

REGIONAL MUNICIPALITY OF OTTAWA-CARLETON  
MUNICIPALITÉ RÉGIONALE D'OTTAWA-CARLETON

REPORT  
RAPPORT

DATE 29 September 1997

TO/DEST. Co-ordinator  
Corporate Services and Economic Development Committee

FROM/EXP. Councillor Diane Holmes

SUBJECT/OBJET **PROPOSAL FOR THE ESTABLISHMENT OF AN  
OTTAWA-CARLETON FAIR TAX COMMITTEE**

### **REPORT RECOMMENDATIONS**

**That the Corporate Services and Economic Development Committee recommend Council approve:**

- 1. the establishment of an Ottawa-Carleton Fair Tax Committee, effective January 1, 1998, with a mandate to inquire into and make recommendations to the Corporate Services and Economic Development Committee on all matters with respect to the taxation of property within the Regional Municipality of Ottawa-Carleton;**
- 2. the Ottawa-Carleton Fair Tax Committee be provided one-person year as a resource to provide administrative and clerical support to the committee;**
- 3. the Ottawa-Carleton Fair Tax Committee seek professional advice from both government and the private sector in its deliberations.**

### **BACKGROUND**

There has been a request from The Canadian Research Committee on Taxation that the Regional Municipality of Ottawa-Carleton establish an Ottawa-Carleton Fair Tax Committee. It is a time of significant change in the matter of taxation, and as a result it would be appropriate for a working committee to hear delegations from groups and individuals. The committee would make recommendations to Regional Council. The members of the committee should represent a broad cross-section of the community. Advisors to the committee should include representatives of the Regional Assessment Office, RMO Finance Department, and a taxation specialist.

*Approved by  
Councillor Holmes*

***Le comité  
canadien de recherches  
sur la taxation***

***The Canadian  
Research Committee  
on Taxation***

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September 5, 1997

Ms. Diane Holmes  
Regional Coucillor  
Regional Municipality of  
Ottawa-Carleton (RMOC)  
111 Lisgar Street  
Ottawa, Ontario  
K2P 2L7

Dear Ms. Holmes:

**RE: OTTAWA-CARLETON FAIR TAX COMMITTEE**

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Background

In 1993, Region-wide market value assessment was implemented in the RMOC. A four-year re-assessment cycle was mandated by Regulation. For the 1993 taxation year, local tax rates were applied to the estimated market value of all assessed properties in the Region utilizing market data from the 1988 base year. The then mandated re-assessment in 1996 for the 1997 taxation year would have utilized market data from the 1992 base year.

The provincial government suspended the four-year re-assessment cycle in 1996 and proposed that the whole province be re-assessed for the 1998 taxation year using 1996 as the base year. The *Fair Municipal Finance Act, 1997* became law in May, 1997. It contains wide-ranging changes to the property tax system in Ontario. The tax impact on the RMOC of many changes are unclear. Numerous regulations relating to the assessment of real property for tax purposes have yet to be implemented. It is evident, however, that the RMOC will assume new powers and responsibilities with regard to assessment valuations. For instance, the RMOC, not the Ministry of Finance, will be responsible for the administration of the Regional Assessment Office.

In 1993, the RMOC set up the Ottawa-Carleton Fair Tax Working Group in order to make recommendations to the provincial Fair Tax Commission. On June 23, 1993, Regional Council passed many of the recommendations of the Working Group (see copy attached). The Working Group held public hearings and had input from diverse individuals and group in the community. The Working Group wound up its activities in 1993.

### Proposal and Rationale

Numerous groups and individuals believe now is the appropriate time for the RMOC to establish a Fair Tax Committee on a more permanent basis. The committee should be kept relatively small but with a broad section of representation from the community.

Similar committees have been set up in other jurisdictions, such as Calgary, when sweeping changes to the property tax system are proposed.

Such a committee allows Regional Council to deal with property tax issues on a systematic and professional basis. Councillors can refer constituent's property tax concerns to the committee instead of having to deal with each issue on an *ad hoc* basis.

### Terms of Reference

- (1) that Regional Council create an Ottawa-Carleton Fair Tax Committee, effective January 1, 1998, with a mandate to inquire into and make recommendations to Regional Council on all matters with respect to the taxation of property within the RMOC;
- (2) that the Ottawa-Carleton Fair Tax Committee be provided one-person year as a resource to provide administrative and clerical support to the committee;
- (3) that the Ottawa-Carleton Fair Tax Committee seek professional advice from both government and the private sector in its deliberations.

# **CALGARY TAX REVIEW COMMITTEE**

## **Report to City Council**

### **I Introduction**

In the past decade, the taxation policies of all levels of government have come under increasing scrutiny from taxpayers feeling the pressure of higher taxes. Municipal taxpayers, particularly, voiced strong criticisms as assessment policies changed and their real property and business taxes increased. The reaction of both municipal and provincial governments has often been the appointment of task forces and commissions, with varying mandates, to examine the systems and report back to elected officials. On the provincial level, both Ontario and Alberta appointed task forces to examine all levels of taxation in their respective provinces.

In Ontario, the Ontario Fair Tax Commission reported after two years of work with a volume of more than 1000 pages entitled "Fair Taxation in a Changing World". The Commission observed in the opening pages of its report that taxation decisions are decisions that shape society and that "the search for fairness in sharing the collective costs of collective activities, is an enduring quest". The Report of the Greater Toronto Area Task Force was issued in early 1996 and contained a number of specific recommendations affecting property taxes. In Alberta, the Alberta Tax Reform Commission reported its findings in February 1994 after five months of work which included hearings held across the province.

Both the Ontario Fair Tax Commission and the Alberta Tax Reform Commission reported that local government finance issues were raised more often, by taxpayers appearing before them, than any other topic. The Ontario Commission had received "hundreds of letters from individuals and groups" and the Alberta Commission reported that "property tax issues were definitely the most common concerns" brought before them. Neither report, however, seems to have focused particularly on municipal taxes, the subject which each Commission had found to be of the most concern to taxpayers. The

general thrust of the Alberta Commission's report was a recommendation to reduce the tax burden of the business sector in the Province and to replace the tax revenue lost by taxes on consumption.

While municipal tax levels have increased in line with taxes from all levels of government, changes to the assessment system have been a special concern to Calgary taxpayers. In 1986, after 13 years, and again in 1993, Calgary did a general assessment of real property. In 1993, after a 17 year hiatus since the Business Tax Base had been assessed, there was also a general assessment in that sector. Though attempts were made to keep resultant tax changes minimal, or even "revenue neutral", considering the tax burden as a whole, the dislocations inevitable after a long term without general assessment produced substantial tax increases for many taxpayers.

Small retailers in the suburban shopping malls were particularly hard hit by changes in the assessment for Business Tax. Moreover, they were aware that the City had under consideration a shift to Market Value Assessment for the next general assessment of property being planned to be effective in the 1997 and 1998 tax years. Market value assessment would also be used for the annual assessments required thereafter by the new Municipal Government Act. Because of a distribution of taxes and a rental structure peculiar to shopping malls, they feared that they would experience a crippling increase in taxes. We will discuss this special problem of small retailers in shopping malls later in this report.

Taxpayers in Calgary reacted strongly to these changes. They formed a number of different organized groups to make known their concerns to City Council. They made submissions pointing to alleged inequities in the system, and to the increasing share of the municipal tax burden borne by business. They expressed fears that, if changes are not made, Calgary will cease to be competitive, with adjoining communities and with larger cities in Alberta and elsewhere in North America, as a place to do business.

Some retail stores also began attempts to enlist public support against what they clearly considered to be unfair levels of Business Tax and Real Property Tax. The Committee copied the following notice which appeared in the window of a retail outlet in a south Calgary shopping mall:

## **NO MORE**

In the last 2 years our property taxes and business taxes have gone way up.

Now, the City is proposing Market Value Assessment. Our property taxes will increase again. From 50% to more than 100% on average.

If this goes forward, the total taxes for a typical small business in this mall will have hiked from \$6,000. to \$15,000 over a three year period.

We simply can't afford these huge increases in our taxes. Staff will be layed off and businesses closed.

If you support small business and believe in fair treatment by the City, call your Alderman.

**CALGARY RETAIL  
PROPERTY TAX  
COUNCIL**

City Council responded to these concerns by a resolution that a Tax Committee be established "to look at the whole matter of business tax and property tax distribution in the context of the new Municipal Government Act". It directed the Financial Planning and Policy Review Committee to suggest the appropriate structure of "this Special Committee".

In May, 1995 the City's Financial Planning and Policy Review Committee reported to Council. It reviewed the many representations which had been made expressing the strong views of taxpayers and the different, but often contrasting, remedies proposed. Suggestions often varied between extremes. One group urged an increase in the

business tax; another sought to abolish it. One submission was to increase the differential between taxes on residential property and non-residential property; another recommended identical mill rates for all real property.

The Financial Planning and Policy Review Committee also commented in its report to Council that the Provincial Government has become a "major player" in municipal tax policies through changes in education funding practices and by moving the assessment systems to market valuations. It discussed the report of the Alberta Tax Reform Commission and reviewed submissions that Council had received from groups of taxpayers since the report was issued. It produced tables showing the impact of various proposals for tax changes made in these submissions. The Committee commented that the impacts of implementing some suggestions "are staggering". It said:

"The City, understandably, must be concerned with various negative perceptions of its tax systems and practices. Certain of the measures advocated by the various interest groups have merit. Others may not. Any proposal put forward by an interest group needs to be evaluated objectively in terms of basic logic, impacts on other groups in the community overall, tax fairness and political acceptability"

The Financial Planning and Policy Review Committee then quoted the resolution passed by Council that the Tax Review Committee be established and commented:

**"This potentially requires examination of all aspects of Calgary business and property tax systems, including taxation, assessment and exemption practices. The intended role of the Committee is clearly to examine the manner in which revenues are raised from business and property taxes. "** (the emphasis is in the Report)

By resolution on July 3, 1995, Council accepted the report by the Financial Planning and Policy Review Committee and appointed the members of the Calgary Tax Review Committee. On July 24, 1995, Council adopted the terms of reference for the work of the Committee, in the form of a series of questions for it to answer, as follows:

1. How well do Calgary's business and property tax systems satisfy criteria of fairness.
2. What is the appropriate distribution of the total tax burden between
  - # residential and non-residential taxpayers?
  - # different classes of taxpayers within these groups?
3. What is Calgary's competitive position with regard to taxes levied by other municipalities? Are Calgary's tax policies congruent with those of other municipalities?
4. Would alternative assessment methods for business tax, as permitted by existing legislation, be appropriate?
5. In what ways can the administration and efficiency of the City's tax and assessment systems be improved?
6. How should home-based businesses be treated for taxation purposes?
7. What consideration should be given to business and property tax mitigation in view of the fact that the City will at some point conduct annual general assessments?
8. Other concerns that may arise during the course of the Committee's deliberations which relate to the City's business and property tax assessment systems and which, in the Committee's opinion, merit consideration.

City Council established a maximum budget of \$50,000. for the Committee's work and directed that, in addition, the Committee was to receive the assistance, when requested, of City departments and their staff as it gathered needed information. While Council established no specific time goals for completion of the Committee's work, it was apparent that Council wished to receive its report by mid 1996.



After preliminary meetings to establish its program of action the Committee placed advertisements during October and early November 1995 in the two Calgary daily newspapers. These advertisements set out its mandate from Council and requested interested individuals and organizations to send written submissions by November 30, 1995 to assist the Committee in its deliberations. The advertisements also announced the Committee's intention to hold public hearings early in 1996 at which all interested members of the public were invited to appear.

In January 1996, the Committee placed further advertisements in the Calgary daily newspapers announcing public hearings during the period February 12-16 at which all persons and organizations who filed written submissions would be given an opportunity to speak in support of them. In addition, all other persons wishing to make presentations or file submissions were invited to get in touch with the Committee.

The Committee held public hearings on four full days commencing February 12, 1996, and included an evening session as had been requested. More than one hundred persons and organizations filed written materials and/or appeared before the Committee to make submissions. The written submissions varied from lengthy and carefully researched studies covering broad aspects of the Committee's mandate to letters from individual taxpayers commenting on one or two issues. Many other persons made oral submissions to the Committee either in person or by telephone and others were generous with their help in responding to our queries. We wish to express our gratitude to the many people who assisted us.

On occasion during the consultation process it was necessary to remind participants that the Committee has no mandate to hear representations about, or to consider, the amount of revenue which the City should raise or the way in which revenue, once raised, is spent. On other occasions, suggestions for change which we received were beyond the powers of municipal governments in Alberta and would require changes

to the Municipal Government Act enacted by the Alberta Legislative Assembly. Some of our recommendations venture into this area. For constitutional reasons, some of the suggested changes would require the intervention of the Canadian Parliament.

Our attention was also directed by some participants to tax systems they said were in operation in California or North Carolina and even as far away as Switzerland or Australia. They recommended that the Committee should, as one participant put it, "seek out and investigate various methods used to generate municipal funding throughout the world". Budgetary restraints, practical time limitations and the absence of research staff made such investigations impractical.