

Appendix C

Tax Ratio Introduction:

Tax Ratios/Transition Ratios – The province regulated “transition ratios” which were the tax ratios as at January 1, 1998. They reflect the relative tax burden of each property class prior to tax reform (i.e. in 1997). Transition ratios were calculated by the province utilizing the 1998 current value assessments and the 1997 tax levies for each class to ensure that they can be utilized to maintain the “status quo” tax burden for each class.

Prior to 1998 there were three tax classes: Residential/Farm, Commercial and Business. After current value assessment implementation, there were seven: Residential, Multi-Residential, Commercial, Commercial Vacant, Industrial, Industrial Vacant, Managed Forest/Farmland and Pipeline. In order to ensure that property owners would continue to assume the same tax burden as prior to reform, tax ratios were introduced.

Tax ratios express the relationship that each property class bears to the tax rate for the residential class. They determine the relative tax burden to be borne by each property class or their share of the pie. The residential property class is the benchmark class and its value in the ratio structure is therefore set at 1.0000.

Provincial Range of Fairness: The province established a target range for each property class. Tax ratios can be equal to the transition ratios, but cannot be moved further away from the fairness range. Once a tax ratio is moved closer to the range of fairness, it cannot be moved back further away.

Tax Ratios/Threshold Ratios: Commencing in 2001, the Province introduced “threshold ratios” for the three capped classes. Any municipal levy increase cannot be passed on to the classes that have tax ratios above the threshold ratio; therefore, it is very important to ensure ratios are not above thresholds so the levy increase can be passed on to the ratepayer. The threshold ratios for 2001 were set by regulation and equaled the provincial average.

Tax Ratio Flexibility: In 2009, the government provided municipalities with the tax ratio flexibility that has been provided in previous reassessment years. This allowed municipalities to avoid tax shifts that may occur between property tax classes as a result of reassessment by adoption of new transition ratios, referred to as “Revenue Neutral Tax Ratios”. This allows municipalities to move the ratios away from the Range of Fairness to avoid reassessment tax shifts. The Minister will be making decisions on tax ratio flexibility on an annual basis.

Tax Ratio Reductions: The City of North Bay has taken the initiative to reduce tax ratios since 2001, whereby reducing the tax burden to the applicable tax classes. The Long-Term Tax Policy goal is to reduce the multi-residential and commercial tax ratios equal to the industrial tax ratio of 1.40. Any reductions of tax ratios for one class will shift tax burden to other classes unless it is funded by a budget allocation, reserves or real assessment growth.