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# HALDIMAND COUNTY

## Report FIN-13-2025 Annual Tax Policy Report

For Consideration by Council in Committee on June 17, 2025

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### Objective:

To provide recommendations for property tax policy decisions that require Council approval for the 2025 taxation year.

### Recommendations:

1. THAT Report FIN-13-2025 Annual Tax Policy Report be received;
2. AND THAT the 2025 Tax Ratios be set at:

<b>Property Class</b>	<b>Tax Ratio</b>
Multi-Residential	2.00000
Multi-Residential (New Construction)	1.00000
Commercial	1.69290
Landfill	1.69290
Industrial	2.32740
Pipeline	1.48940
Aggregate Extraction	1.89382
Farmland	0.25000
Managed Forest	0.25000

3. AND THAT tax rate reductions for vacant and excess land, within the commercial and industrial classes, be applied as follows for 2025:

<b>Property Class</b>	<b>Tax Rate Reduction</b>
Commercial/Landfill	0% (no reduction available)
Industrial	0% (no reduction available)

4. AND THAT Haldimand County adopt the optional subclasses for small-scale on-farm business for both the commercial and industrial subclasses and the prescribed tax reductions be applied as follows for 2025:

<b>Property Class</b>	<b>Tax Rate Reduction</b>
Commercial	75.00%
Industrial	75.00%

5. AND THAT tax rate reductions for farmland awaiting development be applied as follows:

#### **Property Class Tax Reduction**

Residential Farmland Awaiting Development – First Class 25.00%  
Multi-Residential Farmland Awaiting Development – First Class 62.50%  
Commercial Farmland Awaiting Development – First Class 55.70%  
Industrial Farmland Awaiting Development – First Class 67.78%  
All Classes Farmland Awaiting Development – Second Class 0%

6. AND THAT Haldimand County implement the technical adjustment for the notional tax rate calculation prescribed in the property tax related regulations made under the Municipal Act, 2001;

7. AND THAT the resulting 2025 tax rates, as identified in Attachment #1 to Report FIN-13-2025, be adopted;
8. AND THAT the by-laws attached to Report FIN-13-2025 be approved at a future Council meeting.

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**Approved:** Cathy Case, Chief Administrative Officer

## **Executive Summary:**

This report will provide a thorough understanding of Haldimand County's proposed property tax policies for 2025. Four key elements shape the overall property tax implications for the year: property value assessments, education tax rates, municipal levy requirements and tax policy decisions.

Key Policy Recommendations and Implications:

### **New Impact for 2025**

- Aggregate Extraction tax class: New for the 2025 taxation year, the Ministry of Finance amended Ontario Regulation 385/98, to establish a new Aggregate Extraction property class and prescribed tax ratios. The tax ratio for this tax class, for Haldimand County, is prescribed under this regulation as 1.89382.

### **Standard Annual Items**

- Tax Ratios and Tax Reductions for Subclasses: With the exception of the new Aggregate Extraction tax class and ratio, the proposed 2025 Tax Ratios and Tax Reductions are unchanged from the approved 2024 Ratios and Reductions.
- Adjustments to the returned assessment roll: To ensure the most current assessment information is used, and in alignment with past practice, Haldimand has included all assessment adjustments received up to May 5, 2025.
- Farmland tax class: Approved farm property is taxed at 25% of the Residential tax class. In order to receive the reduced farmland rate, property owners are required to submit paperwork to the provincial agency Agricorp, who will make a determination on whether it qualifies. If appropriate documentation is not submitted by the deadline, the property reverts to the Residential tax class through the supplementary assessments issued in May. Historically, the majority of assessment shifts in Haldimand are a result of this process, however, MPAC has changed the timing of these changes to the beginning of the tax year to the property owners to complete any changes necessary.
- Amended "notional tax rate" calculation: Since 2016, Haldimand has opted to use Notional Tax Rates which allows Haldimand to segregate annual re-assessment impacts from municipal levy impacts; typically resulting in a lower overall municipal levy change percentage.
- Small-scale on-farm business subclasses: Since 2018, these subclasses have been utilized to support local farmers and diversify their operations from an economic development standpoint. The subclasses provide moderate tax relief while spurring growth in the local economy.

- Small Business Subclass: In May 2021, the province created an optional small business property subclass. Upon evaluation of the relevant legislation, staff are not aware of any potential benefits and therefore do not recommend implementation of this optional subclass.

### **Overall Tax Impact**

The following table outlines the actual overall annual tax impacts including a comparison to the estimated tax impacts presented during the 2025 Tax-Supported Operating Budget deliberations. The overall change is due to the tax policy recommendations and implications outlined in this report. The above noted changes/annual decisions that effects the Overall Tax Impact are driven by the amendments to the returned assessment roll, as noted above.

Property Class	2025 Average Assessed Value	Estimated 2025 Annual Tax Impact as Reflected in the Approved Budget		Actual 2025 Annual Tax Impact Based on the Recommended Tax Policy	
Industrial	\$ 537,400	\$ 625.61	3.26%	\$ 660.67	3.45%
Multi-residential	\$ 1,063,200	\$ 1,063.61	4.07%	\$ 1,123.20	4.29%
Commercial	\$ 318,900	\$ 270.04	2.99%	\$ 285.17	3.16%
<b>Residential</b>	\$ 286,370	\$ 165.85	<b>4.46%</b>	\$ 173.88	<b>4.67%</b>
Farm	\$ 408,600	\$ 51.09	3.83%	\$ 53.96	4.04%

The Draft 2025 Tax Ratio By-law and related Tax Policy By-laws are attached for Council's future approval. Final 2025 tax bills for all Haldimand County property owners will be issued approximately mid-July, with installment payments due on August 29<sup>th</sup> and October 31<sup>st</sup>.

### **Background:**

The overall property tax impact in a calendar year is based on four main factors: annual assessment impacts, education tax rates, municipal levy requirements and tax policy decisions.

The Municipal Property Assessment Corporation (MPAC) establishes property assessments for all properties in Ontario. MPAC establishes the property classes and assessment annually based on the market value at a set date. These assessments are typically set on a four year cycle with 2020 representing the fourth year of the cycle based on a valuation date of January 1, 2016. As outlined in report FIN-03-2025 Analysis of Assessment Update, the reassessment was originally delayed by the Province due to the COVID-19 pandemic. At this time, no decision on the timing of a new re-assessment has been made and as a result, 2025 assessment values remain at the 2020 valuation. This delay has resulted in no shifts between property tax classes as a result of reassessment, as is typically seen (for example, annual shifts to the residential tax class).

The Province establishes the annual education tax rates that are typically aligned with the reassessment impacts. As a result of the delayed reassessment, the education tax rates have remained at 2020 rates, except for business education tax rates. In response to the pandemic, the province has reduced business education tax rates, which will result in an overall decrease in education taxes raised on behalf of the relative School Board by Haldimand County.

At the end of February, Council reviewed and approved the 2025 Tax-Supported Operating Budget which established the annual property tax levy requirement. During this review, the overall municipal tax levy was established at \$92,200,590 representing an increase of \$6,102,950 or 7.09%. The impacts

on the average assessed property in each tax class was estimated to be 4.46%, at that time, subject to the approval of the annual setting of tax policies.

The final step is to establish Haldimand County's 2025 Tax Policy which will be reflected in the Tax Levying By-law. Although the Municipal Act legislatively governs Tax Policy in Ontario, the legislation and associated regulations include a number of Tax Policy tools/options available to Council. Tax policy decisions will impact the tax classes differently, with a favourable impact on one tax class typically having a corresponding negative impact on other tax classes. The Province also concluded a comprehensive Municipal Act review in early 2017 that resulted in several new tax policy tools; many effective in 2017 and some in 2018. These tools provide municipalities with some flexibility in establishing tax policies, within the eligible provisions, to meet their own local circumstances.

The major tools and policy decisions to be considered by Council for 2025 are as follows:

### **Mandatory Programs**

- Limit on municipal budgetary increases for commercial, industrial and multi-residential classes if the Tax Ratio for the class is above the Provincial municipal levy restriction threshold
- Ability to adjust (lower) Tax Ratios closer to the Provincial range of fairness
- Permanent program for relief for low income seniors and low income disabled persons
- Tax rebates to registered charities
- Phase-in of tax increases as a result of re-assessment (legislated four year phase-in of assessment increases)
- Restricting municipal ability to increase taxes on multi-residential properties if the tax ratio is greater than 2.0
- Creation of a new multi-residential property tax class to ensure all municipalities tax new multi-residential buildings at a similar rate as other residential properties
- Creation of a new landfill tax class with the upper tax ratio limit of the greater than: revenue neutral ratio plus 5% or 1.1
- Increase to eligibility requirements for the Farm Forestry Exemption program – new in 2023.

### **Optional Programs**

- Establish reductions for vacant industrial and commercial tax classes other than the prescribed percentages (new in 2017 and Council established a phase-out plan for these programs over the next 4 years – as of 2021 Haldimand no longer has a vacant land tax reduction program for these tax classes)
- Charitable tax rebates extended to similar organizations
- Ability to establish optional property classes
- Ability to establish graduated tax bands
- Mitigation of tax shifts as a result of re-assessment
- Education tax “room” to offset municipal tax increases
- Greater flexibility for capping of the “adjusted” taxes for commercial, industrial and multi residential classes
- Reduce tax ratios on property tax classes where the current ratio is above the Provincially established range of fairness
- Establish farm tax ratio at lower than the Provincially established rate of 25%
- Setting of tax ratios to offset the municipality's share of the cost of charitable rebates on properties in the commercial and industrial classes
- Provisions for tax relief for people in hardship
- Property tax “notional rate” calculation adjustment

- Small-scale on-farm business subclasses to allow for reduced tax rates (increased to a maximum \$100,000 from \$50,000 in 2022) of commercial/industrial assessment
- Small Business Property Subclass to target property tax relief to eligible small businesses – new in 2021.

Haldimand County has utilized many of the above tax tools in prior years.

Although there are no specified deadlines for passing by-laws required to enact tax rates, tax ratios, and capping provisions (with the exception that by-laws must be enacted within the calendar year they pertain to), final tax billing cannot commence until such by-laws have been passed. Based on the recommendations in this report, the tax policy related by-laws, as included with this report, require Council approval. This will allow the final 2025 tax billings to be prepared and issued to property owners shortly thereafter, with the installments due on August 29<sup>th</sup> and October 31<sup>st</sup>, which aligns with the historical practice of setting the due dates on the final business days of August and October.

## **Analysis:**

The actual total property taxes on a specific property in Haldimand County are calculated based on two primary factors: 1) the assessed value; which is then multiplied by 2) the applicable tax rate. The Municipal Property Assessment Corporation (MPAC) determines the assessed value and property class for each individual property based on Province-wide rules and regulations. The only factor Haldimand County has control over is the municipal tax rate and even that is subject to many legislative requirements. This report presents the tax policy issues that Council needs to consider which will have an ultimate impact on an individual property's tax bill. Next to the annual budget approvals, this is the most important financial policy decision that Council makes that directly impacts all taxpayers in a given year.

As noted above, annual impacts of property taxation on individual property owners are a factor of the following parameters: assessment changes/shifts; education tax rates; municipal tax levy requirements; and tax policy decisions. When Council approved the 2025 Tax-Supported Operating Budget, the estimated tax impact on different property classes did not include any impacts related to tax policy changes. At the time the 2025 levy was established, the overall tax impact on the average residential home was projected to be 4.46%. Based on the tax policy recommendations reflected in this report, the revised overall tax impact on an average residential property has slightly increased to 4.67%. This change is due primarily to assessment adjustments (often resulting in a reduction) to the returned roll as described below, rather than changes to the tax policy.

### **A. Adjustments to the Returned Assessment Roll**

Pursuant to the Municipal Act, tax rates are to be applied equally to the assessment for real property made under the Assessment Act according to the last returned roll. Under Section 341 of the Municipal Act, the Treasurer shall adjust the tax roll for the year to reflect changes to the returned assessment roll and taxes shall be collected in accordance with the adjusted roll. These adjustments include amendments due to: assessment appeals through a Request for Reconsideration (RfR) or an Assessment Review Board (ARB) decision; and adjustments by MPAC to reflect assessment or tax class changes after the roll has been returned including: Special Amended Notices (SANs), Post Roll Amended Notices (PRANs) and Tax Incentive Adjustments (TIAs). As the majority of these changes reflect reductions to the roll, typically the returned roll is reduced by these amendments. Each municipality must notify the Province of their “cut-off” date, being the last day for changes to be reflected on the assessment roll for final property tax billing. All subsequent assessment amendments will be reflected as in-year adjustments.

Traditionally, Haldimand has selected a later “cut-off” date to include as many adjustments as possible to limit the annual in-year adjustments that would require sufficient budget to accommodate any net

reductions in annual property taxes. The cut-off date for 2025 amendments to the assessment roll was May 5, 2025. The following table summarizes the net adjustments, compared to prior years, reflected on the final tax roll for property tax billing:

**Table 1: Summary of Un-Weighted Assessment Adjustment Reflected on Final Roll**

Year	2025	2024	2023	2022
Total Taxable Assessment – Original Returned Roll	\$8,071,418,577	\$7,884,032,395	\$7,665,886,586	\$7,541,269,486
Assessment Reductions ( <b>net</b> )	\$9,175,000	\$1,705,300	\$8,318,900	\$896,300
Percentage of Taxable Assessment ( <b>net</b> )	0.11%	0.02%	0.11%	0.01%
Assessment Reductions ( <b>weighted</b> )	\$15,800,000	\$4,300,000	\$37,300,000	\$11,200,000
Percentage of Taxable Assessment ( <b>weighted</b> )	0.20%	0.05%	0.49%	0.15%

As noted above, the net decrease between the returned and adjusted roll is higher than 2024 but lower than the decrease seen in 2023. Although the net change is relatively minor, there is a significant shift from the Residential tax class to the Farmland tax class of approximately \$9.1 million in assessed value. These changes are a result of MPAC receiving the appropriate documentation to move these properties to the Farmland tax class (the majority of these properties were previously farm properties that had reverted to residential due to a change in circumstances and required approval by Agricorp, an agency of the Provincial Government, to qualify as farm properties again). As the Farmland tax class is taxed at 25% of the Residential tax class, this represents a loss in County tax revenues that requires a tax rate increase in all other classes. Based on the revised assessment and proposed tax ratios in each property tax class, the effective assessment reduction is approximately \$15.8 million or 0.20%, primarily in the residential tax class, of the original returned assessment. This assessment change alone, in the absence of any further tax policy changes, will increase the overall 2025 tax impact on all tax classes.

As Haldimand has actively made as many changes to the assessment roll as possible each year prior to issuing final tax bills, the approved 2025 Tax-Supported Budget for in-year assessment changes is reflective of our historical experience related to these tax adjustments. If these changes are not reflected on the final tax billing, they would have to be reflected as in-year tax reductions to the applicable properties, negatively impacting the in-year budget. It is, therefore, recommended to include all assessment changes up to May 5, 2025 as has been the practice in past years.

## **B. Notional Tax Rate Calculation Adjustment**

In response to municipal requests, starting in 2016, the Province has enacted legislation that allows municipalities the option to exclude certain assessment adjustments in the calculation of the “notional tax rates” for final billing purposes. The purpose of the calculation of “notional tax rates” is to segregate annual re-assessment impacts from municipal levy impacts. Although this will not change the overall tax impact on a property class, it will clearly delineate the re-assessment vs municipal levy impacts to ensure that real property assessment growth year over year can be retained by municipalities to offset required municipal levy impacts. This information is required to be reported annually on the final tax bills - the details of the year over year changes are on the back of a property tax bill (Schedule 2 for non-business classes and Schedule 3 for business tax classes).

Using the analysis tools in the online Ontario Property Tax Analysis (OPTA) software, the overall municipal levy impact (Council controlled), with removal of the re-assessment impact (MPAC controlled), is outlined in the following table, for each property tax class:

**Table 2: Notional Tax Rate Calculation Methodology**

Property Tax Class	2025 Overall Municipal Levy Change %	2024 Overall Municipal Levy Change %
Residential	4.04%	3.47%
Multi-residential	4.29%	3.69%
Commercial	3.16%	2.69%
Landfill	3.16%	2.94%
Industrial	3.45%	2.69%
Pipelines	3.03%	2.58%
Farm	4.04%	3.47%
Managed Forests	4.04%	3.47%

The use of this restated nominal tax rate calculation better illustrates the components that make up the year over year tax change and also ensures that annual growth in assessment is maintained by the municipality to offset levy impacts. Accordingly, it is recommended that the revised method of calculating the “notional tax rates” for 2025 be adopted by Council.

### C. Tax Ratios

The tax ratios represent the relationship of the tax rate for each property class relative to the tax rate for the residential property class. Provincial legislation establishes the residential property tax ratio as 1.0. The only other prescribed ratio is the managed forest property tax class which must be 0.25 (i.e. one quarter of the residential tax rate).

The Province has also established two main concepts related to tax ratios – “Ranges of Fairness” and “Threshold Ranges”.

- “Ranges of Fairness” were established as a long-term strategy for moving all property tax rates closer to residential rates (refer to Table 3 found on page 12 below). Multi-residential, commercial and industrial class properties have been traditionally taxed at a higher rate than residential and farm properties. The long-term goal of the Provincial Government that initiated the property taxation reform in 1998, was for municipalities to move toward the Ranges of Fairness for all property classes.
- “Threshold Ranges” were established to be the upper limit for tax ratios (also refer to Table 3 below). If a municipality’s tax ratio for any class exceeds the “Threshold Range”, any budget levy increase for that year could not be passed on to properties in that particular tax class (this is referred to as a municipal levy restriction threshold). To permit annual levy increases to be applied to all property classes, municipalities would have to lower their tax ratios below the Threshold Range. Since 2002, when Council reduced the industrial class tax ratio to 2.3274, which was below the prescribed ratio of 2.63, all property tax classes were within the “Threshold Ranges”. However, starting with the 2017 taxation year, the Province changed the threshold range for the multi-residential from 2.63 to a maximum of 2.0. Council approved reducing Haldimand’s ratio to 2.0 in 2017 to avoid this restriction.

The setting of tax ratios by the municipality each year has a major effect on the apportionment of property taxes across all property classes. Any change to a tax ratio for one class will impact the tax

burden/share of all other classes to varying degrees. As the municipal levy requirements are fixed, each class’s piece of the “pie” is based on its proportional share of the overall assessment; which is impacted by the tax ratio of the property class.

As a result, with the exception of the residential and managed forest property tax classes, Council has the authority to amend the remaining property tax classes’ ratios, subject to applicable legislative restrictions. The main decisions to be reviewed/decided are as follows:

- **Reduce tax ratios in tax classes that currently exceed the Province’s “Range of Fairness”:** Municipalities have the ability to reduce the tax ratios in tax classes that exceed the “Range of Fairness” or exceed the “Threshold Ranges”
- **Farm class tax ratio:** Provincial legislation establishes the tax ratio for the farm property class at 0.25 or such lower ratio as the municipality may establish.
- **Multi-Residential class tax ratio (existing properties):** As indicated above, the Province has established the municipal levy restriction threshold at 2.0 for this class. Council approved reducing Haldimand’s ratio to 2.0 in 2017 to avoid this restriction, allowing any levy increase to be shared proportionately with this class.
- **“New” multi-Residential class tax ratio:** In 2017, the Province established a “new” multi-residential class that is required to have a mandatory tax ratio between 1.0 and 1.1. This will only affect new multi-residential properties. In 2017 Council approved a ratio of 1.0.
- **Landfill class tax ratio:** In 2017, the Province established a new tax class for landfills and established limitations on the tax ratio for this class. In 2017 Council approved a ratio of 1.6929 similar to other commercial classes.
- **Aggregate Extraction class tax ratio:** For 2025, the Province established a new tax class for aggregate extraction properties and established limitation on the tax ratio for this class.
- **“Revenue neutral” tax ratios:** The Province has established tax policy tools to allow municipalities to mitigate tax shifts as a result of re-assessment. These tools essentially allow municipalities to change tax ratios to mitigate the tax shifts to the residential property tax class due to re-assessment.

As stated previously, any reduction in a tax ratio for one property class will result in a shift of tax burden to other property classes. The following is a detailed analysis of each of the above tax classes including recommended tax ratios for each class.

Based on the below noted recommendations, Table 3 compares Haldimand County’s proposed 2025 to the 2024 ratios and the provincially legislated ranges.

**Table 3 – 2025 Recommended Tax Class Ratios**

Property Class	Range of Fairness	Threshold Ranges	2025 Recommended Tax Ratios	2024 Final Tax Ratios
Multi-Residential	1.0 to 1.1	2.00	<b>2.0000</b>	2.0000
Multi-Residential (New)	1.0 to 1.1	1.10	<b>1.0000</b>	1.0000
Commercial	0.6 to 1.1	1.98	<b>1.6929</b>	1.6929
Industrial	0.6 to 1.1	2.63	<b>2.3274</b>	2.3274
Landfill	0.6 to 1.1	1.86	<b>1.6929</b>	1.6929
Pipeline	0.6 to 0.7	n/a	<b>1.4894</b>	1.4894
Aggregate Extraction	0.6 to 1.1	2.63	<b>1.8938</b>	n/a
Farm/Managed Forest	n/a	n/a	<b>0.2500</b>	0.2500

It is important to note that moving the current tax ratios closer to the Ranges of Fairness will shift tax burden among property classes, primarily onto the residential class. Section 308 of the Municipal Act

provides that municipalities can move current tax ratios closer to the Ranges of Fairness, but may not move them further away.

As reported in FIN-03-2025 Analysis of Assessment Update for 2025, Table 4 provides a revised comparison of the municipal tax burden by property class for 2025, with the comparative burden for 2024 (based on the above noted recommended tax ratios). It should be noted that this reflects property tax burden only and excludes the taxation revenue generated through payments-in-lieu of taxes (i.e. from OPG as well as other government properties).

**Table 4 – Tax Burden by Property Class**

<b>Property Tax Class</b>	<b>2025 Proposed Final Based on Tax Policy</b>	<b>2025 Based on Returned Roll</b>	<b>2024 Final</b>
Residential	<b>79.42%</b>	79.44%	<b>78.86%</b>
Farm/Managed Forest	<b>4.34%</b>	4.31%	<b>4.51%</b>
Multi-residential	<b>1.22%</b>	1.22%	<b>1.30%</b>
Commercial/Landfill	<b>8.01%</b>	7.99%	<b>8.13%</b>
Industrial	<b>5.37%</b>	5.41%	<b>5.69%</b>
Aggregate Extraction*	<b>0.20%</b>	0.20%	<b>n/a</b>
Pipelines	<b>1.44%</b>	1.43%	<b>1.50%</b>

*\*Aggregate Extraction property class is new starting in 2025 – there are currently 6 properties within this class which were previously included in the industrial property tax class*

### **C1. Reduce Tax Ratios in Property Tax Classes that Exceed the “Range of Fairness” (Commercial and Industrial classes)**

Municipalities have the ability to reduce the tax ratios in tax classes that exceed the “Range of Fairness” or exceed the “Threshold Ranges”. As noted above, the “Range of Fairness” were the targets established by the Province during property tax reform in 1998 with the long range goal of moving property tax classes closer to the residential tax rate. Although ranges were established for all tax classes, the focus was primarily on multi-residential, commercial and industrial properties that were traditionally taxed at a higher rate than the residential tax rate. The “Range of Fairness” for tax ratios for these properties ranges from 0.60 to 1.10. Haldimand County’s current tax ratios exceed this range but are within the “Threshold Range”. An analysis of the multi-residential class is provided below.

A review of Haldimand’s current tax ratios for commercial and industrial properties indicates the ratios are slightly above our municipal comparators. Based on the most recent BMA Study, the average ratio for Multi-Residential, Commercial, and Industrial classes were 1.7097, 1.6636, and 2.1193 respectively. To reduce these ratios would shift considerable tax burden to other tax classes – primarily the residential tax class. Although this shift would provide some tax relief for the commercial and industrial tax classes, the relative tax burden for these classes is currently very low and significantly below our municipal comparators, particularly in the commercial tax class. It is also unknown if a reduction in the tax ratio would have any positive impacts on growth in these particular sectors.

Any change in tax ratios requires a comprehensive and thorough review, as any reduction has a corresponding and opposite effect on another tax class. Typically a tax ratio review would be tied to the start of a re-assessment year to evaluate and smooth any impacts over the four year re-assessment phase-in. The 2020 calendar period, was the fourth year of a re-assessment phase-in and the next re-assessment has been delayed to a future date to be determined due to COVID-19. On August 16, 2023, the Ontario government filed a regulation to amend the *Assessment Act*, extending the postponement of a province-wide reassessment through the end of the 2021-2024 assessment cycle. The Ontario government is also currently undergoing a province-wide review, including stakeholder

consultations, of the *Assessment Act* in general which may have significant impact on the next re-assessment cycle.

**Recommendation:** Given the delay in a re-assessment, all of the re-assessment impacts have already been applied to the affected properties, it is recommended that the commercial and industrial tax ratios remain the same as previous years with the inevitable shift to the residential tax class of any reduction. If Council wants to contemplate any reduction in these or any other tax ratios, it is recommended that staff be directed to do a comprehensive review that aligns with a start of a re-assessment year.

## **C2. Farm Class Tax Ratio**

Provincial legislation permits the municipality to move the ratio for the farm property tax class below the ratio of 0.25 set by the Province. Such action would shift tax burden to the other tax classes, primarily residential.

As outlined in report FIN-03-2025, farm current value assessments (CVA's) have not increased year over year, as a result of the delayed reassessment. The 2016 reassessment resulted in increases to farm CVA's by approximately 9.9% year over year, but the fact that this class pays only 25% of the residential tax rate, mitigated some of the actual dollar shift in the overall tax burden. Similar impacts occurred during reassessment in 2012 (affecting tax years 2013 through 2016) and again during reassessment in 2016 (affecting tax years 2017 through 2024). As the Province has delayed reassessment, these shifts have not occurred for 2025.

When comparing Haldimand County's assessment base to other municipalities, there is a high reliance on the residential tax class to generate taxation revenue to meet the municipal levy requirements. The residential tax class absorbs approximately 79% of the overall tax burden and has historically experienced annual increases due to reassessment – from a low of 70.6% in 2001 to a high of 79.4% in 2025. Comparatively, the Farmland class tax burden has varied from a low of 2.5% to a high of 4.7% in 2021 (over the same period from 2001 to 2025).

Despite the tax shifts inevitably caused by reassessment, past Councils have never utilized available tax policy options to mitigate changes in tax burden to any of the major tax classes when such shifts have been caused by updated market values. As the same levy “pie” needs to be divided amongst all property classes, any change in tax policy will result in further shifts among the classes (primarily negatively impacting the residential class) that will have nothing to do with what the property is worth, thus moving away from the fundamental basis of property taxation based on market value.

It should also be noted that the Province has established specific legislation to offset tax shifts due to reassessment. These provisions primarily allow the municipality a degree of tax ratio “flexibility” to increase the commercial and industrial tax classes to offset the impact to other property classes – primarily the residential tax class. As such, decreasing the farm property tax ratio would have the opposite effect of the intent of the provision established by the Province to offset tax impacts of reassessment – namely reducing the farm ratio would increase the tax shift to the residential property class as opposed to reducing the tax shift.

Similar to previous years, staff do not recommend any changes to the farm property class current tax ratio of 0.25. However, as outlined later in this report, Council adopted two optional subclasses for farm properties with small-scale on-farm business activities in 2018. This provides tax relief to some farm properties from the current taxation at the commercial and industrial tax rates. The adjusted returned roll for 2025 taxation identified four commercial properties and one industrial property within these subclasses.

As noted above, similar to any proposed reductions in commercial or industrial tax ratios, any change in tax ratios requires a comprehensive and thorough review, as any reduction has a corresponding and opposite effect on another tax class.

Recommendation: Based on the above and for the reasons explained in previous presentations, staff are recommending that the farm tax class ratio remain at 0.25 for 2025 but that the optional subclasses for farm properties with small-scale on-farm business activities be utilized in order to provide some tax relief for economic development reasons.

### **C3. Multi-Residential Class Tax Ratio (Existing Properties)**

The Province has heard concerns about the significantly higher property tax burden for multi-residential apartment buildings and its potential implications on housing affordability in the rental market. In response to these concerns, the Province reviewed property taxation of multi-residential apartment buildings. This review involved extensive consultations with municipalities, as well as other affected stakeholders, including renters and apartment building owners and was completed in early 2017.

The Province took steps to ensure that high municipal tax burdens on multi-residential properties do not increase. Starting with the 2017 tax year, municipalities with a multi-residential tax rate that is double the residential rate or higher will be restricted from increasing this burden. This means, where the multi-residential tax ratio is greater than 2.0, a full levy restriction will be implemented and reassessment related shifts onto the multi-residential class will be prevented. The County's multi-residential tax ratio for 2016 was set at 2.33 times the residential rate, meaning that unless it was reduced to the prescribed maximum of 2.0, a full levy restriction would have been in effect for 2017. Given the restrictions and minimal impact in 2017, Council approved a tax ratio of 2.0 for the multi-residential class effective 2018.

The reduction of the ratio to 2.0 also brought the ratio for multi-residential buildings closer to the Range of Fairness noted in Table 3 below. Although staff have some concerns whether the associated property tax savings are actually being passed on to the renters, the reduction does meet the Province's intent.

For taxation years beyond 2021, Council can reduce the ratio further, but cannot increase the ratio established in 2017. As Haldimand currently has a ratio at the required 2.0 to avoid any tax levy restrictions, there is no pressing need to change it further at this time. It should be noted that all new multi-residential properties have a lower tax ratio which is beneficial in encouraging new affordable housing.

Recommendation: Based on the above, staff are recommending that the multi-residential tax class ratio remain at 2.0 for 2025.

### **C4. "New" Multi-Residential Class Tax Ratio**

Further to the restrictions for existing multi-residential properties, new multi-residential buildings with a building permit date of April 20, 2017 or after will have a mandatory tax ratio of between 1.0 and 1.1. Currently, Haldimand has one new multi-residential building that falls within the new tax class. Any future new multi-residential building permits issued, will result in further assessment within this class.

Given the rationale for the ratio being at or close to the residential tax ratio is to help stimulate new affordable housing, having a ratio slightly higher would serve limited purposes and derive very little additional taxes. In addition, most Federal or Provincial grant opportunities for affordable housing contain requirements to tax these developments at the same rate as residential properties. This would require these developments to have a tax ratio of 1.0 in any event.

Recommendation: For the above reasons, staff are recommending that the "new" multi-residential tax class ratio remain at 1.0 for 2025.

### **C5. Landfill Class Tax Ratio**

The Landfill property tax class was also new starting in 2017. Under previous legislation, landfills were included within the commercial category. Currently Haldimand only has one (1) taxable landfill property that qualifies for the class. The Province has established the "Starting Ratio" as the 2017 ratio for the Commercial tax class. Municipalities have the flexibility to establish the tax ratio within the "Range of

Fairness" with the upper limit established at the greater of: (a) Revenue Neutral Ratio for the class, increased by 5%, or (b) 1.1. Accordingly, the revenue neutral tax ratio plus 5% results in a tax ratio upper limit of 1.8572. Given the limited number of properties/assessment in this tax class (this new class generates approximately \$13,000 annually at the current commercial tax ratio), having a slightly higher tax ratio would have limited impacts.

However, as the "Threshold Range" has a maximum of 1.8572 to a low of 1.1, increasing this class above the current regular commercial class tax ratio would create additional disparities within the commercial class and leave this class further away from the lower limit of the "Range of Fairness".

Recommendation: Based on the above analysis, staff are recommending that the landfills tax class ratio remain at 1.6929, the same as other occupied commercial properties, for 2025.

## **C6. Aggregate Extraction Class Tax Ratio**

Beginning in the 2025 taxation year, the Province amended Ontario Regulation 385/98 to establish a new property tax class specifically for aggregate extraction properties. Prior to this amendment, properties such as "gravel pits" were assessed under the industrial property tax class. As of 2025, six (6) properties within Haldimand County fall under this new aggregate extraction class.

The Province through regulation has prescribed the tax ratio for this class at 1.893820 for 2025, which is lower than the industrial tax ratio of 2.3274 that applied to these properties in 2024. Additionally, Ontario Regulation 512/24 sets the education property tax rate for aggregate extraction properties at 0.511% for 2025, which is also lower than the industrial education tax rate of 0.88%. These changes reflect the Province's objective to implement a principled and sustainable taxation framework for aggregate sites over the long term.

In addition to these permanent changes effective in 2025, a temporary sub-class of industrial property was created for the 2024 tax year to provide an education tax reduction for aggregate properties. This sub-class was introduced to offer immediate relief and reflect the unique nature of aggregate extraction properties. The Municipal Property Assessment Corporation (MPAC) issued special amended notices to implement this sub-class, and municipalities, including those within Haldimand County, are processing the necessary tax billing adjustments. Under Ontario Regulation 296/24, which amends Ontario Regulation 400/98 made under the Education Act, a discount factor of 95% was applied to the industrial education tax rate of 0.88% for properties within this new sub-class for the 2024 tax year.

Recommendation: Based on the above, staff are recommending that the aggregate extraction tax class ratio be set at the prescribed ratio of 1.89382 for 2025.

## **C7. "Revenue neutral" tax ratios**

The Province has established provisions primarily to allow municipalities the "flexibility" to increase the commercial and industrial tax class ratios to offset the impact of shifts to other property classes – primarily the residential tax class. In addition, the legislation also allows increasing the tax ratio for these classes even if a municipal levy restriction is in place due to the current tax ratios being above the "Threshold Range". This provision allows the ratios to be adjusted to offset up to 50% of any increase applied to the residential property class. These two provisions are often referred to as establishing "Revenue Neutral" tax ratios.

These provisions have been in place since regular re-assessments have been established (starting in 2009) yet staff have never recommended these provisions. Although, increasing the commercial and industrial class tax ratios would help offset the tax burden shift to the other classes, it would move the tax ratios further away from the "Range of Fairness" (currently 0.6 to 1.1). Additionally, the current ratios for these classes, 1.6929 for the commercial class and 2.3274 for the industrial class are very close to the threshold ranges for municipal levy restrictions. Increasing these ratios would add additional tax

burden to these properties and may impact their competitiveness with surrounding municipalities that are moving closer to the “Range of Fairness”.

Similar to the farm class tax ratio discussion, the use of these provisions would artificially adjust the tax burden and not reflect the intended tax burden allocation resulting from market value assessment.

Recommendation: For the above reasons, staff are recommending that the provisions to implement “revenue neutral” commercial or industrial class tax ratios not be utilized in 2025.

## **D. Tax Reductions**

The Municipal Act provides specific legislation with respect to tax reductions for different sub-classes of property. There are different provisions for: (i) vacant and excess land in the commercial/industrial property tax classes; (ii) all sub-classes related to farmland awaiting development and (iii) optional subclasses for both industrial and commercial small-scale on-farm business activities.

### **D1. Vacant and Excess Land Subclasses**

Prior to 2017, tax rate reductions for vacant and excess land within the commercial and industrial classes were set by legislation at 30% and 35% respectively. Starting in 2017, the Province provided municipalities with the ability to amend the reduction program to align with local circumstances and needs. Municipalities were given the flexibility to lower the reduction percentages or eliminate the program entirely. Through reports CS-FI-08-2017 and CS-FI-15-2017, these options were evaluated in conjunction with public consultation and, ultimately, Council approved a phase out of the program starting in 2017. The phase-out continued over the next three years by reducing the current reduction evenly, and was completely eliminated in 2021.

### **D2. Farmland Awaiting Development**

Tax rate reductions related to farmland awaiting development (FAD) are divided into two sub-classes and can be established within a range established under Provincial regulation (O. Reg. 298/03 of the Municipal Act). The reductions are set relative to the residential tax class for all non-residential tax classes.

The maximum reduction allowed for “first class” farmland awaiting development is 75%, which is consistent with the regular farmland tax class; the minimum is 25% (i.e. the property would pay 75% of the full tax rate in the applicable class). Haldimand started with the maximum allowable reduction and has phased it down to the minimum reduction of 25%. As there are a limited number of properties in the FAD class (i.e. 14 properties in total across Haldimand), changing the reduction percentage will not have a major tax impact but it will provide additional taxation revenue while these properties are awaiting development (which can be several years). As a result, it was previously recommended that the reduction percentage be gradually moved towards the minimum reduction percentage allowable under the regulation (i.e. 25%).

Under the current regulation, the maximum this percentage can be adjusted in any given year is 10%. No change is required for 2025 as, in 2016, the discount was at the minimum of 25%. It is, therefore, recommended that the reduction for residential farmland awaiting development remain at 25% for 2025, representing the legislative minimum reduction.

The corresponding reduction for the non-residential tax classes is a prescribed calculation to provide for the same level of taxation as the residential farmland awaiting development tax class. This calculation provides for a 67.78% reduction for industrial, 62.5% reduction for multi-residential and a 55.70% reduction for the commercial tax classes, respectively to make them equivalent to the residential municipal tax rate for eligible properties.

As there is no minimum for “second class” farmland awaiting development, it is recommended that the reduction be maintained at 0% similar to previous years.

### **D3. Small-scale On-farm Business**

In May 2018, the Minister of Finance announced new optional small-scale on-farm business subclasses for qualifying assessment in the industrial and commercial tax classes. To be eligible, the commercial and/or industrial facility must be used to sell, process or manufacture something from a farm product produced on the farmland or on land used to operate the farming business.

It should be noted that the Province did enact a reduced education rate for these small scale on-farm businesses regardless of whether a municipality has opted to have the subclasses apply or not. There were no qualifying properties in Haldimand County at the time of enactment in 2018.

In December 2021, a second optional small-scale-on-farm business subclass was announced for qualifying assessment in the industrial and commercial classes. Prior to that, the maximum assessment eligible for each property was limited to \$50,000 combined for both subclasses.

The addition of the second subclass increases the maximum assessment eligible for each property from \$50,000 (first subclass) to \$100,000 (second subclass) combined for both subclasses. Council adopted both of the eligible subclasses since 2018 to support local farmers and to help diversify their operations and grow our local economy. Properties assessed in these tax classes, will have tax rates applied at a Municipal rate of 25% of the Commercial/Industrial rate and the reduced Education Tax Rate as established by the Province.

There are four properties identified in Haldimand in the first commercial subclass, two properties in the second commercial subclass, and one property in the first industrial subclass for 2025. These optional subclasses will provide some moderate tax relief for these properties while providing additional economic development opportunities across Haldimand.

### **D4. Small Business Subclass**

The Province announced a new optional small business property subclass in the 2020 Ontario Budget, in an effort to provide municipalities with flexibility to target property tax relief to eligible small businesses. Amendments to O. Reg. 282/98 under the *Assessment Act* and O. Reg. 73/03 under the *Municipal Act, 2001*, were filed in May of 2021 to implement the subclass.

Municipalities are responsible for establishing the detailed eligibility criteria for this optional subclass. This provides flexibility to tailor the criteria to the local area, but would also mean that in addition to developing the criteria, the municipality would need to administer a process to identify and approve eligible properties for inclusion in the subclass. This could be done through an application process or through a criteria-based determination process. Any approved properties must be listed in a publicly accessible registry. Municipalities will also be responsible for the ongoing monitoring of eligibility, keeping the public registry up-to-date, and notifying MPAC when properties become eligible or ineligible. The Ontario Property Tax Analysis (OPTA) system will be creating financial analysis tools for municipalities to use in order to build scenarios and model any tax impacts of adopting the small business subclass.

Like other subclasses, municipalities will have the option to fund the small business subclass by absorbing the cost through a levy decrease or by funding it across all property classes. Alternatively, there is an option to fund the subclass within the commercial and/or industrial property class through the adoption of revenue neutral tax ratios.

Ultimately, the adoption of this subclass and treatment of how the tax reduction is funded, is a municipal decision. In order to implement the subclass there would need to be a public consultation process, as well as passage of a by-law providing the following:

- The decision to adopt the subclass

- The subclass tax reduction to be applied to the commercial and/or industrial class municipal tax rate
- Requirements that properties must meet in order to be eligible for inclusion in the subclass
- Appointment of a Program Administrator to administer the program
- Appointments of an Appellate Authority to hear any appeals of eligibility decisions.

Given the challenges noted above and the potential for inequities across the eligible tax classes, Staff are not recommending implementation of the optional subclass at this time.

Staff will continue to evaluate the program and monitor the success/potential impacts as other municipalities review and implement these provisions in the future. AMO and MFOA have initiated working groups and surveys to determine best practices with regards to implementing these optional classes, if and when municipalities choose to do so. To date staff are aware of very limited number of municipalities that have chosen to adopt these optional classes at this time.

### **E. Existing Policies**

The following additional Tax Policies are presently in place and do not require amendment at this time. (They are available for public review on the Haldimand County website.)

1. Tax Rebates to Charitable or Similar Organizations.
2. Municipal Tax Deferral for Low Income Seniors or Low Income Disabled Property Owners.

The above noted policies are mandatory under current legislation and procedures are reviewed on an “as required” basis (i.e. changes in the underlying legislation, recent court decisions/interpretations, etc.) to ensure the desired intent of these provisions is still being met. At this time, the remaining policies are currently meeting legislative and administrative needs and will be subject to change in the future as required.

### **F. 2025 Tax Rate Impact on Property Classes**

As indicated above, the four main factors that impact the annual taxes on an individual property are: annual assessment impacts, education tax rates, municipal levy requirement and tax policy decisions. It was noted during the review and approval of the 2025 Tax-Supported Operating Budget, that the reassessment in 2020 was delayed by the Province due to the COVID-19 pandemic. As a result, the assessment impacts outlined in this report are not reassessment related and are strictly due to in-year changes during 2024. Therefore, the changes in assessment, changes in approved education rates and the levy requirements for 2025 were factored into the estimated overall tax impact on the average assessed residential property, resulting in a 4.46% impact which was presented to Council at that time.

Assessment roll changes subsequent to the 2025 Budget review, and tax policy decisions outlined in this report have subsequently impacted the overall tax impact on various property classes. In comparing 2025’s total average property tax increase to 2024’s, the associated impacts for specific tax classes are as outlined in the table below.

**Table 5 – Average Tax Impacts on Selected Property Tax Classes**

2025 Assessment		2024 Final per FIN-10-2024		2025 Proposed			Annual Increase		Monthly Increase
Class	Avg CVA	Total	Avg CVA	Municipal	Education	Total	\$	%	\$
Industrial	537,400	19,161.51	537,400	15,093.06	4,729.12	19,822.18	660.67	3.45	55.06
Multi-Res.	1,063,200	26,163.31	1,063,200	25,659.81	1,626.70	27,286.51	1,123.20	4.29	93.60
Commercial	318,900	9,035.85	318,900	6,514.70	2,806.32	9,321.02	285.17	3.16	23.76
Residential	286,370	3,719.97	284,640	3,455.70	438.15	3,893.85	173.88	4.67	14.49
Farmland	408,600	1,335.00	408,600	1,232.67	156.29	1,388.96	53.96	4.04	4.50

As previously noted, the major reason for differences in the overall tax impact presented at budget time of 4.46% versus the 4.67% as a result of this report, is due to the individual properties where assessments have changed since the tax roll was returned in late 2024 until the deadline for changes in May 2025. It is important to note some key points from the above table:

- The overall tax impact on each individual tax class varies, due primarily to the assessment shifts of 2025 (as noted in report FIN-03-2025 Analysis of Assessment Update);
- The education portion of the overall tax class varies considerably, depending on the property class, from approximately 30% of the commercial tax bill to only 6% for a multi-residential property.

Based on the Tax Policy recommendations outlined in this report, together with the 2025 approved municipal levy, education taxes and assessment shifts, the average residential property (based on the average assessment as returned by MPAC) will see an overall increase of **4.67%** or **\$14.49** per month on their 2025 total tax bill.

The following chart compares the proposed tax rates for 2025, based on the recommended tax policies outlined in this report, to the approved 2024 tax rates.

**Table 6 – 2025 Proposed Tax Rate vs Approved 2024 Tax Rates by Selected Property Tax Classes**

Property Class	2025 Total Tax Rate %	2024 Total Tax Rate %	Year over Year Change Increase/(Decrease)	% Change Increase/(Decrease)
Residential	1.359726%	1.306904%	0.052822%	4.04%
Farmland	0.339931%	0.326726%	0.013205%	4.04%
Commercial	2.922866%	2.833444%	0.089422%	3.16%
Industrial	3.688533%	3.565596%	0.122937%	3.45%
Multi-residential	2.566451%	2.460808%	0.105643%	4.29%

Attachment #1 to this report represents the Draft Tax Levy Summary that will be included with the Levy By-law to be presented in conjunction with this report at the June 23<sup>rd</sup> Council Meeting. Final tax bills for Haldimand County property owners will be issued in July, with installment payments due on August 29<sup>th</sup> and October 31<sup>st</sup>.

## G. Railway Right-of-Way Property Taxation Rates for 2025

The 2016 Ontario Economic Outlook and Fiscal Review announced that the Province had initiated a review of the property taxation of railway rights-of-way in response to municipal requests. As part of the review, the Province has held consultations with municipalities and representatives of the railway industry. Based on these consultations, in the 2017 Ontario Budget, the Province announced that it was taking action to address three key issues related to: indexation of rates, variation in rates, and implications for short-line railways. Municipalities have expressed concerns that property tax rates on railway rights-of-way have not been updated since the late 1990s.

Beginning in 2017, property tax rates on railway rights-of-way were updated to reflect the average annual percentage change in taxes on commercial properties. This means that municipal property tax rates for mainlines increased by approximately \$18 per acre for 2018. There was expectation that the rates for mainlines would again increase for 2019, however the Province continued to hold the 2018 rates for 2019 and 2020. The Province has again provided confirmation that property tax rates for 2025 will be the same as 2018 - 2024. The Province froze the short line railway property tax rates at 2016 levels again for 2025 in recognition of the challenges faced by this sector of the railway industry. It is hoped that, in future years, the Province will continue to adjust rates to address the key issues identified by municipalities. The below table summarizes the 2024 and 2025 rates.

**Table 7 – 2025 Railway Right-of-Way Property Taxation Rates per Acre**

	<b>Municipal Mainline</b>	<b>Municipal Short-line</b>	<b>Education</b>
2025 Rate/acre	\$110.00	\$85.58	\$114.98
2024 Rate/acre	<u>\$110.00</u>	<u>\$85.58</u>	<u>\$114.98</u>
Change/acre	\$0.00	\$0.00	\$0.00

There are approximately 126 acres of mainline railway right-of-way located within Haldimand County. Since there is no change in the rates over the prior year, no additional revenues will be realized. Any changes in the railway per acre taxation rates do not require any action from Council.

## H. Other Legislative Changes

The Province enacted a significant number of legislative changes for implementation in 2017, with some becoming effective in 2018. Many of these legislative changes were enacted to promote a stronger Ontario and provide incentives to develop additional affordable housing. Although many of these changes were available for use in 2018, there were two that still required proclamation by the Lieutenant Governor or additional regulations from the Minister before considering utilization at the time of the 2022 Annual Tax Policy Report. These pending changes, which are now effective, include:

- Vacant Home Tax: New provisions under the Municipal Act will allow municipalities to impose a tax on vacant residential homes. The intent of these measures is to discourage speculative ownership of homes.
- Transient Accommodation Tax: New provisions under the Municipal Act will allow municipalities to impose a tax in respect of the purchase of transient accommodation within the municipality. The intent of these measures is to promote occupation of available units in hotels and other short-term accommodation.

Of the municipalities that have implemented these provisions, the feedback provided has been mixed at best and questionable whether it is actually achieving its ultimate goals. Staff will continue to monitor the implementation and effectiveness of these provisions and make recommendation to Council on the applicability to Haldimand in the future.

## **Financial/Legal Implications:**

In order to meet the reporting requirements as per Provincial legislation, Council must establish the 2025 property tax policies. The final tax rates are determined based on the recommended tax ratios and last revised assessment roll (as at May 2025). Although these tax policy decisions impact the relative burden by individual property classes, the municipal tax levy to be collected in 2025 was approved earlier this year by Council at \$92,200,590 and remains unchanged.

## **Stakeholder Impacts:**

The 2025 Tax Policy is in conformity with the concept of balanced growth and economic development in our community.

## **Report Impacts:**

Agreement: No

By-law: Yes

Budget Amendment: No

Policy: No

## **References:**

1. [Report FIN-03-2025 Analysis of Assessment Update](#)
2. [Municipal Act, 2001, S.O. 2001, c. 25](#)

## **Attachments:**

1. Draft 2025 Tax Levy By-law
2. Draft 2025 Tax Ratios and Tax Reductions By-law