

# **TAX POLICY DECISION FOR 2005**

**Presentation to Finance Committee**

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## **TWO SIGNIFICANT ISSUES TO CONSIDER**

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- **Reducing Broad Industrial Class Tax Ratio**
- **Adopting New Options That Speed Up  
Move To CVA Taxes In Capped Classes**
- **Assessment Base Is Stable For 2005**
  - **Reassessment was postponed**
  - **No significant gains or losses in existing base**

## **BROAD INDUSTRIAL CLASS RATIO SHOULD BE REDUCED**

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- **Province Prohibits Taxing Industrial Properties For Share of Annual Levy Increase If Class Ratio Is Above Provincial Average**

<b>BROAD INDUSTRIAL CLASS RATIO</b>	
<b>Greater Sudbury</b>	<b>Provincial Average</b>
<b>2.636684</b>	<b>2.630000</b>

- **Broad Ratio Is Weighted Average of Residual Industrial And Large Industrial Optional Class Ratios**

## **BROAD INDUSTRIAL CLASS RATIO (cont'd)**

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- **Council Adjusted Ratio In 2004 But Small Decline In Industrial Class Share Has Pushed Up Ratio In 2005**
- **Slightly Reducing Ratio Would Save Industrial Properties Approximately \$33K But Avoids Adding Approximately \$700K To Other Classes**
- **As In Prior Years, Reducing Residual Industrial Class Ratio Is Best Approach To Achieving Required Result**

## **NEW CAPPING & CLAWBACK OPTIONS MOVE PROPERTIES CLOSER TO CVA TAX TOTAL**

- **Objective of Province Is Equitable CVA Taxes Within Each Property Class**
- **Sudbury Has Supported This Objective For Many Years**
- **Capping & Clawback Has Delayed Implementation But New Policy Options Help Speed Up The Process**

## **NEW CAPPING & CLAWBACK OPTIONS (cont'd)**

- **Three Policy Options Move Capped Properties Closer To CVA Taxes**
  - **Higher % increase on base taxes (10% vs 5%)**
  - **Increase based on CVA tax destination (5% of CVA tax)**
  - **Increase threshold up to \$250**
- **Adopting Options Would Reduce Combined Clawback For Three Capped Classes By Almost \$500,000**

**NEW CAPPING & CLAWBACK OPTIONS**  
**(cont'd)**

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- **Fourth Policy Option Allows Up To \$250 Minimum Decrease Threshold**
- **Adoption of This Option Would Reduce Number of “Clawback” Properties**

<b>NO. OF CLAWBACK PROPERTIES</b>		
	<b>Base Case</b>	<b>With Option</b>
<b>Multi-Res</b>	<b>277</b>	<b>8</b>
<b>Commercial</b>	<b>1,476</b>	<b>758</b>
<b>Industrial</b>	<b>159</b>	<b>76</b>

**NEW CAPPING & CLAWBACK OPTIONS**  
**(cont'd)**

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- **Final New Option Permits Minimum Tax Level On “New Construction/New To Class” Properties To Be Set At 70% of CVA Taxes**
- **Percentage Can Move To 100% Over Four Years**
- **Option Has Considerable Advantages**
  - **Brings eligible properties to CVA tax more quickly**
  - **Limits current cumbersome administration process**
  - **Phases out a funding requirement**

## **RECOMMENDATIONS**

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- **Industrial Ratio**
  - **Decrease the Broad Industrial Class tax ratio to just below the Provincial average. This should be accomplished by setting the ratio for the residual industrial class at 2.4242.**

## **RECOMMENDATIONS (cont'd)**

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- **For Capped & Clawback Purposes**
  - **Increase annualised tax limit percentage to 10%**
  - **Establish prior year CVA tax increase at 5%**
  - **Establish \$250 tax increase threshold**
  - **Establish \$250 tax decrease threshold**
  - **Set minimum tax level on eligible new properties at 70% of CVA taxes**