

## **REASSESSMENT FOR THE 2009 – 2012 TAXATION YEARS**

### **COMMERCIAL, INDUSTRIAL & MULTI-RESIDENTIAL ASSESSMENT CLASSES**

#### **Four-year Reassessment Cycle**

All properties in Ontario were reassessed as of January 1, 2005 for the 2006 taxation year. Reassessments were to take place annually after that point. In 2006 when the Ontario Ombudsman reviewed the Municipal Property Assessment Corporation (MPAC), he made a number of recommendations. To give MPAC time to review and implement the recommendations, the Province declared a two-year moratorium or freeze on reassessments for the 2007 and 2008 property tax calculations.

This freeze is now over and once again all properties in the Province are being reassessed. The effective date for these new assessed values is January 1, 2008. These new assessment values will be used as a basis for the property tax calculation for the 2009 to 2012 taxation years inclusive.

#### **Mandatory Phase-in of Assessment**

In order to cushion the impact of the reassessment and allow taxpayers to budget, these new values are being phased-in equally over a four-year period at a rate of 25% per year.

The phased-in assessment program applies to all property types and only to properties that experience an increase in assessment. The increase considered is any positive change in value from the “starting assessment” being the value as of January 1, 2005 and the “destination assessment” being the value as of January 1, 2008. All increases are subject to the phase-in regardless of the amount. By the 2012 taxation year all properties are paying taxes on their full “destination assessment” being the January 1, 2008 value.

For example, a residential property where the January 1, 2005 value was \$200,000 and the January 1, 2008 value is increasing to \$240,000 experiences an overall value increase of \$40,000 or 20%. In past reassessments the \$40,000 CVA increase would have been realized in one year. With the new phase-in program, the final “destination” value of \$240,000 is not attained until year four. Chart 1 shows the affect of this sample assessment phase-in.

### Chart 1

Sample Phase-in for a Property where the Assessment is increasing from \$200,000 to \$240,000.

Taxation Year	2008	2009	2010	2011	2012	2013
Valuation Date	Jan 1, 2005	Jan 1, 2008	Jan 1, 2008	Jan 1, 2008	Jan 1, 2008	Jan 1, 2012
CVA	\$200,000	\$240,000	\$240,000	\$240,000	\$240,000	--
Phase-In	--	25%	50%	75%	100%	--
CVA for taxation	\$200,000	\$210,000	\$220,000	\$230,000	\$240,000	--

Properties that experience a decrease in value between the two-reassessment years receive their decrease immediately. These values are not subject to a phase-in.

Properties in the Commercial, Industrial and Multi-Residential tax classes were not part of the original assessment phase-in program announced in the 2007 Ontario budget, however as part of the 2008 Ontario budget they became included in the program. These properties are also subject to the capping/clawback legislation.

### Phase-in and Business Class Tax Capping

The 2008 Ontario Budget announced that the assessment phase-in was to be extended to all property classes including commercial, industrial and multi-residential. This measure was introduced to ensure that business taxpayers would benefit from the same increased stability and predictability that the phase-in of assessments is to provide to homeowners. It is also intended to maintain equity and consistency between different classes of properties.

The phasing-in of reassessment increases over four years will reduce the overall cost of the capping program and ease the burden on properties paying higher taxes due to the claw-back.

In addition, beginning in 2009 municipalities have the option to remove properties from the capping and clawback system once they have reached their Current Value Assessment (CVA) level taxes. Historically in a reassessment year, properties that may have already been paying CVA tax could experience a large enough change in assessment to throw them back into the capping and clawback program. This feature will be further examined and discussed in the 2009 Tax Policy Report that will be presented to a Committee of the Whole meeting in early 2009.

## **New Construction Property Tax Classes and Business Education Tax (BET) Rates**

In December 2007 the Deputy Minister of Finance announced the creation of two New Construction property classes to facilitate a lower education tax rate for new construction in the Commercial and Industrial property tax classes. This new class applies to properties that have taken building permits out after March 22, 2007. For renovations to qualify for a New Construction Class, the increase in assessment of the property must be more than 50% of its existing CVA. For 2008, the education tax rate to be applied to these properties is 1.60% compared to the Commercial Education rate of 1.95% and the Industrial education rate of 2.86%.

Existing Commercial and Industrial properties will also be working towards this 1.60%. The 1.60% is a Provincial ceiling tax rate that is to be phased-in over a seven-year period. Existing Commercial properties in the City of Peterborough will be at the Provincial Ceiling tax rate by 2012 and Industrial properties will be there in 2009. The Province's direct transfers to school boards will be increased to ensure that the BET cuts will not affect overall education funding.

### **Assessment Notices**

On November 17, 2008 MPAC will be sending every property owner in the City an assessment notice with the value of their property as at January 1, 2008, which will be used for taxation purposes for the next four years starting in 2009. As Peterborough has a very active real estate market, it is anticipated that most of the properties will see a significant difference in the CVA as at January 1, 2008 versus the CVA as a January 1, 2005. Homeowners should not be surprised to see their CVA increase over the past three years as assessments are based on current property values. To provide stability and predictability to taxpayers, the government is proposing that subsequent reassessments be conducted every four years, coupled with a mandatory phase-in program.

The 2008 final assessment roll for 2009 taxation purposes will be returned to the City on December 9, 2008.

### **Property Taxes**

This overall increase in assessment does not mean additional revenue for the City of Peterborough as the amount to be raised from taxation is determined by the budget approved by Council, which is a separate exercise. Nor does an increase in value, or assessment, of a resident's property necessarily mean their taxes will increase. What may trigger a tax increase – or decrease – is the difference between the average property value increase for the entire City of

Peterborough, and the percentage difference in the CVA change of a specific property. In other words, property owners whose assessments go up more than the average for Peterborough properties will see a tax increase, and those whose assessments increase less than the average will see a decrease. The City of Peterborough receives no direct benefit from increases in assessment, as a re-assessment generates no new revenue for the City. Real growth is the only way the City receives benefit.

The City has set up a tax calculator to estimate the impact of the reassessment on your property taxes. The estimate is based on your new assessment value and the budget for the 2008 taxation year. ***Please note: this is an estimate only and does not include any budgetary increases that may be required during the 2009-2012 taxation years. The calculator also only applies to your tax on assessment and does not include any capping/clawback charges or other additional charges or credits that may be applicable to your account.***

You may access the [calculator online here](#).

### **Enhancements to the Assessment Appeal System**

As part of the 2006 Ombudsman's report, the entire assessment appeal system came under question. To address these concerns, MPAC has announced changes effective the 2009 taxation year. There are three key changes:

- a) The Request for Reconsideration (RFR) process is a mandatory first step for all residential, farm and managed forest properties. This process is optional for the business classes as their appeals are much more complex and very rarely settle at the RFR stage. Business Class owners can proceed directly to an Assessment Review Board (ARB ) Appeal.
- b) The RFR and appeal deadlines are sequential to eliminate the need for filing an appeal just in case the RFR is not successful.
- c) The onus of proof on assessment appeals is that MPAC must prove the accuracy of the assessments that are appealed to the ARB.

The deadline for the RFR appeal is March 31 of the taxation year. For properties that receive Supplementary, Omitted or Amended Notices during the year, the RFR appeal deadline is within 90 days of the mailing of the Notice. When an RFR is filed, MPAC will provide additional information about the property including a Property Profile Report. In addition, property owners will be able to access information on 24 comparable properties free of charge and can ask MPAC to produce its own six comparables.

MPAC will mail the results of the RFR review to the taxpayer by September 30 of the taxation year, or by November 30, if all parties agree to an extension. For appeals on Supplementary, Omitted or Amended Notices, MPAC will mail the review results within 180 days of the request.

Property owners who are not satisfied with the decision at the RFR stage may appeal to the ARB. The deadline to file an appeal to the ARB is 90 days after the mailing of MPAC's RFR decision. For business property owners who do not submit an RFR, the deadline to initiate an appeal to the ARB is March 31 of the taxation year.

Line to MPAC's website: <http://www.mpac.ca>

Link to the ARB website: <http://www.arb.gov.on.ca/english/home.html>