

Opportunities & Considerations
Re: Optional Small Business Tax Sub-
Class Report

February 3, 2021

Prepared for the exclusive use of the City of Guelph, its Council and staff.

Table of Contents

OVERVIEW..... 3

DISCUSSION..... 3

 Is this another case of imposing a solution to a Toronto Problem on all other municipalities? 5

 Who decides which properties will be eligible for inclusion in this Sub-Class(es)?..... 5

 What criteria can be used to determine Eligibility? 6

 What would the impact be from creating the Small Business Sub-class(es)? 7

 Act now or wait for further Clarity?..... 8

CONCLUSION 9

RECOMMENDATION 9

Appendix A..... 11

Appendix B..... 17

OVERVIEW

City of Guelph staff have requested MTAG PPC to prepare a Report regarding the City's options under this recently announced ability to implement a Small Business Property Tax Sub-Class.

Specifically, MTAG PPC was asked to investigate and report regarding:

1. What authorities and programs are available to Guelph should it wish to provide COVID-19 business property tax Relief, and whether it is advisable for City Council to consider any such programs at this time.
2. What authorities municipalities will have to determine which properties can be transferred into the Optional Small Business Sub-Class(s) and what the implications would be should the City decide to create such Sub-classes.
3. What identifiable characteristics regarding properties are maintained by the Municipal Property Assessment Corporation (MPAC) in its database and therefore could be used to "filter" properties in the Broad Commercial and Industrial Tax Classes for inclusion in a Small Business Tax sub-classes.

MTAG PPC has prepared a separate report specifically addressing the first question regarding the provision of COVID-19-related tax relief (Appendix A), and has attached a copy of the November 17, 2020 letter to municipal treasurers from Allan Doheny, Assistant Deputy Minister in the Ministry of Finance for reference purposes (Appendix B).

The purpose of this report is to examine and respond to questions two and three.

DISCUSSION

Background

When the Province introduced Current Value Assessment in the late 1990s, it transferred responsibility for tax policy – the decision as to what proportion of tax responsibility should be borne by different types of properties – to municipalities. There were (and are) restrictions on this authority and the Province retains the right to determine and modify these authorities as it sees fits.

One key part of the authority retained by the Province has been the right to determine the number and types of property tax classes municipalities can use when setting Tax Policy. Since inception of CVA taxation in Ontario, the Province has only introduced one additional standalone tax class: New Multi-Residential.

It has however provided municipalities with the ability to “sub-divide” the Broad Commercial and Industrial Property Tax Classes into sub-classes. These would include but are not limited to Large Industrial, Shopping Center, Office Building, Vacant Land, and Excess Land. The Province’s rationale behind the creation of optional sub-classes is to provide municipalities with the ability to vary the relative rate of taxation between these sub-classes, while restricting the impact of doing so to the Broad Property Tax Classes.

This limiting of the transfer of tax liability and burden was significant, as in Ontario’s CVA Tax Assessment System, any time a class (or sub-class) of property is provided a lower tax rate, that benefit must be funded through higher taxes on other classes (or sub-classes) of property. This is the primary reason that many jurisdictions have revised their Tax Policies to collapse and eliminate the use of many if not all property sub-classes.

Guelph has purposely not used different tax levels for these sub-classes based on the inequity it may have created. The only exception was the subclass discounts on vacant and excess land that was legislated until recently when the Province revised the legislation. At that time Guelph chose to phase those sub-class discounts. This means that starting in 2021, these discounts no longer apply.

The Province’s announced on November 10, 2020 that beginning in 2021 municipalities would have the option to create a new, optional, Small Business Tax Sub-Class(es). The Government’s intent behind this move to allow municipalities to create Small Business Tax Classes is to provide permanent relief to “small businesses”. However, while lowering of taxation rates is consistent with the current government’s philosophy of reduced taxation, it is unclear as to the types of properties the Government believes the cost of this reduced tax liability and burden should be transferred to.

The Province has thus far always referred to the new Small Business Property Tax class as a “sub-class”. It is therefore reasonable to believe that the transfer of Tax liability and burden from creating this “sub-class” would be limited to the Broad Commercial and Broad Industrial Property Tax Classes. However, in the absence of the specific regulations governing the creation of this “sub-class”, it is not possible to know whether past practice will be continued, or whether the Province will instead seek to see the liability and burden transferred to ALL other types and classes of property.

It is also interesting to note that a tax policy tool that has been available to municipalities since the inception of CVA Taxation is the ability for them to set graduated tax rates. This allows municipalities to charge a higher tax rate for properties in a tax class with higher assessed values. Regardless, this graduated tax tool has not been embraced by Ontario municipalities as its use created many inequities in the property tax system. Therefore, if the intent of this “Small Business” Tax Class is that it is one with a lower assessed value, then in reality this type of tax policy tool is already available to municipalities and has now just been rebranded.

Is this another case of imposing a solution to a Toronto Problem on all other municipalities?

While it is tempting to classify the availability of this new sub-class as another example of the Province imposing a response to a Toronto-specific issue on the rest of Ontario, it is not. The primary issue affecting the taxation of small businesses in Toronto is not just the tax rate/ratio, but how the properties these businesses occupy are being valued and assessed. Yes, the creation of this new Sub-Class does provide an opportunity for Toronto to mitigate skyrocketing values somewhat; however, as stated previously, this is not the Province's primary intention behind introducing this class.

In its November 10, 2020 "mini" budget, the Province announced its intention to bring in additional legislation and rules to specifically address the way in which properties that are subject to developmental or inflationary increases are valued for property assessment purposes. It will be the role and purpose of this pending legislation, not the new optional Small Business Tax Class, to address this predominately Toronto matter.

Not that the impact of this pending legislation will be restricted to Toronto alone. All municipalities – including Guelph – will see some impact from it once it is introduced. This is because any time valuation methods change there are shifts in tax liability among tax classes. What those shifts will look like in Guelph is not currently known. However, if they occur, tax policy tools such as setting Revenue Neutral Class Ratios may need to be evaluated and modeled should these anticipated shifts in tax liability be significant.

Who decides which properties will be eligible for inclusion in this Sub-Class(es)?

Before the introduction of this new, optional, Small Business Sub-Class, the decision as to which tax class (or sub-class) a property should be placed in rested with MPAC with one notable exception: the Farm Property Tax Class, for which AgriCorp is tasked with this responsibility.

This exception may now be extended to the new, optional, Small Business Sub-Class. We say "may" because the answer depends on what roles the municipalities (single and upper-tier municipalities with responsibility for the setting of Tax policy within their respective jurisdictions) assign themselves and MPAC in this process.

If municipalities set criteria that is based on data points MPAC maintains in its property database, then the decision regarding which properties should be transferred to the Small Business Sub-Class could be assigned to MPAC. Should municipalities instead opt to use criteria other than that contained in MPAC's property database (e.g. an application-based system), then the decision as to what properties should be transferred into the Sub-Class would need to be retained by the municipalities themselves.

Therefore, this decision is wholly dependent on what criteria municipalities establish for properties to be included in the Sub-Class(es) that they may create.

What criteria can be used to determine Eligibility?

As stated previously, municipalities are to have complete control over determining what criteria must be met for a property to be eligible for inclusion in the Small Business Sub-Class. It currently also appears that it is up to municipalities to decide whether to establish this sub-class in just the Broad Commercial Class or the Broad Industrial Class as well. This is because the Province says it is not imposing any restrictions on municipalities or stipulating any specific criteria that must be included.

Does this mean municipalities are free to set whatever criteria they want? While it is tempting to say “yes”, the answers to this and every other question regarding this Sub-class must wait until the Province issues and circulates the regulation(s) that will govern its creation.

In the interim, it is useful to examine what data MPAC currently maintains in its databases. The following data points and elements are examples of what details municipalities may be able to use to identify small businesses for possible inclusion in a Small Business Sub-class:

- Locational (e.g. economic neighborhoods)
- Structure age
- Type of construction
- Area (size) of land
- Area (size) of buildings
- Ownership
- Tenant(s)
- Property Code
- Tax Class
- Current Value Assessment (CVA)
- Roll Numbers

Any of these characteristics could be used. For example, structure codes and a maximum CVA value could be used. Similarly, the area used for business as a percentage to total area could be the trigger. The decision will depend on (a) the nature of the enterprise the municipality believes deserves relief, and (b) how best to quantify these characteristics using these MPAC-maintained data points.

The issue with MPAC data is that using it often leads to unintended results. Stipulating a limit building size/area or CVA, for example, may not allow the City to differentiate between a locally owned and operated small business and a Chartered Bank branch or a large national company. How would the City extend this benefit to small businesses who are tenants, as unless the

landlord has leased them the property on a “net” basis, the City has little authority or ability to compel the landlord to reduce the tenant small business’ rent.

This is why it will be crucial to know what criteria other than quantifiable MPAC data points can be used to set eligibility in the Sub-class(es). It is believed that Municipalities will be able to stipulate qualitative criteria that is not part of the MPAC’s property database, but confirmation of this must wait for the regulation(s) to be released. Examples of possible qualitative, non-MPAC data are:

- Number of employees
- Annual gross or net income
- Whether the property/business is locally owned or part of a chain
- Its importance to the community.

To use criteria other than quantifiable MPAC data points, municipalities would need to look at developing a municipal-administered application system. Further, municipalities would then have to advertise the opportunity for businesses to apply for inclusion in the Sub-class, circulate the applications, receive/vet applications and make the decision as to whether the applicant business qualifies for inclusion in the Sub-class. This would also have to include appropriate access to information for audit purposes. This application and burdensome administration process would have to be done each year in advance of the assessment roll for the following year thus creating time lags that may not reflect current use of the property.

The result is that the majority of responsibility, liability (and cost) for administering the creation and ongoing maintenance of a Small Business Property Tax Class would fall to the municipality. MPAC’s role would then simply be to act upon the instruction of the municipality to change the classification of properties on the assessment roll.

What would the impact be from creating the Small Business Sub-class(es)?

If, as is currently suggested, a Small Business Class is a “sub-class”, the shifting of relative tax burden that would result from creating it, will be contained within the respective Broad Property Tax Class. This is because under the current regulations governing municipal tax policy, the overall ratio of the Broad Property Tax Class must be maintained. Therefore, in this instance, only properties within the Broad Property Tax Classes in which the Sub-class is created will be affected by it. This will result in a higher tax burden on those Commercial or Industrial properties that are not captured in the Small Business sub-class.

If on the other hand, the cost of lowering the rate of tax for properties to be included in the Small Business Class is to be shifted and allocated over all other Property Tax Classes, the creation of this “sub-class” will increase the rate of tax on any property that is NOT included in the Small Business Class. The amount of this increase will vary and will depend on the Class

Ratios that the municipality sets in its Tax Policy. With the majority of the burden shifted to the Residential tax class.

Under either scenario, the outcome is the same: There will be shifts in tax burden. As the property tax system is a closed system there are no other funding alternatives. The amount of tax relief granted to the properties transferred into the new Small Business Sub-class(es) will need to be absorbed (and paid) by other properties. The amount of tax those properties pay will increase so that the qualifying properties in the new Small Business Sub-class(es) pay less.

Act now or wait for further Clarity?

There are several aspects of the new, optional, Small Business Tax Class that municipalities are waiting to learn about:

1. What precisely will the Regulation governing this new Property Tax Sub-class state? Will municipalities be able to create the sub-class in both the Broad Commercial and the Broad Industrial Tax Classes? Can the ratio for these sub-classes be increased in the future or will ratio adjustments be subject to the “decrease only” restriction unless the Broad Class ratio is within the “Range of Fairness”?
2. When will MPAC be in a position to transfer properties into the Sub-class? Although the legislation creating this sub-class indicates that it is effective for the 2021 Taxation year, when other classes were previously added, MPAC could not make the changes immediately.
3. What criteria will the Province use in deciding whether to provide matching grants for the relief provided by municipalities to qualifying properties?
4. Will these grants come to the municipality or be directed towards the businesses themselves? Will there be restrictions and stipulations regarding the use of these funds?

The answers to all of these questions can influence the decision as to (a) whether a municipality should create the sub-class, and (b) what criteria should be used to determine eligibility for inclusion in the sub-class. Further, the question as to whether the redistribution of tax liability will be restricted to the Broad Property Tax Class(es) in which the sub-class is created, or extend to all property types and classes is crucial in making any decision.

Budget impacts must also be considered. This is because MPAC will have to create and transfer properties into the new sub-class(es) and the timing for this to occur is yet unknown. Therefore any reduction granted in 2021 by a municipality will need to be processed as a write-off either in 2021 or 2022. Hence, the liability and cost associated with creating a Small Business Tax Class in 2021 will be a one-time anomaly, in either the 2021 or 2022 budget..

CONCLUSION

The decision on whether to implement this optional sub-class is anything but straightforward. Firstly, if it seems to mimic the tools that already available to municipalities under Tax Policy. Essentially, it is simply another means by which a Graduated Rate Structure, wherein the larger or higher assessed value of a property, the higher its rate of tax, can be put in place. Further, as previously discussed, the use of sub-classes (and Graduated Rates) has significantly diminished due to their inherent inequity and unpredictability. These tools have simply not generated the benefits and stimuluses that municipalities expected and require.

There are also several aspects to this program that are currently unknown, but which can be expected to significantly impact on whether – and how – the City of Guelph should implement this optional sub-class. Are there benefits that the City itself can derive from creating this sub-class? Possibly, but none that will provide it a direct benefit. Are their liabilities? Absolutely. And these will be felt by Guelph directly.

Nonetheless, implementing this sub-class may lead to those tax payers receiving additional education property tax relief from the Province. Not implementing the sub-class may put Guelph at a competitive disadvantage, depending on what its neighboring municipalities do and the differences between the City's and other jurisdictions' Tax Policies. Even if the City did create the sub-class, if the quantum of the tax relief it provides is less than that of other municipalities, Guelph may again find itself at a disadvantage. Conversely by implementing a small business sub-class and transferring the tax burden to the broad class or residential taxpayer those decisions may create economic disadvantages for the City of Guelph.

There are also significant and sensitive political considerations that must be assessed. Is the overall business community supportive of the idea of providing tax relief to a select group of small businesses? Or will businesses see the creation of this sub-class as anything but fair and equitable? Will there be pushback from businesses who do not qualify for the sub-class and therefore will see their relative tax burden increase?

The City must also weigh the fact that currently there is not concrete or specific details and information regarding this Optional Small Business Property Sub-class.

Therefore, given this combination of uncertainty, lack of direct benefit to the City, not to mention the inherent inequity and cost associated with creating this sub-class, there appears to be only one conclusion that can now be reached: Now is not the appropriate time for the City to consider exercising the option to create it.

RECOMMENDATION

That Council for the City of Guelph should table and defer any consideration of creating a Small Business Property Sub-class until 2022 and such time as:

1. That the regulations describing and detailing the specific authority (and any limitations on that authority) being delegated to Municipalities to allow them to create Small Business Property Sub-classes has been approved, issued and distributed.
2. That once the regulation(s) governing the creation of Small Business Property Tax Sub-Classes have been released, the City undertake to have a full analysis completed in conjunction with the reassessment data for 2022. It is imperative that the City understands not only the rationale for the criteria it will use to identify eligible properties, the impacts and shifts in its tax base that will occur from creating the class, but also the additional time and responsibility that may be placed on City staff if Guelph decides to self-administrate the qualification process.

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Appendix A

Opportunities & Considerations
Re: Optional Small Business Tax Class
Preliminary Report

February 3, 2021

Prepared for the exclusive use of the City of Guelph, its Council and staff.

OVERVIEW

City of Guelph staff have requested MTAG PPC to prepare a Report regarding the City's options under this recently announced ability to implement a Small Business Property Tax Sub-Class.

In relation to this, Guelph staff enquired about the possibility of using this Small Business Property Tax Sub-Class to provide temporary relief from paying property tax to businesses in the City that may be struggling from the impacts of mandated restrictions that have been imposed by the Province in an effort to combat the COVID-19 Pandemic.

The purpose of this preliminary report is to examine and respond to this specific question only.

DISCUSSION

James Krauter, Deputy Treasurer/Manager of Taxation and Revenue for the City of Guelph indicated that the City was questioning whether it should use the authority granted municipalities to create this new, optional Small Business Tax Sub-Class to provide short-term relief for COVID-19 related closures/vacancies to its resident businesses. If the answer was "yes", he asked whether this relief could be for a minimum of 30 or 60 days, provide that:

- All equipment and fixtures could remain in place
- A lease could still be in place

Further, Mr. Krauter asked whether such a move would provide relief from Education taxes as well as those imposed by the City. Alternatively, could Guelph provide targeted COVID-19 relief by "reinstating the vacancy program", which the City, like most other jurisdictions in Ontario, had phased out.

This suggested that the primary concern of the City was whether it should be providing COVID-19 relief. However, to make this decision, it also needed to understand that if it were to do so, what mechanism(s) would be the most appropriate. Specifically, these concerns required answers to the following questions:

1. If the City of Guelph were to offer short-term tax relief, what would be the most appropriate mechanism for doing so?
2. What would the City need to do to implement a pandemic relief strategy?
3. What are the "pros" and "cons" of offering COVID-19 tax relief?

Which Mechanism would be the Most Appropriate for providing Short-Term COVID-19 relief?

A) Optional Small Business Property Tax Sub-class

The Province has indicated that it will not be setting specific requirements regarding what properties should be included in this new Optional Small Business Property Tax Sub-Class. Instead, it intends to allow municipalities full and independent autonomy regarding the design and qualifying requirements they may wish to implement regarding this Tax Policy Tool.

Although every communication from the Province has thus far maintained this position, it is also true that the Regulations (which will document all the details and nuances of this authority) have as of the writing of this Report, not yet been approved or published. This means that it is impossible to know whether any current decisions regarding the design and use of this Tax Policy Tool will be compliant with the Regulations when they are finally released. Therefore, although it currently seems plausible that the City could use this authority to grant pandemic relief to its resident businesses, it is questionable whether the Province would ultimately see doing so positively.

This is because the Province's stated goals and purposes for this Sub-Class clearly indicate that the intent behind introducing it is for municipalities to provide ongoing, long term and permanent tax reductions to small businesses. Further, using this Sub-Class to provide temporary relief from property taxation could well be considered a duplication of existing programming by the Province, as it has previously introduced its own pandemic relief program that, in part, is intended to provide relief to businesses for their property taxes.

A further complication is that the City would need to involve MPAC in formally reclassifying qualifying properties to/from the Sub-Class each time a change in eligibility occurred. This could become fraught with delays and errors, and add both time and cost to the City's abilities to administer such a program.

Additionally, if set up as an application based sub-class, there would be significant administrative cost to the City. Finally, it is highly likely that there would be businesses that were not impacted by COVID-19 but which inevitably would be eligible to be classed in this sub-class, thus receiving temporary relief inappropriately.

Therefore, while there are currently no specific legislative or jurisdictional prohibitions that would prevent the City of Guelph from using the new, Optional Small Business Property Tax Sub-Class to provide COVID-19 relief, in MTAG PPC's opinion, doing so would not be consistent with the purpose for which the Province intends that this Sub-class be used.

B) Reinstating a "Vacancy rebate Program"

Another option available to the City, should it wish to provide short-term tax relief, is to reinstate a *Vacancy Rebate Program*.

In his November 17, 2020 letter to Municipal Treasurers, Allan Doheny, Assistant Deputy Minister in the Ministry of Finance advised that the Province intends to change the rules regarding this program. Under this proposed amendment to *The Municipal Act (Act)*, municipalities will have the authority to modify, terminate AND REINSTATE vacancy rebate programs, as they may desire, without the need for the Province to issue a specific regulation. In other words, should this amendment to the Act proceed, the City of Guelph would then be able to reinstate a vacancy rebate program specifically to provide pandemic relief to businesses.

What could such a reinstated program look like? Very much like the “traditional” programs that municipalities provided during most of the past 2 decades following the introduction of CVA property taxation. Specifically, Guelph Council would need to determine how much relief it wished to be provided. It would then need to determine the length of time this relief would apply and what criteria applicants would need to be meet to qualify for it. It would be an application-based program that provides relief after the fact (e.g. the year following that in which the taxes were levied and payable).

It is also important to note that a reinstated Vacancy Rebate program would not provide relief from all property taxes. This is because; (a) the Province previously moved to phase out vacancy rebates regardless of whether a municipality did so or not and (b) as previously mentioned, the Province has its own grant/reimbursement program for providing pandemic relief to businesses. Additionally, with the Province providing specific relief to businesses that have been impacted by mandatory closures related to COVID 19. This may be a duplication of effort and potentially allow for two separate forms of property tax relief without checks and balances between the two programs.

Therefore, when considering this option, the City would again be doing so without specific legislative or jurisdictional authority to do so fully in place. And, while it is not uncommon for the Province and its Ministries to issue directives in advance of legislation being formally approved, MTAG PPC’s opinion is that waiting for the specific details to be communicated eliminates the risk of having to reconsider (or reverse) a policy implemented in good faith that ultimately proves to be non-compliant.

CONCLUSION

While it appears probable that the City of Guelph may ultimately have the authority to create a COVID-19 Relief Program under either the long standing Vacancy Relief Program or the recently introduced authority to create a Small Business Property Tax Class, the legislation/regulations necessary to grant this authority have yet to be confirmed and released by the Province.

MTAG PPC further notes that the primary reason for looking to a specific program to provide relief is that they usually compel other taxing authorities (the other tier in a 2-tier jurisdiction

and the Province with regards to education taxes) to match the relief being granted by the initiating municipality.

As stated previously, the Province will not match municipal reductions granted under Vacancy Rebate Programs. Moreover, while it may do so under the new Optional Small Business Tax Sub-Class, using this sub-class to provide temporary pandemic relief is not consistent with the intentions behind the introduction of it, suggesting that the Province would not see doing so positively, as it may well consider such a duplication of an existing program.

Therefore, there is no clear, non-controversial authority that would compel the Province to match temporary pandemic relief under either of these options, and should the City of Guelph implement such a program, it may only be able to provide relief for its own directly imposed taxes.

Once the Province has drafted, approved and issued the amendments to The Municipal Act and its regulations discussed above, this uncertainty can be expected to be eliminated, and City Staff will then be in a position to make the informed analysis that is currently impossible.

RECOMMENDATION

That Council for the City of Guelph should table and defer any consideration of providing pandemic tax relief to businesses above and beyond what the Provincial government is currently offering, by either implementing the new optional Small Business Property Sub-class or reinstating a *Vacancy Rebate Program*, until such time as:

1. The amendments to The Municipal Act eliminating the need for municipal-specific changes to Vacancy Rebate Programs, including the authority to reinstate, to be approved by specific Provincial regulations has been approved by the Ontario Legislature, proclaimed and issued.
2. That the regulations describing and detailing the specific authority (and any limitations on that authority) being delegated to Municipalities to allow them to create Small Business Property Sub-classes has been approved, issued and distributed.
3. That once the amendment to The Municipal Act and the regulation(s) governing the creation of Small Business Property Tax Sub-Classes have been released, that the City undertake a thorough review of them, the opportunities, benefits and costs of using them to provide short-term tax relief and if applicable bring a further report back to council for consideration.

MTAG PPC's next Report will address the question of what the City of Guelph should consider in deciding whether to implement the Optional Small Business Property Sub-Class, and what the implications of doing so would be.

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Appendix B

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November 17, 2020

Dear Municipal Treasurer/Clerk-Treasurer;

I am writing to inform you of the property tax and assessment measures announced in the *2020 Ontario Budget*, released on November 5, 2020.

As you may know, the government has been conducting a review of Ontario's property tax and assessment system. The Review has been exploring opportunities to support a competitive business environment, enhance the accuracy and stability of property assessments, and strengthen the governance and accountability of the Municipal Property Assessment Corporation (MPAC). As part of the Review, the Province has been consulting with municipalities, including seeking input through the Property Assessment and Taxation Review Municipal Advisory Committee.

While the consultation process is ongoing, early action is being taken on a number of measures as announced through the *2020 Ontario Budget*.

Reducing Business Education Tax by \$450 Million

There is currently a wide range of business education tax (BET) rates across the province as a result of historical assessment and tax inequities. Through the Review, municipalities and business stakeholders have expressed concerns regarding the variation of BET rates and its impact on business competitiveness. The government has 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. This rate is ten basis points below the existing target rate and represents a reduction of 30 per cent for the many businesses that are currently subject to the highest BET rate. This will benefit over 200,000 business properties across 95 per cent of all municipalities and will create over \$450 million in annual savings for businesses.

To ensure municipalities are not negatively impacted by BET reductions, the Province will maintain BET rates at the 2020 BET rate for properties whose payments in lieu of education taxes municipalities are permitted to retain.

The Province will also adjust payments to school boards to offset the reduction in education property taxes to ensure there is no financial impact on school boards.

We will provide municipalities with draft 2021 BET rates shortly.

New Optional Small Business Property Subclass

Through the Review, stakeholders have shared concerns about the property tax burden that small businesses face. Some municipalities have requested additional property tax tools that would provide targeted tax relief to small businesses and increase business competitiveness.

The government is therefore proposing to provide municipalities with the flexibility to target property tax relief to small businesses in a way that best reflects their local circumstances. Beginning in 2021, municipalities would be able to provide a property tax reduction for eligible small businesses through the adoption of a new optional small business property subclass. The Province will also consider matching these municipal property tax reductions in order to provide further support for small businesses.

Amendments are being proposed to the *Assessment Act* that would allow municipalities to define small business eligibility in a way that best meets local needs and priorities. Further details on the optional small business subclass will be set in regulation once the legislation has passed.

Assessment of Business Properties in Redevelopment Areas

Another concern that has been expressed through the Review is the impact that redevelopment pressure and speculative sales can have on the assessment of small businesses.

To ensure the government is well-positioned to respond to input that is being provided through the review process, amendments are being proposed to the *Assessment Act* to support the potential creation of optional new assessment tools to address concerns regarding redevelopment and speculative sales.

The Province will continue to seek the advice of municipalities, businesses and other interested stakeholders through the Review to inform the potential regulatory framework for this new flexibility.

Streamlining the Business Vacancy Rebate and Reduction Programs

Municipalities currently have the flexibility to modify the Vacant Unit Rebate and the Vacant and Excess Land subclasses to better meet the needs of their community. Municipalities modifying their business vacancy programs are currently required to submit their proposed changes to the Province to be implemented through regulation. In response to requests from municipalities to streamline this process, the Province is proposing amendments to the *Municipal Act, 2001* and the *City of Toronto Act, 2006* that will enable municipalities to implement program changes through municipal by-law going forward, rather than requiring the approval of a regulatory amendment by the Minister of Finance.

Tax Exemption for The Army, Navy & Air Force Veterans in Canada (ANAVETS)

Organizations such as the Royal Canadian Legion and The Army, Navy & Air Force Veterans in Canada (ANAVETS) offer vitally important services for Canada's military veterans, including assistance in adjusting back into civilian life, advocacy on behalf of veterans, as well as support for families and seniors.

In 2018, the *Assessment Act* was amended to ensure that legion halls occupied by Ontario branches of the Royal Canadian Legion are exempt from property taxation as of the 2019 tax year.

To further ease the burden on Ontario's veterans, the government is proposing an amendment to the *Assessment Act* to extend this tax exemption to Ontario units of The Army, Navy and Air Force Veterans in Canada.

Supporting Employers in COVID-19 Hotspots

The government recognizes that necessary COVID-19-related public health measures, come at a cost to Ontario's businesses. To help support businesses impacted by these public health measures, the government announced the availability of \$300 million to assist eligible businesses with costs associated with municipal and education property taxes, and energy bills.

This support will be provided to eligible businesses in regions of Ontario where the Province determines modified Stage 2 public health restrictions are necessary, or going forward, areas categorized as control or lockdown.

Affected municipalities are encouraged to direct businesses to the following webpage for further information on how to apply for this support: www.Ontario.ca/covidsupport

Education Property Tax Deferrals

Many municipalities provided deferrals of property tax payments in response to the COVID-19 pandemic. To date, 75 per cent of municipalities representing 98 per cent of all municipal property tax levied in the province implemented property tax deferrals. To support and encourage these actions, the Province deferred the property tax payments that municipalities make to school boards by 90 days.

This deferral applied to the June 30 quarterly municipal remittance of education property taxes to school boards, as well as the September 30 quarterly municipal remittance deadline. The last installment, which is the balance for the current calendar year, remains due by December 15. As a result, there will be two payments due in December 2020.

We will continue to work closely in partnership with municipalities to ensure stability for Ontario's property tax system.

If you have any questions related to the property tax decisions noted above, 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

c: Jonathan Lebi, Assistant Deputy Minister, Ministry of Municipal Affairs and Housing