

## PROVINCIAL ISSUES

### 45. CLOSING THE GAP BETWEEN NON-RESIDENTIAL AND RESIDENTIAL PROPERTY TAXES

#### Opening Statement

The Chamber has long expressed concern regarding the local governments charging non-residential property owners a multiple over residential taxpayers, a practice that is not based on any concrete rationale, e.g. aligned with consumption of municipal tax-supported services. This practice affects business' ability to compete with other jurisdictions and remain viable, impacts that will only worsen as property values rise and municipal costs increase.

#### Background

Prior to 1984, the Government of B.C. regulated ratios between residential and other property classes. This restricted local government's ability to set arbitrary rates and restricted the difference between classes to between 2.6 and 3.5, depending on the class.

In 1984, the Provincial Government granted local government full autonomy in the setting of rates between the various classes. Property classes were then expanded to the current nine classes. This change allowed municipalities the maximum flexibility to allocate tax collection to distinct property types. In addition to the 1984 change, the *Community Charter*, introduced in 2003, provided local governments extensive control over the methods of tax collection and the services that they may choose to fund.

In some provinces, municipalities are free to set their own property tax rates without provincial involvement while in other provinces, the province is involved in the local tax structure through direct controls or limitations on what can be done. For example, in New Brunswick, each municipality sets its own local property tax rate but it is a provincial requirement that the non-residential municipal tax rate must be equal to 1.5 times the residential municipal tax rate. In Ontario, municipalities are permitted to set different tax rates (related to the residential rate) for different property categories although provincially set ranges of fairness limit a municipality's flexibility in setting differential rates. In Manitoba, except for Winnipeg where differential tax rates may be used, municipalities are not allowed to apply differential tax rates to different property types.<sup>180</sup>

Property taxes actually refers to a range of components levied on behalf of a range of different authorities: municipal, school, regional districts, hospitals, transportation authorities, and others. Municipal property taxes are calculated based on BC Assessment's assessed value on specific properties, the municipal budgetary requirements, minus all other sources of funding. It should also be noted that while these are all levied at the local level, only municipal components are fully under the control of the local governments.

Property-tax rates vary by class of property: residential and non-residential, e.g. Industry, Business/Other<sup>181</sup>, Utilities, Supportive Housing, Farming, Non-profit, Recreational. The difference between residential mill rates and non-residential can be substantial; in Greater Victoria municipalities the difference can vary from more than double to quadruple.<sup>182</sup>

The difference between residential and non-residential taxes is misaligned with the costs of providing services. In fact, studies have shown that non-residential property owners do not consume the tax-supported services of residential owners.<sup>183</sup>

---

<sup>180</sup> [Property Taxes and Competitiveness in British Columbia, May 2012](#)

<sup>181</sup> Business/Other includes store and commercial services, office/commercial space, shopping centers, hotels, storage and warehouses, and strata non-residential.

<sup>182</sup> There is no publicly available information from the Ministry of Community, Sport and Cultural Development nor BC Assessment relating to the representative commercial property owner's taxes.

<sup>183</sup> A 2007 report by MMK Consulting for the City of Vancouver found that, on average, residential properties in Vancouver paid \$0.56 in property taxes for each dollar of tax-supported services consumed, while non-residential properties paid \$2.42 for every dollar of tax-supported services they consumed.

## PROVINCIAL ISSUES

The autonomy provided to local government, the variety of recipients of property tax, the setting of the tax rate, and the number of classes of property all lend themselves to a complex system that does not encourage openness nor transparency.

For example, after extensive reviews of publicly available information, the Greater Victoria Chamber of Commerce specifically asked each of its 13 municipalities January 2017 why they charged non-residential property owners a ratio between two to four times residential (see annex). More than half responded, each acknowledging the practice of charging a multiple – without having a rationale why. One municipality has a higher Business/Other rate in comparison to others in the region because it wants to maintain a very low residential tax rate. Another has a policy of not linking its Business/Other rate with Residential, instead worked to ensure its Business/Other rate was lower than surrounding municipalities. Most pointed out the lack of control they have over the overall “tax bill” due to levies from other authorities. But not one explained why a business is responsible for a greater portion of property taxes than a resident.

The Government of B.C. needs to ensure property taxation is fair, transparent, and sustainable.

### THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide control and oversight on the level of property taxation levied to all taxpayer groups to ensure fair, transparent, and sustainable taxation practices; and
2. Commission a study by the Auditor General of Local Governments to assess municipal property taxation with the goal of developing a more sustainable structure related to value for money.

**Submitted by the Greater Victoria Chamber of Commerce**

**Supported by the Duncan-Cowichan Chamber of Commerce, the Campbell River & District Chamber of Commerce, the Cranbrook Chamber of Commerce, the Greater Vancouver Board of Trade, and the Saanich Peninsula Chamber of Commerce**

**The Policy Review Committee supports this resolution**

*Annex – Greater Victoria 2016 Mill Rates (Residential and Commercial)*

Municipality	2016 Residential Rate	2016 Commercial Rate	2016 Ratio	2015 Ave. Property Value <sup>184</sup>	2016 Ave. Residential Taxes	2016 Ave. Business Taxes
<a href="#">Central Saanich</a>	6.92889	16.20779	1:2.3	\$527,500	\$3,655	\$8,550
<a href="#">Colwood</a>	6.7904	24.1616	1:3.6	\$435,700	\$2,959	\$10,527
Esquimalt	7.82484	22.73613	1:2.9	\$483,000	\$3,779	\$10,982
Highlands (SD1851)	5.8950	20.9657	1:3.6	\$517,800	\$3,052	\$10,856
Highlands (SD2)	6.1517		1:3.4		\$3,185	
Highlands (SD3)	5.8578		1:3.6		\$3,033	
<a href="#">Langford</a>	5.9665	17.8579	1:3	\$402,200	\$2,507	\$7,504

<sup>184</sup> [2015 average single family dwellings \(BC Assessment\)](#)

<sup>185</sup> SD = School District