

PROPERTY TAX '101'

Background on Property Tax

- Tories introduced Current Value Assessment (CVA) province-wide in 1998.
- CVA assesses properties on market value and thus property taxes are distributed equally among property owners.
- There are three major actors in the system:
 - The Province is responsible for property tax and assessment policy.
 - Municipalities are responsible for establishing local tax rates and for administering the billing and collection system.
 - The Municipal Property Tax Corporation (MPAC), a not-for-profit corporation, is responsible for assessing the value of properties according to guidelines set out by the province.

Problems with the Current System

- In recent years, taxpayers have complained about the **annual** reassessment of properties causing sudden and unmanageable assessment changes (especially in areas with a strong real estate market).
- Taxpayers have also complained about the confusion surrounding the appeal process.

What are we doing in this Budget to fix the system?

- We are introducing a plan that provides stability and predictability to taxpayers while maintaining equity.
- We are introducing;
 - a four-year assessment cycle
 - a mandatory phase-in of assessment increases over 4 years
 - improvements to the appeal system
- The next reassessment is scheduled for 2009 with property assessments being updated with a valuation date of January 1, 2008. The January 1 valuation date will apply for 2009, 2010, 2011, and 2012. The cycle would continue every four years.
- Any increases will be phased in over four years. For example, a 20 per cent assessment increase would be phased in gradually in increments of 5 per cent a year.
- Assessment decreases would apply immediately. This avoids the possibility of a homeowner being taxed on an assessment greater than the actual value of their property.
- The 4-year cycle will apply to business properties but we will consult on whether the phase-in should apply (commercial properties are already protected from large increases).

Why the PC proposal is wrong

- The Tories are proposing a 5 per cent annual cap.
- This proposal creates inequities and favours the wealthy. It means owners of properties with the largest value increases would pay less tax, while those with more modest growth would pay higher taxes (e.g., shifting the tax burden from Rosedale to Rexdale).

Why the NDP proposal is wrong?

- The NDP is proposing to freeze the value of a property until it is sold.
- This proposal would create inequities and distortions in the tax base. Two identical homes on the same street could pay vastly different amounts in property tax.
- A freeze would penalize young families buying starter homes, empty-nesters who are downsizing, and anyone who moves to a new location in response to their life circumstances.