesses.

Municipalities may submit a request to the Minister for matching municipal reductions for 2022, with a copy to info.propertytax@ontario.ca, by **March 31, 2022**. The submission may include the by-law outlining the program requirements; the estimated municipal tax relief to small businesses; a summary of the consultations held with business stakeholders; and the registry of eligible properties, if available.

Measures announced in the 2021 Ontario Economic Outlook and Fiscal Review

Small-Scale On-Farm Business Subclass

To enhance property tax programs that support farm businesses and to encourage their growth, the Province is increasing the assessment threshold for the small-scale on-farm business subclass. Currently, municipalities have the option of adopting this subclass which provides a reduced tax rate on the first \$50,000 of eligible assessment.

Starting in 2022, municipalities that adopt the small-scale on-farm business subclass will have the option to maintain the current assessment threshold of \$50,000 for municipal tax purposes, and they may also adopt a second subclass that would increase the amount of eligible assessment to \$100,000. The Province will apply a reduced business education tax rate to this increased \$100,000 threshold for all eligible properties, regardless of whether municipalities adopt the subclass.

It is anticipated that the Municipal Property Assessment Corporation will be identifying eligible properties and notifying affected property owners and municipalities by March 2022.

Brownfields Financial Tax Incentive Program

The Brownfields Financial Tax Incentive Program (BFTIP) incents the redevelopment of unproductive contaminated lands by providing for the reduction of municipal and education property taxes on brownfield sites that undergo rehabilitation.

To increase the incentive provided under this program, the Province will extend the period for offering matching education property tax assistance from the current three-year period to up to six years for business developments and up to ten years for residential developments.

These enhancements also support the objectives of *More Homes, More Choice: Ontario's Housing Supply Action Plan*.

OPTA's Education Property Tax Reports and Financial Information Returns

In 2020, the Ministry of Municipal Affairs and Housing (MMAH) updated the municipal Financial Information Return (FIR). The *Education Property Tax Reports (EPT Reports)* in the Online Property Tax Analysis (OPTA) system was updated accordingly with a new report reflecting the changes in the FIR.

Information from OPTA's new report is uploaded each spring, when it is complete, to MMAH to automatically update the FIR template for those municipalities that enter their EPT information, including payments and rebates and write-offs, in OPTA. This simplifies and streamlines the task of reporting in-year changes in the FIR.

For the 2021 FIR, eligible municipalities that enter the required information by April 4, 2022, will have their 2021 FIR template updated and available for download from MMAH, by May 2022. Municipalities can benefit from this option as this simplifies the completion of the FIR for municipalities and helps reduce the reporting burden.

Other Property Tax Decisions

Municipal Property Tax Flexibility – Levy Restriction

Municipalities with property classes subject to the levy restriction will continue to have the flexibility to apply a municipal tax increase to those classes of up to 50 per cent of any increase applied to the residential class. For instance, a municipality levying a 2 per cent increase in residential taxes could raise taxes on any restricted class by up to 1 per cent. A full levy restriction applies to multi-residential properties with a tax ratio greater than 2.0 in 2021.

New Construction Classes for Education Property Tax Purposes

As a result of the 2021 BET rate reduction, which lowered rates below the previous new construction BET rates, the new construction property classes implemented for education tax purposes (properties with RTC codes of X, Y, Z and K) are no longer differentiated from the main business properties classes. To simplify and streamline the property tax system, properties in these classes will be returned to their respective main property classes. To ensure a smooth transition, this roll over will be reflected in the December 2022 Property Assessment Roll for the 2023 taxation year. This change would have no impact on property taxes paid by businesses.

If you have any questions related to these decisions, please contact Chris Broughton, Director of the Property Tax Policy Branch at Chris.Broughton@ontario.ca or 416-455-6307.

Sincerely,

Original signed by

Allan Doheny
Assistant Deputy Minister
Provincial-Local Finance Division