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April 11, 2016

Dear Municipal Treasurer/Clerk-Treasurer,

I am writing to update you on a number of property tax decisions for the 2016 taxation year. These will all be implemented in regulation in the near future.

### **Business Property Tax Capping**

As noted in my letter dated November 19, 2015, the Province is providing municipalities with enhancements for additional flexibility in the business property tax capping program. The new flexibility measures will enable municipalities to adjust the program to best suit their local circumstances.

Beginning in 2016, municipalities now have additional flexibility to manage the business tax capping program by adjusting capping parameters to increase progress towards CVA level taxes:

<b>Capping Parameters</b>	<b>% of CVA Taxes</b>	<b>Threshold to Move to CVA</b>
Previous Maximum	5%	± \$250
New Maximum	10%	± \$500

Some municipalities will also have the option to exit or phase-out from the capping program, if doing so would have a limited impact on business properties. A municipality is eligible for a four-year phase-out from the capping program once it has no capped properties beyond 50% of CVA level taxes in a property class. Municipalities with no properties currently remaining in the capping program are eligible to exit the program immediately.

The adoption of these measures is a municipal decision and would be enacted through a municipal by-law.

As you know, the provincially-funded Online Property Tax Analysis (OPTA) system provides a number of tools and reports to assist municipalities with property-level tax analysis. OPTA will be updated to reflect the 2016 capping program enhancements this

week and will notify you as soon as these tools are available. The system allows municipalities to analyse the proposed measures in the context of their own local circumstances. Municipal staff are encouraged to use OPTA to examine the potential tax impacts for businesses when considering the proposed measures.

### **Tax Ratio Flexibility**

Municipalities will continue to be provided with tax ratio flexibility that has been provided in previous reassessment years. This will allow municipalities to avoid tax shifts that may occur between property classes as a result of phased-in reassessment impacts.

### **Modified Levy Restriction**

Municipalities with property classes subject to the levy restriction will continue to have the flexibility to apply a municipal tax increase to those classes of up to 50% of any increase applied to the residential class. For instance, a municipality levying a 2 per cent increase in residential taxes could raise taxes on any restricted class by up to 1 per cent.

### **Property Tax Rate Calculation Adjustment**

Earlier this year, a number of municipalities, along with the Association of Municipalities of Ontario and other municipal associations, approached the Province requesting an adjustment to the annual notional property tax rate calculation. The concern expressed was that under the current calculation, some in-year assessment changes can result in lower than expected property tax revenues.

The notional property tax rate calculation, as prescribed in O. Reg. 73/03 under the *Municipal Act, 2001*, relies on the assessment information provided as part of the year-end assessment roll. The current calculation does not account for any subsequent in-year assessment changes, such as assessment appeals and requests for reconsideration, which may alter the assessment values over the course of the year. As a result, municipalities may receive less revenue than they have budgeted for.

In response to municipal requests, a technical adjustment to the provincially prescribed notional property tax rate calculation was announced in the 2016 Ontario Budget. This adjustment ensures that when calculating notional tax rates, municipalities and the Province are able to address any unintended effects due to specific in-year property assessment changes, such as assessment appeal losses.

Beginning in 2016, municipalities will have the option to adjust the year-end assessment used in the property tax rate calculation to offset changes resulting from certain in-year assessment changes, including assessment appeals and requests for reconsideration. This will allow municipalities to address unintended reductions in the property tax base that may occur as a result of these changes.

The adjustment will be implemented in regulation in the near future. In the meantime, the Province has worked to ensure that the option to adopt this adjustment will be available through the OPTA system this week. OPTA will notify you as soon as the system has been updated. This means that for municipalities who choose to adopt this option, the adjustment will be straightforward to implement. Since this is a municipal decision and the impact of applying the adjustment will vary each year and for each upper tier and single tier municipality, municipal staff are encouraged to use the tools and reports available on OPTA.

Any changes in revenue related to the adjustment will be shown on the property tax bill as part of the reassessment change.

### **Education Property Tax Rates**

To assist municipalities with their budget planning, the Ministry has attached residential and business education property tax rates for 2016 for your municipality.

As indicated in the 2016 Budget, the Province will also ensure the ongoing integrity of education property tax revenues. Therefore, the property tax rate calculation adjustment noted above will also be applied to education property tax rates beginning in 2016. As a result, the 2016 education property tax rates reflect an adjustment corresponding to current and historic in-year assessment changes such as assessment appeal losses.

#### *Residential Education Property Tax Rates*

For the 2016 tax year, the Province is continuing to reduce education property tax rates. The uniform residential education tax rate is 0.188%, reduced from the rate of 0.195% that applied to the 2015 taxation year.

#### *Business Education Tax (BET) Rates*

Your municipality's BET rates for 2016 are attached. The target BET rate and the annual BET ceiling rates will be reduced in 2016, as summarized in the following table.

<b>Ceiling and Target BET Rates</b>	<b>Commercial Ceiling</b>	<b>Industrial Ceiling</b>	<b>Target</b>
2015 Rates	1.43%	1.53%	1.19%
2016 Rates	1.40%	1.50%	1.18%

If you have any questions related to these decisions please contact Andrea Chow, Manager, Property Tax Policy Unit at 416-327-0252 or [Andrea.Chow@ontario.ca](mailto:Andrea.Chow@ontario.ca). Should you have any questions concerning the OPTA system, please contact the OPTA help desk at 416-591-1110 or 1-800-998-5739, ext 300.

We look forward to continuing to work in partnership with municipalities to ensure stability for Ontario's property tax system, while providing flexibility for municipalities in addressing their local circumstances.

Sincerely,

*Original signed by*

Allan Doheny  
Assistant Deputy Minister  
Provincial Local Finance Division

## 2016 Business Education Tax (BET) Rates

### Town of Fort Frances

Business Property Class	2016 BET Rate
Commercial	1.180000%
Industrial	1.180000%
Pipeline	1.180000%
New Construction - Commercial	1.180000%
New Construction - Industrial	1.180000%

## 2016 Business Education Tax (BET) Rates

### Town of Fort Frances

Optional Property Class	2016 BET Rate	2016 New Construction BET Rates
Commercial Residual	n/a	n/a
Office Building	n/a	n/a
Shopping Centre	n/a	n/a
Parking Lot	n/a	
Industrial Residual	1.180000%	1.180000%
Large Industrial	1.180000%	1.180000%

Note: n/a indicates there are no properties in this property class.