



**The Corporation of the Municipality
Staff Report**

**Office of the Deputy Treasurer
Manuela Batovanja**

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| Prepared For: Mayor and Council | Report No.: MB 2021-04 |
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Purpose of Report

The purpose of this report is to provide Council with information relating to the optional small business property tax subclass.

Background

As part of the 2020/21 provincial budget announcement delivered on November 5, 2020, by the province of Ontario, municipalities were given the option to introduce a subclass for small business properties. This new subclass would allow reduced tax rates for small business properties with eligibility criteria to be established by the municipality.

Analysis of the Optional Small Business Property Tax Subclass

Some key point to look at in the consideration of the adoption of a small business property tax class are:

1. Defining small business and creating eligibility criteria.

Municipalities do not have experience in determining the eligibility of properties for a specific property class.

Municipalities would have to develop a method by which to define a small business which could include:

- Property Value
- Number of employees
- Property within a geographic area (e.g. located in a BIA) – may include businesses not considered small such as national banks
- By sales revenue
- Square footage of building

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- Are tenants deemed to be a small business e.g. TBaytel leases a retail space from a small business, will TBaytel, as the tenant, be eligible even though they most likely would not meet the definition of a small business.
 - Self-employed individuals operating from their homes would be excluded as their home office is a residential property, e.g. online business, snow removal, trades, cleaners.

2. Maintaining the assessment roll

Consideration would need to be given as to how to maintain the assessment roll in a practical manner. Municipalities would establish eligibility criteria independently which would create inconsistencies across municipalities and would create a lack of consistency in application within regions and across the province.

MPAC may not support the implementation of a subclass with eligibility criteria that does not have a consistent or common approach across all of Ontario's municipalities.

3. Administrative concerns

Staff would be required to perform an annual review to ensure that each property continues to meet eligibility requirements.

Staff would be required to track ownership and property changes in order to determine continued eligibility.

A list of eligible properties would need to be provided annually to MPAC.

A decreased tax rate to small businesses determined by the municipality could increase the possibility of an increase in Assessment Review Board appeals by businesses who are not included in the optional tax class. Eligibility could be challenged leading to appeals due to unfairness or inequity requiring staff resources to defend the assessments.

Application based eligibility has the potential for significant time being spent in the administrative review process.

4. Tax shift to other classes of property

The annual budget determines the amount of the taxes to be levied and tax policies determine the tax rates for each property class. Unless the tax levy requirement is reduced by an amount equivalent to the small business property class reduction, lowering the tax rate for a small

business tax class will shift the burden to other classes including residential, multi-residential and any other class which would not be eligible for the reduction.

Wawa's taxable assessment is comprised of less than 1% large industrial property, approximately 23% commercial and 73% is residential property. Therefore, the primary shift in property taxes would fall to the residential class.

5. Alignment with Municipal Objectives

The subclass should not be looked at as a short-term solution but rather as a long-term policy tool which must align with long-term objectives and strategies, which are being developed in 2021 through the Municipal Transformation Review and the Long-Term Financial Plan. Implementation, if recommended, should be done in such a way as to avoid unintended consequences.

6. Current policies

Wawa's current property tax by-laws facilitate graduated tax rates for commercial properties through banding where the property taxes on the first \$50,000 of assessment are calculated at 75% of the tax rate, the second \$50,000 at 85% of the tax rate and the remaining assessment at 100% of the tax rate. This policy is applied across the commercial assessment being fair and equitable to all commercial properties.

7. COVID-19

The financial impacts of COVID-19 are not limited to one class of businesses; larger businesses, agriculture, industry as well as residential households have been impacted by the pandemic. The optional subclass would address one distinct group of property owners at the expense of others.

There are other relief programs being provided to businesses affected by the pandemic both federally and provincially some of which are:

- Ontario Personal Protective Equipment (PPE) Grant (up to \$1,000)
- Ontario Property Tax and Energy Bill Rebates
- Ontario Small Business Support Grant (\$10,000 to \$20,000)
- Canadian Emergency Business Account (Credit up to \$40,000 with \$10,000 being forgiven)
- Canadian Emergency Rent Subsidy
- Canada Recovery Benefit

Recommendation

That the report MB 2021-04 dated July 13, 2021 of the Deputy Treasurer regarding the Optional Small Business Property Subclass be received as information.

End of Report.