tabia Toronto Association of Business Improvement Areas

Steeles Ave. W. looking east at Pine Valley

What's the difference between the left and right side of the road?

About 32% in education taxes

TABIA faces off with the Liberal Caucus

Lionel Miskin and John Kiru met with the Toronto Caucus of the Ontario Liberal Party on June 13, 2006 to present TABIA's position regarding the Provincial Education Tax. The members of the caucus seemed somewhat surprised by the forcefulness of TABIA's position, however it was felt that the majority were in consensus about the need to amend the Education Tax. The following is an excerpt from their presentation.

The implementation of Current Value Assessment (CVA) caused huge increases in the assessments of many of the properties in which our members carry on their businesses. These assessments do not necessarily bear any relation to the current use of the property or to its current density. A take-out restaurant or a coffee shop can be assessed with a value based on more lucrative uses, such as a high-rise building. In Toronto the commercial tax rate has been four to five times the residential rate. When you apply that commercial rate to the CVA assessments, the tax levels on small businesses often reach stratospheric proportions. Things looked so dire when CVA was introduced that merchants across the City were in panic mode. They actually took to the streets, marching with placards. The then Conservative government re-acted by decreeing three things:

1) capping - that tax on any commercial property couldn't increase by more than 2.5% of its prior year's tax;

2) that to cover the tax loss to the City resulting from the caps, those entitled to reductions would be clawed back and;

3) that the municipality could not increase tax rates on commercial property until the differential between the residential rate and the commercial rate narrowed to the Provincial average.

That stemmed the panic on all sides, although those entitled to reductions felt that they had been swoggled; but it bought time for both the municipal and provincial governments.

Two things followed. After a couple of years of 2.5% increases, with the City all the while pressuring the Province for more, the Province yielded. It granted authority to the City to double the CVA increases from 2.5% to 5%, but it kept the tax rate frozen. The City didn't hesitate in raising the CVA increases to 5%.

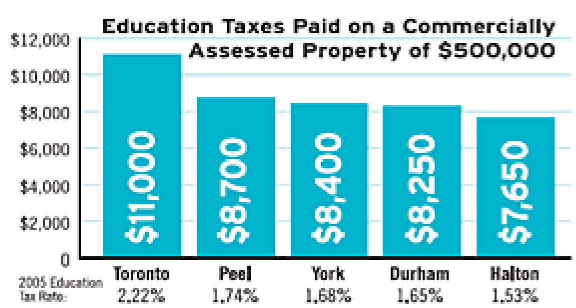
In the meantime, those whose assessments had decreased continued to be clawed back to finance the loss resulting from the caps. Now these people were locked in at whatever level they happened to be, and in some cases that level was unconscionably high and totally uneconomic. For these people there were no significant reductions, and many of them were left holding property which was no longer commercially viable.

Let me show you what this means on the ground in real terms. An antique store in the Junction, of about 1,500 sf, in 2004 was levied $14,000. That store is now closed. A one storey hair dressing salon on Lakeshore Blvd. W., under 2,000 sf, was levied in 2004 $11,000. That is money which must be paid whether you make profit or not. That business is closed.

On College Street, a café occupying 2 adjoining stores, in 2003 paid $8,000, but at full CVA level, it would be paying $22,000. That business is still functioning today but how will it fare as it gets closer and closer to that full CVA levy? A pottery store on Yonge Street, north of Lawrence and south of 401, about 1,000 sf, paid 2004 tax of $4,200, but its full CVA taxes would have been over $13,000. How will that business cope with that tax levy? These are just examples, and not necessarily the worst examples. Over 13,000 properties are affected by these tax policies.

The City, not satisfied with the 5% annual increases, and not satisfied with the claw-backs from those entitled to reductions, and not satisfied with withdrawal of services from commercial property e.g. garbage pick-up, clamored for more. The freeze on the commercial tax rate was, for all practical purposes, repealed. The now Liberal Government allowed the City to increase the commercial tax rate by half the increase on the residential rate. In 2004 & 2005 that translated into a 1.5% increase on commercial property in addition to all of the foregoing.

There's another provision in Liberal legislation which says the City can increase the CVA taxes by five percent of the CVA total. The intent is to accelerate CVA and to get all commercial property to its full CVA level much faster. The City now proposes to do just that. And we think that this is the kiss of death for many small retailers in Toronto unless we get some other amelioration.



And of course the ultimate insult to our membership is the Business Education Tax (BET) which is strictly a provincial property tax. The levy on Toronto business is far higher than that in municipalities surrounding Toronto. For example, the 2005 rate in Toronto on commercial property was 2.22%, as compared to 1.74% in Peel, 1.68% in York, 1.65% in Durham and 1.53% in Halton. The result is the extraction of approximately 120 million dollars of revenue from Toronto business for use elsewhere. For a small Toronto retailer, the differential can easily run into thousands of dollars every year. This policy detracts not a little from the credibility of a party which almost daily complains about the federal extraction of money from Ontario to use elsewhere in the country.

What can be done? What should be done?

Firstly there can be no justification for imposing different tax rates based on geographical location. Would you charge one income tax rate in Mississauga and a different one in Toronto? Who could justify that? Would you impose an 8% sales tax in Durham and a 10% rate in Toronto? Why is the BET any different? So level that playing field. Bring Toronto down to the provincial average or at least to the GTA average, and have all those municipalities pay the same rate.

Secondly, upload those costs which should be borne by all of society. It makes no sense to have property bear the cost of welfare, public housing, and, dare I say it, education. Societal problems should be shared by all taxpayers equally, not by some relatively small segment.

Thirdly, detach assessment from the marketplace. The Conservative Govt introduced a tax system whereby the tax you pay is determined by the real estate market. The real estate market can be very volatile. It is entirely arguable that in recent years the real estate market has been considerably more volatile than even the stock market. Can you envisage an income tax system where your tax level would be determined by the stock market? The current property tax system is just as ridiculous, and it forcing people out of their homes, out of their businesses and out of their cottages, sometimes properties which have been in the same family for generations.

Fourthly, rein in the City. Giving the City new revenue raising powers will only result in more of the same. Lengthening councillors' terms will reduce accountability even more.

Why, you might ask, should you bail out the City? What's in it for you? Ultimately whatever happens at the City, good or bad, bounces back to the provincial government. Everyone knows that the City is a creature of the Province and can only do what the Province authorizes or permits. If you create a Frankenstein, it will ultimately devour you as it destroys itself.

John Kenneth Galbraith once said "Politics is not the art of the possible. It consists in choosing between the disastrous and the unpalatable." Ladies and Gentleman, it is now time to choose the unpalatable.

For further information, or to share suggestions with the TABIA Tax Committee please contact:

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