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Report 2025-040

Report Title: 2025 Northumberland County Tax Ratios

Committee Name: Finance and Audit

Committee Meeting Date: March 4, 2025

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Finance

Approved by: Jennifer Moore, CAO

Council Meeting Date: March 19, 2025

Strategic Plan Priorities: ☐ Innovate for Service Excellence
☐ Ignite Economic Opportunity
☒ Foster a Thriving Community
☐ Propel Sustainable Growth
☐ Champion a Vibrant Future

Recommendation

Whereas County Council is responsible for setting tax policy in Northumberland County using tax ratios; and

Whereas on February 28, 2023 Peter Frise (from Municipal Tax Equity (MTE) Consultants Inc.) did a presentation to County Council and recommended that the County begin to reduce its multi-residential tax ratio from 2.0 towards the new multi-residential ratio of 1.0; and

Whereas County Council approved reductions in the multi-residential tax ratio from 2.0 to 1.8 in 2023 and from 1.8 to 1.6 in 2024; and

Whereas MTE Consultants Inc. continues to recommend that its municipal clients gradually reduce their multi-residential tax ratio towards 1.0 based on the expectation that this change will eventually be legislated; and

Whereas the Northumberland Treasurers Inter-Municipal Working Group agrees that the County should continue to gradually reduce the multi-residential tax ratio toward the new multi-residential tax ratio of 1.0;

Now Therefore Be It Resolved That the Finance and Audit Committee, having considered Report 2025-040 '2025 Northumberland County Tax Ratios', recommend that County Council approve a further reduction in the 2025 multi-residential tax ratio from the current 1.6 to 1.4.”

Purpose

The purpose of this report is to provide an overview of tax policy considerations and obtain approval from Northumberland County Council to continue with the gradual reduction (that was initiated in 2023) in the multi-residential tax ratio from 1.6 to 1.4 for the 2025 tax year.

Background

Multi Residential Ratios

In 2017 the Province decreased the threshold ratio for multi-residential from 2.7 to 2.0 and introduced strict levy restriction rules whereby a class with a ratio above 2.0 could not share in any proportion of a municipal levy increase. Northumberland County was captured by this change and was subject to levy restriction in 2017. At the time, Northumberland County reduced its multi-residential tax ratio to 2.0 to avoid levy restrictions.

The mandated ratio for new multi-residential properties is 1.0 creating an inequity between existing and new multi-residential properties.

In February of 2023 Peter Frise of MTE Consultants Inc. did a presentation to Northumberland County Council and recommended that the County consider starting to reduce its multi-residential tax ratio from 2.0 towards 1.0 to bring it in line with the new multi-residential ratio.

This recommendation was based on the expectation that the Province is going to mandate this change for all municipalities. By reducing the ratio for one class this has the impact of increasing the burden on all other property classes. By gradually reducing the ratio each year (over a number of years) this spreads the impact over multiple years and makes it more manageable. If the change were mandated and Northumberland was forced to change the multi-residential ratio from 2.0 to 1.0 in one year this would have a significant impact in one year.

The following events are the main reasons that it is believed that the Province will legislate an equalization in the multi-residential and new multi-residential ratios:

- In February 2022, the provincially commissioned report by the Ontario Housing Affordability Task Force included a recommendation that the property taxes for purpose-built rental be aligned with those of condos and low-rise homes;
- The Province's 2022 Fall Economic Statement included a commitment to look at "potential approaches to reduce the current property tax burden on multi-residential apartment buildings; and
- On February 9, 2023 a call for eliminating the rate differential was reiterated in a joint report released by the Building Industry and Land Development Association and the Federation of Rental-Housing Providers of Ontario.

Based on this advice, Northumberland County Council approved a reduction in the multi-residential ratio from 2.0 to 1.8 in 2023 as well as a further reduction from 1.8 to 1.6 in 2024.

Ontario's New Aggregate Extraction Property Class

In July 2024, the Minister of Finance introduced a temporary property subclass specifically for the active industrial portions of aggregate-producing properties, including gravel pits and quarries. This subclass was designed to apply solely for the 2024 taxation year, targeting the education portion of the tax bill.

The impact of the subclass was significant: for every \$100,000 in Current Value Assessment (CVA) captured by the subclass, the education portion of the tax bill was reduced from \$880 to \$44, representing a reduction of 95%. While the education tax rate was significantly lowered, the municipal portion of the levy remained unchanged and continued to be taxed at the standard industrial rate.

With the introduction of regulations in the fall of 2024, the temporary subclass will cease to exist after 2024, to be replaced by a new stand-alone Aggregate Extraction property class. This new class will initially capture the same assessment base as the temporary subclass, although some definitional differences may affect what is included in the class moving forward.

As a distinct class, the Aggregate Extraction property class will no longer form part of the industrial class as was the case with the temporary subclass. As such, it will be subject to its own tax ratio as well as class specific rules and limits governing how the ratio may be moved and adjusted.

For 2025, the most relevant factors that will determine the initial impact of this new class on the municipal balance of taxation are:

1. The municipal specific transition ratio regulated for each upper and single-tier jurisdiction with eligible properties appearing on the roll as returned for 2025; and
2. The regulated range of flexibility is 0.6000 to 1.1000, within which municipalities may freely set and adjust the ratio for this class.

These factors will guide how the tax burden shifts between the new class and other property classes.

The provincially regulated transition ratios vary by municipality, but analysis of a significant sample suggests that the ratios have generally been set by reducing each municipality's starting industrial ratio by 18.63%. The rationale behind this uniform reduction factor has not been explained, and there is no indication of the intent or reasoning for its indiscriminate application across municipalities.

Many transition ratios have been set below 1.00, however, the effective upper limit for any municipality is the higher of:

- The regulated transition ratio, or
- 1.10, which is the upper limit of the allowable range for this class.

Increases above these limits are not permitted, and in fact, have been explicitly prohibited for 2025.

Consultations

Staff consult with Peter Frise of MTE Consultants Inc. on issues of tax policy. With respect to the Multi Residential tax ratio, Mr. Frise believes that conditions have not changed, and he continues to recommend that his municipal clients continue to gradually reduce their multi-residential ratios to bring them closer to the new multi-residential ratio of 1.0.

The Northumberland Treasurers Inter-Municipal Working group has discussed tax policy and recommends that Northumberland continue with the gradual reduction in the multi-residential tax ratio in 2025 from 1.6 to 1.4.

Legislative Authority / Risk Considerations

Assessment Act, R.S.O. 1990, c. A.31.

Municipal Act, 2001 Sections 313, 364 and Ontario Regulation 325/01, amended to Ontario Regulation 210/05.

Discussion / Options

There are two changes related to tax policy happening in 2025 for council to consider.

The first is the potential change to the Multi Residential ratio. A reduction in the multi residential tax ratio would be a continuation of the process that was initiated by County Council in 2023 to gradually reduce the ratio from 2.0 to 1.0 before the change is mandated on municipalities. The gradual reduction in the ratio phases in the impacts over time. If council approves the change this will be the third year where this change has been made.

The second change is the introduction of the mandatory Aggregate Extraction Property class and mandatory reduction in its ratio by 18.63%.

Financial Impact

A change to tax ratios will not impact the amount of taxes levied by the County or member municipalities but will shift the tax burden between property classes. The approved tax levy and property taxation to collect remains constant. The tax ratios are simply determining the proportion of taxation each property class is required to pay.

Multi Residential Ratios

If approved, the reduction to the multi-residential ratio in 2025 would create a shift in taxation burden across property classes. For the County portion of taxation, the levy collected from the multi-residential class is reduced by 12.26% and each of the other classes increase by 0.28% to compensate. There is a total of \$205,000 in County levy that is reduced from the multi residential class and is spread across all of the properties in all of the other classes.

Ontario's New Aggregate Extraction Property Class

The mandatory new Aggregate Extraction Class will result in an increase of 0.03% to the other classes for the County portion of the levy with the residential class absorbing the vast majority of the impact. This change results in a total of \$22,235 in County levy shifting off of the new

Aggregate Extraction class properties which is then spread across all of the properties in all of the other classes.

A detailed analysis of the impacts can be seen in the MTE 2025 Growth Analysis and Levy Sensitivity which is attached to this report.

Member Municipality Impacts

Changes made by County Council to tax policy/ratios also have an impact the local municipal levy. There are detailed breakdowns of the impacts in the MTE 2025 Growth Analysis and Levy Sensitivity report in the attachments.

Changes made to tax policy (relative to tax ratios) can also result in a re-distribution of County taxes between member municipalities due to the varying compositions of property classes within the assessment base of each municipality. As displayed in the MTE 2025 Growth Analysis and Levy Sensitivity attachment, the proposed reduction to the multi-residential ratio shifts County taxation ranging from a decrease of 0.28% to an increase of 0.28% across the member municipalities.

There is a Local Results Addendum in the MTE 2025 Growth Analysis and Levy Sensitivity attachment that outlines the impact of the tax policy changes on each of the member municipalities. This report has been shared with the member municipal treasurers.

Conclusion / Outcomes

It is recommended that Northumberland County Council continue to gradually reduce its multi-residential tax ratio from 1.6 to 1.4 in 2025.

Attachments

- 1) Report 2025-040 ATTACH 1 'MTE 2025 Growth Analysis and Levy Sensitivity'
- 2) Report 2025-040 ATTACH 2 '2023 MTE Presentation Property Tax Policy'