

# Small Business Property Tax Subclass (SBTC)

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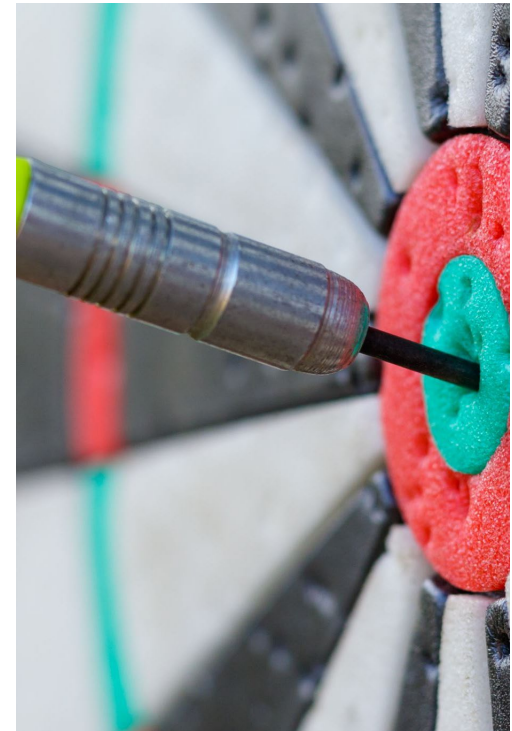
# Key Information

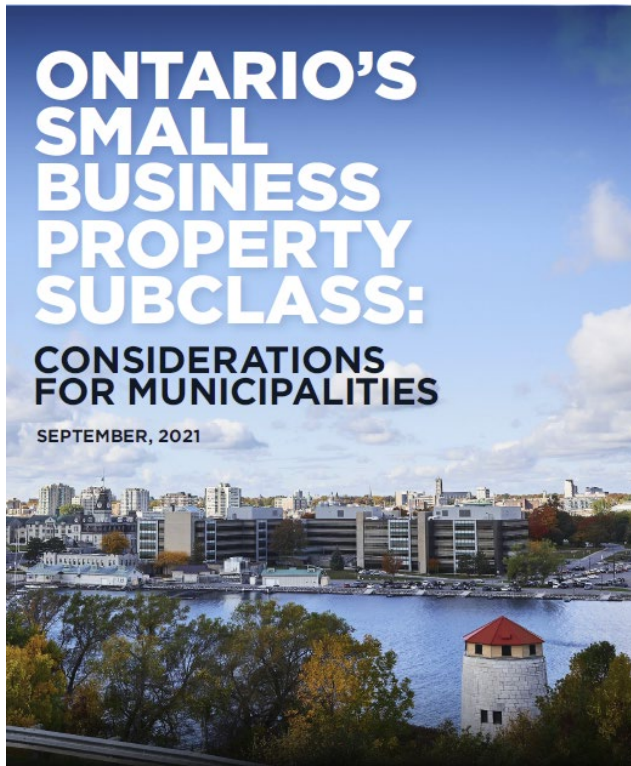
- ❑ No Provincial definition of a “small business”
- ❑ A number of ways to define a “small business”, none will capture all of those in greatest need
- ❑ Amount of benefit to the small business class property owner that can be provided may not be significant
- ❑ A benefit to the small business class will shift who pays for the savings to other taxpayers
- ❑ The impact on the many (the other taxpayers) may outweigh the value for the few (small business class property owners) given the shift and the administrative requirements
- ❑ There is no means to ensure that the property owner passes along the savings to a business that is a tenant

# 2021 – Taxation Policy Changes/Benefits

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- Council reduced discounts enjoyed by vacant landowners which shifted taxes away from occupied businesses
- Stability in assessment values provided by the Province with no phase-in increases or general reassessment, continues for 2022
- Business education tax rates reduced by the Province
- Multiple Covid-19 relief programs were provided by both the Federal and Provincial governments





# Small Business Property Tax Subclass (SBTC)

- Regulations received in May 2021
- Consultations took place;
  - Finance, Economic & Creative Development
  - MPAC
  - Municipal Associates – various
  - Ministry of Finance
  - Ontario BIA Association
  - Upper, lower and single tier municipalities (including Barrie)
  - Simcoe County Clerks & Treasurers
- Report released September 2021 “Ontario’s Small Business Property Subclass: Considerations for Municipalities”





# Considerations

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- Policy Drivers – existing and future.
- Target Businesses – what are the targets? Small business tenants may not receive any benefit.
- Defining Small Business – various models, locating and interpreting the data.
- Tax Impacts and Funding – detailed analysis required
- Consultation Process – community engagement, Provincial requirement
- Administrative Process – processes, authorities, regulated requirements and communication of registry
- By-law – extensive and detailed

# Analysis – City Wide - All Class Funding

Any commercial property with a current value assessment of \$500,000 or less, at the maximum relief of 35%

- Captures 33% of City businesses
- Provides approximately \$117 per month tax reduction
- Increases all other properties in the City including residential 0.34%

Realty Tax Class	CVA Tax		Change in Tax	
	2022 Status Quo	2022 Small Business Class	\$	%
<b>Taxable</b>				
Residential	\$182,178,798	\$182,792,179	\$613,382	0.34%
Farm	\$64,979	\$65,197	\$219	0.34%
Managed Forest	\$2,079	\$2,086	\$7	0.34%
Multi-Residential	\$9,269,374	\$9,300,583	\$31,209	0.34%
New Multi-Residential	\$1,714,776	\$1,720,550	\$5,774	0.34%
Commercial	\$50,822,432	\$50,993,531	\$171,099	0.34%
Commercial Threshold	\$2,440,102	\$1,591,406	-\$848,696	-34.78%
Industrial	\$7,254,237	\$7,278,657	\$24,419	0.34%
Industrial Threshold	\$303,454	\$304,476	\$1,022	0.34%
Pipeline	\$466,218	\$467,788	\$1,570	0.34%
<b>Sub-Total Taxable</b>	<b>\$254,516,449</b>	<b>\$254,516,452</b>	<b>\$4</b>	<b>0.00%</b>
<b>Payment In Lieu</b>				
Residential	\$43,852	\$44,000	\$148	0.34%
Commercial	\$1,318,834	\$1,323,274	\$4,440	0.34%
Landfill	\$38,217	\$38,346	\$129	0.34%
Industrial	\$132,304	\$132,750	\$445	0.34%
<b>Sub-Total PIL</b>	<b>\$1,533,208</b>	<b>\$1,538,370</b>	<b>\$5,162</b>	<b>0.34%</b>
<b>Total Taxable and PIL</b>	<b>\$256,049,657</b>	<b>\$256,054,822</b>	<b>\$5,165</b>	<b>0.00%</b>
Exempt	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$256,049,657</b>	<b>\$256,054,822</b>	<b>\$5,165</b>	<b>0.00%</b>

# Analysis – City Wide - Funded within Class

Any commercial property with a current value assessment of \$500,000 or less, at the maximum relief of 35%

- Captures 33% of City businesses
- Provides approximately \$114 per month tax reduction
- Increases all other commercial properties in the City 1.63%

Realty Tax Class	CVA Tax		Change in Tax	
	2022 Status Quo	2022 Small Business Class	\$	%
<b>Taxable</b>				
Residential	\$182,178,798	\$182,178,798	\$0	0.00%
Farm	\$64,979	\$64,979	\$0	0.00%
Managed Forest	\$2,079	\$2,079	\$0	0.00%
Multi-Residential	\$9,269,374	\$9,269,374	\$0	0.00%
New Multi-Residential	\$1,714,776	\$1,714,776	\$0	0.00%
Commercial	\$50,822,432	\$51,650,621	\$828,190	1.63%
Commercial Threshold	\$2,440,102	\$1,611,912	-\$828,190	-33.94%
Industrial	\$7,254,237	\$7,254,237	\$0	0.00%
Industrial Threshold	\$303,454	\$303,454	\$0	0.00%
Pipeline	\$466,218	\$466,218	\$0	0.00%
<b>Sub-Total Taxable</b>	<b>\$254,516,449</b>	<b>\$254,516,449</b>	<b>\$0</b>	<b>0.00%</b>
<b>Payment In Lieu</b>				
Residential	\$43,852	\$43,852	\$0	0.00%
Commercial	\$1,318,834	\$1,340,326	\$21,491	1.63%
Landfill	\$38,217	\$38,217	\$0	0.00%
Industrial	\$132,304	\$132,304	\$0	0.00%
<b>Sub-Total PIL</b>	<b>\$1,533,208</b>	<b>\$1,554,699</b>	<b>\$21,491</b>	<b>1.40%</b>
<b>Total Taxable and PIL</b>	<b>\$256,049,657</b>	<b>\$256,071,148</b>	<b>\$21,491</b>	<b>0.01%</b>
Exempt	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$256,049,657</b>	<b>\$256,071,148</b>	<b>\$21,491</b>	<b>0.01%</b>

# City Wide Program

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## Pros

- Captures all defined small businesses in the entire City
- No perception of bias for a specific area
- Provides some tax relief to property owners /landlords

## Cons

- Will place burden on other property taxes and may capture businesses that are successful and not in need of assistance
- Difficult to establish a City-wide criteria
- Future reassessments will add some properties and remove others, high maintenance
- No correlation with specific area needs
- No mechanism to ensure relief reaches tenants
- Costly to administer and will require additional resources



# Analysis – DBIA only - All Class Funding

DBIA properties, at the maximum relief of 35%

- Provides approximately \$233 per month tax reduction
- Increases all other properties in the City including residential 0.23%

Realty Tax Class	CVA Tax		Change in Tax	
	2022 Status Quo	2022 Small Business Class	\$	%
<b>Taxable</b>				
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%
<b>Sub-Total Taxable</b>	<b>\$255,855,870</b>	<b>\$255,855,816</b>	<b>-\$54</b>	<b>0.00%</b>
<b>Payment In Lieu</b>				
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%
<b>Sub-Total PIL</b>	<b>\$1,109,071</b>	<b>\$1,243,984</b>	<b>\$134,913</b>	<b>12.16%</b>
<b>Total Taxable and PIL</b>	<b>\$256,964,942</b>	<b>\$257,099,800</b>	<b>\$134,859</b>	<b>0.05%</b>
Exempt	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$256,964,942</b>	<b>\$257,099,800</b>	<b>\$134,859</b>	<b>0.05%</b>

# Analysis – DBIA only - Funded within Class

DBIA properties, at the maximum relief of 35%

- Provides approximately \$229 per month tax reduction
- Increases all other commercial properties in the City 1.12%

Realty Tax Class	CVA Tax		Change in Tax	
	2022 Status Quo	2022 Small Business Class	\$	%
<b>Taxable</b>				
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%
<b>Sub-Total Taxable</b>	<b>\$255,855,870</b>	<b>\$255,855,861</b>	<b>-\$9</b>	<b>0.00%</b>
<b>Payment In Lieu</b>				
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%
<b>Sub-Total PIL</b>	<b>\$1,109,071</b>	<b>\$1,120,556</b>	<b>\$11,484</b>	<b>1.04%</b>
<b>Total Taxable and PIL</b>	<b>\$256,964,942</b>	<b>\$256,976,417</b>	<b>\$11,476</b>	<b>0.00%</b>
Exempt	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$256,964,942</b>	<b>\$256,976,417</b>	<b>\$11,476</b>	<b>0.00%</b>

# DBIA Program

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## Pros

- Less administration than a City-wide program
- An already established 'area'
- Provides a higher amount of tax relief to these businesses than a City-wide program
- Tax relief is provided to owners/landlords

## Cons

- No correlation to actual need – a property is included because of location
- Commercial businesses across the City are paying for this targeted relief and could be in a greater need
- No mechanism to ensure tenant businesses receive any benefit

# General Comments

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- ❑ Any program will relieve some businesses and burden others which defeats the principal of property tax equity and the use of other tax policies that have worked towards that equity, such as completing capping/clawback and reducing discounts on vacant and excess lands.
- ❑ Future reassessments will change many of the attributes used to determine what a small business is, such as current value, square footage, property class, property use etc.
- ❑ The inability to ensure business that are tenants will see any relief, and in fact the program itself may put landlords and tenants at odds, resulting in appeals to the Landlord Tenant Tribunal.
- ❑ There appears to be a very real possibility that the cost of any program will outweigh the benefit to some businesses increasing the costs for all taxpayers.

# Questions??

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