

Small Business Subclass Policy Review

Regional Council Meeting

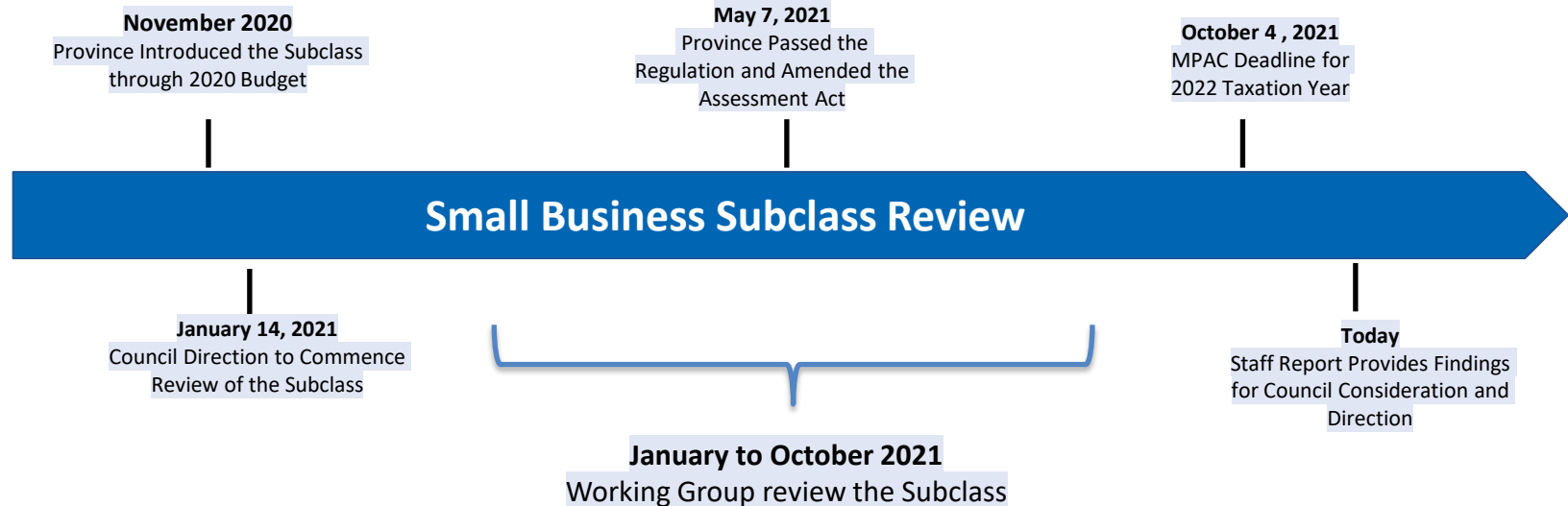
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Timeline and Approach



- Integrated and Collaborative Approach
- Established Working Groups Comprising Staff from Local Municipalities and MPAC
- Participated in Various Discussion Forums With Municipal Partners

Overarching Tax Policy Principles

Equality and Fairness- Stability - Ease of Administration- Accountability to Taxpayers

Subclass Enabling By-law Key Parameters

Eligibility Criteria	Designated Program Administrator and Appellate Authority	Discount Rate	Funding Approach
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The Subclass was not meant as a COVID relief program despite that it was introduced during the pandemic.

Eligibility Criterion

Findings

- **Small Business is not defined** in either the Municipal Act or the Assessment Act as it relates to property taxation.
- Defining “small business” would require the definition for the Subclass extend beyond parameters available through the property tax characteristics
- Property Taxes are levied directly on the property owner and not on the tenants.
- More than **50 per cent** of commercial and industrial properties in Peel are **tenant-occupied**.

Considerations

- Municipalities have **limited access** to obtain and maintain business feature data for property taxation purpose.
- The legislation does not provide a municipality with an authority to enforce or bind the landlord to **pass on the tax reduction to their tenant(s)**
- There remain challenges in identifying a sensible approach that may provide a clear and fair definition to ensure that the Subclass effectively **provides targeted support to businesses in need**



Administration and Appeal Process

Findings

- A **Program Administrator** and an **Appellate Authority** must be appointed; each role needs to be appointed to a municipal staff.
- The Regulation prescribes a number of requirements a municipality must perform in administering the program after establishing the Subclass
- The Regulation prescribes provisions that give the Treasurer and the Clerk of a municipality a distinct role other than Program Administrator and the Appellate Authority

Considerations

- **Administratively burdensome** and would add significant cost pressure to the Region and the local municipalities which could offset the tax reduction benefit being offered.
- The prescribed requirements for the Program Administrator and Appellate Authority could potentially **cause confusion or duplication** in some instances particularly related to appeals.
- Might diminish the value of the existing regime of property tax rolls update being centralized in MPAC



Tax Implication

Case Study

Funding Options	Tax Implication
Absorb through a budget cut	Revenue Loss of \$2.8 million (Region and local municipalities)
Fund from all classes	Approximately \$300 discount on municipal taxes(Region/Local) for eligible small businesses – Primarily shift to residential properties
Fund through tax ratio neutrality	Very complicated calculation – primarily shift to ineligible commercial and industrial properties

Assumptions: selected Commercial or Industrial properties with CVA less than or equal to \$1 million; Subclass discount of 10%; Calculations based on the Returned Roll for 2021 Taxation

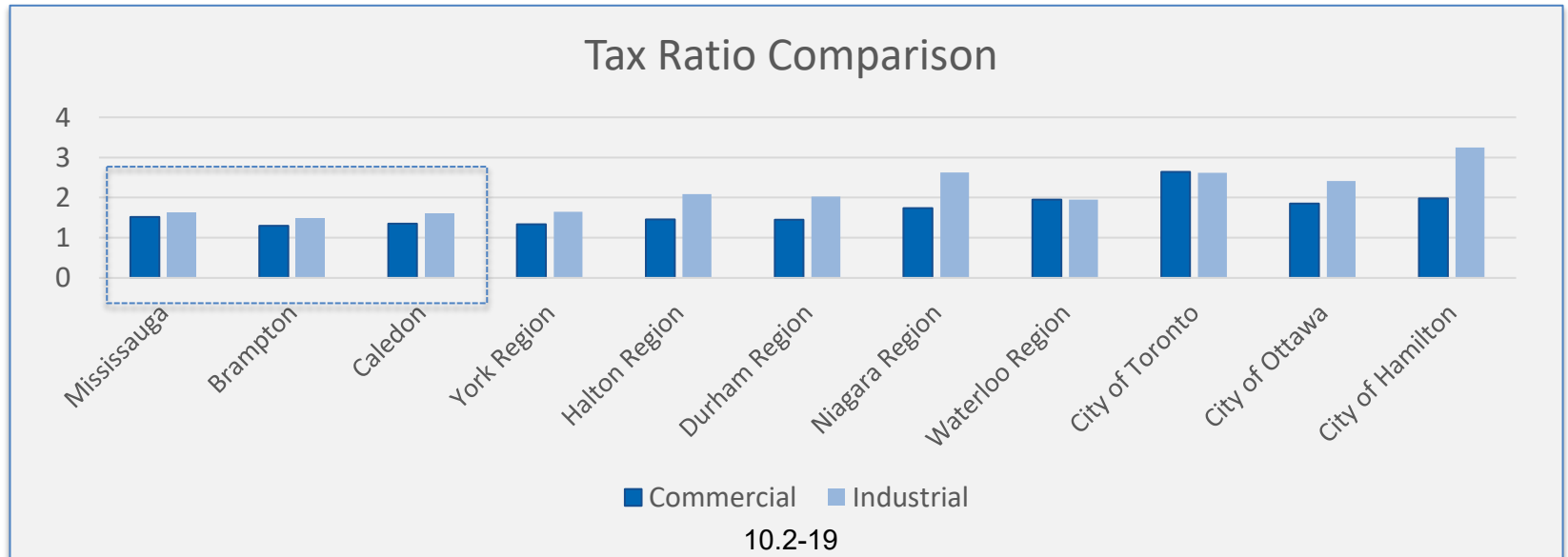
Tax Shift

- Funding the tax discount broadly across all property classes would shift the tax burden to all taxpayers, with **residential property taxpayers sharing most of the cost.**
- Funding the program within the commercial and/or industrial property class through adoption of revenue neutral tax ratios would shift the **tax burden to other business properties** that are not eligible for the Subclass.
- The Subclass would create changes in apportionment of the Region's levy resulting in **tax shifts between local municipalities.**



Ongoing Support to Peel Businesses

- ❑ Economic Development Services and Infrastructure Investments
- ❑ Covid Relief Measures
- ❑ Reduced Business Education Tax
- ❑ Competitive Tax Ratios for both the Commercial and Industrial Property Classes



Municipal Scan

- The Subclass was initially introduced in response to ongoing advocacy by certain municipalities.
- Both Toronto and Ottawa are looking to implement the Subclass in 2022
- Other municipalities either have decided not to move forward with the Subclass Adoption or are reviewing the Subclass

Next Steps

- Staff recommend that the approach of not adopting the small business subclass at this time is considered as fair, prudent and would be the most administratively efficient.
- Should staff be directed to pursue further, a public consultation process would be initiated to help identify a viable approach for potential implementation.