

Attachment – 1

City of Guelph

Property Taxation

Tax Policy 101

Committee of the Whole
March 7th 2023

Topics

- Property Taxes and Payment In Lieu-PIILs
- Property Assessment
- Assessment Composition
- Assessment Growth
- Operation Cycle
- Tax Ratios
- Tax Policy Options
- Tax Rates

Topics (continued)

- Supplementary & Omitted Taxation
- Tax Appeals
- Tax Adjustments - Write Offs
- Tax Rebates
- Tax Collection & Payment Options
- Taxes Receivable
- What's Happening
 - Reassessment

Property Taxes

- Property taxes are a principal means by which a municipality funds its operating budget.
- Property taxes are calculated by using the assessment of a property as determined by the Municipal Property Assessment Corporation (MPAC) and the tax rate approved by Council.

PILs/PILTs

Payment in Lieu of Taxes

- Payments made by Federal & Provincial Governments and their agencies on property owned and occupied by them, as well as some Municipally owned public utilities, such as Water and Wastewater Plants, Landfills, and Transit Terminals are eligible to pay an amount in Lieu of Taxes. This amount is the same that would otherwise be due if they were taxable.
- Heads And Beds – Colleges and Universities, Hospitals, Jails and Correction Centres pay \$75 per student, inmate or patient bed. This amount of \$75 has not changed since 1987.

Property Taxes and Budget

- Tax rates are calculated after the budget is determined. Estimated revenues except property taxes are subtracted from the estimated total expenses to calculate **“the amount to raise from Taxation and PIL’s”**
- Even in cases where the budget remains constant from one year to the next, taxes may change because of property reassessments or assessment phase-in.
- In Guelph, Property Taxation and PILTs raises approximately 60% of the net operating budget requirement.

Property Tax Legislation

- Municipalities are governed by the Province of Ontario, that provides legislation and regulations with regards to property assessment and taxation.
- The Assessment Act outlines how properties are assessed in Ontario including tax classes and valuation methods.
- The Municipal Act legislates property tax calculation, billing and collection, including the sale of land for tax arrears, by-law requirements, maximum penalty charges.

Property Tax - Education Portion

- The City is also responsible for levying and collecting property taxes on behalf of the province to support the four local school boards.
- Rates are set by the province for each Tax Class.
- Pooling percentages set by the province distribute education taxes on commercial and industrial properties or those without school board direction.
- Payments are remitted to the school boards on a legislated basis by the City. Payments are sent quarterly at the end of March, June, September and December 15.

Property Tax

2023 Total Levy \$358,999,275

City of Guelph Budget	\$ 295,882,530
Education	\$62,436,944
BIA	\$679,800
Total Taxes to Bill	\$358,999,275

Property Tax - Calculated

How are property taxes determined?

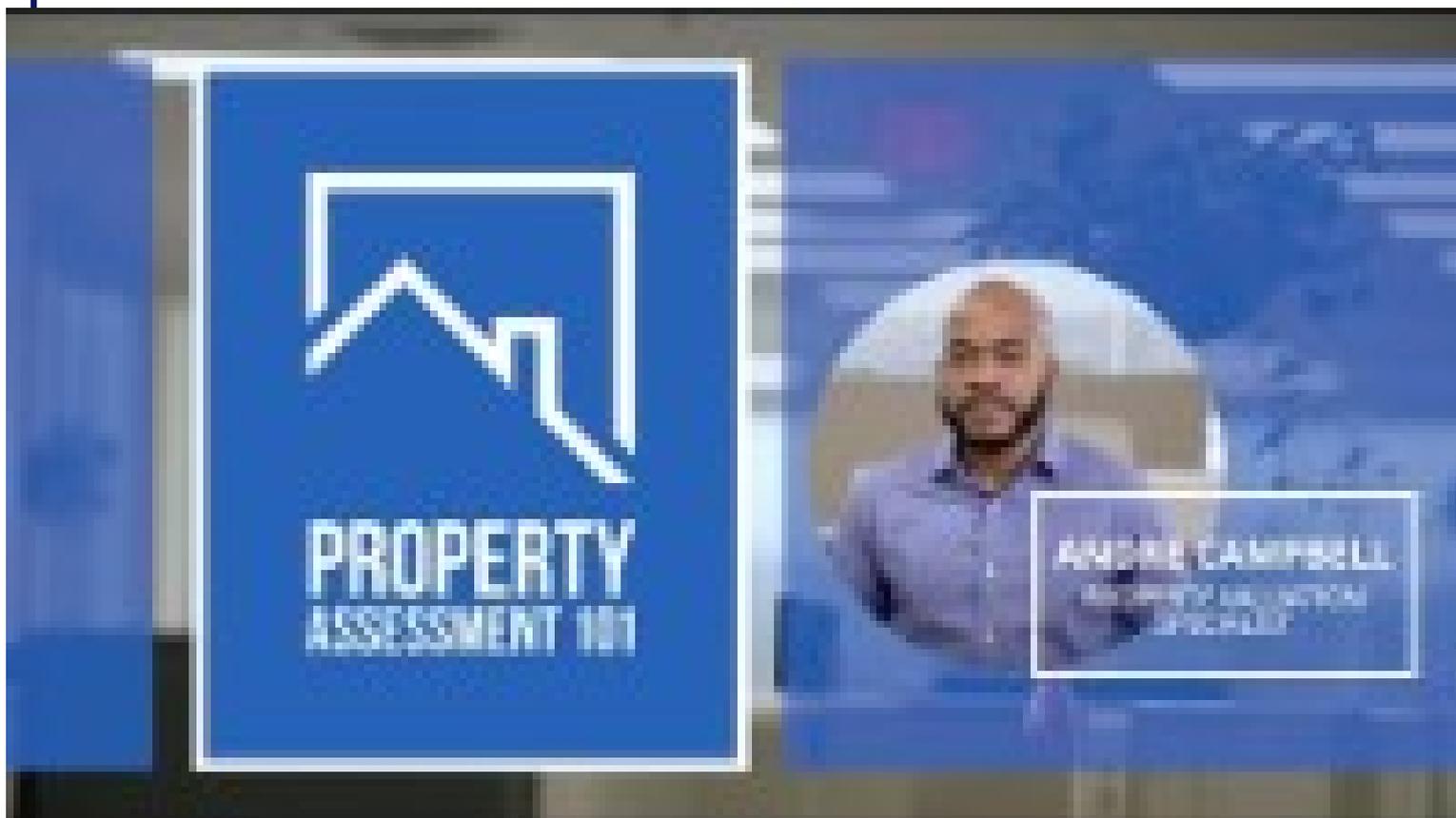
Property Taxes are based on the Current Value Assessment of the property (known as the assessment of the property), multiplied by a tax rate.



E.g. \$407,000 assessment (Median Single Family Detached Residential), multiplied by the residential tax rate (1.076079%)
 = \$4,379.64

Property Assessment MPAC– YouTube

<https://www.youtube.com/watch?v=0-n-mquATG0>



Property Assessment Roll

- Delivered to the City the 2nd week in December for the following taxation year.
- Contains the following information:
 - Roll Number
 - Property Address, Legal description
 - Ownership and mailing information
 - Property tax class
 - Current Value Assessment
 - Phase in Assessment for taxation purposes

Property Assessment Tax Classes

- Residential and Farm
- Multi-Residential
- Commercial: Occupied, Excess Land and Vacant Land
- Industrial: Occupied, Excess Land and Vacant Land
- Pipelines
- Farmlands
- Managed Forests

Optional Property Classes in Guelph - New Multi-Residential

Property reassessment

- Reassessments were being conducted by MPAC on a four year schedule.
- The current reassessment was phased in over the 2017-2020 taxation years using a 2016 CVA (Current Value Assessment) as the end point for 2020 and then subsequently the province canceled the planned reassessment for 2021, 2022, 2023 and most likely 2024.

Assessment Composition

2022 Unweighted Taxable Assessment

- Assessment Composition shows what the percentage of assessment is in each of the 7 main property Tax Classes.
- Guelph's assessment composition represents a diverse assessment of Res, Multi-Res, Com & Ind.

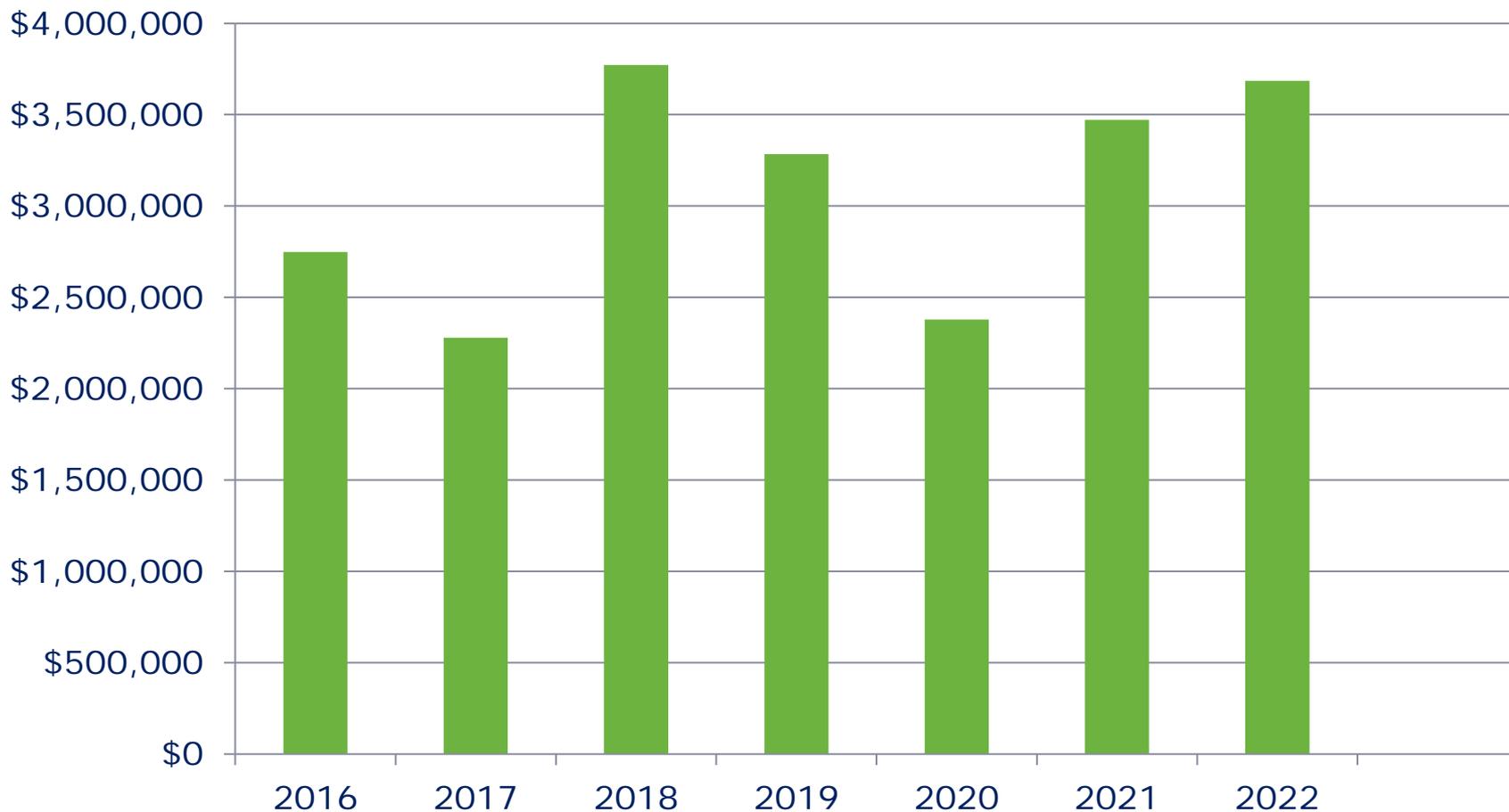
Municipality	Res	Multi-Res	Com	Ind	Pipe	Farm	Forest
Guelph	78.90%	4.60%	12.50%	3.80%	0.10%	0.00%	0.00%
Based on 117 Municipalities in 2022 BMA Study							
Average	77.10%	2.30%	9.40%	2.00%	0.50%	8.60%	0.20%
Median	78.80%	1.10%	8.90%	1.60%	0.30%	1.90%	0.00%

Assessment Growth

What is Assessment Growth?

- Assessment Growth is the new assessment for a given year that comes on the roll during the year after the roll is closed and used in the following years budget.
- It includes new buildings and additions that are assessed by MPAC through supplementary and omitted assessments.
- It also includes decreases that happen throughout the year due to changes in assessment from Assessment and Tax appeals.
- Net Assessment Growth can be negative or positive.
- **Reassessment is NOT assessment growth.**

Assessment Growth 2016-2022



Growth for each year is embedded into the following years budget.

Operational Cycle

Action	Time Frame	Due Dates
Interim Billing 50% of last years annualized	Billed end of January, Mailed early February	Due last business day of February and April
Tax Policy and By-Laws	To council in March	Must be completed before Final Billing
Final Billing	Billed end of May, Mailed Early June	Due last business day of June and September
Supplementary Billings	Billed monthly as from June -December	1 or 2 due dates set at time of billing
Appeals	Received and processed throughout year	Must be processed by municipality with 120 days of resolution
Assessment Roll	Received from MPAC annually in December	

Tax Ratios – What are they?

- Relative tax burden across the property classes.
- Mathematical relationship between the tax rate for the residential class and the tax rates for other property classes.
- Residential class is the basis for comparison for other classes, its' tax ratio is always 1.0
 - If the tax ratio for a class has a value of 2.0, the tax rate for the class when measured against the residential rate is two times more.
- Tax ratio for farmlands and managed forests will be 25% of the residential tax rate or .25.

Ontario Tax Ratio Parameters

- In 1998 the Province established “ranges of fairness”.
- If a ratio for a property class is outside the “range of fairness”, a municipality can either maintain the current ratio or move towards the range of fairness.
- Once a ratio is decreased, it can’t be raised at a later date, unless legislation allows due to reassessment or phase-in tax shifts.
- Province has also set Hard Caps: if the ratio is above only 50% of a tax increase can be passed on to that class. All Guelph’s ratios are below the Threshold Ratios.

Provincial Ranges of Fairness and Hard Cap Threshold Tax Ratios

Tax Class	Range of Fairness (1998) Tax Ratio	Hard Cap or Threshold (2023) Tax Ratio
Residential	1.00	N/A
New Multi-Residential	1.00-1.10	1.10
Multi Residential	1.00-1.10	2.00
Commercial Broad Class	0.60-1.10	1.98
Industrial Broad Class	0.60-1.10	2.63
Pipeline	0.06-0.07	N/A
Farmlands	0.01-0.25	N/A
Managed Forest	0.25	N/A

Setting Tax Ratios

- Subsection 308(4) of Municipal Act, 2001
 - Requirement for all Single Tier Municipalities to set Tax Ratios annually.
- Municipalities can set different tax ratios for different classes of property (except for Residential).
- Tax ratios use the residential class as a base.
- Historically business classes have higher Tax Ratios and pay more tax.

Tax Policy Options

- The Tax Policy process each year looks at Options granted to the Municipalities by the Province through the Municipal Act, 2001.
- These areas include:
 - Tax Ratios
 - Tax Rates
 - Charity Rebates
 - Optional Property Classes
 - Tax Relief for Low-Income Seniors and Low-Income Persons with Disabilities

Tax Policy and Tax Ratios

- Changing the tax ratios changes the distribution of taxes to be collected from each property class.
- The City of Guelph reviews its tax ratios and submits any recommendations which are usually tied to reassessment, for Council's consideration through the annual Tax Policy Report.
- Following this report, By-laws are submitted for Council's approval that are necessary in order to conduct the Final Billing each tax year.

Points to Consider

- Diversify the Revenue Sources
 - Higher tax ratios and therefore higher tax rates result in a greater dependency for taxation revenue on large individual properties.
- Comparison across the province
 - City of Guelph's Commercial, Industrial and Multi-Res ratios remain slightly higher than the BMA average and some of our neighboring Municipalities.

2022 Tax Ratios Guelph vs. BMA Comparators

Municipality	Multi- Res	Commercial	Industrial
Guelph	1.7863	1.8400	2.2048
Based on 117 Municipalities in 2022 BMA Study			
Average	1.7246	1.6689	2.1175
Median	1.8629	1.7042	2.0691
Min.	1.0000	1.0820	1.1000
Max.	2.3594	2.6374	4.4267

Current Tax Policy

- Over the past number of years progress has been made on reducing the Multi-Res and Industrial tax ratios to better align with other comparable Municipalities.
- As one tax ratio decreases the amount of taxes the other tax classes have to pay increases.
- For 2023 all ratios and tax policy options were held at status quo.

Guelph's Historical Tax Ratios

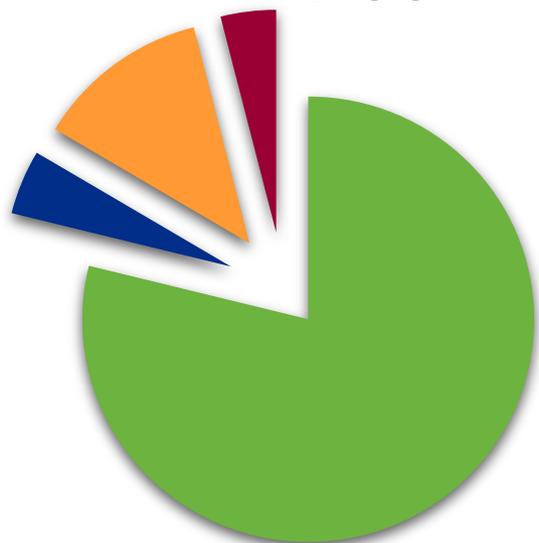
Tax Year	Multi- Res	Commercial	Industrial
2008	2.740000	1.840000	2.630000
2009	2.596475	1.840000	2.630000
2010	2.453000	1.840000	2.630000
2011	2.309425	1.840000	2.630000
2012	2.165900	1.840000	2.630000
2013	2.123900	1.840000	2.523700
2014	2.081900	1.840000	2.417400
2015	2.039900	1.840000	2.311100
2016	1.997900	1.840000	2.204800
2017	1.928666	1.840000	2.204800
2018	1.873300	1.840000	2.204800
2019	1.825401	1.840000	2.204800
2020-2023	1.786308	1.840000	2.204800

Points to Consider – Multi- Residential

- Progress has been made
 - As we move to the next reassessment cycle staff will recommend a continued approach in reducing the Multi Residential Ratio this will align with provincial direction and the goal to align with the New Multi Residential Ratio by 2033.

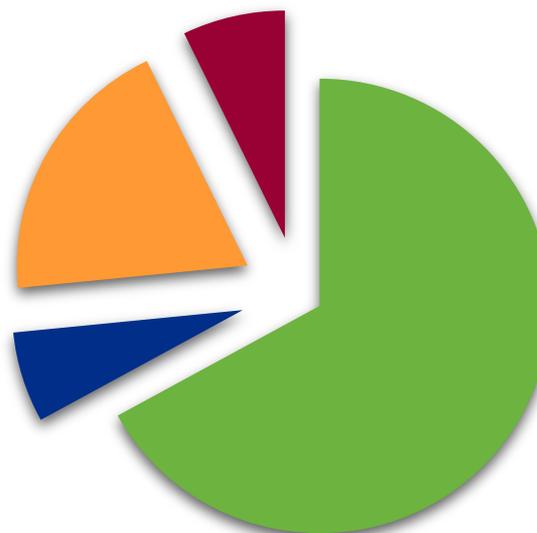
Assessment vs Weighted Assessment

2023 - Assessment Only if All Tax Ratios = 1.00



- Residential = 78.86%
- Multi-Res = 4.68%
- Commercial = 12.50%
- Industrial = 3.96%

2023 - Weighted Assessment How Taxes are Distributed



- Residential = 66.98%
- Multi- Res = 6.44%
- Commercial = 19.39%
- Industrial = 7.19%

2022 Unweighted to Weighted Assessment Composition

Municipality	Res Unweighted Assessment	Res Weighted Assessment
Guelph	78.90%	66.80%
Based on 117 Municipalities in 2022 BMA Study		
Average	77.10%	75.30%
Median	78.80%	75.70%
Min	27.90%	53.50%
Max	94.30%	96.70%

Tax Rates - How are they set?

Tax Rates have three components that play a role in what the tax rate is. These are:

- The Assessment Base
- The Tax Ratios
- The Levy Requirement from the Operating Budget
“the amount to raise from Taxation and PILs”
- The Assessment Base is weighted by the Tax Ratios and then divided by the **“the amount to raise from Taxation and PILs”** in order to come up with the base tax rate (residential rate)

Tax Rates and how they are calculated

- A percentage rate that is applied to the assessed value of a property to determine the taxes payable.
- Municipalities set Municipal/General Tax Rates for each property class to pay for common services. These are determined by using the Tax Ratios to weight the overall assessment and then calculate the rates.
- Provincial government sets the Education Tax Rate.

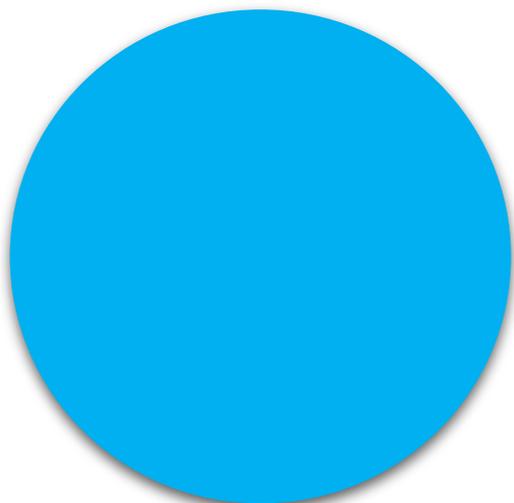
City of Guelph proposed 2023 Tax Rates

Property Class	City Rate	Education	Total 2023 Tax Rate
Residential	1.076079%	0.153000%	1.229079%
New Multi-Residential	1.076079%	0.153000%	1.229079%
Multi-Residential	1.922209%	0.153000%	2.075209%
Commercial	1.979985%	0.880000%	2.859985%
Industrial	2.372539%	0.880000%	3.252539%
Pipelines	2.063381%	0.880000%	2.943381%
Managed Forests	0.269020%	0.038250%	0.307270%
Farmlands	0.269020%	0.038250%	0.307270%

2023 Taxation split by Tax Class

**Net 2023
raised from
Taxation and
PIL's
\$295,882,530**

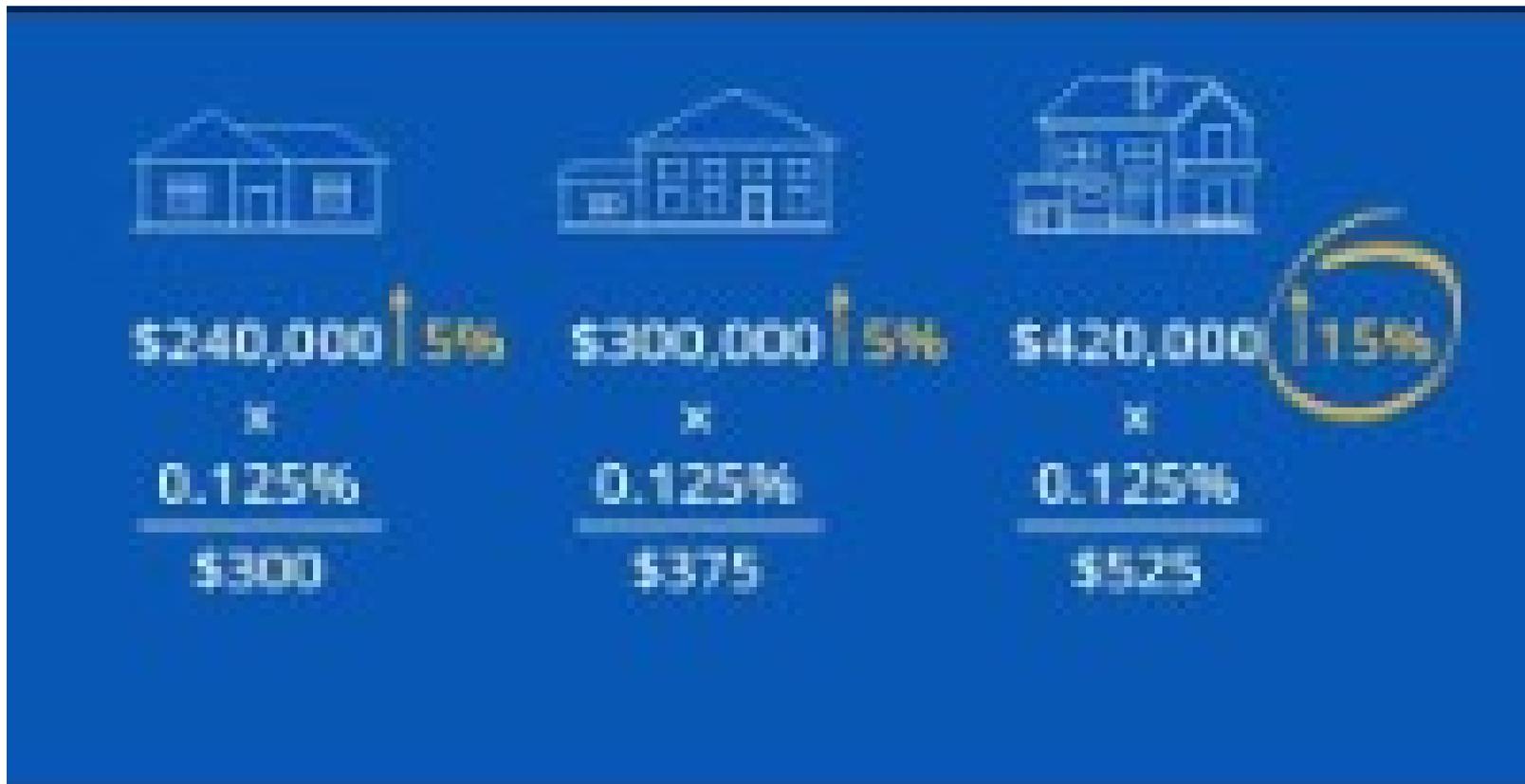
**2023 – split by
Tax Class**



- Residential = \$198,176,435
- Multi- Res = \$19,068,516
- Commercial = \$57,375,853
- Industrial = \$21,261,724

Property Tax – Youtube Video

<https://www.youtube.com/watch?v=nrWry5i3TBU>



Supplementary & Omitted Taxation

- Supplementary and Omitted Assessment Rolls are produced by MPAC monthly from April to December each year.
- Supplementary and Omitted Assessments increase the Assessment Base and are issued when:
 - Newly constructed property is occupied
 - Property was not assessed on the annual roll return
 - Tax classification changes, including changes from exempt
 - Additions or renovations to a property
- The Assessment Act allows MPAC to assess any new construction or addition that has been omitted from the assessment roll for the current and any part or all of the two previous years.
- Annually we budget Supplementary taxation at 1.5% of the previous year's total levy.

Supplementary Tax Revenue 2016 - 2023



Property Tax Appeals

Property owners get a say in how their property taxes are determined.

- Property assessment is determined by a provincial body known as The Municipal Property Assessment Corporation (MPAC). MPAC determines the property's assessment and will conduct a review if questioned by the property owner. There is also an appeal process in place should you not agree with MPAC's findings.

Property Tax Appeals – City is a Party

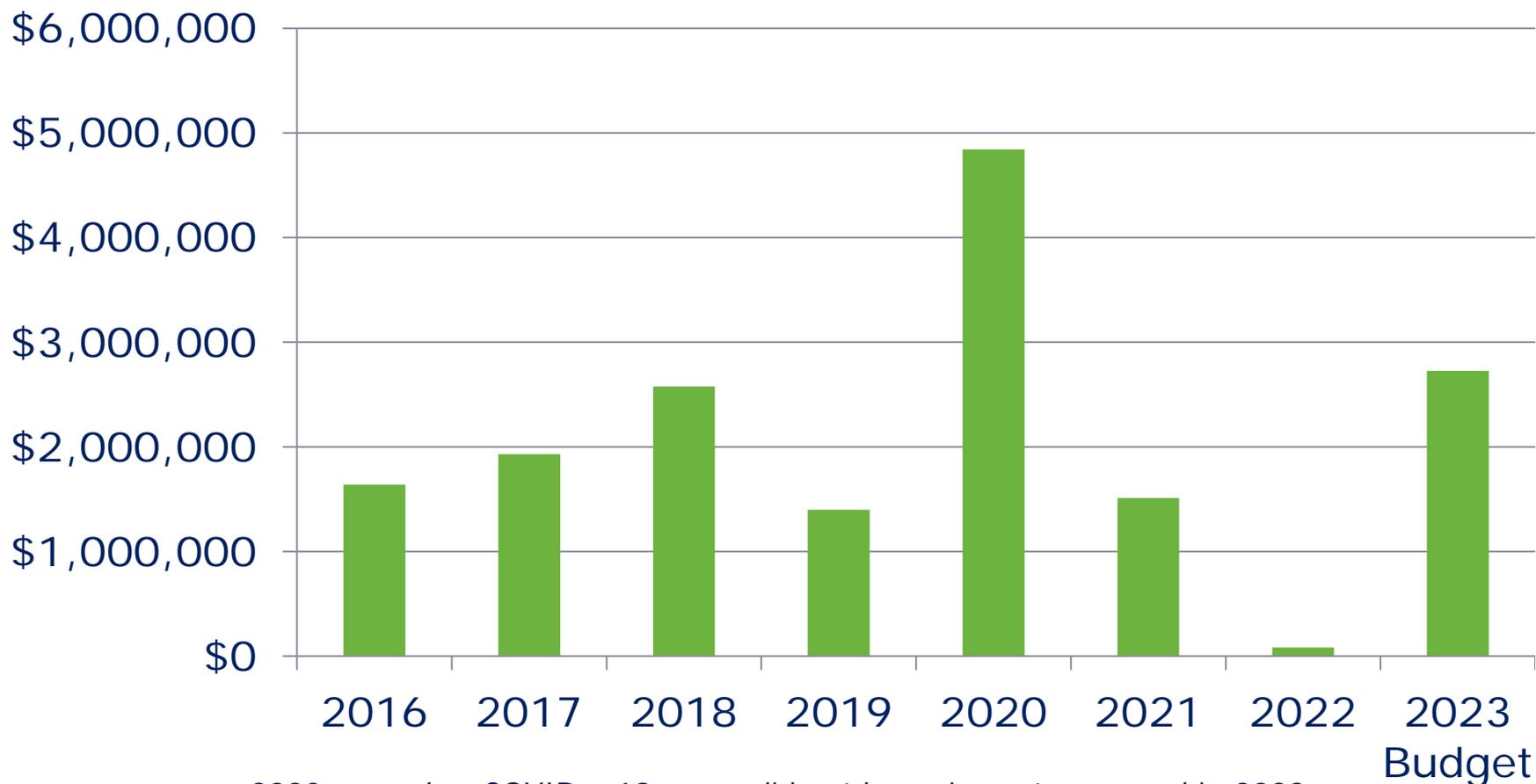
Similarly the City also is a party to any assessment appeal filed with the Assessment Review Board.

- As a statutory party to all assessment appeals the City ensures fairness and equity for all taxpayers through engagement with both the property owner/tenant/agent and MPAC.

Property Tax Adjustments

- Throughout the year, MPAC issues adjustments and corrections to assessments through the Request for Reconsideration Process, PRANs, ANAs etc.
- Assessment adjustments are also issued as a result of Assessment Appeals, either through Minutes of Settlement or decisions by the Assessment Review Board (ARB).
- Municipal Act Tax applications are also processed by the City upon receipt from the property owner. These may occur when a property becomes exempt, demolitions or fires occur or when there is a factual error in the assessment of a property.
- Annually we budget tax adjustments at 1.0% of the previous year's total levy.

Property Tax Adjustments - Write-offs



2020 accrual re COVID – 19 as we did not know impact, reversed in 2022.

Rebates for Charities

- Municipalities must establish a program to provide property tax relief to registered charities assessed in the Commercial or Industrial tax class.
- The minimum rebate is 40% of the taxes paid.
- Municipalities may also provide through a by-law rebates that are of a greater percentage, for similar organizations and in other property classes.
- Annually this cost approximately \$120,000.

Tax Billing and Collection Policy

- This policy supports the community being treated fairly and consistently when staff are dealing with collection issues and other requests by taxpayers.
- It provides an approved timeline and variety of mechanisms to collect taxes in arrears enabling the City to ensure each taxpayer is contributing their fair and equitable portion towards funding essential community services.

Payment Options

- Currently accepted methods of payment include:
 - One of four pre-authorized payment plans
 - At financial institutions including online or telephone banking
 - Through arrangements with the property owner's mortgage company
 - By cheque, mailed or left in drop box
 - In person at ServiceGuelph counter
 - Credit card using Paymentus service, either online or by telephone

Final Bills Issued 2014 vs 2022

Billing Method	Number of Bills 2014	% of Total 2014	Number of Bills 2022	% of Total 2022
Mortgage Bills	9,283	22.07%	7,006	14.99%
PAP – Monthly	9,255	22.00%	14,332	30.67%
PAP – Instalment	3,316	7.88%	3,901	8.35%
Regular Tax Bills	19,250	45.76%	19,983	42.76%
EPost	962	2.29%	1,511	3.23%
Total	42,066	100.00%	46,733	100.00%

Payments 2014 vs 2022

Payment Method	# of Payments Made 2014	Percentage of Payments Made 2014	# of Payments Made 2022	Percentage of Payments Made 2022
Payments made at Bank – Manual – Stubs returned	309	0.13%	6	0.002%
Mortgage Co. Payments	25,850	11.08%	19,611	6.53%
Internet or Telebanking Payments Financial Institution	63,140	27.05%	80,025	26.64%
Electronic Payments (EFT)	1,860	0.80%	1,193	0.40%
Payments through the Mail	15,697	6.73%	5,746	1.91%
Pre-Authorized Payments	112,050	48.01%	182,334	60.70%
Point of Sale (ServiceGuelph)	4,858	2.08%	4,013	1.34%
Post-dated Cheques	8,800	3.77%	3,230	1.08%
Paymentus/Credit Card	824	.035%	4,246	1.41%
TOTAL	233,388	100.00%	300,404	100.00%

Current Collection Methods

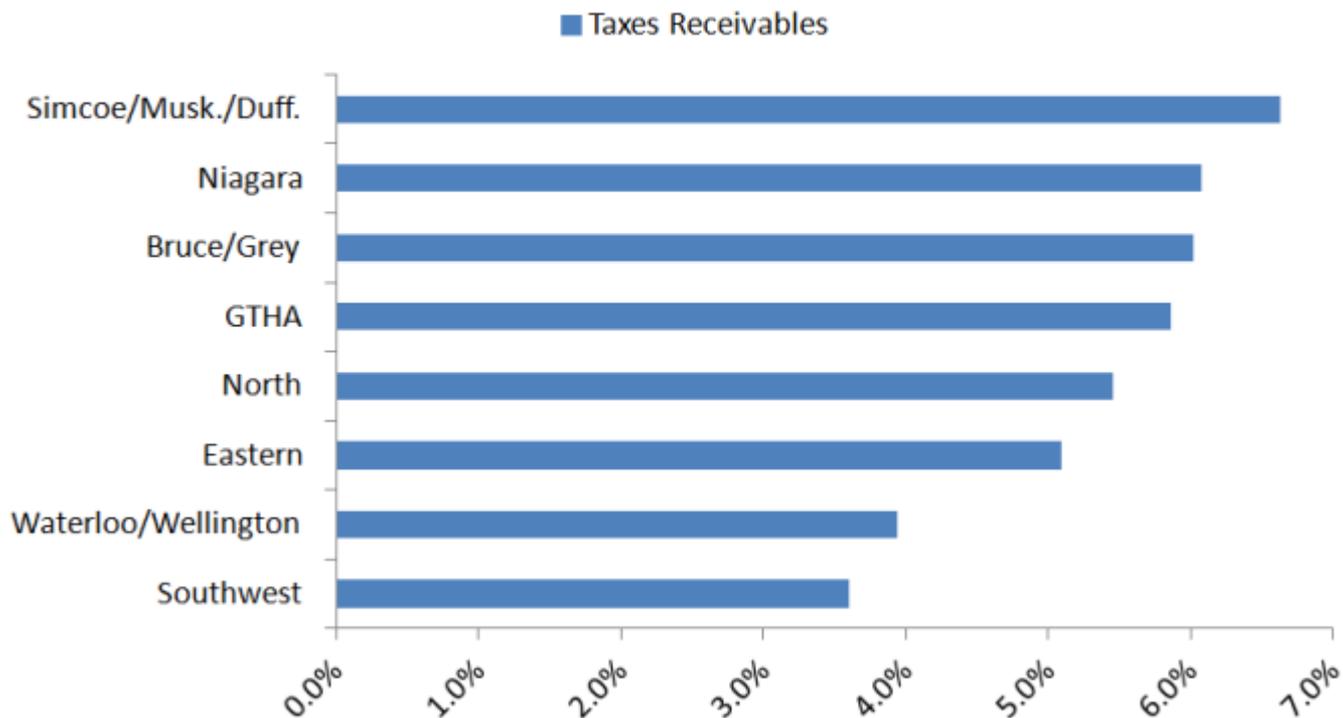
- Send monthly arrears notices.
- Follow-up on 2nd year arrears through warning letters, and conversations with property owners.
- Once property is 2 years in arrears, can be registered for tax sale proceedings.
- One year after registering the property for tax arrears, if not paid in full or an extension agreement is in place, Tax Sale proceedings may commence.

Taxes Receivable

- Taxes Receivable are the net amount of taxes owing to the City.
 - Tax Arrears less Tax Credits
- Every year, a percentage of property owners do not pay their property taxes.
- As the uncollectable taxes decrease so does the interest income related to Tax Arrears.
- Taxes Receivable as a percentage of taxes levied is a financial measure used in a municipality's credit rating.
- The City of Guelph sits well below the municipal averages for 2021 at 1.5%.

Taxes Receivable as at Dec 31 2021

Taxes Receivable as a % of Tax Levied - By Location



Based on Guelph sitting at 1.5% we are significantly below the averages across the province. Guelph is included in Waterloo/Wellington - BMA Study 2022 Average for 2021

Over the past few years

- Implemented new 11 and 12 month PAP plan providing additional options.
- Provided additional transparency, simplification and equity through the elimination of the Vacancy Rebate and subclass discounts for vacant and excess land.
- Moved to an online tax certificate platform – TCOL that enables real-time requests and payments from Lawyers requesting tax certificates.
- Transitioned to new Tax software Dec 2022.
- E-billing through E-Post was discontinued by Canada Post Dec 31, 2022.

Reassessment Myth-Fact

- The province has not released details related to any upcoming reassessment.
- During a reassessment we must know that:

MYTH ❌	FACT ✅
<p>My property value has doubled.</p> <p>My property taxes will double.</p>	<p>There is no 1:1 relationship between the change in your assessed value and change in taxation.</p>

Reassessment

- Even though the assessed values of homes may increase following an assessment update, municipalities are required by regulation to reset their tax rates to offset the average change in property values as a result of reassessment.
- A common misconception is that a significant change in a property's assessed value will result in a proportionately significant change in the owner's property taxes. The most important factor is not how much the assessed value has changed, but how much the assessed value has changed relative to the average change for the same property type in the municipality.

Reassessment (Continued)

- Generally, if the property assessment has gone up more than average, the owner's property tax bill will be proportionately larger. If the property assessment has gone up less than average, the owner's property tax bill will be proportionately smaller.

Impacts of Reassessment

- Reassessment can result in tax shifts, which is a change in the burden of one tax class compared with the other tax classes. Tax ratios can amplify this tax shift.
- Reassessment can also shift taxes from one area of the city to another.
- Historically reassessment results in higher volumes of Tax Write-offs in first couple years of phase in as MPAC corrects any errors in values.

2023 and Beyond

- Enabling self serve options online that will allow for 24/7/365 account access, signing up for e-billing, and preauthorized payment plans.
- E-billing of tax bills through our new tax billing software.
- Streamlining customer service through continued partnerships with ServiceGuelph.
- Collection of Local Improvement Charges for Guelph Greener Homes Program.
- Proactive assessment base management and continued relationship building with MPAC with a goal of ensuring property tax equity and maximizing assessment growth.

2023 Tax Bylaws – March 28 – Council

Further Reference Materials

- The Ontario Municipal Councillor's Guide
<https://www.ontario.ca/document/ontario-municipal-councillors-guide>
- Section 9.6
- <https://www.ontario.ca/document/ontario-municipal-councillors-guide/9-fiscal-context#section-5>

The End