



COMMUNICATION UPDATE

TO:	Mayor and Members City Council
DATE:	October 4, 2021
SUBJECT:	Small Business Property Tax Class Update – October 2021 (City Wide)
WARD(S) AFFECTED:	City Wide
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

Following the enactment of O. Reg 332/21 under the *Municipal Act, 2001* and O. Reg 331/21 under the *Assessment Act, 1990* in May of 2021, staff has continued to work on the potential implementation of the Small Business property tax subclass.

As part of the ongoing analysis, staff has participated in intermunicipal groups, attended workshops and has also conducted public engagement with interested stakeholders, including the Business Improvement Areas (BIAs) and the Chamber of Commerce during August of 2021.

One of the requirements of the Small Business property tax subclass is that the municipality must submit the list of properties that would be classified as “Small Business” to the Municipal Property Assessment Corporation (MPAC) in order to be included in the property assessment roll. Therefore, the municipality must have adopted a definition of small business for the purposes of this tax subclass. For the 2022 taxation year, MPAC has indicated that the deadline is October 4, 2021. Given that the regulations were only released in May, many municipalities, including the City of Hamilton, are not in a position to meet this deadline. The only two municipalities that have expressed their readiness to implement the program in 2022 are Toronto and Ottawa.

Through participation in intermunicipal groups, municipalities have expressed concerns on how different definitions of “Small Business” and different levels of tax discount (0% to 35%) will create regional disparities which may affect competitiveness. While the announced purpose of the program was to help businesses recover from the pandemic, the program is a tax policy program with long-term financial implications that should be carefully considered.

The implementation of a Small Business Property Tax Program will require additional administrative support. As the legislation requires that the municipality appoint a Program Administrator and Appellate Authority, staff will be required to manage the applications, hear appeals and maintain any software solution that is developed. These estimated costs are currently not known.

In addition, there is no consensus among municipalities and stakeholders on whether the taxes should be shifted onto medium and large businesses or redistributed amongst all property tax classes, in which case, the biggest impact might be felt by the residential property class.

The business community has also expressed their opinion about the implementation of the program and their position is that the definition should expand beyond measures, such as, property assessment and size and include other, such as, number of employees. They also recommend that the loss of revenue not be offset by tax increases to the broader business community.

Considering all the challenges of implementation of the program together with the expected costs and the uncertainty of the benefits that would bring to the business community, some municipalities have already taken the decision to not implement the subclass. Other municipalities are delaying implementation so that a collaborative approach between neighboring municipalities can be established to address some of the common challenges.

In view of the deadline set by MPAC to submit the list of properties for the 2022 tax year and the many items that need to be considered for the implementation of the program in terms of the definition, competitiveness, administrative processes and tax shifts, City of Hamilton staff will continue to conduct analysis and consultations regarding the potential implementation of the Small Business property tax subclass for the 2023 taxation year, as opposed to the 2022 taxation year.

BM/dt