



**City of Kingston
Report to Administrative Policies Committee
Report Number AP-24-007**

To: Chair and Members of the Administrative Policies Committee
From: Desirée Kennedy, Chief Financial Officer & City Treasurer
Resource Staff: Lana Foulds, Director, Financial Services
Jeff Walker, Manager, Taxation and Revenue
Date of Meeting: February 8, 2024
Subject: 2024 Tax Ratios

Council Strategic Plan Alignment:

Theme: Regulatory & compliance

Goal: See above

Executive Summary:

The purpose of this report is to present Council with recommendations for setting the property class tax ratios for 2024. The [Municipal Act, 2001](#) requires that Council pass a by-law each year to set the property class tax ratios. These tax ratios are applied to the residential tax rates in order to distribute the tax burden among property classes.

This report provides information on past policy decisions and recommends 2024 tax ratios that comply with Council direction, policy measures and legislative requirements, as outlined in the report. As there are no reassessment related tax burden shifts in 2024, the 2024 recommended tax ratios are consistent with those that were established for 2023.

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Recommendation:

That the Administrative Policies Committee recommend as follows:

That Council approve the 2024 tax ratios as follows:

- a) the residential property class be set at 1.00;
- b) the new multi-residential property class be set at 1.00;
- c) the multi-residential property class be set at 1.70;
- d) the commercial property class be set at 1.98;
- e) the industrial property class be set at 2.63;
- f) the pipeline property class be set at 1.1728;
- g) the farm property class be set at 0.20; and
- h) the managed forests property class be set at 0.25.

That the by-law, attached as Exhibit A to Report Number AP-24-007, be presented to Council in order to establish the 2024 tax ratios.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER & CITY TREASURER

Desiree Kennedy, Chief
Financial Officer & City
Treasurer

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Lanie Hurdle, Chief
Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Growth & Development Services	Not required
Jennifer Campbell, Commissioner, Community Services	Not required
Neil Carbone, Commissioner, Corporate Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Peter Huigenbos, Commissioner, Major Projects & Strategic Initiatives	Not required
Brad Joyce, Commissioner, Infrastructure, Transportation & Emergency Services	Not required

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Options/Discussion:**Background**

The [Municipal Act, 2001](#) requires that municipal councils establish tax ratios by passing a by-law each year. Tax ratios effectively distribute the tax burden among property classes and are set in comparison to the residential rate which always has a tax ratio of 1.00. Changes in tax ratios affect the relative tax burden between classes of properties. Tax ratios can be used to prevent large shifts of the tax burden caused by relative changes in assessment among property classes as well as to lower the tax rates on a particular class or classes. Once set, the tax ratio for a class is multiplied by the residential tax rate to determine the tax rate for that class.

Reassessment Update

The Municipal Property Assessment Corporation (MPAC) is responsible for assessing and classifying properties in Ontario. Every four years, MPAC conducts a province-wide assessment update. In 2016, MPAC updated the assessed values of every property in Ontario to the legislated valuation date of January 1, 2016. Increases in the assessed value were phased-in over four years (for taxation years 2017 through 2020); however, properties that decreased in value went directly to the decreased value in 2017.

The province initially postponed the new assessment cycle (2021 - 2024) by one year to provide much needed stability and certainty to residents and businesses and to enable municipalities to focus on responding to the challenges posed by the COVID-19 pandemic. This postponement was then extended, as announced in the 2021 Ontario Economic Outlook and Fiscal Review, to include the 2022 and 2023 taxation years. In August 2023, the Ontario government announced its intention to further postpone the reassessment while it conducts a review of the property taxation and assessment system. The announcement was silent on any specific timing for a new assessment cycle, leaving uncertainty regarding property assessment for the 2025 tax year and beyond. Both the Association of Municipalities of Ontario (AMO) and the Association of Municipal Managers, Clerks and Treasurers of Ontario (AMCTO) have expressed strong support for a timely return to the reassessment cycle.

Property assessment values for the 2024 tax year will continue to be based on January 1, 2016 current values. Unless there have been changes to a property, property assessments for the 2024 tax year will be the same as the 2023 tax year and the tax burden across property classes will remain consistent. MPAC continues to update assessment rolls to reflect new construction.

Analysis**Property Class Tax Ratios**

When reforms to property tax were introduced in the late 1990s, the Province prescribed ranges of fairness for tax ratios in each property class. The ranges of fairness are summarized in [Table 1](#) below. Currently, municipalities are only permitted to adjust tax ratios closer to the provincially prescribed ranges of fairness.

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Also noted in Table 1, the Province also set transition ratios as provincial levy restriction thresholds for each municipality. These transition ratios are based on the effective tax rates that were in effect in the year immediately prior to the introduction of the reforms. Where established tax ratios are above a provincial levy restriction threshold for any class, only 50% of a tax levy increase can be passed on to the property class. With respect to existing policy, Council has directed that any revised ratios being established not exceed the provincial levy restriction threshold for any class to ensure that any municipal budget increase can be passed through to all property classes.

Further information and history on the City’s use of tax ratios, including previous adjustments to tax ratios for the multi-residential and farm tax property classes, can be found in [Report Number AP-23-004](#), 2023 Tax Ratios, Tax Capping Parameters and Other Property Tax Policy.

Tax Ratios / Tax Burden – Tax ratios since the reassessment postponement

As Ontario’s planned reassessment has been postponed, there have been no reassessment related tax burden shifts since 2020 and the property tax burden across property classes has remained consistent. Recommended tax ratios are currently in line with provincial averages and continue to comply with Council’s direction to not exceed provincial levy restriction thresholds for any class. As a result, the tax ratios recommended for 2024 remain at the same level as those established for the 2021, 2022 and 2023 tax years.

Table 1 below summarizes the recommended 2024 tax ratios and resulting tax burden percentage by property class. Once the ratios have been established, the tax levy by-law will be presented to Council, which will set the tax rates to be applied to raise the taxes required for the 2024 approved operating budget.

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Table 1: 2024 Tax Ratio, and Burden by Property Class

Property Class	Ranges of Fairness	Provincial Levy Restriction Threshold	2023 Tax Ratio	2023 Class Burden %*	2024 Class Burden %*
Commercial	0.60 - 1.10	1.980000	1.980000	21.84	21.74
Industrial	0.60 - 1.10	2.630000	2.630000	2.80	2.96
Multi-Residential	1.00 - 1.10	2.000000	1.700000	8.00	7.97
New Multi-Res	1.00 - 1.10		1.000000	3.48	3.53
Residential	1.00		1.000000	63.50	63.42
Pipeline	0.60 - 0.70		1.172800	0.29	0.29
Farmland	Up to 0.25		0.200000	0.08	0.08
Forest	0.25		0.250000	0.01	0.01
Total				100.00	100.00

*General Municipal Tax Rates not including education rates.

Other Property Tax Policy

Vacant and Excess Land Subclass Discounts

In [Report Number 23-193](#), Council directed staff to eliminate the discounted property tax rates previously provided to properties in vacant and excess land property tax subclasses, beginning with the 2024 taxation year. The intent of eliminating the discounts was to encourage the development of vacant, privately-owned lands to help offset the City’s declining supply of vacant serviced lots in our business parks. Commercial and industrial properties assessed in a vacant and excess land property tax subclass were previously taxed at a fixed percentage rate below the tax rate of the broader class. Commercial properties were discounted at 30 percent of the full commercial rate and industrial properties were discounted at 35 percent of the full Industrial rate. The Ministry of Finance had previously phased out subclass discounts on education tax rates.

Eliminating subclass discounts does not change the overall amount of revenue raised through taxation; it will only change the distribution of taxes between all property classes by redistributing approximately \$1.1M of taxes from other property classes onto the commercial

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and industrial vacant and excess land properties. Further information on the effects of the elimination of subclass discounts on tax rates will be included in the 2024 final tax levy and tax rates report coming to Council later this spring.

Public Engagement

None

Indigenization, Inclusion, Diversity, Equity & Accessibility (IIDEA) Considerations

None

Existing Policy/By-Law

[Municipal Act, 2001](#), as amended. Part VIII of the Municipal Act, 2001 legislates Municipal Taxation.

[Ontario Regulation 73/03](#), as amended (Tax Matters – Special Tax Rates and Limits)

[Ontario Regulation 385/98](#), as amended (Tax Matters – Transition Ratios and Average Transition Ratios)

Notice Provisions

None

Financial Considerations

Total taxation revenue is established as part of the operating budget estimates and does not change as a result of adjusting tax ratios. Tax ratios distribute the tax burden among property classes by applying the ratios against the residential tax rate to determine the tax rate for each class.

Contacts:

Lana Foulds, Director, Financial Services, 613-546-4291 extension 2209

Jeff Walker, Manager, Taxation and Revenue, 613-546-4291 extension 2484

Other City of Kingston Staff Consulted:

None

Exhibits Attached:

Exhibit A – Draft by-law, being “2024 Tax Ratios By-Law”

City of Kingston By-Law Number 2024–XX

2024 Tax Ratios By-Law

1st Reading date

2nd Reading date

3rd Reading date

Passed date

City of Kingston By-Law Number 2024–XX

2024 Tax Ratios By-Law

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City of Kingston By-Law Number 2024–XX

2024 Tax Ratios By-Law

Whereas:

The *City* is a single-tier municipality incorporated pursuant to an order made under section 25.2 of the *Municipal Act*, R.S.O. 1990, c. M.45.

The powers of a municipality must be exercised by its council (*Municipal Act, 2001*, S.O. 2001, c. 25 (the “***Municipal Act, 2001***”), s. 5 (1)).

A municipal power must be exercised by by-law unless the municipality is specifically authorized to do otherwise (*Municipal Act, 2001*, s. 5 (3)).

The Minister of Finance has prescribed the following classes of real property for the purposes of the *Assessment Act*, R.S.O. 1990, c. A.31 (the “***Assessment Act***”) as required under subsection 7 (1) of the *Assessment Act*.

1. the residential property class;
2. the multi-residential property class;
3. the commercial property class;
4. the industrial property class;
5. the pipe line property class;
6. the farm property class.
7. the managed forests property class.

The Minister of Finance has also prescribed *optional property classes* for the purposes of the *Assessment Act*, including the new multi-residential property class.

Council wishes to have the new multi-residential property class apply within the municipality in accordance with the *Assessment Act*.

Council does not wish to have any other *optional property class* apply within the municipality in accordance with the *Assessment Act*.

2024 Tax Ratios By-Law

A single tier municipality must pass a by-law in each year to establish the *tax ratios* for that year for the municipality (*Municipal Act, 2001, 308 (4)*).

Therefore, *council* enacts:

1. Interpretation

1.1 This by-law may be cited as the *2024 Tax Ratios By-Law*.

1.2 In this by-law:

“commercial classes” means the commercial property class prescribed under the *Assessment Act* and *optional property classes* that contain property that, if *council* did not opt to have the *optional property class* apply, would be in the commercial property class, and includes the office building property class, the shopping centre property class and the parking lots and vacant land property class;

“industrial classes” means the industrial property class prescribed under the *Assessment Act* and *optional property classes* that contain property that, if *council* did not opt to have the *optional property class* apply, would be in the industrial property class, and includes the large industrial property class;

“optional property class” means a property class that *council* may opt to have apply within the municipality under regulations made under the *Assessment Act*; and

“tax ratio” means the ratio that the tax rate for a property class must be to the tax rate for the residential property class where the residential property class tax ratio is 1.0.

1.3 For the purposes of interpreting this by-law:

- (a) a reference to any legislation, regulation, or by-law or to a provision thereof includes a reference to any legislation, regulation or by-law enacted, made or passed in substitution thereof or amendment thereof;
- (b) any reference to legislation includes all of the regulations made thereunder;
- (c) “include”, “includes” and “including” indicate that the subsequent list is not exhaustive.

2. Established Tax Ratios

2.1 For the 2024 taxation year:

- (a) the *tax ratio* for the residential property class is 1.0;
- (b) the *tax ratio* for the multi-residential property class is 1.7;
- (c) the *tax ratio* for the *commercial property classes* is 1.98;
- (d) the *tax ratio* for the *industrial property classes* is 2.63;
- (e) the *tax ratio* for the pipe line property class is 1.1728;
- (f) the *tax ratio* for the farm property class is 0.2;
- (g) the *tax ratio* for the managed forests property class is 0.25; and
- (h) the *tax ratio* for the new multi-residential property class is 1.0.

3. Miscellaneous

3.1 If a court of competent jurisdiction declares any provision, or any part of a provision, of this by-law to be invalid, or to be of no force and effect, it is the intention of *council* in enacting this by-law that each and every provision of this by-law authorized by law be applied and enforced in accordance with its terms to the extent possible according to law.

3.2 This by-law will come into force and take effect on the date it is passed.

2024 Tax Ratios By-Law

1 st Reading	date
2 nd Reading	date
3 rd Reading	date
Passed	date

Janet Jaynes
City Clerk

Bryan Paterson
Mayor