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Report 2025-058

Report Title: 2025 Property Tax Policy

Committee Name: Finance and Audit

Committee Meeting Date: April 1, 2025

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Director of Finance / Treasurer
Finance

Approved by: Jennifer Moore, CAO

Council Meeting Date: April 16, 2025

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

Recommendation

“That the Finance and Audit Committee, having considered Report 2025-058 ‘2025 Property Tax Policy’, recommend that County Council enact by-laws to authorize the 2025 tax ratios and tax rates at the April 16, 2025 County Council meeting.”

Purpose

The purpose of this report is to present the 2025 tax ratio and tax rate by-laws for purposes of 2025 tax policy.

Background

Northumberland County is responsible for setting the tax policy that is used in the calculation of municipal property taxes. This is accomplished by making potential adjustments (within established guidelines) and approving tax ratios for the property classes and subclasses. The approval of the by-laws for tax ratios and tax rates is required to implement the tax policy and the property tax billing process.

In 2023 Northumberland County followed the advice of the Municipal Tax Equity (MTE) Consultants and reduced the multi-residential ratio from 2.000 to 1.800. The rationale for the

change is because there is a gap between the multi-residential ratio and the new multi-residential ratio that is fixed at 1.000. There have been indications that municipalities will be mandated to reduce the multi-residential down to 1.000. It was determined that it was preferable to gradually reduce the multi-residential ratio to phase in the impact on the other classes.

In the 2024 tax year the multi-residential ratio was reduced again from 1.800 to 1.600 following the same rationale as above.

In 2025 a new mandatory Aggregate Extraction class has come into effect. This new class has been added to the 2025 tax policy documents and by-laws.

The last province wide MPAC reassessment of properties in Ontario was done in 2016. The next reassessment should have been in 2020, but it was delayed by the Covid-19 pandemic. The reassessment has been delayed further pending a review of the tax system. Staff have not received any information on when the next reassessment will happen.

Many municipalities, including the County, have supported a resolution urging the Province to reconsider its decision and to direct MPAC to proceed with a province-wide assessment update in order for Ontario municipalities to be able to collect property taxes based upon updated property assessment values. This would not result in increased property tax revenues but would correctly allot tax burden to individual properties based on updated valuations. In lieu of providing municipalities with a returned tax roll of updated assessed values for 2025, MPAC will continue to provide property assessments based on the fully phased-in January 1, 2016 property values.

Consultations

Staff acquired the services of Municipal Tax Equity (MTE) Consultants Inc. to complete a detailed review of the County's tax policies in 2017 and for another update conducted in 2021. MTE works exclusively with Ontario municipalities in the areas of property assessment and taxation.

Staff have consulted with MTE on the changes to the multi-residential ratio in 2023, 2024 and 2025 as well as the new Aggregate Extraction class that comes into effect in 2025.

Member municipal Treasurers are consulted each year (through the Northumberland County Intermunicipal Treasurer's Working Group) on potential changes to tax policy. The group is supportive of the continued reduction in the multi-residential ratio.

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 is one mandatory change happening to tax policy in 2025. This is the introduction of the mandatory Aggregate Extraction class that is being brought in with an 18.63% discount on its tax ratio. The introduction of this class (with the discount) shifts some levy from the new class onto the properties in all other classes.

The other change that is being recommended by staff is the continued gradual reduction in the multi-residential ratio by 0.200 (from 1.600 to 1.400). This is a continuation of the strategy mentioned above to reduce the multi-residential ratio down to parity with the new multi-residential ratio of 1.000. This should also be viewed as a housing friendly initiative and a move towards equity in the multi-residential classes.

Staff do not believe there is a need for a formal tax policy review at this time. Each tax year (and if/when the next province-wide reassessment happens) staff will reexamine the need for a formal tax policy review.

Financial Impact

A change to tax policy relative to tax ratios will not impact the total 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.

As was presented at the Finance and Audit Committee meeting of March 4, 2025 (Attachment 1 'MTE 2025 Growth Analysis and Levy Sensitivity') the approved reduction to the multi-residential ratio in 2025 creates 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 approximately 0.28% to compensate. There is a total of \$205,000 that is reduced from the multi-residential class and is spread across all of the properties in the other classes.

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.

Member Municipality Impacts

Changes made by County Council to tax policy/ratios also have an impact on the local municipal levy. The overall impact to the combined local levy is slightly higher than the County impact because the combined levy of the member municipalities is larger than the County levy.

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

Council approve tax ratios and rates for the 2025 tax year based on recommendations as brought forward through the Northumberland Intermunicipal Treasurers Working Group and as previously approved by the Finance and Audit Committee and Council to reduce the multi-residential ratio to 1.4000.

Attachments

- 1) Report 2025-058 ATTACH 1 'MTE 2025 Growth Analysis and Levy Sensitivity'
- 2) Report 2025-058 ATTACH 2 'By-law to Set Tax Ratios for Prescribed Property Classes and the Treatment of Subclasses for County Purposes and Lower Tier Municipal Purposes for the Year 2025'
- 3) Report 2025-058 ATTACH 3 'By-law to Establish the 2025 Tax Rates to be Levied Against the Lower Tier Municipalities'