

Small Business Tax Class

Follow Up Report: BIA Properties

The City of Barrie

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DISCLAIMER

The information, views, data, and discussions in this document and related material are provided for general reference purposes only. Any regulatory and statutory references are, in many instances, not directly quoted excerpts and the reader should refer to the relevant provisions of the legislation and regulations for complete information.

The reader is cautioned that decisions should not be made in the sole consideration of or reliance on the information and discussions contained in this report. It is the responsibility of each individual in either of a decision-making or advisory capacity to acquire all relevant and pertinent information required to make an informed and appropriate decision about any matter under consideration concerning municipal finance issues.

No attempt has been made by the MTAG Paralegal Professional Corporation (MTAG PPC) to establish the completeness or accuracy of the data prepared by the Municipal Property Assessment Corporation (MPAC) and the On-line Property Tax Analysis (OPTA) system, which have been relied upon for purposes of preparing this report. As a result, no warranties or guarantees are provided that the source data is free of error or misstatement.

Finally, the MTAG PPC is not responsible to the municipality, nor to any other party for damages arising based on incorrect data or due to the misuse of the information contained in this study, including without limitation, any related, indirect, special, or consequential damages.

EXECUTIVE SUMMARY

This report is a follow up to the Small Business Tax Class Initial Report to the City dated July 16, 2021. As in the original report, this model assumes a 35% reduction for all qualifying properties. The primary differences between the initial Report and this subsequent analysis are:

- The Primary Inclusion Criteria is eligibility for inclusion in the City's Business Improvement Area (BIA)
- Specific properties were then excluded based on a qualitative review by Barrie Finance/Tax staff

Otherwise, the approach, methodology and restrictions as contained in O.Reg 331/21 which were applied in the July 16, 2021, Report were also applied to this document.

Attached to this Report is an Excel file which specifically identifies the properties that were included in this analysis. This Report also details the impacts that Barrie could expect from adopting the class, including the financial cost whether spread across all classes or limited to being funded within the Broad Commercial Property Class.

It should also be noted that in order to provide as clear a picture as possible of what impacts will occur, this Report utilizes data and values from the City's updated 2021 Assessment Roll, which will be returned by MPAC for the 2022 taxation year as no reassessment will occur until after 2022.

Cost Recovered from All Property Classes and Sub-classes

If the cost of providing a 35% discount to the selected properties within the Barrie BIA is recovered from all other properties not receiving this discount, the properties receiving the discount in both the Broad Commercial and the Broad Industrial Property Classes will receive a 34.65% reduction in their rate of taxation, while all other properties in all other Classes and Sub-classes will experience a 0.23% increase (see **Table 1**).

The total amount of the discount being provided would be \$585,216, with each eligible property receiving on average a \$2,800 reduction in the amount of municipal tax they would otherwise pay. Any reduction in Education Taxation agreed to by the Province of Ontario would be in addition to this amount.

Cost Recovered from within the Broad Commercial and Industrial Property Classes

If the cost of providing a 35% discount to the selected properties within the Barrie BIA is only recovered from the properties in the Broad Commercial and Broad Industrial Property Classes not receiving this discount, the properties receiving the discount in Broad Commercial Class will receive a 34.27% reduction, while those in the Broad Industrial Class will receive a 34.98% reduction in their rate of taxation, while all other properties in these Broad Property Classes will experience a 1.12% increase (see **Table 2**).

The total amount of the discount being provided would be \$575,574, with each eligible property in the Broad Commercial Class receiving on average a \$2,755 reduction in the amount of municipal tax they would otherwise pay, while the single eligible property in the Broad Industrial Class will see a reduction of \$2,560. Again, as before, any reduction in Education Taxation agreed to by the Province of Ontario would be in addition to this amount.

It should also be noted that selecting this option has an impact on the Commercial PIL Property Class. As the “tax rate” for this Property Class follows that of the Commercial Property Class, it would increase by the same proportion as that which would be imposed on other properties in the Broad Commercial Property Class. This suggests that the “requests” for payment issued to properties in the Commercial PIL Property Class would be increased by 1.12%, and if full payment was received, that Barrie could see an additional \$11,484 in revenue as a result.

CONCLUSION

The purpose of this report is to frame and contextualize the expected impacts from creating a Small Business Property Sub-class in the City of Barrie’s Business Improvement Area. If the City concludes that it is indeed appropriate to proceed with the creation of this Small Business Property Sub-class, it will then need to take the necessary steps required to create it.

There are subtle differences in the average amount of discount (and %) between the 2 options. These occur simply because of the differing dynamics between the fund Within and fund Without approaches. If the City were to consider the third option – provide the discount and forgo recovery from other properties – and to fund this from its Reserves, it is important to know that HOW the cost of providing the discount is funded does not have to be determined immediately.

The City could simply decide to provide the discount to the eligible properties and wait to see what its overall tax revenue and financial position will be at the end of the fiscal year. If the in flow of revenues is greater than expected, or expenditures prove to be less than anticipated, these additional funds could be used to reduce or even offset the cost of providing this discount.

PART I – ANALYSIS

The following scenario's have been created to assist the City with estimating what the impact of creating the Small Business Property Class may be. These results are based on its 2021 Assessment, applying the qualification criteria set by City staff. 2021 Tax ratios have been applied to the 2022 tax year, and that the discount provided is modelled at 35%.

Table 1: This scenario applies a discount on select commercial and industrial taxable properties that were identified for inclusion in the Small Business Property Sub-class by Barrie Finance/Tax staff, the cost of which discount is to be recovered from all other properties within the City of Barrie.

Table 2: This scenario applies a discount on select commercial and industrial taxable properties that were identified for inclusion in the Small Business Property Sub-class by Barrie Finance/Tax staff, the cost of which discount is to be only recovered from properties within the Broad Commercial Property Class and the Broad Industrial Property Class of the City of Barrie that do not receive the discount.

Table 1: 35% Reduction in Small Business Tax Class Funded Across All Classes

Realty Tax Class	CVA Tax		Change in Tax	
	2022 Status Quo	2022 Small Business Class	\$	%
Taxable				
Residential	\$183,755,561	\$184,178,595	\$423,033	0.23%
Farm	\$65,054	\$65,204	\$150	0.23%
Managed Forest	\$2,079	\$2,084	\$5	0.23%
Multi-Residential	\$9,216,840	\$9,238,059	\$21,219	0.23%
New Multi-Residential	\$1,745,860	\$1,749,879	\$4,019	0.23%
Commercial	\$51,241,044	\$51,359,013	\$117,968	0.23%
Commercial Threshold	\$1,671,904	\$1,089,240	-\$582,665	-34.85%
Industrial	\$7,682,672	\$7,700,363	\$17,691	0.23%
Industrial Threshold	\$7,319	\$4,768	-\$2,551	-34.85%
Pipeline	\$467,536	\$468,612	\$1,076	0.23%
Sub-Total Taxable	\$255,855,870	\$255,855,816	-\$54	0.00%
Payment In Lieu				
Residential	\$43,852	\$43,953	\$101	0.23%
Commercial	\$1,027,002	\$1,029,366	\$2,364	0.23%
Landfill	\$38,217	\$38,305	\$88	0.23%
Sub-Total PIL	\$1,109,071	\$1,243,984	\$134,913	12.16%
Total Taxable and PIL	\$256,964,942	\$257,099,800	\$134,859	0.05%
Exempt	\$0	\$0	\$0	0.00%
Total	\$256,964,942	\$257,099,800	\$134,859	0.05%

Table 2: 35% Reduction in Small Business Tax Class Funded Within Class

Realty Tax Class	CVA Tax		Change in Tax	
	2022 Status Quo	2022 Small Business Class	\$	%
Taxable				
Residential	\$183,755,561	\$183,755,561	\$0	0.00%
Farm	\$65,054	\$65,054	\$0	0.00%
Managed Forest	\$2,079	\$2,079	\$0	0.00%
Multi-Residential	\$9,216,840	\$9,216,840	\$0	0.00%
New Multi-Residential	\$1,745,860	\$1,745,860	\$0	0.00%
Commercial	\$51,241,044	\$51,814,048	\$573,003	1.12%
Commercial Threshold	\$1,671,904	\$1,098,890	-\$573,014	-34.27%
Industrial	\$7,682,672	\$7,685,234	\$2,562	0.03%
Industrial Threshold	\$7,319	\$4,759	-\$2,560	-34.98%
Pipeline	\$467,536	\$467,536	\$0	0.00%
Sub-Total Taxable	\$255,855,870	\$255,855,861	-\$9	0.00%
Payment In Lieu				
Residential	\$43,852	\$43,852	\$0	0.00%
Commercial	\$1,027,002	\$1,038,487	\$11,484	1.12%
Landfill	\$38,217	\$38,217	\$0	0.00%
Sub-Total PIL	\$1,109,071	\$1,120,556	\$11,484	1.04%
Total Taxable and PIL	\$256,964,942	\$256,976,417	\$11,476	0.00%
Exempt	\$0	\$0	\$0	0.00%
Total	\$256,964,942	\$256,976,417	\$11,476	0.00%

PART II – APPENDICES

The Body of this Report addresses the impacts and consequences of providing a 35% discount to the 209 properties that have been identified for inclusion in the proposed BIA Small Business Property Sub-class. Tables 3 – 6 detail what would happen if, (a) the discount were reduced to 20%, and (b) the discount was only 10%.

Table 3: This scenario applies a 20% discount on select commercial and industrial taxable properties that were identified for inclusion in the Small Business Property Sub-class by Barrie Finance/Tax staff, the cost of which discount is to be recovered from all other properties within the City of Barrie.

Table 4: This scenario applies a 20% discount on select commercial and industrial taxable properties that were identified for inclusion in the Small Business Property Sub-class by Barrie Finance/Tax staff, the cost of which discount is to be only recovered from properties within the Broad Commercial Property Class and the Broad Industrial Property Class of the City of Barrie that do not receive the discount.

Table 5: This scenario applies a 10% discount on select commercial and industrial taxable properties that were identified for inclusion in the Small Business Property Sub-class by Barrie Finance/Tax staff, the cost of which discount is to be recovered from all other properties within the City of Barrie.

Table 6: This scenario applies a 10% discount on select commercial and industrial taxable properties that were identified for inclusion in the Small Business Property Sub-class by Barrie Finance/Tax staff, the cost of which discount is to be only recovered from properties within the Broad Commercial Property Class and the Broad Industrial Property Class of the City of Barrie that do not receive the discount.

Cost Recovered from All Property Classes and Sub-classes

20% Discount

- The discount provided eligible properties drops to 19.89%.
- The increase in taxation rate to all other properties not receiving this discount is 0.13% (see **Table 3**).
- The total amount of the discount being provided would be \$334,079.
- The average reduction in the amount of municipal tax becomes \$1,598 plus any reduction in Education Taxation agreed to by the Province of Ontario would be in addition to this amount.

10% Discount

- The discount provided eligible properties drops to 9.94%.
- The increase in taxation rate to all other properties not receiving this discount is 0.07% (see **Table 4**).
- The total amount of the discount being provided would be \$166,931.
- The average reduction in the amount of municipal tax becomes \$799 plus any reduction in Education Taxation agreed to by the Province of Ontario would be in addition to this amount.

Cost Recovered from within the Broad Commercial and Industrial Property Classes

20% Discount

- The discount provided eligible properties drops to 19.49% in the Broad Commercial Property Class and 19.98% in the Broad Industrial Property Class.
- The increase in taxation rate to other properties in the Commercial Property Class not receiving this discount is 0.64% (see **Table 5**).
- The increase in taxation rate to other properties in the Industrial Property Class not receiving this discount is 0.02% (see **Table 5**).
- The total amount of the discount being provided would be \$327,338.
- The average reduction in the amount of municipal tax for the eligible properties in the Commercial Property Class becomes \$1,567. The single Industrial property would receive \$1,464. Any reduction in Education Taxation agreed to by the Province of Ontario would be in addition to this amount.

10% Discount

- The discount provided eligible properties drops to 9.71% in the Broad Commercial Property Class and 9.99% in the Broad Industrial Property Class.
- The increase in taxation rate to other properties in the Commercial Property Class not receiving this discount is 0.32% (see **Table 6**).
- The increase in taxation rate to other properties in the Industrial Property Class not receiving this discount is 0.01% (see **Table 6**).
- The total amount of the discount being provided would be \$163,153.

- The average reduction in the amount of municipal tax for the eligible properties in the Commercial Property Class becomes \$731. The single Industrial property would receive \$781. Any reduction in Education Taxation agreed to by the Province of Ontario would be in addition to this amount.

Table 3: 20% Reduction in Small Business Tax Class Funded Across All Classes

Realty Tax Class	CVA Tax		Change in Tax	
	2021 Year End	2022 Small Business Class	\$	%
Taxable				
Residential	\$183,755,561	\$183,997,073	\$241,512	0.13%
Farm	\$65,054	\$65,140	\$85	0.13%
Managed Forest	\$2,079	\$2,082	\$3	0.13%
Multi-Residential	\$9,216,840	\$9,228,954	\$12,114	0.13%
New Multi-Residential	\$1,745,860	\$1,748,154	\$2,295	0.13%
Commercial	\$51,241,044	\$51,308,397	\$67,353	0.13%
Commercial Threshold	\$1,671,904	\$1,339,281	-\$332,623	-19.89%
Industrial	\$7,682,672	\$7,692,772	\$10,100	0.13%
Industrial Threshold	\$7,319	\$5,863	-\$1,456	-19.89%
Pipeline	\$467,536	\$468,150	\$614	0.13%
Sub-Total Taxable	\$255,855,870	\$255,855,867	-\$4	0.00%
Payment In Lieu				
Residential	\$43,852	\$43,910	\$58	0.13%
Commercial	\$1,027,002	\$1,028,352	\$1,350	0.13%
Landfill	\$38,217	\$38,267	\$50	0.13%
Sub-Total PIL	\$1,109,071	\$1,110,529	\$1,458	0.13%
Total Taxable and PIL	\$256,964,942	\$256,966,396	\$1,454	0.00%
Exempt	\$0	\$0	\$0	0.00%
Total	\$256,964,942	\$256,966,396	\$1,454	0.00%

Table 4: 20% Reduction in Small Business Tax Class Funded Within Class

Realty Tax Class	CVA Tax		Change in Tax	
	2021 Year End	2022 Small Business Class	\$	%
Taxable				
Residential	\$183,755,561	\$183,755,561	\$0	0.00%
Farm	\$65,054	\$65,054	\$0	0.00%
Managed Forest	\$2,079	\$2,079	\$0	0.00%
Multi-Residential	\$9,216,840	\$9,216,840	\$0	0.00%
New Multi-Residential	\$1,745,860	\$1,745,860	\$0	0.00%
Commercial	\$51,241,044	\$51,566,908	\$325,864	0.64%
Commercial Threshold	\$1,671,904	\$1,346,029	-\$325,875	-19.49%
Industrial	\$7,682,672	\$7,684,136	\$1,464	0.02%
Industrial Threshold	\$7,319	\$5,856	-\$1,463	-19.98%
Pipeline	\$467,536	\$467,536	\$0	0.00%
Sub-Total Taxable	\$255,855,870	\$255,855,860	-\$10	0.00%
Payment In Lieu				
Residential	\$43,852	\$43,852	\$0	0.00%
Commercial	\$1,027,002	\$1,033,533	\$6,531	0.64%
Landfill	\$38,217	\$38,217	\$0	0.00%
Sub-Total PIL	\$1,109,071	\$1,115,603	\$6,531	0.59%
Total Taxable and PIL	\$256,964,942	\$256,971,463	\$6,521	0.00%
Exempt	\$0	\$0	\$0	0.00%
Total	\$256,964,942	\$256,971,463	\$6,521	0.00%

Table 5: 10% Reduction in Small Business Tax Class Funded Across All Classes

Realty Tax Class	CVA Tax		Change in Tax	
	2021 Year End	2022 Small Business Class	\$	%
Taxable				
Residential	\$183,755,561	\$183,876,231	\$120,670	0.07%
Farm	\$65,054	\$65,097	\$43	0.07%
Managed Forest	\$2,079	\$2,081	\$1	0.07%
Multi-Residential	\$9,216,840	\$9,222,893	\$6,053	0.07%
New Multi-Residential	\$1,745,860	\$1,747,006	\$1,146	0.07%
Commercial	\$51,241,044	\$51,274,687	\$33,643	0.07%
Commercial Threshold	\$1,671,904	\$1,505,701	-\$166,203	-9.94%
Industrial	\$7,682,672	\$7,687,720	\$5,048	0.07%
Industrial Threshold	\$7,319	\$6,591	-\$728	-9.94%
Pipeline	\$467,536	\$467,843	\$307	0.07%
Sub-Total Taxable	\$255,855,870	\$255,855,851	-\$20	0.00%
Payment In Lieu				
Residential	\$43,852	\$43,881	\$29	0.07%
Commercial	\$1,027,002	\$1,027,676	\$674	0.07%
Landfill	\$38,217	\$38,242	\$25	0.07%
Sub-Total PIL	\$1,109,071	\$1,109,800	\$728	0.07%
Total Taxable and PIL	\$256,964,942	\$256,965,650	\$708	0.00%
Exempt	\$0	\$0	\$0	0.00%
Total	\$256,964,942	\$256,965,650	\$708	0.00%

Table 6: 10% Reduction in Small Business Tax Class Funded Within Class

Realty Tax Class	CVA Tax		Change in Tax	
	2021 Year End	2022 Small Business Class	\$	%
Taxable				
Residential	\$183,755,561	\$183,755,561	\$0	0.00%
Farm	\$65,054	\$65,054	\$0	0.00%
Managed Forest	\$2,079	\$2,079	\$0	0.00%
Multi-Residential	\$9,216,840	\$9,216,840	\$0	0.00%
New Multi-Residential	\$1,745,860	\$1,745,860	\$0	0.00%
Commercial	\$51,241,044	\$51,403,456	\$162,412	0.32%
Commercial Threshold	\$1,671,904	\$1,509,483	-\$162,422	-9.71%
Industrial	\$7,682,672	\$7,683,404	\$732	0.01%
Industrial Threshold	\$7,319	\$6,588	-\$731	-9.99%
Pipeline	\$467,536	\$467,536	\$0	0.00%
Sub-Total Taxable	\$255,855,870	\$255,855,861	-\$9	0.00%
Payment In Lieu				
Residential	\$43,852	\$43,852	\$0	0.00%
Commercial	\$1,027,002	\$1,030,257	\$3,255	0.32%
Landfill	\$38,217	\$38,217	\$0	0.00%
Sub-Total PIL	\$1,109,071	\$1,112,327	\$3,255	0.29%
Total Taxable and PIL	\$256,964,942	\$256,968,188	\$3,246	0.00%
Exempt	\$0	\$0	\$0	0.00%
Total	\$256,964,942	\$256,968,188	\$3,246	0.00%