

Ministry of Finance

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November 17, 2020

Dear Municipal Treasurer/Clerk-Treasurer;

I am writing to inform you of the property tax and assessment measures announced in the *2020 Ontario Budget*, released on November 5, 2020.

As you may know, the government has been conducting a review of Ontario's property tax and assessment system. The Review has been exploring opportunities to support a competitive business environment, enhance the accuracy and stability of property assessments, and strengthen the governance and accountability of the Municipal Property Assessment Corporation (MPAC). As part of the Review, the Province has been consulting with municipalities, including seeking input through the Property Assessment and Taxation Review Municipal Advisory Committee.

While the consultation process is ongoing, early action is being taken on a number of measures as announced through the *2020 Ontario Budget*.

Reducing Business Education Tax by \$450 Million

There is currently a wide range of business education tax (BET) rates across the province as a result of historical assessment and tax inequities. Through the Review, municipalities and business stakeholders have expressed concerns regarding the variation of BET rates and its impact on business competitiveness. The government has also heard that, as the province recovers from the COVID-19 pandemic, addressing this variation in BET rates would reduce regional tax inequities and improve business competitiveness.

In response to these concerns, the Province announced that it will reduce all high BET rates to a rate of 0.88 per cent in 2021. This rate is ten basis points below the existing target rate and represents a reduction of 30 per cent for the many businesses that are currently subject to the highest BET rate. This will benefit over 200,000 business properties across 95 per cent of all municipalities and will create over \$450 million in annual savings for businesses.

To ensure municipalities are not negatively impacted by BET reductions, the Province will maintain BET rates at the 2020 BET rate for properties whose payments in lieu of education taxes municipalities are permitted to retain.

The Province will also adjust payments to school boards to offset the reduction in education property taxes to ensure there is no financial impact on school boards.

We will provide municipalities with draft 2021 BET rates shortly.

New Optional Small Business Property Subclass

Through the Review, stakeholders have shared concerns about the property tax burden that small businesses face. Some municipalities have requested additional property tax tools that would provide targeted tax relief to small businesses and increase business competitiveness.

The government is therefore proposing to provide municipalities with the flexibility to target property tax relief to small businesses in a way that best reflects their local circumstances. Beginning in 2021, municipalities would be able to provide a property tax reduction for eligible small businesses through the adoption of a new optional small business property subclass. The Province will also consider matching these municipal property tax reductions in order to provide further support for small businesses.

Amendments are being proposed to the *Assessment Act* that would allow municipalities to define small business eligibility in a way that best meets local needs and priorities. Further details on the optional small business subclass will be set in regulation once the legislation has passed.

Assessment of Business Properties in Redevelopment Areas

Another concern that has been expressed through the Review is the impact that redevelopment pressure and speculative sales can have on the assessment of small businesses.

To ensure the government is well-positioned to respond to input that is being provided through the review process, amendments are being proposed to the *Assessment Act* to support the potential creation of optional new assessment tools to address concerns regarding redevelopment and speculative sales.

The Province will continue to seek the advice of municipalities, businesses and other interested stakeholders through the Review to inform the potential regulatory framework for this new flexibility.

Streamlining the Business Vacancy Rebate and Reduction Programs

Municipalities currently have the flexibility to modify the Vacant Unit Rebate and the Vacant and Excess Land subclasses to better meet the needs of their community. Municipalities modifying their business vacancy programs are currently required to submit their proposed changes to the Province to be implemented through regulation. In response to requests from municipalities to streamline this process, the Province is proposing amendments to the *Municipal Act, 2001* and the *City of Toronto Act, 2006* that will enable municipalities to implement program changes through municipal by-law going forward, rather than requiring the approval of a regulatory amendment by the Minister of Finance.

Tax Exemption for The Army, Navy & Air Force Veterans in Canada (ANAVETS)

Organizations such as the Royal Canadian Legion and The Army, Navy & Air Force Veterans in Canada (ANAVETS) offer vitally important services for Canada's military veterans, including assistance in adjusting back into civilian life, advocacy on behalf of veterans, as well as support for families and seniors.

In 2018, the *Assessment Act* was amended to ensure that legion halls occupied by Ontario branches of the Royal Canadian Legion are exempt from property taxation as of the 2019 tax year.

To further ease the burden on Ontario's veterans, the government is proposing an amendment to the *Assessment Act* to extend this tax exemption to Ontario units of The Army, Navy and Air Force Veterans in Canada.

Supporting Employers in COVID-19 Hotspots

The government recognizes that necessary COVID-19-related public health measures, come at a cost to Ontario's businesses. To help support businesses impacted by these public health measures, the government announced the availability of \$300 million to assist eligible businesses with costs associated with municipal and education property taxes, and energy bills.

This support will be provided to eligible businesses in regions of Ontario where the Province determines modified Stage 2 public health restrictions are necessary, or going forward, areas categorized as control or lockdown.

Affected municipalities are encouraged to direct businesses to the following webpage for further information on how to apply for this support: www.Ontario.ca/covidsupport

Education Property Tax Deferrals

Many municipalities provided deferrals of property tax payments in response to the COVID-19 pandemic. To date, 75 per cent of municipalities representing 98 per cent of all municipal property tax levied in the province implemented property tax deferrals. To support and encourage these actions, the Province deferred the property tax payments that municipalities make to school boards by 90 days.

This deferral applied to the June 30 quarterly municipal remittance of education property taxes to school boards, as well as the September 30 quarterly municipal remittance deadline. The last installment, which is the balance for the current calendar year, remains due by December 15. As a result, there will be two payments due in December 2020.

We will continue to work closely in partnership with municipalities to ensure stability for Ontario's property tax system.

If you have any questions related to the property tax decisions noted above, please contact Chris Broughton, Director of the Property Tax Policy Branch at Chris.Broughton@ontario.ca or 416-455-6307.

Sincerely,

Original signed by

Allan Doheny
Assistant Deputy Minister

c: Jonathan Lebi, Assistant Deputy Minister, Ministry of Municipal Affairs and Housing