

Provincial Land Tax Reform

*A First Step toward
a Fair and Modern
Provincial Land
Tax System*

April 2015



Ministry of Finance

PROVINCIAL LAND TAX REFORM

The [2015 Ontario Budget](#) announced an important first step toward creating a fair and modern Provincial Land Tax (PLT) system.

PLT Review

The Provincial Land Tax is the property tax paid in unincorporated areas of northern Ontario outside municipal boundaries.

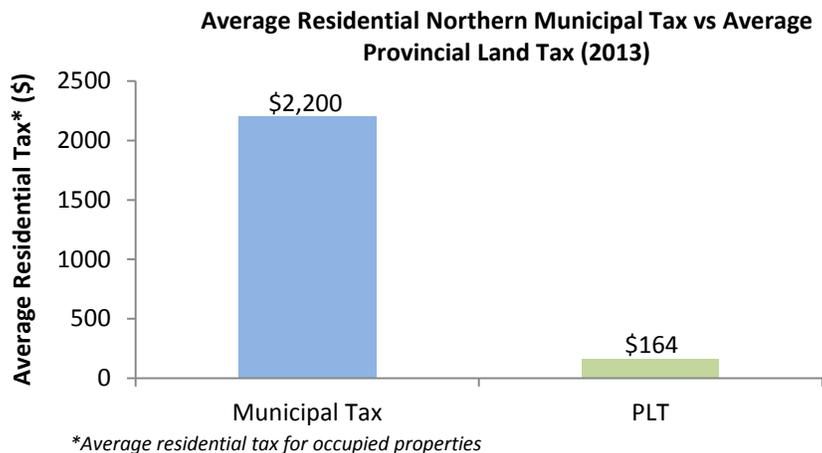
The government announced a review of the PLT in 2013 in response to concerns raised by northern municipalities about significant inequities between their property taxes and PLT. The Province committed to addressing the concerns of northerners in a fair and balanced way.

The review was supported by consultations, including 21 sessions with unincorporated area representatives held across the North, and discussions with northern municipalities.

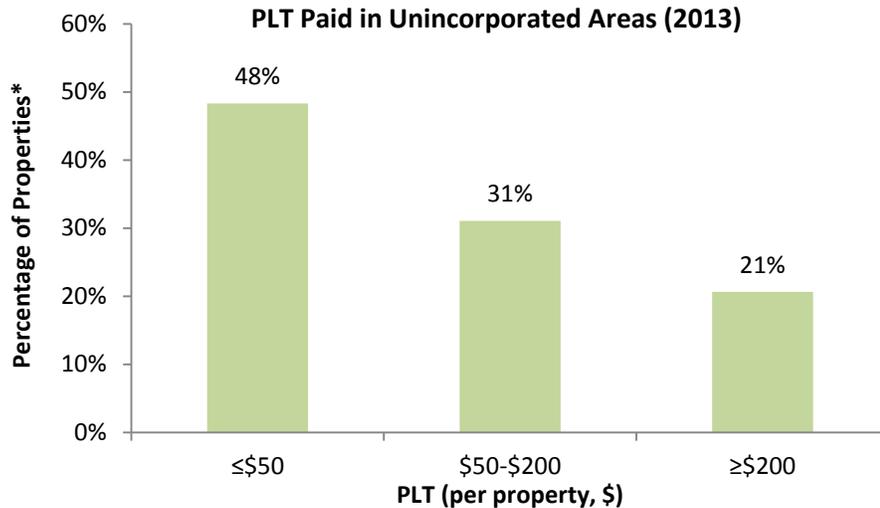
The consultation findings formed the basis of a paper, [Provincial Land Tax Review: A Summary of Stakeholder Consultations](#). The Ministry released the paper in December 2014 and requested feedback from northern stakeholders. To date, the ministry has received over 150 submissions that have been considered in this review.

Inequities among Northern Property Taxpayers

PLT rates have not been updated to increase revenues since the 1950s. Over time, inequities have developed between PLT and northern municipal property taxes. The average residential PLT is \$164, compared to the average residential northern municipal tax of \$2,200.



Almost half of all property owners in unincorporated areas pay PLT of less than \$50 per year, and approximately 80 per cent of property owners pay less than \$200 per year.



*Includes all business and residential properties in unincorporated areas that pay PLT.

During the consultations, concerns were also raised that businesses have much lower property tax rates in unincorporated areas than in municipalities. For example, in unincorporated areas, the PLT rate for pipelines is only 11 per cent of the average northern municipal property tax rate for pipelines.

PLT and Average Northern Municipal Tax Rates for Pipelines and Railways (2013)		
Property	PLT	Northern Municipal Tax
Pipeline (per \$100,000 of assessed value)	\$190	\$1,676
Railway (per 100 acres)*	\$9	\$4,405

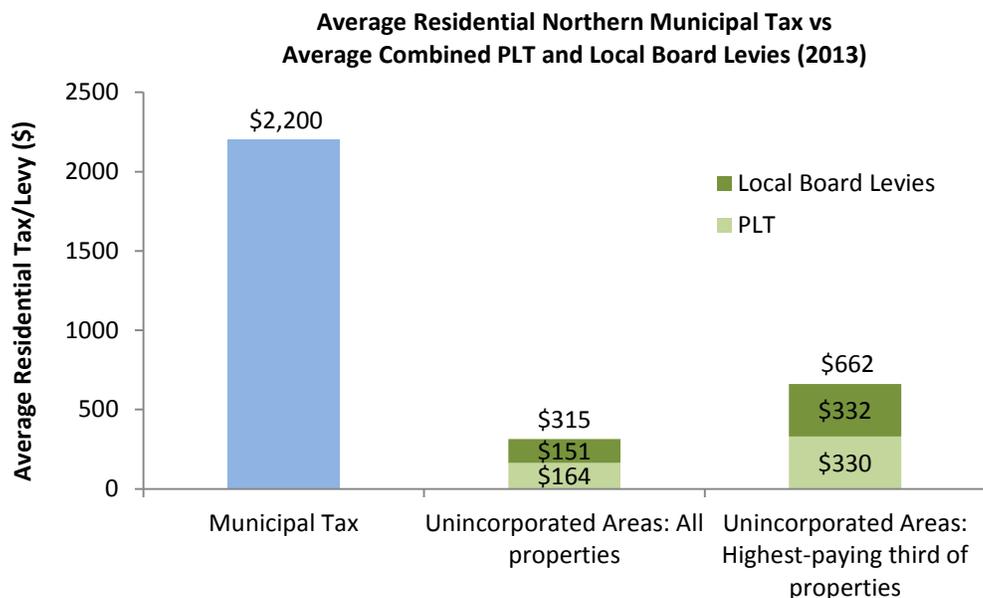
* Property taxes for Railway Rights-of-Way (ROW) are levied on a per-acre basis.

In addition to inequities between unincorporated areas and municipalities, there are inequities among property owners in unincorporated areas. The PLT rate for a residential property inside a schoolboard area is six times higher than for a similarly assessed property outside a schoolboard area.

Understanding Tax Differences in the North

Part of the difference between PLT and northern municipal tax can be explained by the fact that unincorporated areas have fewer services than municipalities. Many unincorporated area residents also pay levies to local roads and services boards for services in their communities.

However, even when local board levies are taken into account, the combined taxes and levies for residential properties in unincorporated areas are still significantly lower than average northern residential municipal tax. This disparity exists even for those unincorporated area residents who pay the highest taxes and levies (as shown in the chart below).

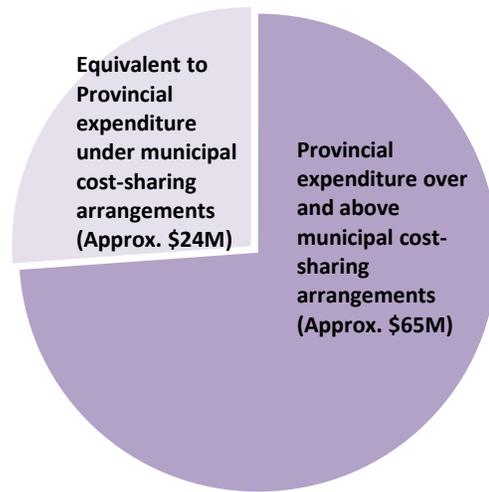


Differences in How Services are Funded in the North

Lower service levels and local board levies paid by unincorporated area residents only partially explain the discrepancy between property taxes in unincorporated areas and northern municipalities. The balance of the difference is largely due to inequities in how important services are paid for in the North.

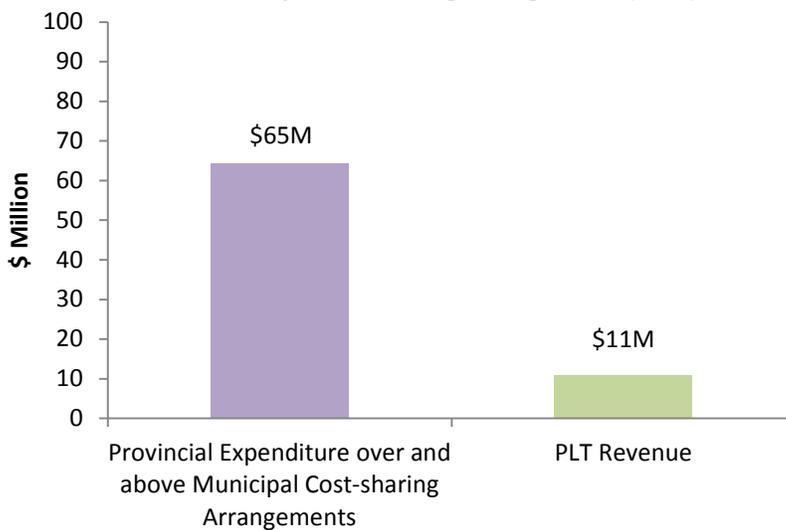
The Province pays the entire cost of providing services including policing, land ambulance and public health in unincorporated areas, while northern municipalities fully fund services such as policing, or share the costs of services, such as public health and land ambulance, with the Province. The Province contributes almost \$90 million to fund these services in unincorporated areas. This is approximately \$65 million more than the amount the Province would provide if these services were cost-shared in the same way that they are with municipalities.

Overall Provincial Expenditure on Services in Unincorporated Areas, \$89 M (2013)



PLT revenue is approximately \$11 million annually. This means that there is a gap of more than \$50 million between PLT revenue and the \$65 million in additional funding the Province contributes in unincorporated areas. The gap between PLT revenue and provincial funding is a major factor in explaining the difference between average northern municipal tax and average PLT.

PLT Revenue vs Provincial Expenditure over and above Municipal Cost-sharing Arrangements (2013)



The government recognizes that northern municipalities also receive support from the Province and will take this into account as PLT reform moves forward.

Approach to PLT Reform

The inequities identified through the review underscore the need to reform the PLT system. There was broad agreement that all taxpayers should pay their fair share, but there was also recognition that PLT reform must proceed at a manageable pace. A staged approach to reform will focus on engaging northern Ontarians in ongoing discussions.

A First Step toward a More Equitable and Modern Tax System

The proposals outlined in the *2015 Ontario Budget* would reduce PLT inequities beginning in 2015, and mark an important first step in PLT reform. PLT changes would be phased in over two years, with a smaller portion in 2015.

Residential PLT Changes

For residential taxpayers, the PLT rate would be adjusted by \$10 per \$100,000 of the assessed value of their properties in 2015, and an additional \$40 per \$100,000 of assessed value in 2016. Managed forest and farm properties will continue to be taxed at 25 per cent of the residential PLT rate.

Residential Classes	Changes to PLT Rates (per \$100,000 of Assessed Value)	
	2015	2016
Residential: Schoolboard Areas	\$10	\$40
Residential: Non Schoolboard Areas	\$10	\$40
Farm / Managed Forest: Schoolboard Areas	\$2.50	\$10
Farm / Managed Forest: Non Schoolboard Areas	\$2.50	\$10

The government will ensure that provisions for property tax relief are in place to make changes more manageable for low-income seniors and low-income residents with disabilities.

Business PLT Changes

Business and residential taxpayers would each contribute an equal share of the projected PLT revenue increase. Under this approach, the PLT rate increase for business properties would be in line with the percentage change for residential properties outside schoolboard areas.

Business Class	Changes to PLT Rates	
	2015	2016
Commercial and Industrial (per \$100,000 of assessed value)	\$15	\$65
Pipeline (per \$100,000 of assessed value)	\$55	\$235
Railway (per acre)	\$0.03	\$0.12
Electrical Corridor (per acre)	\$0.60	\$2.40

Minimum Annual PLT

The minimum PLT would be set at \$50 annually per property beginning in 2016 (up from \$6) to ensure that all property owners make a basic contribution toward the cost of important services in unincorporated areas.

Support for Local Roads and Services Boards

Provincial Land Tax reform is not just about addressing tax inequities. The Province values the views of unincorporated area residents on how to better support the work of local boards.

In response to suggestions made through the consultations, the Province is proposing to introduce measures that would support better information sharing with local boards and will continue to seek input on additional system improvements.

Continuing to Work with Northern Ontarians on PLT Reform

The proposed measures announced in the *2015 Ontario Budget* would be fully implemented by 2016, but the PLT review will not end with these changes. The Province will continue discussions on ways to further address tax inequities in the North and support the work of local roads and services boards.

To initiate the next phase of discussions, the government will launch a new series of consultations with northern Ontarians. The Province is committed to continuing along the path of reform and to ensuring that the PLT is transformed into a fair and modern property tax system.