



County Council

Meeting Date: April 22, 2025
Submitted by: Cindy Howard, County Treasurer
Subject: 2025 Tax Ratios

BACKGROUND:

Responsibility for establishing tax ratios rests with upper-tier and single tier municipalities. Tax ratios govern the tax rate of each property class in relation to the tax rate for the residential property class. The municipal tax burden is apportioned among and shared by each property class based on the municipality's tax ratios. By changing tax ratios, the municipality can influence how much of the tax burdened shouldered by each class.

Tax ratio changes approved by Council only affect the distribution of municipal levy; tax rates for education purposes, which are annually regulated by the Province, are not subject to municipal tax ratio decisions.

Approved tax ratio decreases for any one class of property may result in additional requests for preferential tax ratio treatment from other classes of ratepayers.

The Municipal Property Assessment Corporation (MPAC) is responsible for the valuation of all property in the Province of Ontario. Current Value Assessment (CVA) is based on the market value of property at a fixed point in time, which is defined as the valuation date. Market value is determined as the amount an arm's length transaction (between a willing buyer and a willing seller) would produce for a property, as of the valuation date.

The County in pursuant to the Municipal Act 2001, has a by-law in place to provide tax assistance to certain elderly and disabled residents who are owners of real property (section 319) and by-law for a tax rebate program for eligible charities (section 361(4)1).

Consistent with previous years, Municipal Tax Equity (MTE) Consultants Inc. completed a detailed review of the County's current tax policies. This report and existing tax policies and recommendations for 2025 were discussed with local tier Treasurers. It is important to discuss issues and impacts with the lower tier Treasurers as the decisions make by Council direct affect taxation parameters of not only the County but is Area

Municipalities. It was agreed that changes were not required to the County's Tax Ratios for the 2025 taxation year. A complete review of the ratios will be required when the next Province-wide reassessment occurs.

ANALYSIS:

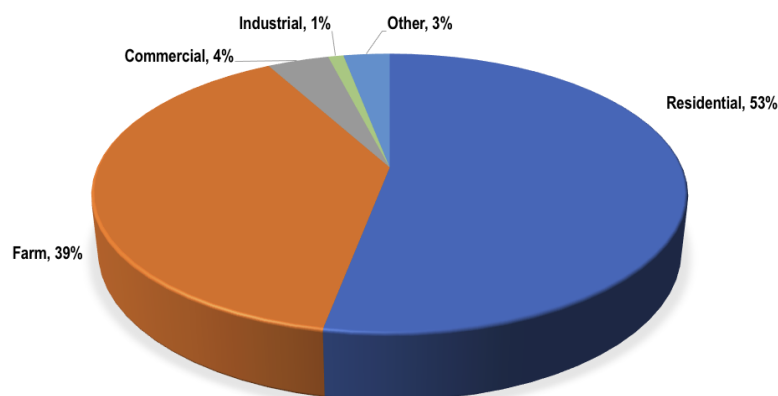
Section One - Assessment and Revenue Growth:

While 2021 should have been the first year of a new reassessment cycle, with all destination (Full CVA) values being updated to reflect January 1, 2020's market conditions, the Province put a pause on reassessment in the spring of 2020. This decision was made as part of a host of early measure in response to the ongoing public health crisis stemming from COVID-19. There has never been a year since 2008 where municipalities did not experience some impacts resulting from market value changes. In the 2024 Budget, the provincial government repeated its intention to conduct a review of the property assessment and taxation system and stated that: Consultations have commenced to seek input on the scope and priority areas of the review. Consultations will continue with broader engagement of stakeholders from across the provinces starting early next spring. To maintain stability for taxpayers, the provincewide property reassessment will continue to be deferred until this review is complete.

The assessed value of property can and does change for a number of reasons; for the purposes of the property tax system in Ontario, all valuation changes must be consider in one of only two categories: Real Growth in the Tax Base and market Value Updates (reassessment). Growth (positive or negative) reflects the value increase or decrease associated with a change to a property's state, use or condition. Reassessment change is simply a matter of revaluating what a property's market value would be at one point in time (2016) versus an earlier point in time (2012) in the absence of any other changes.

While assessment growth and loss will have actual material impacts on the municipal revenue stream, reassessment changes do not.

The County continues to be heavily weighted in the residential classes. The chart below illustrates the mix of assessment for 2025 by main tax classes.



Maintaining tax ratios at the 2024 level keeps the share of the tax burden borne by each property class consistent.

Revenue Growth Summary for Years 2020 to 2024 (rounded)

2020	2021	2022	2023	2024
\$577,049	\$1,266,900	\$1,212,342	\$1,115,404	\$740,580

The County's assessment and revenue growth has slowed. In 2021, MTE was hired to conduct an assessment audit that included the County and local municipalities and provided a number of inquiries or request to review to MPAC in 2021. The primary objective of the audit was to enhance the ability of the County and its local area municipalities to access all of the tax revenue to which they are entitled.

Section Two - Setting Tax Ratios:

County Council must pass a by-law each year to set the property class tax ratios. The tax ratio for the residential class is legislated at 1.0, while the farm and managed forest classes have a prescribed tax ratio of 0.25. Municipalities do have the flexibility to set a tax ratio for the farm class that is below 0.25, however, this reduction would only apply to the municipal portion of the property tax bill. In setting tax ratios for all other property classes, municipalities must do so within the guidelines prescribed by the Province.

When setting Tax Ratios, consideration should be given to neighbouring and comparator municipalities to determine if adjustments are warranted. Tax ratios distribute the tax burden between property classes. The attached *Schedule "C"* to this report shows the 2024 ratios for select classes, and sub-classes for several jurisdictions in Ontario, including Middlesex County.

In setting tax ratios for all other property classes, municipalities must do so within the guidelines prescribed by the Province. Council may choose to adopt:

1. Either the current tax ratio for any class (2024 adopted or 2025 starting ratio where levy restriction and/or optional classes applied in 2024), or
2. Establish a new tax ratio for the year that is closer to or within the Range of Fairness, as shown in Table 4 below.

Table 4 - Tax Ratio Summary

Realty Tax Class	2024 Ratios	2025 Start Ratios	Range of Fairness		Threshold Ratios	
			Lower Limit	Upper Limit	Threshold	Subject to Levy Restrictions
Residential	1.000000	1.000000	1.00	1.00	-	N/A
Farm	0.250000	0.250000	0.00	0.25	-	N/A
Managed Forest	0.250000	0.250000	0.25	0.25	-	N/A
New Multi-Residential	1.000000	1.000000	1.00	1.10	-	N/A
Multi-Residential	1.769700	1.769700	1.00	1.10	2.00	No
Commercial	1.144900	1.144900	0.60	1.10	1.98	No
Industrial	1.745100	1.745100	0.60	1.10	2.63	No
Aggregate Extraction	1.745100	1.419999	0.60	1.10	2.63	No
Landfill	1.100000	1.100000	0.60	1.10	25.00	No
Pipeline	1.055500	1.055500	0.60	0.70	-	N/A

The County of Middlesex is not subject to levy restrictions in any class.

Section Three - Tax Tools:

The Province establishes tax tools from time to time. These tax tools are reviewed and considered when setting the tax policy each year.

Tax Ratios

Prior to 2017, the Tax Ratios for the County of Middlesex had not changed since 2000.

Regulatory changes under the Assessments Act effective January 1, 2017 established a new landfill property class and prescribed the assessment methodology used to value landfills for property tax purposes. In 2017 County Council approved the new landfill property tax ratio of 1.100000.

As part of the 2017 Ontario Economic Outlook and Fiscal Review (fall Budget), The Ministry of Finance announced that new property sub-classes would be introduced to facilitate special treatment of commercial and industrial improvement on farm properties. These new sub-classes are optional for municipal purposes and only a small number of properties have been deemed eligible in Middlesex. These new subclasses were not introduced, and we are not recommending any changes. However, a new mandated multi-residential default ratio for the class was set to 1.000000.

Optional Small Business Class

Ontario municipalities and business stakeholders have shared concerns about the property tax burden faced by small businesses. Some municipalities have requested additional property tax tools that would target tax relief to small businesses and increase business competitiveness.

The Province is providing municipalities with the flexibility to target property tax relief to small businesses, in a way that reflects their local circumstances. Beginning in 2021, municipalities will be able to adopt a new optional property subclass for small business properties.

While the provincial budget enables property tax relief for small business, the province does not fund the relief. Any reduction to taxes for small business would be funded through a redistribution of property taxes onto other classes of property including other business properties.

Unlike other tax tools, this subclass come with significant design, implementation and ongoing administrative burdens. For example, it will be the responsibility of each municipality to decide what small business looks like locally. It will cost municipalities time and resources to establish and maintain a small business subclass.

The Cities of Toronto and Ottawa have implemented a small business property subclass.

In consultations with the local Treasurers, it was agreed not to recommend implementation of the Optional Small Business Property Tax Subclass.

Small-Scale On-Farm Business Subclass

On May 3, 2018, the Government of Ontario established two new optional subclasses for small-scale on-farm businesses to promote and support local farms across Ontario. The commercial and industrial subclasses were created to provide a tax rate that is 75% lower than the commercial and industrial tax rates that would otherwise apply. The first \$50,000 attributed to the value of your commercial or industrial operation will qualify for a 75% reduction off the commercial or industrial tax rate. However, if the value of the commercial or industrial operation is equal to or greater than \$1 million, the property will not qualify.

The 2021 Provincial Fall Economic Statement included changes to this option subclass program. The assessment threshold was increased from \$50,000 to \$100,000.

Regardless if the municipality opts to have the small-scale on-farm business subclasses apply, these properties will see financial relief due to the fact the province applies a reduced business education tax rate to these eligible properties.

Administration in consultation with local Municipal Treasurers recommended not implementing this Optional Small Business Property Tax Subclass in previous years and does not recommend it in 2025. This benefit would only benefit a very small group of properties. Adding this optional subclass adds complexity to the taxation system, division among properties in the farm class and additional work at the local level.

New Multi-Residential Tax Class

In 2017, the Province made the New Multi-Residential tax class mandatory. The range of fairness for the tax ratio established for the class was prescribed between 1.0 and 1.1. In 2017, the County established the ratio at 1.0 for this new multi-residential class.

Discount New Multi-Residential Tax Sub-Class

In 2024, the Province introduced a new optional tax sub-class. The Discount New Multi-Residential Tax Sub-Class provides municipalities with the option of discounting the rate of taxation for newly constructed multi-residential buildings. This amount of the discount can be 0-35% and can last up to 35 years.

The administrative burden associated with establishing this Tax Sub-Class is extensive. Council must pass a By-Law, and only properties for which building permits are issued subsequent to passing the By-Law are eligible. The 35 years is also tied to each property rather than the By-Law, meaning that the municipality must maintain a register to track each individual property and when its exemption will expire.

If Council wishes to adjust or change the amount of discount being provided, it must pass a new By-Law. This then terminates the existing discounts, and those properties are not eligible for the new discount. Finally, establishing this optional Tax Sub-Class could result in three otherwise identical building (e.g. the only difference being when they were constructed) being taxed at three unique and significantly different rates.

This option has been examined by many municipalities across the Province, however it is our understanding that few if any have decided to implement this option Tax Sub-Class.

Aggregate Extraction Sites

Effective January 1, 2025, a new property class for aggregate extraction sites was introduced in Ontario. This class is designed to standardize tax rates for properties used in the extraction of aggregates such as gravel, sand, and stone, and aims to create a more predictable and equitable taxation system. A total of approximately \$6 million in provincial and municipal tax reductions will be allocated, split evenly between municipal and education taxes. As part of this transition, Ontario Regulations 510/24, 509/24, 511/24, and 512/24 outline the specific tax ratio ranges, levy restrictions, and the education tax rate framework.

These properties were previously taxed at the Industrial rate and are now set at a transitional ratio of 1.419999. It is recommended that we use the transitional ratio of 1.419999 for the new property class to comply with O. Reg. 510/24.




FINANCIAL IMPACT:

The information in this report has no impact on the County's budget.

Tax policy decisions will reflect how the County and local Municipalities' tax levies will be distributed among the various property tax classes and typical properties based on 2025 property assessment values provided by MPAC.

ALIGNMENT WITH STRATEGIC FOCUS:

This report aligns with the following Strategic Focus, Goals, or Objectives:

Strategic Focus	Goals	Objectives
Cultivating Community Vitality 	Advance a diverse, healthy, and engaged community across Middlesex County	<ul style="list-style-type: none"> Promote and support community wellness Innovate social and community services Attract, retain, and engage youth in our community
Strengthening Our Economy 	Encourage a diverse and robust economic base throughout the county	<ul style="list-style-type: none"> Support opportunities to create a stronger and sustainable agricultural sector Create an environment that enables the attraction and retention of businesses, talent, and investments Attract visitors to Middlesex County Support the development and prosperity of downtown core areas in Middlesex County
Promoting Service Excellence 	Innovate and transform municipal service delivery	<ul style="list-style-type: none"> Anticipate and align municipal service delivery to emerging needs and expectations Engage, educate and inform residents, businesses, and visitors of county services and community activities Strengthen our advocacy and lobbying efforts with other government bodies Collaborate with strategic partners to leverage available resources and opportunities Build organizational capacity and capabilities

RECOMMENDATION:

THAT the 2025 Tax Ratios Report be received for information;

THAT the 2025 Tax Ratios for the County of Middlesex remain the same as 2024;

AND THAT the Tax Ratio By-law be forwarded to County Council for approval.

Property Class	Tax Ratio
Residential/Farm	1.0000
New Multi Residential	1.0000
Multi Residential	1.7697
Farmlands	0.2500
Commercial	1.1449
Industrial	1.7451
Aggregate Extraction	1.4199
Pipelines	1.0555
Managed Forests	0.2500
Landfill	1.1000