

Intelligence MEMOS



From: Almos Tassonyi
To: Concerned Ontario Businesses
Date: November 15, 2017
Re: **ONTARIO EDUCATION PROPERTY TAXES**

In 1998, Ontario took over complete responsibility for education finance from local school boards including setting local property tax rates as well as the level of overall funding for education. That was a wise move, along the lines of recommendations from earlier [Commissions](#) and [Tax Reports](#).

What the province did with the property tax after that was less well thought out. The Minister of Finance has, since 1998, set a province-wide uniform percentage tax rate on all residential and multi-residential property. The tax rate on farms and managed forests is 25 percent of that rate. Since 2001, the minister has also set separate commercial, industrial and pipeline rates for education on the basis of single-tier (like Toronto) and upper-tier (regional governments) municipalities. As a result, different provincial business property tax rates exist throughout the province. Residential provincial property tax rates are now, on average, six times lower than commercial rates throughout the province. One kind of business faces a much higher provincial property tax than a different business down the street. The same business can have a lower provincial property tax rate in a neighbouring city. This flies in the face of most of the previous and subsequent public finance advice that says that provincial business property taxes should be uniform.

These differences reflect, first, the historical incidence of taxation on these property classes prior to 1998. Rate differences are also the result of subsequent provincial policy designed to reduce relative effective differences among municipalities, which is partly the result of resetting rates in reassessment years to make the tax revenue-neutral for the province.

How is it that we still have such widely varying rates across the province for a tax that is set by the province? The following table shows the distribution of taxes before and after the reforms in the Greater Toronto Area. The province reduced its taxes on residential properties by more than half. However, it was also putting more costs onto cities through downloading. The reduction in residential provincial taxes was designed in part to offset the policy implemented to shift the relative burden of municipal taxation to residential properties. However, the province increased the burden of education property taxation on the non-residential sector.

Business education property tax rates, consequently, continue to vary by class of property (commercial, industrial, pipelines) and by upper-tier or single-tier municipality. Where these rates were above the provincial average, a rate reduction program was in effect using provincial funds. But the province abandoned this rate reduction effort a few years ago.

Despite both provincial and municipal effort to reduce the gap between residential and non-residential tax rates, the relative relationship between residential and non-residential rates for education property taxes continues to be wider than this relationship for municipal rates.

The province should reignite its efforts at property tax reform and implement a feasible plan to [vacate the field of business property taxation](#) over the next few years with a meaningful reduction to its imbalances and inequities. This would leave the property tax at the local level where it is an appropriate tax to finance municipal services.

Education Property Taxes, GTA, 1997 and 1999				
	1997 (before provincial takeover)		1999 (after provincial takeover)	
	\$ millions	percent	\$ millions	percent
Residential and farm	2,697	57.3	1,127	34.1
Commercial, industrial, business	1,897	40.3	2,102	63.6
Supplementary	112	2.4	56	1.7
Other	0	0.0	19	0.6
Total	4,706	100.0	3,304	100.0

Source: Ministry of Municipal Affairs and Housing, MARS database.

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