



Property Tax Policy Handbook

Corporate Services Department
July 2011

Introduction

This handbook has been prepared to provide elected municipal officials, municipal staff and property owners in the Region of Peel with a summary of the components of the current assessment and property taxation systems.

The provincial government overhauled the assessment and property tax systems in Ontario, with initial reforms implemented in 1998. Additional assessment and legislative changes have occurred since then. Further changes may still occur – staff will update this handbook as changes are made.

Property assessment and taxation involves many organizations at both the municipal and provincial levels of government. Municipal and provincial government contacts are provided at the end of the document. These references should be consulted for more detailed information about their specific duties and responsibilities regarding assessment and taxation.

The handbook contains the following sections:

Section 1: Property Taxation and Assessment Basics

Provides a brief summary of property assessment, the roles of the Municipal Property Assessment Corporation and Assessment Review Board, and property tax rates.

Section 2: Pre-1998 Property Assessment and Taxation

Discusses the system prior to the implementation of reforms and provides background information on the events leading to the implementation of reforms.

Section 3: Property Assessment and Tax Reform 1998-2011

Summarizes the reforms implemented by the Ontario government during the last seven years.

Section 4: Property Tax Policy Options/Tools

Outlines the options and tools that are available to municipalities to manage the transition from the old system to the new.

Section 5: Roles & Responsibilities

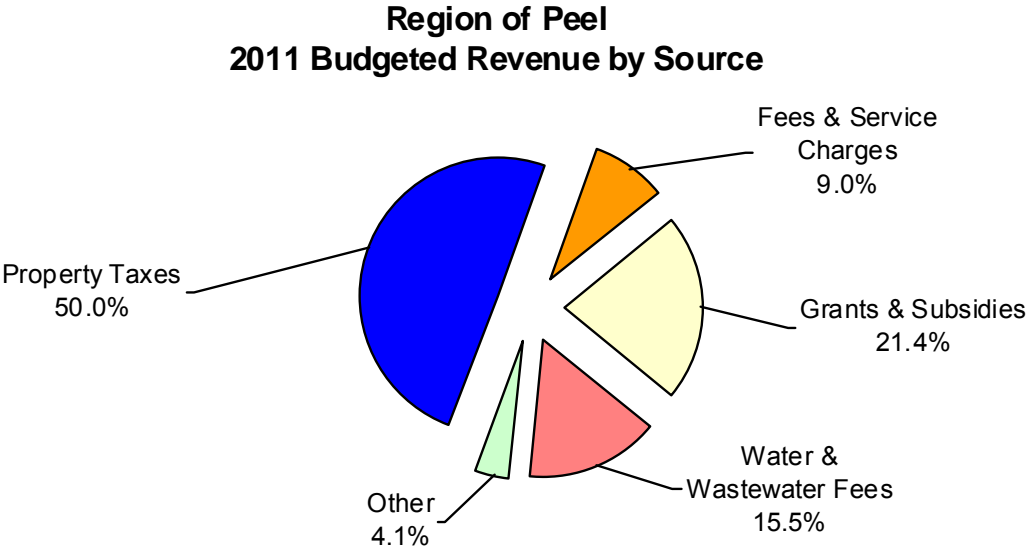
Outlines the roles and responsibilities of the provincial government, the Municipal Property Assessment Corporation (MPAC), the Online Property Tax Analysis (OPTA) system, the Region of Peel, and the lower-tier municipalities within the framework of the property assessment and taxation systems.

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1.0 Property Taxation and Assessment Basics

The property tax remains as the most important revenue source for municipalities. It is the only tax that municipalities have the authority to collect. Other municipal revenue sources include user fees such as, water and wastewater fees, child care and homes for the aged fees. The property tax also constitutes the largest municipal revenue source (see pie chart below). Accordingly, the basis upon which the property tax is administered must be fair. Several property assessment and taxation reforms have been implemented to enhance fairness for taxpayers over the past few years.



The two components of the property assessment and taxation system consist of the assessed value of a property and the tax rate applied to the property.

1.1 Property Assessment

Property assessment is the value assigned to a property for taxation purposes. Every property in the province of Ontario is assigned a value using a common valuation date. The Municipal Property Assessment Corporation (MPAC) which derives its authority from provincial legislation is responsible for determining property valuation. The valuation date for assessment used for the 2011 taxation year is January 1, 2008. When a change in assessment occurs, the *Assessment Act* requires MPAC to mail Property Assessment Notices to property owners at least fourteen days prior to supplying the Assessment Roll to a municipality in December.

Property owners can appeal the assessed value of their property by requesting MPAC to review the assessed value through a process called Request for Reconsideration. If the reconsideration process results in a change to the assessment, it will be made by MPAC and communicated to both the property owner and the municipality. Should the reconsideration not result in a change in assessed value, a property owner may file a complaint to an independent tribunal called the Assessment Review Board (ARB). Both the property owner and MPAC will be asked to appear before the ARB at a hearing to present evidence. The ARB's decision would be binding on both the property owner and MPAC and, if it reduces the assessed value, the municipality would adjust the taxes for the subject property. The municipality also has the right to appear at the hearing before the Board. The deadline for filing a complaint to the ARB is March 31st of each year.

1.2 Tax Rate

The tax rate in the Region of Peel consists of three components. There is a lower-tier municipality portion (City of Mississauga or City of Brampton or Town of Caledon), a Region of Peel portion, and an education portion. Each of these portions is related to the budgetary needs of the lower-tier municipality, the Region of Peel and the provincial decision on education funding requirements. The tax rate is expressed as a percentage of a property's assessed value. A tax rate is set for each class of property. The tax rate multiplied by the assessed value, results in the amount of property taxes payable for the year. For example, if the residential tax rate is 0.962611% and the assessed value is \$373,000, the property taxes would be \$3,590.54 (see table below). A summary of the 2011 property tax rates by property class and lower-tier municipality in the Region of Peel is included in Appendix 1.

Residential Property Example			
	Tax Rate <i>A</i>	Assessment <i>B</i>	Property Taxes <i>C = A x B</i>
Region of Peel portion	.452704%	\$373,000	\$1,688.59
Lower-tier Municipality portion	.278907%	\$373,000	1,040.32
Education (province) portion	.231000%	\$373,000	861.63
Total	0.962611%		\$3,590.54

2.0 Pre-1998 Property Assessment and Taxation

The provincial government introduced reforms in 1998 that not only revised how property assessments were conducted and how property taxes were calculated, but also affected those services for which municipalities were responsible.

2.1 Assessment System Problems

In many areas of the province, the assessment base had become outdated resulting in confusion and unfairness for some taxpayers. Although the basis for property assessment was market value, it lacked consistency throughout Ontario. Valuation dates ranged from the 1940's to the 1990's across the province. The lack of consistency in valuation dates resulted in similar properties in the same municipality paying different property taxes. It was difficult for property owners to understand their assessments and to determine if their assessed values were appropriate. Property owners are generally aware of the current market value of their properties, but with outdated assessment bases where assessments bore no relation to actual market values, it was difficult to know if an assessment was correct.

Properties across the province were classified as having either residential or commercial and business assessment (i.e. only two broad classes of property). Property taxation for the two broad classes was based on mill rates (which is a rate per \$1,000 of assessment). Legislation required that the residential mill rate be equal to 85% of the commercial mill rate. In addition, businesses occupying commercial property were subject to a Business Occupancy Tax (BOT) using business assessment and a commercial mill rate. Non-residential property taxes (i.e., taxes on businesses) therefore consisted of a realty property tax portion and the BOT.

2.2 Proposed Solutions

The provincially appointed Who Does What panel¹ recommended the reform of the assessment and property taxation system. Its recommendations included the following:

- Bring property values up to date across the province and keep them up to date by implementing an annual reassessment system by 2004 that uses a rolling three-year average to smooth out sharp fluctuations in property assessments.
- Base assessment on current values determined on the basis of current sales.
- Replace mill rates with “tax rates” which would be expressed as a percentage of the assessed value of property.
- Establish several property classes (i.e. residential, multi-residential, commercial, industrial).

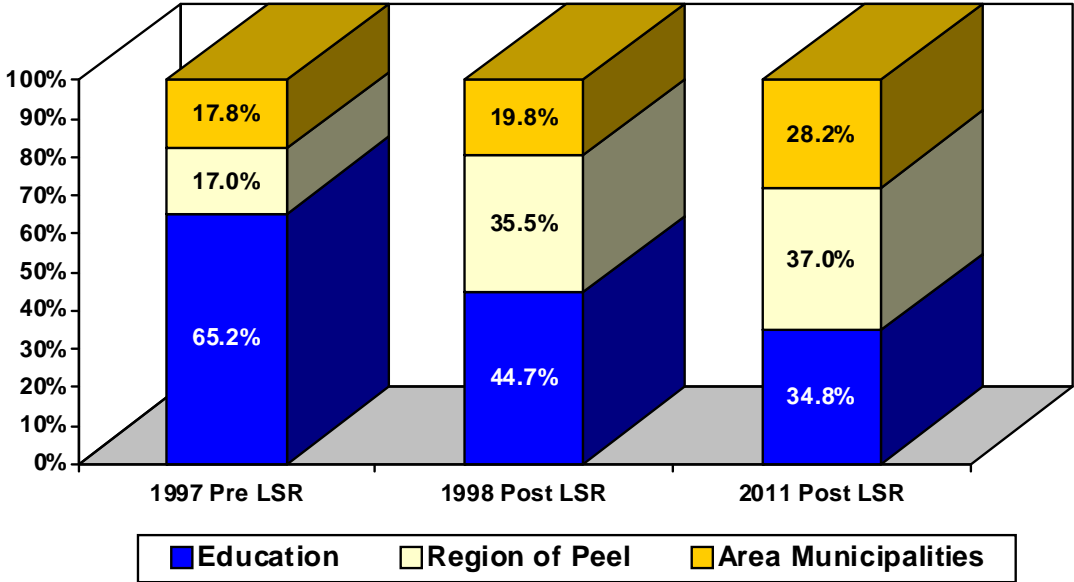
¹ The Who Does What panel was responsible for reviewing and recommending improvements to the provincial/municipal financial relationship. The panel reported to the Minister of Municipal Affairs and Housing in December 1996.

- Allow municipalities to set different tax rates for different types of property and set parameters within which municipalities can set different tax rates for different property classes.
- Eliminate the BOT but allow for the recovery of the equivalent revenues from commercial and industrial classes.
- Allow for the phase-in of assessment-related tax changes.
- Offer a tax deferral to low income seniors impacted by property tax reform.

2.3 Local Services Realignment (LSR)

As the province implemented the recommendations of the Who Does What panel, which changed the provincial/municipal financial relationship, it changed the distribution of the total property tax burden. Services previously delivered or funded by the provincial government were transferred to municipalities as part of the initiative known as “Local Services Realignment” (LSR). In order to offset the additional costs related to social assistance, public health, ambulance services, and

Total Property Tax Burden - Pre and Post LSR



social housing that were transferred to municipalities, the province removed approximately 50% of the education taxes from the residential property tax burden. This allowed municipalities to increase the municipal portion of the property tax bill in order to fund these additional services without adversely impacting property taxpayers. The above chart illustrates the distribution of the total property tax burden for the 1997, 1998 and 2011 tax years at the Region of Peel.

3.0 Property Assessment and Tax Reform 1998-2011

The following table outlines the legislation enacted by the provincial government to implement property assessment and tax reform:

#	Name	Date approved
Bill 106	<i>Fair Municipal Finance Act, 1997</i>	May 27, 1997
Bill 149	<i>Fair Municipal Finance Act 2, 1997</i>	December 8, 1997
Bill 16	<i>Small Business and Charities Protection Act, 1998</i>	June 11, 1998
Bill 79	<i>Fairness for Property Taxpayers Act</i>	December 18, 1998
Bill 140	<i>Continued Protection for Property Taxpayers Act, 2000</i>	December 4, 2000
Bill 83	<i>Budget Measures Act, 2004</i>	June 17, 2004
Bill 187	<i>Budget Measures and Interim Appropriation Act, 2007</i>	May 17, 2007
Bill 35	<i>Investing in Ontario Act, 2008</i>	May 14, 2008

The following sections describe the significant changes to both the assessment and property taxation systems that represent important components of the new systems.

3.1 Elimination of the Business Occupancy Tax

The Business Occupancy Tax (BOT) was eliminated effective with the 1998 taxation year. It was a tax levied on businesses and not property owners. The BOT was the source of a large portion of municipalities' tax arrears. The foregone BOT revenue is recovered within the tax rates established for each of the commercial and industrial classes and does not impact taxpayers in the other property classes.

3.2 Property Reassessment

Property reassessment refers to the updating of all property values across the province using the same base year of comparison to reflect their value. All properties are assessed on the basis of their current value at a specific point in time. When tax reform was initiated in 1997, assessments on all properties in Ontario were updated to reflect their value as of June 30, 1996. These 1996 assessment values were used as the basis for taxation in 1998, 1999 and 2000. The next reassessment date was June 30, 1999. The 1999 assessment values were used as the basis for taxation in 2001 and 2002. Taxation for 2003 was based on June 30, 2001 assessment values. Taxation for 2004 and 2005 was based on June 30, 2003 assessment values.

In the 2004 Ontario budget, the provincial government cancelled the reassessment planned for 2005. Instead, it adopted a new reassessment schedule starting with the 2006 taxation year based on assessment values as of January 1 of the year preceding the taxation year (e.g. for the 2006 taxation year, assessments would be based on the property values as of January 1, 2005). This change moved the valuation up six months from the June 30th date. Also, assessment averaging, which was to begin in 2005, was cancelled.

On March 28, 2006 the Provincial Ombudsman submitted his report entitled “*Getting it Right*”. The report was the result of an investigation into whether the MPAC process of valuing properties was fair and transparent. The investigation was launched as a result of the large number of complaints received from taxpayers focusing on two areas:

- A lack of transparency in the property assessment system; and
- The integrity and efficiency of the decision making process.

The report contained twenty two recommendations that addressed these two concerns. In its response to the report, MPAC agreed that twenty of the recommendations were its responsibility. MPAC committed to implement seventeen of these as soon as possible and that the remaining three would require further review before they could be implemented due to significant resource, technology and cost implications. Recommendations eight and twenty one were identified as being the responsibility of the provincial government. The Minister of Finance responded that the government intended to engage in consultations with stakeholders and interested parties on these two recommendations.

On June 29, 2006 the Minister of Finance announced that the scheduled property reassessments for the next two years would be cancelled in order to allow for the implementation of the Ombudsman’s recommendations to Ontario’s property assessment system. The announcement further stated that MPAC had committed to implement all of the recommendations directed to it by 2009 and that this timetable will allow MPAC to address and consult with municipalities on the cost and resources required to implement the recommendations. The Ministry of Finance would consult with stakeholders on the Ombudsman’s two recommendations that were specific to the government.

In the 2007 Ontario budget, the provincial government introduced additional changes to the assessment system to enhance the fairness and predictability of assessments for property owners. A new four-year reassessment cycle was introduced and implemented for the 2009 taxation year, using a valuation date of January 1, 2008. This valuation would apply for the 2009–2012 taxation years. Subsequent reassessments will be conducted every four years using a valuation date of January 1st of the preceding year. A mandatory four year phase-in of residential, farm and managed forest assessment increases has been implemented with the 2009 reassessment. In the 2008 Ontario Budget, the four year phase-in was expanded to include the commercial, industrial and multi-residential property classes by the provincial government. The following table shows the date on which properties have been and will be assessed over the next few years for taxation purposes.

Taxation Year(s)	Assessment Date
1998 - 2000	June 30, 1996
2001 - 2002	June 30, 1999
2003	June 30, 2001
2004 - 2005	June 30, 2003
2006 - 2008	January 1, 2005
2009 - 2012	January 1, 2008
2013 - 2016	January 1, 2012

3.3 Property Classes

The reform of the property taxation system implemented by the provincial government with the passing of the *Fair Municipal Finance Act, 1997*, included the division of properties into seven mandatory classes and five optional classes. Classes are defined by a Realty Tax Class (RTC) designation. In addition, property classes are split into mandatory subclasses of properties. These were established in order to allow for the application of discounted tax rates due to the special nature of some properties. Subclasses are defined by a Realty Tax Qualifier (RTQ) designation. The Region of Peel has chosen not to adopt any of the optional property classes during the 1998–2011 period. This remains as an option for the Region of Peel to consider in future years. Other municipalities that have adopted optional property classes have done so primarily to contain significant tax impacts on properties within these classes.

Mandatory Property Classes

1. Residential (RTC = R)
2. Multi-residential (RTC = M)
3. Commercial (RTC = C)
4. Industrial (RTC = I)
5. Pipelines (RTC = P)
6. Farm (RTC = F)
7. Managed Forests (RTC = T)

Mandatory Subclasses

1. Taxable at the full rate (RTQ = T)
2. Taxable no education taxes (RTQ = M)
3. Farmland awaiting development I (RTQ = 1)
4. Farmland awaiting development II (RTQ = 4)
5. Excess land (RTQ = U)
6. Vacant Land (RTQ = X)

Optional Property Classes (subsets of the mandatory classes)

1. New Multi-residential (RTC = N)
2. Office Building (RTC = D)
3. Shopping Centre (RTC = S)
4. Parking Lot (RTC = G)
5. Large Industrial (RTC = L)
6. Residual Commercial (RTC = K)

3.4 Tax Ratios and Ranges of Fairness

Properties in different classes are taxed at different tax rates as a result of historical differences in tax burdens that were present prior to the 1998 reform of the property tax system. Typically, commercial, industrial and multi-residential properties pay higher taxes than residential properties. The different relative tax burdens among property classes are based on the tax ratios set by municipalities. Changing the tax ratios will result in a shift of the tax burden among classes.

Based on provincial rules, the tax ratio for the residential class is always set at 1.00. The farm and managed forest property classes are set at 0.25 and municipalities have the authority to lower the ratio starting with the 2003 tax year. Municipalities can also change the tax ratios for the commercial, industrial, multi-residential and pipeline classes of property. As these classes typically pay relatively higher property taxes, the province only permits municipalities to change tax ratios towards established “ranges of fairness”. These ranges ensure that taxes are not shifted onto properties that are already subject to relatively high tax rates. However, any reduction in the tax ratios for commercial, industrial, multi-residential or pipeline classes would directly impact the residential and related classes. Municipalities can maintain their tax ratios at existing levels or elect to move towards the range of fairness.

At the Region of Peel, the authority to set tax ratios has been delegated to the lower-tier municipalities for each of the 1998-2011 taxation years. In 2003, the lower-tier municipalities unanimously chose to change the tax ratios for the industrial and multi-residential property classes from the prescribed levels provided by the province. For the 2004 taxation year, the City of Brampton and the Town of Caledon did not choose to change their ratios while the City of Mississauga decided to change the ratios in the commercial, industrial, multi-residential and pipeline classes in order to eliminate the impact of reassessment related tax shifts between classes.

The Ontario government provided the authority to change the tax ratios in order to achieve a revenue neutral tax position between property classes from 2003 to 2004 and 2005 to 2006 thereby eliminating the impact of any reassessment related tax shifts that normally occur at the time of each reassessment cycle. This option was not available in prior reassessment years. For the 2006 taxation year, Brampton and Caledon chose to leave the tax ratios at the 2005 levels while Mississauga chose to change the tax ratios in order to eliminate the tax shifts resulting from reassessment.

The following chart outlines the 1998-2011 Region of Peel tax ratios and the ranges of fairness.

Property Class	Ranges of Fairness	Tax Ratio History				
		Region of Peel 1998 – 2002	Region of Peel 2003	Brampton and Caledon 2004 – 2011	Mississauga	
					2004 – 2005	2006 – 2011
Residential	1.00	1.0000	1.0000	1.0000	1.0000	1.0000
Farm	0.25	0.2500	0.2500	0.2500	0.2500	0.2500
Managed Forests	0.25	0.2500	0.2500	0.2500	0.2500	0.2500
Multi-residential	1.00 – 1.10	1.7336	1.7050	1.7050	1.632182	1.778781
Commercial	0.60 – 1.10	1.2971	1.2971	1.2971	1.408531	1.409816
Industrial	0.60 – 1.10	1.5986	1.4700	1.4700	1.557727	1.570762
Pipelines	0.60 – 0.70	0.9239	0.9239	0.9239	1.041505	1.151172

3.5 Threshold Ratios

As part of Bill 140 – *the Continued Protection for Property Taxpayers Act, 2000*, the province created a new restriction prohibiting municipalities from levying municipal tax increases on commercial, industrial and multi-residential property classes if their respective tax burdens are above the provincial class average. The province has set these “Threshold Ratios” for each of the three classes of properties so that municipalities will know whether they are subject to the levy restrictions. The Region of Peel and its lower-tier municipalities are currently below the Threshold Ratios for all three classes as follows:

Property Class	Threshold Ratios	Region of Peel Highest Tax Ratios
Commercial	1.98	1.409816
Industrial	2.63	1.570762
Multi-residential	2.74	1.778781

4.0 Property Tax Policy Options/Tools

As the province implemented reform of the property taxation system, it established legislation to provide municipalities with more autonomy to make tax policy decisions and more flexibility to respond to local priorities. Municipalities were given a number of optional as well as mandatory “tools” in order to manage the transition from the old system to the new. These “tools” are described briefly below. A summary of the tax policy tools currently in use across the GTA is provided in Appendix 3.

4.1 Upper-tier Delegation of Tax Ratio Setting

The Municipal Act allows upper-tier municipalities to delegate the responsibility of setting tax ratios to its lower-tier municipalities, rather than setting region-wide tax rates for the upper-tier’s share of the property tax burden. Upper-tier municipalities that choose to delegate this authority must develop an apportionment methodology to determine the amount of the upper-tier levy that each of the lower-tier municipalities would be required to raise. Delegation requires unanimous lower-tier agreement as well as approval from the Minister of Finance (see Appendix 2 for requirements and deadlines).

The Region of Peel apportions its general and special upper-tier tax levy requirements (except for waste management and Police services) among its lower-tier municipalities based on their relative shares of Current Value Assessment (CVA) weighted by the transition ratios for each class of property. The waste management levy requirements are apportioned among lower-tier municipalities on the basis of the relative share of household counts according to the assessment roll data provided by MPAC. Peel Regional Police levy requirements are apportioned between Mississauga and Brampton according to each municipality’s share of the sum of their combined CVA. The Ontario Provincial Police (OPP) levy is apportioned in its entirety to Caledon since it is served only by the OPP.

The Region of Peel has delegated its authority to set tax ratios to its lower-tier municipalities during the 1998-2011 time period. It is currently the only upper-tier municipality in Ontario delegating its authority to its lower-tier municipalities as the lower-tier municipalities have unanimously agreed that they favour delegation.

4.2 Changing Tax Ratios

Tax ratios reflect how a property class’ tax rate compares to the residential rate. Changes in tax ratios affect the relative tax burden between classes of properties. Tax ratios can be used to prevent large shifts of the tax burden caused by relative changes in assessment among property classes as well as to lower the tax rates on a particular class or classes. Other than for the 2004 and 2006 taxation years, municipalities have only been permitted to adjust tax ratios for the multi-residential, commercial, industrial and pipeline property classes closer to the provincially prescribed ranges of fairness.

4.3 Optional Property Classes

Upper-tier municipalities have the option of establishing any of the optional property classes allowed in the legislation. Use of optional classes provides additional flexibility to adopt different tax ratios for different types of property within the broader commercial, industrial and multi-residential property classes. The deadline to establish optional property classes is October 31st of the preceding year in order to allow for the appropriate coding of properties on the assessment roll. The optional classes of property defined in provincial legislation are as follows:

- New Multi-residential
- Shopping Centres
- Office Buildings
- Parking Lots
- Large Industrial

The Region of Peel in consultation with its lower-tier municipalities has not implemented optional property classes during the 1998-2011 time period.

4.4 Graduated Tax Bands

Upper-tier municipalities have the option of establishing up to three graduated tax bands within the commercial and industrial classes. This tool provides the ability to protect lower valued properties by allowing municipalities to apply different tax rates for each band of current value assessment. However, this program is self-funded within the class, and as such, by providing a lower tax rate below a threshold, increases the tax rate(s) above the threshold(s).

The Region of Peel in consultation with its lower-tier municipalities has not adopted graduated tax bands during the 1998-2011 time period.

4.5 Phase-in Program

Upper-tier municipalities have the option of establishing a program to phase-in all property tax changes that occur in the year of a reassessment, including municipal budgetary increases. Phase-in programs can apply to any or all of the property classes and may be spread over a period of up to eight years. For the purposes of a phase-in program, the residential, farm and managed forests classes are deemed to be one class.

A phase-in program is self-financing. Properties entitled to decreases will be required to forego a portion or all of their decrease in order to fund the phase-in of tax increases. Should a program shortfall occur, the upper-tier municipality and its lower-tier municipalities must share any shortfall occurring as a result of a phase-in program. This includes the education portion of the shortfall, as the province does not share in a phase-in program.

A phase-in program can use thresholds based on percentages or dollar amounts. The program may phase-in equal amounts each year, provided that the amount phased in each year is no more than the amount phased-in for the previous year.

The Region of Peel in consultation with its lower-tier municipalities has not adopted a phase-in program during the 1998-2011 time period.

4.6 Municipal Tax Reductions

Upper-tier municipalities have the option of providing tax reductions for properties in the commercial, industrial and multi-residential classes. The tax reductions would be processed as a reduction on the tax bill rather than through an after-the-fact rebate. The cost of this program is funded by upper-tier and lower-tier municipalities and would not be shared by the province with respect to the education share of property taxes.

The Region of Peel in consultation with its lower-tier municipalities did not adopt a municipal tax reduction program in 2011.

4.7 Capping of Property Tax Increases

Provincial legislation mandates a limit to annual tax increases resulting from reassessment for the commercial, industrial and multi-residential classes. The purpose of this limit is to ensure that the impact of CVA reform is manageable for taxpayers in these three property classes. The limit is calculated based on the previous year's annual taxes but does not apply to municipal levy increases. Upper-tier municipalities may adopt the use of the optional property tax mitigation tools available in conjunction with a capping program.

The legislation permits municipalities to recover all or part of the cost of the "cap" by limiting the property tax decreases within the subject property class. Municipalities are given the flexibility to fund the "cap" with non-tax revenues and general tax rate increases across all property classes.

The Region of Peel was required to institute capping during the 1998-2011 time period. Under the "10-5-5 Capping" legislation, property tax reform related increases from 1997 to the commercial, industrial and multi-residential classes were limited to a maximum of 10% in 1998, 15% in 1999 and 20% in 2000. The Region chose to fund the "10-5-5 Cap" by limiting the available tax decreases through a "clawback" within each class (known as "Division B" method). This policy was continued for 2001, 2002, 2003 and 2004 at the 5% level of capping.

In the 2004 Budget (Bill 83) the provincial government introduced changes to the capping rules allowing municipalities some flexibility in their application starting in 2005. Municipalities are able to implement one or more of the following options for the capped property classes:

- Increase the amount of the annual cap from 5% to up to 10% of the previous year's taxes
- Implement a minimum annual increase of up to 5% of CVA-level taxes (based on previous year's annualized CVA taxes)
- Move capped or clawed-back properties directly to their CVA taxes if they are within \$250 of their CVA taxes (or within such lesser amount as may be specified by the municipality)

In 2009, the Provincial Government amended O. Reg. 73/03 to allow for adoption of additional options for the capped property classes. Municipalities are able to implement the following supplementary options:

- Remove any properties that in the prior taxation year reached CVA-level taxes from the capping program
- Remove any properties that cross over from being capped properties in the prior year to clawback properties in the current year or from being clawback properties in the prior year to capped properties in the current year from the capping program

Regional Council chose to implement all of the proposed optional tools for the capped property classes in the 2005-2011 taxation years.

The Region is responsible for calculating the “clawback percentages” and performing a “banker” role with respect to the transfer of funds among the lower-tier municipalities. The Region's clawback rates resulting from the application of capping over the last fourteen years are shown below:

Clawback Rates (Tax Decrease Reductions)

	Commercial	Industrial	Multi-residential
1998 ¹	93.75%	93.75%	6.56%
1999 ¹	68.70%	68.70%	3.74%
2000 ¹	54.00%	28.93%	2.00%
2001 ²	61.53%	52.67%	100.00% ⁷
2002 ²	73.31%	80.08%	100.00% ⁸
2003 ³	94.11%	93.41%	96.01%
2004 ⁴	78.88%	67.42%	97.29%
2005 ⁴	55.72%	55.44%	23.51%
2006 ⁵	58.77%	49.97%	8.58%
2007 ⁵	59.52%	77.99%	34.46%
2008 ⁵	73.56%	60.25%	53.37%
2009 ⁶	47.42%	38.22%	8.56%
2010 ⁶	49.52%	61.63%	6.78%
2011 ⁶	45.70%	56.05%	7.54%

- ¹ used June 30, 1996 CVA
- ² used June 30, 1999 CVA
- ³ used June 30, 2001 CVA
- ⁴ used June 30, 2003 CVA
- ⁵ used January 1, 2005 CVA
- ⁶ used January 1, 2008 CVA
- ⁷ capping shortfall of \$4.5 million as decreases were insufficient to fund the 5% cap
- ⁸ capping shortfall of \$2.7 million as decreases were insufficient to fund the 5% cap

4.8 Tax Relief for Low Income Senior and Low Income Disabled Persons

Upper-tier municipalities are mandated to implement a program that provides tax relief from all property tax increases to low income senior and disabled taxpayers. The program must outline the definition of low-income senior and low-income disabled persons. The tax relief may be in the form of a cancellation of the tax increase, rebate or deferral program.

The Region of Peel, in participation with its lower-tier municipalities, is providing to eligible low-income seniors and low-income disabled persons an annual property tax rebate of \$400. For more information visit:

<http://www.peelregion.ca/finance/tax-def-lowincome.htm>

4.9 Tax Relief for Registered Charities and Similar Organizations

Upper-tier municipalities are mandated to implement a program that provides property tax rebates to registered charities that occupy commercial and industrial property. The rebate amount must be at least 40% of the taxes or amounts paid on account of taxes paid, but may be as much as 100% of the taxes paid. The cost of the program is shared among the Region of Peel, the lower-tier municipalities and the province, which funds the education portion of the rebate. Municipalities have the option of extending the program to organizations that are similar to eligible charities and to charities or similar organizations that occupy property in classes other than commercial or industrial.

The Region of Peel has passed a by-law which established a program that provides a 40% rebate to registered charities that occupy commercial and industrial property.

For more information visit:

<http://www.peelregion.ca/finance/tax-handbook/property-tax-rebate-program.htm>

4.10 Tax Relief for People in Hardship

Lower-tier municipalities have the option of establishing a program to provide tax reductions or refunds to property owners in the residential and farm classes whose property taxes are deemed to be “unduly burdensome”. The province will automatically share in the cost of the program with respect to the education portion of the tax bill. Upper-tier municipalities have the option of sharing in the cost of the program with respect to the upper-tier portion of the tax bill.

Lower-tier municipalities in the Region of Peel have not established a program under this provision.

4.11 Tax Rebate Program for Vacant Properties

Effective with the 2001 taxation year vacant properties in the commercial and industrial classes are shown on the Returned Assessment Roll as fully occupied. These properties will now be taxed at 100% of the appropriate tax rate. Lower-tier municipalities are mandated to have a program to provide tax rebates to owners of commercial or industrial property that have vacant portions. Property owners may apply to the lower-tier municipality for a tax rebate for periods of vacancy. The program may include evidentiary requirements that must be satisfied for the owner to be entitled to the rebate.

The legislation allows a rebate for commercial properties of 30% and for industrial properties of 35% of the taxes paid. Upper-tier municipalities are allowed to establish a single percentage for both classes of properties. The Region of Peel has passed a by-law establishing a single percentage rebate of 30% of taxes paid.

4.12 Tax Discount for Farmland Awaiting Development

The Minister of Finance prescribed two sub-classes for Farmland Awaiting Development for the purposes of providing tax reductions. Farmland Awaiting Development Phase I applies to properties once a plan of subdivision has been registered. Phase I subclass tax rates are to be set between 25% to 75% of the residential and farm property class tax rate even though the properties may be in the multi-residential, commercial or industrial property classes. Farmland Awaiting Development Phase II applies to properties once a building permit has been issued with respect to the property. Phase II subclass tax rates are to be set between 25% to 100% of the class rate of the property.

The Region of Peel has passed a by-law that provides Farmland Awaiting Development Phase I properties with a 70% reduction (taxed at 30% of the residential and farm property class rate). The by-law does not provide a reduction to Farmland Awaiting Development Phase II properties (taxed at 100% of the class rate).

4.13 New Construction Properties

Commercial, industrial and multi-residential properties that are newly constructed, undergo substantial physical changes or that change classification from an unprotected property class to a protected property class are taxed at a level of assessment that is no higher than that of six comparable properties in the same vicinity. Properties that qualify as new construction are not included in the capping calculation. As required by the legislation, the Municipal Property Assessment Corporation (MPAC) must provide lower-tier municipalities with a list of up to six comparable properties for each eligible new construction property. The lower-tier municipality must give notice of the comparable properties and the total assessment determined to the property owner within 60 days after receiving the comparable information from MPAC. The property owner has 90 days from the mailing of the information by the lower-tier municipality to appeal in writing to the Assessment Review Board (ARB) to request that up to six alternative properties be used as comparables in establishing its assessment.

In the 2004 Budget (Bill 83) the provincial government introduced changes to the legislation by allowing municipalities the option of phasing out the favourable treatment afforded to eligible new construction properties. In 2005 Regional Council adopted the phase out of the “new construction treatment” by creating floors and establishing a minimum percentage of CVA tax responsibility, such that eligible properties would be taxed at:

- Up to 70% of CVA-level taxes in 2005;
- Up to 80% of CVA-level taxes in 2006;
- Up to 90% of CVA-level taxes in 2007;
- Up to 100% of CVA-level taxes in 2008 and future years.

4.14 Property Tax Relief for Residences that are Built or Modified to Accommodate Seniors or Persons with Disabilities

The *Assessment Act* contains provisions to exempt from property taxes any alterations and additions that are made to existing residential properties to accommodate seniors or persons with disabilities. The exemption also applies to the prescribed portion of newly built homes that are designed to accommodate seniors or people with disabilities. It is the responsibility of the property owner of the eligible property to apply to the Municipal Property Assessment Corporation (MPAC) for the exemption as the exemption must be approved by MPAC.

5.0 Roles & Responsibilities

The reform of the assessment and property tax systems has resulted in changes to the roles and responsibilities of the various participants. The provincial government continues to set the province wide policies and rules. The Municipal Property Assessment Corporation has been given the responsibility of property reassessment across the province. Municipalities now have greater flexibility in setting property tax policies that meet local needs.

5.1 Provincial Government

The provincial government sets the policies and rules affecting property assessment and taxation in Ontario. It does this by creating legislation, called Provincial Statutes and also creates regulations, which are authorised under the Statutes. There are three ministries that play a role in assessment and tax policy.

Ministry of Finance

The principal ministry involved in setting assessment and tax policies is the Ministry of Finance. Under the *Fair Municipal Finance Act, 1997*, the Ministry created a new province-wide, current value assessment system, which also introduced new property classes. The Minister of Finance sets assessment policy and standards across the province and is responsible for Ontario's Tax and Property Assessment Legislation. The Minister of Finance is responsible for establishing the majority of the regulations governing reassessment and tax policy, such as Bill 35 introduced in the 2008 Ontario budget. This Ministry is also responsible for setting education tax rates for all property classes.

Ministry of Municipal Affairs and Housing

The Ministry of Municipal Affairs and Housing is responsible for establishing some of the regulations under the *Municipal Act* and the *Tenant Protection Act* associated with property tax policy. As the primary contact with municipalities, it deals more with the implementation of legislation and regulations.

Ministry of Education

The Ministry of Education is responsible for establishing the deadlines for municipalities to pay their education tax installments. Although not responsible for setting the education tax rates, this Ministry is responsible for allocating the education taxes to the school boards.

5.2 Municipal Property Assessment Corporation

The Municipal Property Assessment Corporation (MPAC) is responsible for assessing all property in Ontario. MPAC started operating on December 31, 1998, when the Government of Ontario transferred responsibility for property assessment to the Corporation. MPAC carries out its activities in accordance with the provisions

of the *Assessment Act*, as well as regulations issued under the Act by the province of Ontario. Its main responsibility is to calculate an assessed value, or assessment, for each of the over four million properties in Ontario. These values are provided to individual property owners in the form of assessment notices and to municipalities on assessment rolls. Municipalities use these values when they calculate property taxes.

Taxpayers have the right to appeal the assessed value of their properties. This is done through the Assessment Review Board (ARB). The ARB is an independent tribunal which is responsible for hearing property assessment appeals. It has the authority to change an assessed value. All parties to an appeal (property owner, MPAC, the municipality) can present evidence at an appeal hearing. The Board's decision is binding. If it reduces an assessed value, the municipality will reduce the taxes for that property.

5.3 Online Property Tax Analysis

The Online Property Tax Analysis (OPTA) system is provided to municipalities by the Ministry of Municipal Affairs. OPTA consists of an assessment database of all properties in the province and associated report generators that permit municipalities to test local tax policy options. It can also be used to carry out the capping adjustments required under the *Municipal Act*.

5.4 Region of Peel and Lower-tier Municipalities

Under the rules and regulations created by the province, the Region of Peel, as the upper-tier municipality is responsible for the creation of property tax policies throughout the Region. Although most property tax policies are set at the regional level, the Region works in co-operation with the lower-tier municipalities.

Region of Peel policy decisions include:

- tax ratio setting or delegation of tax ratio setting to the lower-tier municipalities
- optional property classes
- graduated tax rates for commercial and industrial classes of properties
- phasing-in of property tax increases/decreases
- how to fund the mandated caps for multi-residential, commercial, industrial properties
- charity and similar organizations rebate programs
- low-income senior and disabled homeowners programs

Appendix 2 outlines the Tax Policy responsibilities and related deadlines for the Region of Peel.

Lower-tier municipalities are responsible for the following:

- tax ratio setting if delegated by the upper-tier municipality
- administration of the property tax system, including billing, collection, and rebates of property taxes
- taxpayer inquiries
- adjustments to tax bill
- tax relief for people in hardship (unduly burdensome provision)
- tax reduction/rebate for heritage properties

Contacts

The following offices can be contacted for more information about assessment and property taxation.

Ontario Ministry of Municipal Affairs and Housing

Phone: 416-585-7041

Web site: <http://www.mah.gov.on.ca/Page11.aspx>

Ontario Ministry of Finance

Phone (toll free): 1-800-263-7965

Web site: <http://www.fin.gov.on.ca/english/index.html>

Municipal Property Assessment Corporation (MPAC)

Phone (toll free): 1-866-296-6722

Web site: <http://www.mpac.ca>

Region of Peel

Phone (finance department): 905-791-7800 ext. 4264

Web site: <http://www.peelregion.ca/>

City of Mississauga

Phone (tax department): 905-615-4311

Web site: <http://www.mississauga.ca/portal/home>

City of Brampton

Phone (tax department): 905-874-2200

Web site: <http://www.city.brampton.on.ca/>

Town of Caledon

Phone (switchboard): 905-584-2272

Web site: <http://www.town.caledon.on.ca/>

Glossary of Terms

The following defines some of the key terms used throughout this document.

Assessed Value (Assessment) The value of a property (lands and buildings) for taxation purposes.

Assessment Review Board (ARB) An independent tribunal that hears assessment appeals. A decision made by the ARB is final unless a point of law is being disputed.

Assessment Roll An annual list of the assessed values of all properties in a municipality, which includes the name of the property owner or tenant, their address, the realty tax class, services to and size of the property and information on structures on the property if any. Assessment rolls are usually delivered to a municipality at the end of the year preceding the taxation year.

Business Occupancy Tax (BOT) Tax imposed on a business over and above the realty tax paid by the owner of the property. The BOT was paid by the operator of the business. The BOT was eliminated in 1998.

Current Value Refers to the amount of money a property would realize if sold at arm's length by a willing seller to a willing buyer.

Lower-tier municipality A municipality that is part of a county, region or district municipality.

Property Class A grouping of the same type of property for assessment and taxation purposes.

Ranges of Fairness Provincially prescribed range for the setting of tax ratios for the commercial, industrial, multi-residential and pipeline property classes. Municipalities are permitted to change their tax ratios only if the ratio is moved closer or within the ranges of fairness.

Reassessment The process of creating a new base for property taxation by updating assessments to reflect more recent values.

Subclass of Property A subsection of a class of property prescribed by the Minister of Finance for the purposes of applying a lower tax rate.

Tax Rate A percentage applied to the assessed value of a property to generate tax payable. Municipalities will set the tax rate for each property class based on the revenue they will need to supply local services.

Tax Ratio Defines the tax rate of each property class in relation to the rate of the residential/farm property class. The tax ratio for residential/farm property class is 1. If the tax rate for commercial property is twice that of the residential property, then the commercial tax ratio is 2.

Upper-tier municipality A municipality which is a county, region or district municipality.

Appendix I
Region of Peel - Total 2011 Tax Rates
(includes lower-tier, upper-tier, and education)

RTC/Q	Description 1	Description 2	Region of Peel		
			Caledon	Brampton	Mississauga
C1	Commercial	Farmland Awaiting Development I	0.288503%	0.354550%	0.288783%
C4	Commercial	Farmland Awaiting Development II	2.200795%	2.486360%	2.284471%
CH	Commercial	Taxable (full rate, shared PIL)	2.200795%	2.486360%	2.284471%
CJ	Commercial	Taxable (vacant land, shared PIL)	1.540557%	1.740453%	1.599130%
CK	Commercial	Excess Lands (shared PIL)	1.540557%	1.740453%	1.599130%
CM	Commercial	Taxable (no school rates)	0.947761%	1.233326%	1.031437%
CT	Commercial	Taxable (full rate)	2.200795%	2.486360%	2.284471%
CU	Commercial	Excess Lands	1.540557%	1.740453%	1.599130%
CX	Commercial	Vacant Land	1.540557%	1.740453%	1.599130%
XT	Commercial	New Construction - taxable	2.200795%	2.486360%	2.284471%
XU	Commercial	New Construction - excess land	1.540557%	1.740453%	1.599130%
DH	Office Buildings	Taxable (full rate, shared PIL)	2.200795%	2.486360%	2.284471%
DK	Office Buildings	Excess Lands (shared PIL)	1.540557%	1.740453%	1.599130%
DT	Office Buildings	Taxable (full rate)	2.200795%	2.486360%	2.284471%
DU	Office Buildings	Excess Lands	1.540557%	1.740453%	1.599130%
YT	Office Buildings	New Construction - taxable	2.200795%	2.486360%	2.284471%
YU	Office Buildings	New Construction - excess land	1.540557%	1.740453%	1.599130%
FT	Farmland	Taxable (full rate)	0.240420%	0.295459%	0.240653%
GT	Parking Lots	Taxable (full rate)	2.200795%	2.486360%	2.284471%
I1	Industrial	Farmland Awaiting Development I	0.288503%	0.354550%	0.288783%
I4	Industrial	Farmland Awaiting Development II	2.573452%	2.897082%	2.648544%
IH	Industrial	Taxable (full rate, shared PIL)	2.573452%	2.897082%	2.648544%
II	Industrial	Taxable (full rate, shared PIL)	2.573452%	2.897082%	2.648544%
IJ	Industrial	Taxable (vacant land, shared PIL)	1.801417%	2.027958%	1.853980%
IK	Industrial	Excess Lands (shared PIL)	1.801417%	2.027958%	1.853980%
IT	Industrial	Taxable (full rate)	2.573452%	2.897082%	2.648544%
IU	Industrial	Excess Lands	1.801417%	2.027958%	1.853980%
IX	Industrial	Vacant Land	1.801417%	2.027958%	1.853980%

			Region of Peel		
RTC/Q	Description 1	Description 2	Caledon	Brampton	Mississauga
JX	Industrial	New Construction - vacant land	1.682867%	1.909408%	1.735430%
LH	Large Industrial	Taxable (full rate, shared PIL)	2.573452%	2.897082%	2.648544%
LJ	Large Industrial	Taxable (vacant land, shared PIL)	1.801417%	2.027958%	1.853980%
LK	Large Industrial	Excess Lands (shared PIL)	1.801417%	2.027958%	1.853980%
LT	Large Industrial	Taxable (full rate)	2.573452%	2.897082%	2.648544%
LU	Large Industrial	Excess Lands	1.801417%	2.027958%	1.853980%
M1	Multi-Residential	Farmland Awaiting Development I	0.288503%	0.354550%	0.288783%
M4	Multi-Residential	Farmland Awaiting Development II	1.476805%	1.852172%	1.532376%
MT	Multi-Residential	Taxable (full rate)	1.476805%	1.852172%	1.532376%
PT	Pipelines	Taxable (full rate)	2.143129%	2.346531%	2.310266%
R1	Residential	Farmland Awaiting Development I	0.288503%	0.354550%	0.288783%
RH	Residential	Taxable (full rate, shared PIL)	0.961677%	1.181834%	0.962611%
RT	Residential	Taxable (full rate)	0.961677%	1.181834%	0.962611%
SS	Shopping Centres		2.200795%	2.486360%	2.284471%
ST	Shopping Centres	Taxable (full rate)	2.200795%	2.486360%	2.284471%
SU	Shopping Centres	Excess Lands	1.540557%	1.740453%	1.599130%
ZT	Shopping Centres	New Construction - taxable	2.200795%	2.486360%	2.284471%
ZU	Shopping Centres	New Construction - excess land	1.540557%	1.740453%	1.599130%
TT	Managed Forests	Taxable (full rate)	0.240420%	0.295459%	0.240653%

Appendix II

2011 Property Tax Policy Deadlines

Due Date	Responsibility		Act/Regulation	Description	Action Required
Annual Optional	Council	Region	A. Act s. 2(3.2)e	Deadline to pass by-law to establish optional classes.	None required (unless optional classes are established).
Feb. 28	Council	Region	M. Act s. 310(1)	Deadline to pass by-law (including apportionment plan) to delegate tax ratio setting to the lower-tier municipalities.	By-law.
Feb. 28	Council	Lower-tiers	M. Act s. 310(3)	Deadline to pass resolution accepting the region's delegation by-law including the apportionment plan.	Resolution
April 1	Minister	MMAH	M. Act s. 310(4)	Deadline to make a general regulation designating the upper-tier municipality to which delegation can apply.	General Regulation
Annual Mandatory*	Council	Region	M. Act s. 308(5)	Deadline to pass by-law establishing the tax ratios for a year if not delegated.	By-law.
Annual Mandatory	Council	Lower-tiers	M. Act s. 310(7)	Deadline to pass by-law establishing the tax ratios for a year if delegated.	By-law.
Annual Mandatory	Council	Region	M. Act s. 311(2)	Deadline to pass by-law setting the Upper-tier general levy.	By-law.
Annual Mandatory*	Council	Region	M. Act s. 311(4)	Deadline to pass by-law setting the Upper-tier special levy.	By-law.
Annual Mandatory	Council	Region	M. Act s. 329.1(2)	Deadline to pass by-law to adopt the optional tax capping tools to be applied to properties in the commercial, industrial and multi-residential property classes in the current taxation year.	By-law.
Annual Optional	Council	Region	M. Act s. 314	Deadline to pass by-law to establish graduated tax bands and graduated rates for industrial and/or the commercial property classes.	None required (unless graduated tax rates are to apply).
Annual Optional	Council	Region	M. Act s. 362	Deadline to pass by-law to provide tax reductions for owners of commercial, industrial and multi-residential properties.	None required (unless cost reductions are to apply).
Dec. 31	Council	Region	M. Act s. 318	Deadline to pass by-law to establish a phase-in program of tax changes resulting from reassessments.	None required (unless a phase-in program is established).

***Mandatory only if required**

Appendix III
Summary of Tax Tools - 2011

Item	Peel		Toronto	York	Halton	Durham
	Mississauga	Brampton & Caledon				
Delegation of Tax Ratio Setting	Yes		No	No	No	No
Tax Ratios - Base Property Class						
Commercial (C)	1.409816	1.2971	3.236500	1.1431	1.4565	1.4500
Industrial (I)	1.570762	1.4700	3.236503	1.3305	2.3599	2.2598
Multi-residential (M)	1.778781	1.7050	3.316402	1.0000	2.2619	1.8665
Pipelines (P)	1.151172	0.9239	1.923564	0.9190	1.0617	1.2294
Farm (F)	0.250000	0.2500	0.250000	0.2500	0.2000	0.2000
Managed Forest (T)	0.250000	0.2500	0.250000	0.2500	0.2500	0.2500
Tax Ratios - Optional Property Class						
Office Buildings (D)	*		*	*	*	1.4500
Parking Lots (G)	*		*	*	*	*
Shopping Centres (S)	*		*	*	*	1.4500
Residual Commercial (K)	*		3.020001	*	*	*
Large Industrial (L)	*		*	*	*	2.2598
New Multi-residential (N)	*		1.0000	1.0000	2.0000	*

* **Optional property class not established**

Item	Peel		Toronto	York	Halton	Durham
	Mississauga	Brampton & Caledon				
<u>Vacant and Excess Land Discount</u>						
Commercial Property Class	30%		30%	30%	30%	30%
Industrial Property Class	30%		35%	35%	35%	35%
<u>Farmland Awaiting Development Discount</u>						
Phase I	70%	90% - 94%	75%	75%	35%	
Phase II	0%	30% - 35%	0%	0%	0%	
<u>Charities and Similar Organizations</u>						
Rebate %	40%		40%	40%	40%	40%
Royal Canadian Legions or Veterans Associations	Exempt		100%	100%	No	Exempt
Not for profit childcare centres (C & I property classes)	No		No	40%	No	No
Similar organizations included in the program	No		No	No	No	No
<u>Low-income seniors/disabled homeowners</u>						
Type of program (tax increase protection)	Annual Rebate of \$400		Deferral or	Deferral	Deferral	Deferral
			Cancellation			
Municipal Tax Reductions	No		No	No	No	No

* Optional property class not established