

# Update

## Property Tax

October 2008

### Changes to Ontario's Property Assessment System

### Changes to the Appeal System

### Tax Capping Changes

### Business Education Tax Reduction and New Construction

### Property Assessment Notice 2008 – For Taxation In 2009 - 2012

Property assessment notices are currently being mailed out to owners. The notices, entitled "Property Assessment Notice 2008", will be used to calculate your taxes for the 2009 through to 2012 tax years.

The property assessment notice sets out the assessed value for your property based upon a January 1, 2008 market value. Your notice will show you how much your assessment has changed since the last re-assessment for taxation years 2006 – 2008, where the assessment value base date was January 1, 2005.

If your assessment is INCREASING since the last re-assessment, that increase will be phased in over FOUR (4) years and the notice will show the phase in of the increase. If your property is classified in more than one property class, the phase-in will be shown for each property class.

By the year 2012, you will be assessed at your FULL Current Value Assessment.

If your assessment is DECREASING since the last re-assessment, you will receive the benefit of the decrease in assessment immediately, without phase-in.

This four-year assessment cycle is to be repeated each four years, with the market value base year date being January 1st of the year prior to the first year of the cycle.

When you appeal your assessment, you are appealing the FULL Current Value Assessment and, if successful in reducing the assessment, adjustments would be made to the four-year phase-in.

As market values have increased between 2005 and 2008, one would expect a property's market value assessment to increase. On the assumption that realty tax revenue will stay flat in any given year, you would only see an increase in taxes if your assessment has increased more than the average in your property tax class (Residential, Commercial, Industrial etc.).

### Changes to the Appeal System

Beginning in 2009, if you wish to challenge your **RESIDENTIAL** assessment, you **MUST** first file a Request for Reconsideration with the Municipal Property Assessment Corporation ("MPAC") by the deadline date of March 31st. If after MPAC has made its determination of the Request, you wish to appeal the assessment, the deadline will be 90 days after MPAC has mailed its determination. More information on the Request for Reconsideration and Appeal processes can be found on MPAC's web site: [www.mpac.ca](http://www.mpac.ca). There is no requirement to first file a Request for Reconsideration for Commercial, Industrial or Multi-Residential properties, although you may do so prior to filing your appeal. **The deadline date for assessment appeals is March 31st.**

At a hearing, the BURDEN OF PROOF is on MPAC to show that the assessment value is correct; however, you will still be asked to provide evidence as to why you think your assessment is too high.

Prior to 1998, the test on assessment appeals was whether the property was assessed equitably with others. Since

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1998, the test has been whether the property has been valued at its 'current value' and while the Assessment Review Board was to have reference to the value of comparable properties, equity was not the driving consideration and, in most cases, was deemed to be secondary to value. For 2009 and subsequent taxation years, equity has been brought back to the appeal system. Now, in determining the value at which any land shall be assessed, the Board must not only determine the current value of the land, but it must also have reference to the value at which similar lands in the vicinity are assessed *and* adjust the assessment of the land to make it equitable with that of similar lands in the vicinity, provided the adjustment is a reduction in the assessment.

## Tax Capping Changes

Beginning in 2009, municipalities will be given the option to remove business properties from the capping/drawback provisions once they have reached their Current Value Assessment Taxes. This option will be applied to all properties within the tax class chosen by the municipality.

## Business Education Tax ("BET") Reduction for New Construction

BET is the education portion of taxes that are levied in the commercial, industrial and pipeline property tax classes. Education taxes typically make up about 50 per cent of total property taxes levied on business properties.

When the Province first assumed responsibility for setting education tax rates in 1998, several hundred different BET rates were established across the province and since they were based on existing 1997 education tax levels, it resulted in a wide range of BET rates, with the highest BET rates being four times the provincial average BET rate of 1.85.

Over the next seven years, the government will cut BET by \$540 million — lowering high BET rates to a target maximum rate of 1.60 per cent.

In addition, all new construction initiated after March 22, 2007 (application for the first building permit must be received by the municipality after March 22, 2007), will immediately be subject to the 1.60 per cent maximum BET rate. Eligible property must be in either the Commercial or Industrial property tax classes.

If you have any questions with respect to the foregoing, please do not hesitate to contact:

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