

Report to Council

Report Title:	New Optional Small Business Property Subclass		
Prepared By:	Trish Serratore, Chief Financial Officer		
Department:	Finance		
Date:	May 25, 2021		
Report Number:	FIN2021-14	File Number:	C11FIN
Attachments:	Ministry of Finance Bulletin - New Optional Small Business Property Subclass		

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2021-14 – New Optional Small Business Property Subclass, prepared by Trish Serratore, Chief Financial Officer for information purposes.

Report:

Background:

The Province of Ontario has introduced new optional subclasses for small business property subclass. This program will provide flexibility to target property tax relief to eligible small businesses.

The following regulations were passed

- O. Reg. 282/98 under the *Assessment Act* is amended by O. Reg. 331/21 establishing the optional small business property subclass
- O. Reg. 73/03 under the *Municipal Act, 2001* is amended by O. Reg. 332/21 setting the municipal reduction factor for the optional small business property subclass
- Reg. 121/07 under the *City of Toronto Act, 2006* is amended by O. Reg. 333/21 setting the municipal reduction factor for the optional small business property subclass

Analysis:

The Municipality of Brockton is part of a two-tier municipality, the upper-tier, Bruce County must pass a by-law to adopt the subclass for commercial and industrial properties to provide tax relief up to 35%. The Municipalities also have the option to require in municipal by-law that landlords pass the tax reduction to tenants as a condition of eligibility in the subclass.

Eligibility:

The provincial government is requiring municipalities to define small business eligibility in a way that best meets local needs and priorities. Business properties exist in both the broad commercial and industrial property classes, and a small business subclass could be established in one or both classes. Bruce County would need to consider how to define a “small business” in a way that can be captured in the MPAC-managed assessment roll. Although property classification is normally performed by MPAC, in this case municipalities would have to identify the roll numbers to be included in the small business class based on their definition. Municipalities do not have the experience required to determine the eligibility of properties for a particular property class, this role has always been part of the MPAC responsibility.

Tax shifts onto other properties:

The annual budget determines the amount of taxes to be levied and a variety of tax policies determines the property tax rates for each property class. Lowering the tax rate for a small business subclass shifts the tax burden onto other classes of property including residential, multi-residential, and other commercial/industrial properties.

Implementation costs:

The Province is requiring a Program Administrator be appointed to administer the program, including approving properties for inclusion in the subclass, notifying property owners of decisions and reviewing requests for reconsideration related to a property’s eligibility for inclusion in the subclass. Although not explicitly clear in the bulletin, the administration of the new tax class would be the responsibility of the lower-tier municipality (Brockton) which would be a significant administrative burden on the municipality.

Municipalities are required to notify the Municipal Property Assessment Corporation (MPAC) of the properties included in the subclass, such that MPAC can classify the property within the small business property subclass for taxation purposes.

Municipalities will also be responsible for monitoring ongoing eligibility, updating the registry of eligible properties and notifying MPAC when properties become eligible or ineligible for the subclass as a result of a municipal determination. In addition, municipalities are required to appoint an Appellate Authority to hear any appeals of the Program Administrator’s eligibility decisions is also required.

The Province will consider matching municipal property tax reductions with *education property tax reductions* to provide further support for small businesses. To qualify:

- Municipalities would notify the Minister of Finance of the decision to adopt the subclass and submit a municipal by-law outlining the program requirements as well as estimated total municipal tax relief to small businesses.
- Municipalities would conduct consultations with business stakeholders regarding the small business property subclass.
- The Minister would review each submission and determine whether to match municipal reductions on a case-by-case basis

Implementation objectives

In considering whether to implement a new subclass for small business, short- and long-term objectives should be considered. While some negatively impacted small businesses need immediate help to assist with the impacts of the COVID-19 pandemic, creating a new property subclass takes time to implement. Further, the effects of creating a new property tax subclass will extend beyond the current financial crisis. Temporarily, there appears to be a mismatch between the needs of some businesses and the creation of this new subclass.

Furthermore, a rushed implementation could potentially create inequities that affect all businesses, residents, and municipalities. Properties excluded from the subclass could be the subject of property tax appeals. Although the sub-class would remain consistent for all municipalities within Bruce County, our neighbouring municipality in Grey County may have different criteria or may choose to not offer the optional subclass, which could create discrepancies and confusion to business owners or be a consideration when looking to locate a business. Information of this program is just being received and we are providing it for Council’s information. Staff will continue to work closely with Bruce County on the next steps and determining the best approach for the new Optional Small Business Property Subclass within Bruce County. Staff will continue to keep Council informed as receive additional information on the Option of a Small Business Property Subclass and the overall impact on the Municipality.

Sustainability Checklist:

What aspect of the Brockton Sustainable Strategic Plan does the content/recommendations in this report help advance?

- Do the recommendations help move the Municipality closer to its Vision? N/A
- Do the recommendations contribute to achieving Cultural Vibrancy? N/A
- Do the recommendations contribute to achieving Economic Prosperity? N/A
- Do the recommendations contribute to Environmental Integrity? N/A
- Do the recommendations contribute to the Social Equity? N/A

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective?
N/A

Currently there is no financial impact on the Optional Small Business Property Subclass, however, it could end up increasing tax write-offs in 2021 for upper and lower-tier. There are also substantial financial and staffing considerations that will need to be considered and reviewed if the decision is made to proceed with the new tax class.

Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

Reviewed By:

A handwritten signature in black ink, appearing to read "Sonya Watson", with a long, sweeping horizontal line extending to the right.

Sonya Watson, Chief Administrative Officer