

## **TABIA TAX COMMITTEE REPORT** *(from TABIA's Resource Guide for BIAs and Small Businesses, 2007)*

### **Toronto's Tax Plan:**

The past year has seen significant developments in the property tax field. First, the City began to recognize the accuracy of our prediction that the high commercial property tax would ultimately cause erosion of its tax base. Realizing that commercial development was stalled, and that commercial property was being transformed to residential development at an accelerating rate, the city sought a plan to stop, if not reverse, the process. Lacking the political courage to deal with the problem head-on, the City conjured up a novel approach. It would provide tax relief to commercial property owners by *increasing* taxes. We know; it is hard to believe. In effect, the proposal would reduce the ratio between the commercial and residential rates from its present figure of 4 or 4.5 to 1, to 2.5 to 1. But rather than reducing the burden on the commercial sector, the proposal calls for increases in both residential and commercial rates, with the commercial increases limited to one-third of the residential increases. The scheme proposes a fifteen year time frame for achieving the desired ratio, with a ten year time frame for what is called the "street retail" sector, a term which has yet to be defined. It does not explain how further tax increases will stem the outflow of commerce.

### **Street Retail:**

The City's Finance department said last spring that it is working on a precise definition of "street retail" and intended to implement the definition for the 2007 taxation year. To date, no definition has been announced. TABIA has previously made submissions to the City on a proposed definition and indicated that it would support a definition of the class as "all commercial property with rentable space not exceeding 15,000 square feet". TABIA would also support a definition with a greater rentable area, up to, but not exceeding the threshold for the shopping center class or, alternatively, a class consisting exclusively of BIA properties or a class based on retail area if the class were to be extended to include all BIA properties.

### **Acceleration of Full CVA:**

From the perspective of our small business membership, the immediate future gets worse. In addition to rate increases, the City proposes to accelerate the move to full taxation under the Current Value Assessment regime (CVA). When CVA was implemented in 1998, increases resulting solely from assessment changes were limited to 2.5% of the prior year's taxes. This cap was subsequently increased to five percent of the prior year's taxes. The City will now change the cap to five percent of a property's full CVA level. Accordingly, if a capped property would pay \$30,000 at its full CVA tax level, its tax bill would increase by \$1,500 per year until it reached that target. Those increases would be in addition to the rate increases. Taken together, the rate increases and the cap increases would have many businesses paying annual tax raises far in excess of the 6.5% raises which have been imposed on them in 2004 and 2005. The plan and TABIA's response to it are set out more fully in TABIA's winter 2006 newsletter.

**Provincial Budget:**

Over half of the property tax bill is imposed by the provincial government to fund education. But a huge amount of the provincial levy is used to subsidize education in other parts of Ontario. Particularly troublesome is the discrepancy between the rate imposed on Toronto business and the corresponding rate in adjoining municipalities. 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.

The provincial budget brought down in March, with great fanfare as to how it was helping Toronto, changed nothing in principle. The business education tax (BET), which is highly discriminatory against Toronto, remains unaddressed. It appears to be on no one's radar screen, and the Province is happy to keep it that way. We raised the issue in a press release on budget night but it attracted little attention. The full press release is posted on TABIA'S website.

**Toronto Liberal Caucus:**

Disturbed by the apparent lack of interest by Toronto's MPPs in the property tax issue, we obtained permission to make a submission to the Toronto Liberal Caucus at Queen's Park. This opportunity is a rare privilege, and was granted to us only because of the efforts of the Honourable Laurel Broten, Minister of the Environment, who clearly is very interested and concerned. We were somewhat disappointed to find that not many of her colleagues are as keen as Ms. Broten, when so few of them turned up to hear our presentation. Nevertheless, in the relatively short time allotted to us, in very strong terms we laid out, orally and with photographic evidence, the damage the BET was doing to the City. We explained to the Caucus that our membership felt Toronto MPPs had let them down on the tax issue. Some of the attendees became rather indignant that we were so critical (It felt like "shoot the messenger" time), but others did appreciate the fact that we were straightforward and blunt. Strangely, Brad Duguid, MPP, assistant to the Minister of Municipal Affairs, is dead-set against any relief for Toronto business. We had thought that as a former Toronto City Councillor, he would be much more sympathetic to the plight of Toronto business. More details on our presentation can be found in TABIA's most recent newsletter.

**New Radar:**

While both the Liberal party and the Conservatives (who imposed this mess upon us in the first place) seem content to sweep the tax issues under the rug. The NDP seems to be in the process of lifting the rug. An NDP Task Force has conducted a study of the property tax system, and has issued an excellent report. The report makes six recommendations for reforming the system and, if implemented, would solve many, if not all, of the hardships created by the present system.

Newly elected MPP Cheri DiNovo (Parkdale – High Park) is the Small Business Critic for the NDP in the Legislature. She has taken up the tax issues with fervor, and appears to have the support of her party to bring it to the forefront of the political agenda. Ms. DiNovo has tabled a resolution in the Legislature calling for two things: an equalization of the BET across the entire GTA for small business; and uploading back to the Province the cost of provincially mandated social programs, which now have to be paid for by municipalities. While a resolution does not change the law in any way, and in any event might be squelched by the larger parties, it would serve to highlight the hardship that the

CVA has wrought, and might force the government to give some serious thought to reforming the present system. In addition, at the instance of MPP Michael Prue (Beaches – East York), the NDP convention in January will discuss, and hopefully adopt as policy, the disconnecting of the assessment process from the real estate market i.e. ending CVA.

**What Else Can Be Done?** TABIA is constantly pressing both the provincial and municipal governments to provide relief to our membership. But the efforts of individual BIA's and BIA members are also vital. Contact your local Councillor. Insist that he or she come to Board meetings and to your AGM. Insist that he or she lay out their position on the tax issue. Repeat the process with your local MPP. Write Mayor Miller and outline the problems you are having with CVA. Explain what it will mean to your business if full CVA tax level is accelerated. Repeat the process with the Minister of Finance, The Honourable Greg Sorbara, and with the Minister of Municipal Affairs, The Honourable John Gerretsen. Send copies of your letters to your local MPP and to your local Councillor. Follow up each communication on a monthly basis, by telephone and by letter, asking the addressee what progress has been made, and what steps are being taken. Cooperate with TABIA in any campaign for which TABIA might enlist the support of BIA's and BIA members. We have a membership of over 25,000. Together we can make a difference! And if you need help, we are available. Call John Kiru at (416) 889-4111 or Lionel Miskin at (416) 222-4582.