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Property Tax and Assessment News from Around the World

CANADA – December 2018

The Best (and Worst) Big Cities for Business Investment: The 2018 Report Card

The best and worst major cities for business investment are identified in a new report from the C.D. Howe Institute. In "Business Tax Burdens in Canada's Major Cities: The 2018 Report Card" authors Adam Found and Peter Tomlinson compare business tax burdens in 10 Canadian cities, the largest in each province.

When deciding where and how much to invest, businesses consider the tax burdens jurisdictions impose on investment. As heavy tax burdens erode returns to investment, they tend to divert investment to other jurisdictions. For governments, a competitive business tax regime is therefore a key factor in the retention of existing businesses and attraction of new investment.

The report quantifies the 2018 tax burden on business investment for the largest city in each province, focusing on corporate income taxes, retail sales taxes, land transfer taxes and business property taxes. Combined, these taxes determine the overall tax burden on new business investment, called the marginal effective tax rate (METR).

The report is particularly useful because it incorporates often overlooked business property taxes into the METR. "We find business property taxes account for about half the total METR on corporate investment, a share much too large for Canadian governments and other analysts to continue overlooking," says Adam Found.

The authors find that Halifax, Charlottetown, Moncton, Montreal, and Winnipeg have the highest overall tax burdens on new investment in 2018. On the more competitive side of the spectrum are St. John's, Toronto, Saskatoon, Calgary, and Vancouver. Much of the variation in competitiveness is attributable to provincial and municipal business property taxes.

Despite years of provincial and federal efforts to reduce the tax-related cost of business investment, a significant gap persists in prevailing estimates of the METR, namely the omission of business property taxes. As these taxes account for about half the total tax burden on business investment, their omission significantly distorts the picture of business tax competitiveness within and across jurisdictions. "When business property taxes are included in METR estimates," says Found, "the rate of return an investment needs to be economically viable is much higher."

In groundbreaking research, the authors also extend their analysis to the United States, comparing tax burdens on investment in Boston, New York, Chicago, San Francisco, and Los Angeles to those in five large Canadian cities. The results may surprise some. "Once business property taxes and local taxes are included in our analysis," says Peter Tomlinson, "the Canadian cities emerge with a notable competitive advantage."

SASKATCHEWAN - Saskatoon proposes 4.5% property tax hike in 2019 preliminary budget

A homeowner with an assessed property value of $371,000 would see their yearly property tax rise by roughly $80.

Kerry Tarasoff, the city's chief financial officer, said the increase is needed to deal with a growing city and inflation.

"A significant portion of the proposed 2019 budget goes to covering costs for growth and asset preservation," Tarasoff said.

"We're taking care of today's needs and carefully planning for community requirements in years to come."

The budget states an additional $10.6 million is needed in 2019 to deal with inflation, with $3.5 million going to Saskatoon Police Service, and the remainder to other civic services.

Administration is earmarking $6.9 million for growth expenditures.

Tarasoff explained a tax property increase of 3.16 per cent would maintain the same level of existing services adjusted for inflation and growth. The increase to 4.5 per cent will add another $3.10 million for the city's strategic priorities.

Total spending is estimated at $511.3 million, an increase of 4.2 per cent – or $20.6 million – over 2018.

The capital budget is a proposed $259.7 million, with a focus on roads, transit, water, and wastewater distribution systems.

Projects for 2019 include $13.5 million for Sid Buckwold Bridge repairs and $31.3 million for paved roadway and sidewalk preservation

Officials said the proposed property tax increase stays within city council's tax target of 4.0 to 4.5 per cent, which is expected to generate enough money to balance the 2019 budget.

"Council has the ability to adjust any of those figures. We did go to the high end of the scale, but there is ability still to adjust if they need to," said Tarasoff.

An additional $10.2 million in new revenue is expected to be generated through a number of sources including user fees, revenue sharing, and return on investments.

City council will review the budget over three days starting on Nov. 26.

The city is expected to move to a multi-year budget approach for a two-year cycle for the 2020-21 budget years.

ONTARIO - FNF Canada and the Municipal Property Assessment Corporation (MPAC) Renew Agreement

FNF Canada, a Division of Fidelity National Financial (FNF) is pleased to announce they have signed a renewed agreement with MPAC to continue to provide residential property data to real estate appraisers across Ontario.

FNF Canada leads the appraisal management industry by ensuring consistency and reliability of property data used in residential real estate appraisals, and as a result, maintain data integrity that industry partners have come to rely on.

We are pleased to continue working in partnership with MPAC to deliver innovative solutions for appraisers within the Canadian marketplace. FNF Canadas preferred pricing for square footage and detailed property reports demonstrates FNFs ongoing commitment to the appraisal industry, and our partnerships within the lending community, commented Brian Bell, Senior Vice President of Innovation and Data Solutions.

This solution has proven to make access to residential property data economical and efficient for appraisers across the province, says MPACs Vice President of Business Development, Lee Taylor. We are pleased to continue to support FNFs platform as a channel that provides a cost-effective and convenient way for real estate appraisers to leverage MPACs data.

BRITISH COLUMBIA - Property taxes squeezing upper- and lower-end real estate in B.C.

"I've had people crying in my office over property taxes," says lawyer

The tax roll has closed for 2019, and assessment notices will be sent within the month to property owners – some of whom will undoubtedly be shocked by what the province has to say.

While savvy property owners have been anxious for several months, the depth of the angst was detailed at an Urban Development Institute meeting last week. A panel of two lawyers and a property tax specialist predicted plenty of strategic manoeuvres among owners seeking to navigate increasingly complex and onerous tax regulations.

Burgess, Cawley, Sullivan & Associates Ltd. principal Paul Sullivan took particular exception in his comments with the province's school tax surcharge, which he conservatively estimated has wiped $10 billion worth of equity off residential properties in Vancouver. Combined with other measures, such as the speculation and vacancy tax, some owners stand to see property taxes increase 1,500 per cent.

"I've had people crying in my office over property taxes," said Sullivan, who will feel the pinch himself. "I've had people that bought $4 million penthouses because they love Vancouver. They come here on holiday. Their property tax bills have gone from $25,000 to $350,000 on their vacation home, and they can't get rid of it; there's no market to sell it."

While the tax has lowered the value of homes assessed at more than $3 million, it has also pushed tax-averse buyers into properties worth less than $3 million. The ripple effect has boosted competition and raised the price of more affordable properties. The result is top-end properties that don't sell because buyers are spooked, and cheaper properties that are still unaffordable to most local incomes.

"It's not pretty," Sullivan said. "This isn't about property; it's about people."

Land banking not an option

However, the host of new property taxes has also spelled the end of land banking because owners now have to act on development, not just plan for it.

Ed Wilson, a partner at business law firm Lawson Lundell LLP, detailed exemptions developers are eligible for related to the speculation and vacancy tax, but navigating the requirements isn't straightforward. The act is 105 pages, and "just this side of incomprehensible," Wilson said.

On the plus side, broad exemptions exist for developers who have initiated financing, permitting and contracting processes for projects. However, those exemptions have yet to be put to the test. Burgess, Cawley, Sullivan & Associates hope to help owners develop holding strategies for properties that seek to be tax-efficient, but Sullivan said the simplest strategy is to start building. This keeps carrying costs low and doesn't put affordability further out of reach.

"You have to be active in development, and if you're active and going through rezoning and under construction, you will avoid most of the taxes," Sullivan said. "And if you're not, you're cooked."

B.C. professor proposes innovative property tax system to help housing affordability

A radical, innovative property tax model to improve housing affordability for renters has been proposed by a UBC associate professor.

In new research in the Canadian Tax Journal, UBC Sauder School of Business associate professor Thomas Davidoff suggests a new method for increasing homeowners' annual property taxes that would result in lower income and sales taxes for all residents.

In a Q&A on the research, published by the UBC website, Davidoff says, "We've got a really out-of-balance tax system here — it's a great place to buy real estate but not a great place to make a living, in terms of tax policy."

Davidoff suggests that property taxes be calculated based on the potential rent of the home, not the assessed value. That would result in increasing homeowners' property taxes across the board, to around four times the national average – compared with the low property taxes homeowners currently enjoy.

Davidoff said, "Essentially, what I am proposing is a transfer from owners to renters, meaning property owners would pay more taxes and renters less, but everybody would pay less income and sales tax. This would be possible because while some of the additional property taxes would stay within the municipality, the rest would get kicked up to the provincial government. The province could then cut income and sales taxes for everyone, provided of course that they treat it as a budget-neutral transfer, and don't find new ways to spend the money."

For renters, this new system wouldn't reduce rents but it would mean considerably more money in their pockets to help with living costs. And for most homeowners, the rise in property taxes combined with lower income and sales taxes would balance out, said Davidoff.

"In short, if you owned a moderate value home, it would be a wash. If you owned a fancy home, you would lose, unless you make a really great income, in which case you're back to a wash."

He added, "This is really a way to help renters. For example, under the current situation, if you're a tech sector worker and you have a good salary but you're really struggling to find a rental in Vancouver, even with your high salary, you're thinking: "I'm paying really high income tax and really high rent, but my landlord is paying very little in property tax. If we switched that, I'd be better off."

Davidoff acknowledged that it would be tough to get the support of homeowners, especially older homeowners, on this new model, and it would have to be implemented fairly. "There is a very important block of voters — people near or past retirement age, and home owners. For them, raising property taxes means less money in their pocket, it means the value of their property falls, and given where they are in life, they've already paid most of their income and sales taxes, so they would perceive this as very unfair to them. Politicians that hope to implement something like a budget-neutral transfer of property to income and sales taxes have to be very careful how they do it."

ALBERTA - Calgary city council approves four-year budget; 3.45% property tax increase

The property tax increase for 2019 is 3.45%, which works out to about $5.40 per month per household.

$1.7 million went back into the Fire and Emergency Response service budget.

Hundreds of written submissions from the public and 73 presentations form the public were taken into consideration.

Calgary taxpayers will face an estimated increase of just over $5 per month to property taxes in 2019.

In a 9-5 vote, city council approved the $4-billion budget late Friday afternoon.

Councillors spent about eight hours debating the financial blueprint before giving final approval.

Council also made a move to reduce the tax load on small businesses. It cuts the non-residential increase from a projected 25 per cent to about 10 per cent.

Mayor Naheed Nenshi says that is still not enough of a decrease, and discussions will continue in 2019. The tax rates will also be affected by the next provincial budget.

Nenshi presented a motion to lower that increase, by shifting some money from the city employee wage and salary account and putting $8-million into non-residential taxes.

For property owners, the residential tax increase has been set at 3.45% for 2019, which works out to an increase of about $5.40 per household per month.

The budget included transferring $43-million in leftover capital funding to go towards parks, pathways, urban forests and three new light rail train cars. Only three cars are being bought because an order for 12 has already been made, and Mayor Nenshi says they get a price break when buying 15.

A portion of the debate was focused on the library budget, which came with a requested increase of $3-million. In the end, councillors approved about half of the amount, just to cover inflation.

In a news release, Mayor Naheed Nenshi said councillors are happy with the result.

“I’m really pleased with where Council has landed,” says Mayor Naheed Nenshi. “We’ve invested very strategically in key areas such as transit, parks, pathways, and critical maintenance of our facilities, while keeping our residential property taxes amongst the lowest of any major Canadian city. This budget achieved more than $100 million in efficiency savings, and Council was able to pass on that savings to the non-residential property owners who need it most.”