



### 3 Process for Establishing a Small Business Property Subclass

As summarized below, there are 10 main steps in the process to establish the subclass. More detail and technical requirements are available in the Regulations and the Interpretation Bulletin in Appendices 3 and 4.

#### STEP ONE: ESTABLISH POLICY FRAMEWORK

- Articulate the problem to be addressed by the subclass. Use existing information and/or undertake additional consultation and research to answer key questions. The following considerations are relevant:
  - Consider small business characteristics, trends and issues within the overall context of the municipality's commercial and/or industrial business structure. Refer to Sections 2.1 and 2.2 of this report for guidance.
  - Consider the need to provide additional support to small businesses and whether there are subcategories of particular interest (e.g. commercial and/or industrial; the differentiating characteristics between small businesses needing support and other businesses).
  - Articulate key policy drivers and consider whether the subclass is the best tool to achieve them.
- Refine policy drivers to be achieved by using the subclass and small business characteristics to be targeted.

- In two-tiered municipalities, it is recommended that both upper- and lower-tier municipalities participate in establishing policy framework (or in deciding that subclass is not relevant).

## **STEP TWO: ESTABLISH SUBCLASS ELIGIBILITY CRITERIA**

- Relate desired policy drivers and characteristics of small businesses to be targeted to property characteristics and geographic areas. Refer to Section 2.3 of the report for guidance.
- Look at geographic clustering and correlation between targeted businesses and property characteristics.
- Consider the extent to which policy drivers can be achieved by defining eligibility through pre-determined criteria (property-based and/or geographic).
- Consider the pros and cons of using an application-based process either alone or in combination with pre-determined eligibility.
- In two-tiered municipalities, consider whether the same approach should be used throughout the region for greater simplicity and consistency or if there are strong reasons for a different approach in some lower-tier municipalities (e.g. due to differences in business characteristics and issues between towns and rural areas).

## **STEP THREE: MODEL IMPACT OF ONE OR MORE SCENARIOS**

- Estimate the number of properties likely to be included in the subclass and the share of the assessed value for the tax class they include.
- Estimate the total amount of municipal tax relief that is associated with desired discount rate(s) up to a maximum of 35% (as set out in the Regulation).
- Consider options for reducing the total levy and/or increasing the tax rate for other properties. Refer to Section 2.5 of the report for guidance.
- In two-tiered municipalities, it is recommended that both upper- and lower-tier municipalities be involved in the modelling process.

## **STEP FOUR: CONSULT WITH STAKEHOLDERS**

- Consultation should include small businesses as well as the broader business community and residents. The issues small businesses face and their need for property tax relief should be discussed as well as the options under consideration for determining subclass eligibility and potential impact on the tax rate and tax amounts for other types of properties.
- Municipalities may opt to also consult at an earlier stage of the process.
- Municipalities that have previously consulted with and researched their small business communities and their need for tax relief may be in a position to define their policy framework and eligibility criteria without additional consultation. They can opt to introduce the subclass to provide tax relief for the municipal property

tax without additional consultation, potentially enabling them to implement the subclass sooner. Consultation can then be undertaken, the subclass modified if required and the Minister of Finance requested to match the municipal tax reduction with an education tax reduction in a later year.

- In two-tiered municipalities, the upper-tier municipality is responsible for ensuring that consultation has been undertaken throughout its jurisdiction. However, it is recommended that lower-tier municipalities also be involved in the process.

#### **STEP FIVE: PASS MUNICIPAL BY-LAW**

- The subclass is brought into effect by the single-tier or upper-tier municipal council passing a by-law opting to have the subclass apply to defined property classes and to the entire municipality or defined portions of the municipality. The by-law should describe the eligibility criteria to be met by a pre-determined eligibility process and/or application process.
- Consider including in the by-law that properties remain in the subclass until the municipality determines they are no longer eligible and advises MPAC to remove them.
- Consider including the process to be used to confirm continued eligibility. For example, specify an annual notification process requiring property owners to confirm their continued eligibility and inviting the owners of properties not included – but which meet the eligibility criteria – to request their inclusion through whatever process the municipality is using.
- Consider specifying that the final assessment roll for the previous year will be used to determine eligible properties to simplify in-year administration.
- Consider whether properties with RTQ codes for Small-Scale On-Farm Businesses (7), Creative Enterprise Facility (9), and Payments in Lieu of Tax should be included in the subclass. If so, their current RTQ codes will either be replaced or cannot be removed depending on whether the property has already been designated for an optional property class or PIL.
- The by-law can require property owners to pass the tax deduction through to their tenants as a condition of eligibility for the subclass. Doing so enables the municipality to remove the property from the subclass if it is notified that the pass-through has not happened.

#### **STEP SIX: APPOINT PROGRAM ADMINISTRATOR AND APPELLATE AUTHORITY**

- The single-tier or upper-tier municipal council is required to appoint a Program Administrator and Appellate Authority.
- The Program Administrator is responsible for determining which properties meet the defined criteria and therefore are eligible for inclusion in the subclass, for making the list available for public inspection and for providing the list to MPAC. If there is an application process, the Program Administrator is responsible for approving or denying applications. The Program Administrator also is required to establish a process whereby an owner can make a request for reconsideration.

- The Appellate Authority is responsible hearing appeals about whether or not properties should be included in the subclass. The Appellate Authority does not hear appeals of assessed value, which will continue to be directed to the Assessment Review Board.
- The ongoing responsibilities of the Program Administrator and Appellate Authority are summarized in Section 4 of the report below.
- The Program Administrator and Appellate Authority should be different employees of the municipality. Upper-tier municipalities can appoint employees of lower-tier municipalities to which the By-law applies to undertake these roles within their jurisdictions.

### **STEP SEVEN: IDENTIFY PROPERTIES INCLUDED IN SUBCLASS**

- The Program Administrator applies the pre-determined criteria and/or implements an application process as set out in the municipal By-law.
- Properties are to be identified on a publicly accessible registry. The following information should be included but is not limited to:
  - Assessment Roll Number
  - Property Address
  - Unit Number(s)  
(if only some portions of the property are included in the subclass)
  - Floor Space included  
(if only some portions of the property are included in the subclass)
- The registry is to be established by single-tier or upper-tier municipalities.

### **STEP EIGHT: PROVIDE MPAC WITH LIST OF PROPERTIES IN SUBCLASS**

- The list to be provided by single-tier or upper-tier municipalities.
- List should include:
  - 19-Digit Assessment Roll Number
  - Municipal Street Number
  - Municipal Street Name
  - Qualifying Reality Tax Class & Reality Tax Qualifier (RTC/RTQ)
- A copy of the by-law or by-law number should also be provided

### **STEP NINE: REQUEST MINISTER OF FINANCE TO MATCH MUNICIPAL TAX REDUCTION WITH EDUCATION TAX REDUCTION**

- Request to be made by municipalities
- Submission should include:
  - By-law adopting the subclass.
  - Overview of program requirements.
  - Estimated total municipal tax relief to small businesses.
  - Confirmation of consultation with business community.

- Submissions should be sent directly to the Minister of Finance, with a copy to [info.propertytax@ontario.ca](mailto:info.propertytax@ontario.ca), prior to March 31 for the applicable taxation year.
- The Minister will review each submission and determine whether to match the municipal reductions on a case-by-case basis.

### **STEP TEN: ADDING PROPERTIES IN THE SUBCLASS TO THE ASSESSMENT ROLL**

- A new RTQ code 8 will be used to identify properties in the subclass. Therefore, properties that make Payments in Lieu of Tax, or are already coded in another subclass such as Creative Enterprise Facilities or Small-Scale On-Farm Businesses, may not be eligible.
- MPAC will be able to make a bulk upload to the subclass for properties where the total assessment (CT, XT, IT and JT portions) is included. A manual process will be used for properties where exceptions are identified and only a portion of the property's assessment is to be included in the subclass.

### **Approximate Timelines for 2022 Implementation (exact dates may change from year to year and will be confirmed annually)**

- **October 4, 2021:** deadline for MPAC to receive list of subclass properties to include changes in year-end Assessment Roll (finalized by MPAC December 14, 2021).
- **December 14, 2021:** deadline for MPAC to receive list of subclass properties to include them in Post Roll Amended Notices (PRANs). Notices will be delivered to municipalities in March 2022.
- **After December 14, 2021:** MPAC will include properties added to the subclass by Property Assessment Change Notices (PACNs), which are issued monthly to municipalities from May to November. This makes them eligible for a Supplementary Assessment.

“This report and its insights go a long way to providing some fundamental information and technical interpretations for municipalities to move toward in building and **re-building strong and vibrant small business** and by extension local economies. There is no better time than the present to move forward on this quest.”

**John Kiru**

Executive Director

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