

Property Tax and Municipal Fiscal Framework Review

- The property tax system in Ontario is inefficient, complex and confusing
- The Ontario Chamber of Commerce has identified this as one of its top policy priorities
- Guelph is currently reviewing property tax and fiscal framework, which falls under provincial guidelines but also has local components
- Provincial guidelines are under review

Property Tax Rate Overview

- Guelph needs to increase the percentage of businesses paying property tax compared with residential
- Businesses paying higher taxes subsidize residential rates, with 1.98:1 for commercial properties and 2.63:1 for industrial properties
- The combined property tax burden of 3.7% of the GDP is higher than any OECD country
- Property tax accounted for 54% of Canadian revenues for local governments, the balance coming from user fees and intergovernmental transfers
- Other outside influences such as healthcare being 46% of the provincial budget limit the amount property tax and transfer payment review can occur

Business Education Tax

- Education taxes represent half of the property taxes imposed on Ontario businesses
- There is no consistency in BET rates, and no uniformity.
- BET for businesses can be up to 6 times residential rates
- An Expert Property Tax Review Panel needs to implement uniform rates among business classes and locations as well as residences

Business Consultation on Property Tax Reform

- In 1997 the provincial Ministry of Finance introduced the “market-value” property assessment principle
- The Municipal Property Assessment Corporation (MPAC) was empowered to estimate the value of all classes of properties
- Due to large variations in estimated values of similar properties, MPAC has been questioned regarding methodology with no answers

MPAC Assessment Process

- The Ontario Ombudsman has issued a report in March 2006 giving 22 recommendations on how to reform the system including:
- Increasing taxpayer access to MPAC information, improving accuracy and consistency of property assessments, improving the appeal process
- Putting the onus on the MPAC rather than the taxpayer to justify accuracy of assessments

Fiscal Imbalances and Service Delivery Review

- Municipal governments have struggled to pay for ever widening range of services, and must pass balanced budgets
- Federal and Provincial governments have consistently been running surplus budgets
- Underinvestment in local infrastructure has hampered economic development
- The Government of Ontario needs to expedite the Provincial-Municipal Fiscal and Service Delivery Review to match strategic growth objectives

Social Service Funding

- Ontario is the only province in Canada to place the burden of paying social services such as housing and public health almost exclusively on municipal tax base
- The Government of Ontario needs to move towards fully funding income transfer programs such as social assistance, social housing, ambulances, and childcare subsidies

Competitive Property Assessment Services

- For over 30 years the Municipal Property Assessment Corporation (MPAC) has held a monopoly on tax assessments
- An open competitive bidding process in the delivery of property assessment services could properly serve municipalities and taxpayers
 - Chatham Kent estimates \$600,000 fee savings
- Examine the role of a Municipal Assessment Authority to ensure property assessment service delivery meets legislated standards in cost effective and efficient operations

Summary

- Guelph needs to increase commercial and industrial development to provide more tax revenue for infrastructure improvements
- The efficiency of the provincial property tax and municipal fiscal framework needs to be addressed including transfer payments
- Social cost as a part of municipal responsibility needs to be reviewed on Ontario