



**The Corporation of the Municipality
Staff Report**

Office of the Treasurer
Manuela Batovanja

Prepared For: Mayor and Council	Report No.: MB 2023-07
Agenda Date: April 4, 2023	File No.: C11

Staff Recommendation

THAT Council receive Report No. MB 2023-07, recommending the removal of the practice of establishing bands of assessment of property for the purpose of facilitating a graduated tax rate for properties included in the commercial tax classes.

Report Purpose

The purpose of this report is to summarize considerations regarding the practice of establishing bands of assessment of property in the commercial tax class and recommend the removal of this practice to take effect for the 2024 property tax year.

Background

As part of the 1998 tax reforms the Province of Ontario introduced graduated tax rates as a tax policy option for municipalities under section 314 (1) of the Municipal Act. This option allowed municipalities to set bands of assessed value within the commercial and industrial classes or in other terms to tax commercial and industrial properties at different rates depending on their current values assessment (CVA).

The Municipality of Wawa first adopted the use the banded assessment in 1999 as per By-law1289-99. The bylaw established three bands:

- Low Band – CVA range of \$0 to \$50,000 taxed at 75% of the commercial rate
- Mid Band – CVA range of \$50,001 to \$100,000 taxed at 85% of the commercial rate
- High Band – CVA greater than \$100,000 at 100% of the commercial rate

Respectfully Prepared and Submitted By:
Manuela Batovanja, Treasurer
Director of Finance

It is assumed that the intent of the policy was to provide some tax relief to the lower assessed small business type properties in the commercial and industrial class. However, there is never a guarantee that the target group will occupy the type of property the distribution benefits.

Graduated banding is a redistributive tool within the commercial class resulting in a zero-sum game. One properties gain is another properties loss with the net change to taxation within the class being zero.

Although banding effectively helps reduce the tax burden of small or properties with a lower CVA it does not necessarily target small businesses as they may be tenants of large properties or large businesses could be owners of lower assessed properties. The ineffective application of the option is the reason that banding is rarely used in Ontario.

In Wawa's case the properties receiving the highest benefit are the vacant properties within the commercial class.

The Municipal Act allows Councils to cancel banding at will.

Options

Option 1 – Do not remove the banding tool and continue with past practice.

Option 2 – Request that staff analyse and report on alternative percentages. Not recommended as the same disparities and arguments will exist regardless of the rate structure.

Option 3 – Discontinue the practice of establishing bands of assessment of property for the purpose of facilitating a graduated tax rate for properties included in the commercial tax classes beginning in the 2024 taxation year.

Recommendation

THAT Council receive Report No. MB 2023-07, recommending the discontinuation of the practice of establishing bands of assessment of property for the purpose of facilitating a graduated tax rate for properties included in the commercial tax classes beginning in the 2024 taxation year.