

# Staff Report



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To **City Council**  
Service Area Corporate Services  
Date Thursday, April 16, 2020  
Subject **2020 Property Tax Policy Report**

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## Recommendation

1. That the 2020 City of Guelph property tax ratios, subclass discounts and corresponding tax rates, as set out in Attachment-1 to the report titled 2020 Property Tax Policy dated April 16, 2020, be approved.
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## Executive Summary

### Purpose of Report

To recommend that the 2020 property tax ratios, subclass discounts and corresponding tax rates (Tax Policy), included as Attachment-1, be approved and incorporated into by-laws. This provides sufficient time to prepare the final tax bills for meeting the legislated mailing date for the June 30, 2020 tax installment.

### Key Findings

Municipal Councils are required to make a number of Tax Policy decisions and pass the related by-laws annually. Attachment-1 and calculated rates are an administrative consolidation of all applicable previous Council decisions.

In 2020, the average residential taxpayer with a property assessed at \$388,362 will be levied \$3,766.50 in City taxes for an overall property tax increase of \$140.76, broken out as follows:

City of Guelph Portion	\$ Change	% Change
Reassessment Phase-in /		
Average Residential Property	\$3.49	0.10%
2020 Budget Impact	\$128.67	3.55%
Multi-residential Ratio Change Impact	\$5.19	0.14%
Subclass Discount Change Impact	-\$7.58	-0.21%
Hospital Levy Impact	\$10.99	0.30%
Total Change	\$140.76	3.88%

Fair tax policies and a balanced tax ratio form an integral part of the City's strategic goals.

## Financial Implications

There are no financial implications related directly with Tax Policy. Tax ratios and subsequent tax rates only allocate the approved tax supported operating budget over the different tax classes.

Annually, the cost of the mandatory charity rebate program is approximately \$130,000.

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## Report

Municipal Councils are required to make a number of Tax Policy decisions annually. The Municipal Act sets out the parameters to be followed by municipalities when setting property tax policies. These parameters include establishing tax ratios and discounts; use of graduated taxation and optional classes; capping options on multi-residential, commercial and industrial properties; and various tax mitigation measures. Annually Tax Policy decisions determine how the property tax levy, approved in the annual budget, will be distributed across the various classes of properties.

On December 3, 2019, Council approved the 2020 tax supported budget, of which \$256,192,624 is to be raised from taxation and payments-in-lieu, plus an additional hospital levy of \$750,000.

### 2020 Tax Policy

The following summarizes the Tax Policy and programs discussed in this report:

- Approving the 2020 tax ratios, subclass discounts and tax rates;
- Continuing the low-income seniors and low-income disabled tax relief program; and,
- Continuing the charitable tax rebate program, of which the City annually accrues funds for.

The by-laws for approval resulting from this report are to allow sufficient time to prepare and mail the final property tax bills within the legislated time frame for the June 30, 2020 installment.

### Tax Ratios and Subclass Discounts

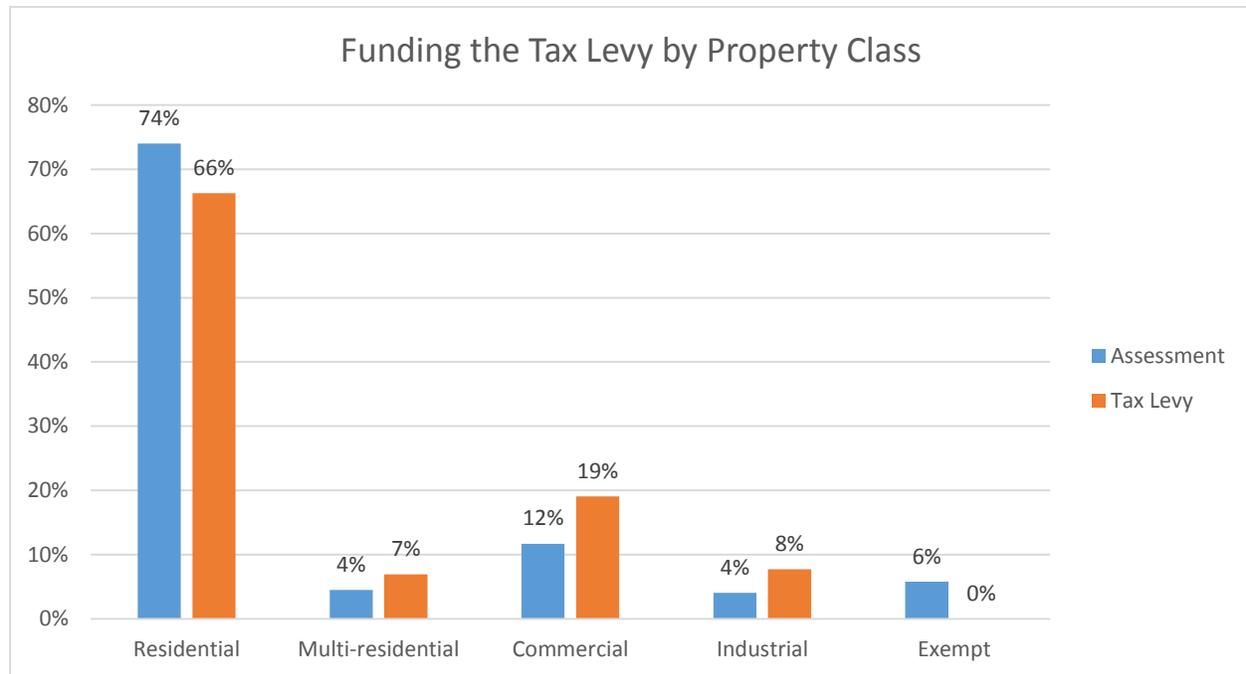
On April 24, 2017, Council adopted the recommendations in the [Tax Ratios 2017-2020 Assessment Cycle report](#), which provided direction for setting tax ratios for the reassessment cycle 2017 through 2020. This direction was that all ratios remain at their start ratio, except for the multi-residential ratio, which would remain revenue neutral on an annual basis.

On July 22, 2019, Council adopted the recommendations in the [Vacant and Excess Land Subclass Review report](#), which provided direction for phasing out subclass discounts. This direction provided that subclass discounts would be phased out over two years beginning in 2020, reducing the discounts from 30 per cent to 15 per cent in 2020 and fully eliminating the discount in 2021.

### Funding the Tax Levy by Property Class

The tax levy is funded primarily through four broad property tax classes: residential, multi-residential, commercial, and industrial. The split between total

assessment and total tax levy based on the proposed Tax Policy for 2020 is shown below.



The residential tax class makes up 74 per cent of the City’s total assessment base and funds 66 per cent of the tax levy. The assessment and tax levy split among all classes is consistent with prior years.

### Impact on the Average Residential Taxpayer

The impact on the average residential taxpayer with an average property assessment of \$388,362 is as follows:

City of Guelph Portion	\$ Change	% Change
Reassessment Phase-in /		
Average Residential Property	\$3.49	0.10%
2020 Budget Impact	\$128.67	3.55%
Multi-residential Ratio Change Impact	\$5.19	0.14%
Subclass Discount Change Impact	-\$7.58	-0.21%
Hospital Levy Impact	\$10.99	0.30%
<b>Total Change</b>	<b>\$140.76</b>	<b>3.88%</b>

The impact of the reassessment phase-in is the only item not driven by the 2020 budget and Tax Policy decisions. This impact is solely driven by the assessment phase-in and associated tax shifting, along with what an average residential property assessment in Guelph looks like. Naturally, as residential properties increase in value, the average assessment will increase each year due to the phase-in process. Additionally, on an annual basis the average residential property continues to be bigger and of a higher quality as new larger, higher value homes

are being constructed. This further increase in the average residential property value provides for upward pressure when comparing an average year-over-year.

### **Hospital Levy**

In 2020, a hospital levy will be shown separately on the final tax bill. This levy is Council's commitment to funding Guelph General Hospital renovations with \$750,000 on an annual basis from 2020 through 2025.

### **Tax Relief for Low-Income Seniors and Low-Income Persons with Disabilities**

Municipalities are legislatively required to have a tax relief program under Section 319 of the Municipal Act. This program provides qualifying low-income seniors and low-income persons with disabilities tax relief through a deferral of property tax, should their annual assessment-related tax increase be greater than \$200. The program is set out in By-law (2015)-19988.

### **Tax Rebates for Charities**

Municipalities are legislatively required to have this rebate under Section 361 of the Municipal Act. Qualifying charities, upon application, are provided a rebate of 40 per cent of taxes paid. In 2019, the City processed 37 rebate applications for a total dollar amount of \$217,939, of which the City's share was \$130,073. The charitable tax rebate program is set out in By-law (2002)-16851 and By-law (2003)-17152.

### **Financial Implications**

There are no financial implications related directly with the Tax Policy. Tax ratios and subsequent tax rates only allocate the approved tax supported operating budget over the different tax classes.

Annually the cost of the mandatory charity rebate program is approximately \$130,000.

### **Communications**

Once adopted by by-law, tax rates will be posted on the City's website.

Included with the 2020 final tax bill is an informational insert, which outlines the services that are funded through property taxation and the percentage of each dollar that goes to fund that service.

### **Strategic Plan Alignment**

This report aligns with Strategic Plan priority Working Together for our Future, running an effective, fiscally responsibly and trusted local government.

### **Attachments**

Attachment-1 2020 City of Guelph - Tax Ratios, Discounts and Rates

### **Departmental Approval**

James Krauter, Deputy Treasurer / Manager of Taxation and Revenue

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