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Ministère des Finances
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April 3, 2018

Dear Municipal Treasurer/Clerk-Treasurer:

I am writing to advise you of certain property taxation and assessment measures that the Province is undertaking as part of the *2018 Ontario Budget*.

Supporting Fair and Accurate Property Assessments

The government has announced initiatives to improve the property assessment process.

As you may be aware, an Advance Disclosure process was introduced for the 2016 reassessment to enhance the accuracy and transparency of the Municipal Property Assessment Corporation's (MPAC) valuation process by enabling business property owners and municipalities to contribute to the determination of assessed values before assessment rolls are finalized.

To further strengthen the pre-roll engagement process, the Province is proposing that an earlier valuation date be used as the basis for property assessments. For the next reassessment, which will take place for the 2021 taxation year, assessments would be based on a valuation date of January 1, 2019. The intent of the earlier date is to facilitate a more effective valuation process that allows for meaningful and open exchange of information among MPAC, property owners and municipalities, leading to more transparent and accurate property assessments.

The Province also wants to make it easier for property owners to comply with MPAC's requests for information. Work is underway to review the format of MPAC's requests, ensuring they are clear and reasonable. As well, the *2018 Ontario Budget* announced a plan to introduce a framework for addressing non-compliance with MPAC's information requests.

These measures aim to create an environment that encourages the full exchange of information in order to improve the accuracy of property assessments and support a fair and transparent property tax system.

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Business Vacancy Rebate and Reduction Programs

In response to municipal and other stakeholders' requests, the Province provided municipalities broad flexibility to modify the vacant rebate and reduction programs for 2017 and future years. This greater flexibility enables municipalities to tailor these programs to best reflect local circumstances, while considering the interests of local businesses. While municipalities have implemented a variety of changes, 80 per cent of those municipalities will phase-out the municipal component by 2020.

With respect to education property taxes, the Province currently mirrors municipal property tax decisions related to the vacancy programs. This has resulted in different treatments of education property taxes across the province as each municipality modifies the programs to best suit its local needs.

As a result, the Province announced in the *2017 Ontario Economic Outlook and Fiscal Review* that it would review approaches related to the education property tax portion of the vacancy rebate and reduction programs in consultation with municipalities and the business community. In response to feedback received from the review, the *2018 Ontario Budget* announced that the education property tax portion of the vacancy programs will be aligned with changes made by municipalities, ensuring greater consistency across the province.

To align with the majority of municipal changes, the Province will phase out the education property tax portion of these programs. However, to avoid undue administrative burden for municipalities that have already made changes to the programs, the Province will continue to mirror these municipal changes, with respect to the education property tax portion of the vacancy programs. This initiative will begin in 2019 to ensure that businesses have time to plan for program changes.

Railway Right-of-Way Property Taxation

As you are aware, the Province initiated a review of the property taxation of railway rights-of-way in 2016. Based on consultations with municipalities and the railway industry, the Province announced changes in the *2017 Ontario Budget* to address three key issues related to indexation of rates, variation in rates, and implications for shortline railways.

In the *2018 Ontario Budget*, the Province announced further rate adjustments as part of its commitment to modernizing the property taxation of railway rights-of-way. The proposed measures for 2018 include the following:

Key Issues	Proposed Measures for 2018
Indexation of Rates: Municipalities have expressed concerns that, prior to 2017, property tax rates on railway rights-of-way had not been updated since the late 1990s.	Building on progress made in 2017, mainline railway right-of-way property tax rates for 2018 will continue to be updated to reflect average annual commercial property tax changes. This means that municipal property tax rates will increase by \$7 per acre for 2018.
Variation in Rates: Municipalities have also expressed concerns about the significant variation in railway right-of-way property tax rates across the province.	The Province will further reduce rate inequities by increasing the lowest property tax rates on mainline railway rights-of-way to a minimum of \$110 per acre in 2018. The lowest mainline rate in 2016 was approximately \$35 per acre.
Shortline Railways: The railway industry expressed concerns about the impacts of potential property tax increases on shortline railways.	The Province will continue to freeze shortline railway property tax rates at 2016 levels in recognition of the challenges faced by this sector of the railway industry.

The education property tax rates on railway right-of-way properties will continue to be maintained at 2016 levels for the 2018 taxation year.

The 2018 railway right-of-way property tax rates for your municipality are provided in the attached table. The attachment also provides a list of railway right-of-way properties in your municipality, for your reference.

New flexibility for high-tonnage rail lines

The Province will also be responding to municipalities' concerns regarding the revenue they receive in respect of high-tonnage rail lines. Beginning in 2018, municipalities can request an increase to the rates per acre for certain high-tonnage rail lines.

High-tonnage rail lines will initially be identified as those with at least 70 million gross ton-miles per route mile annually. The increased tax rate will be \$300 per acre on these high-tonnage rail lines. The high-tonnage tax rate will represent a significant increase from the lowest mainline rate in 2016 of approximately \$35 per acre.

This approach represents a first step that will enable municipalities with high-tonnage railway properties to achieve additional revenues. By focusing only on the highest tonnage properties, it will also respond to concerns from the railway industry regarding the administrative burden of a tonnage approach to property taxation.

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Ministry of Finance staff will work with staff from interested municipalities to review eligibility for the high-tonnage tax rate. Ministry staff will also confirm data with owners of the identified railway right-of-way properties.

Municipalities that wish to utilize this increased rate should pass a formal Council resolution, requesting that the Minister consider the high-tonnage rate for individual railway right-of-way properties that meet the high-tonnage threshold. The formal Council resolution must be submitted to the Minister of Finance on or before June 29, 2018. Pending verification of properties that meet the high-tonnage threshold, the high-tonnage tax rates would be implemented through a Minister's regulation.

For 2019 and future years, the government will continue to adjust rates and, in consultation with stakeholders, will review additional options to reflect tonnage in railway right-of-way property taxation.

For further information about the railway right-of-way property taxation system, please contact Sara Tune, Manager, Strategic Policy Liaison Unit, at sara.tune@ontario.ca.

Sincerely,

Original signed by

Allan Doheny
Assistant Deputy Minister
Provincial-Local Finance Division

Enclosure

Railway Right-of-Way Property Taxation

Ministry of Finance

Provincial-Local Finance Division

Town of Fort Frances

5912

Table 1: Railway Right-of-Way Property Tax Rates (\$ per acre)

	Municipal Mainline ¹	Education
2016	35.26	15.43
2017	80.00	15.43
2018	110.00	15.43

Table 2: Railway Right-of-Way Property Details ²

Roll Number	Line Operator	Property Owner	RTQ	Site Area (Acres)	Line Type
5912010001181000000	CN	CANADIAN NATIONAL RAILWAY	T	102.75	Mainline

1. The 2018 property tax rate for identified railway right-of-way properties that meet the high-tonnage threshold could have rates per acre increased to the high-tonnage rate, subject to Minister's approval.

2. Actual roll details are subject to MPAC's determination.

Railway Right-of-Way Property Taxation

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Appendix: List of Rail Operators in Ontario

Acronym	Operator Name
ANRCI	Arnprior-Nepean Railway Company Inc.
BCRY	Barrie Collingwood Railway
CASO	Canadian Southern Railway
CN	Canadian National Rail
CP	Canadian Pacific Rail
CSX	CSX Transportation
ETR	Essex Terminal Railway
GEXR	Goderich-Exeter Railway
GJR	Guelph Junction (OSR)
GO	Metrolinx/GO
NCR	Nipissing Central Railway
OBRY	Orangeville Brampton Railway
ONR	Ontario Northland
OSR	Ontario Southland Railway
OVR	Ottawa Valley Railway
PCHR	Port Colborne Harbour Railway
PSTR	Port Stanley Terminal Rail Inc.
SOLRS	Southern Ontario Locomotive Restoration Society (Waterloo Central Railway)
SOR	Southern Ontario Railway
SSHR	South Simcoe Railway Heritage Corporation
VAEX	Vale Railway
VIA	VIA Rail
WCR	Waterloo Central Railway
YDHR	York-Durham Heritage Railway