



Standing Committee Report

REPORT NUMBER 115-2026-Corporate Services-Revenue	
DATE PREPARED March 24, 2026	FILE
STANDING COMMITTEE MEETING DATE April 14, 2026	
SUBJECT 2026 Tax Policy	

PURPOSE

WITH RESPECT to Report 115-2026-Corporate Services-Revenue, we request endorsement of the Finance and Administration Standing Committee to forward the following recommendations to City Council:

WE RECOMMEND THAT the tax ratios and tax rates included in Attachment 8, as appended to this report, and outlined in Option 2 be approved for the 2026 taxation year;

AND THAT the final tax levy be due in two installments on August 5 and October 7, 2026;

AND THAT By-law 155-2026 be presented at the May 19th City Council for ratification.

EXECUTIVE SUMMARY

This report provides recommendations on the tax policy options and requirements under the *Municipal Act, 2001* for the setting of tax policies, tax rates, and tax due dates in preparation for the 2026 final property tax billing.

A fair and sustainable tax policy is a Council-approved guiding financial principle, supporting a structured and equitable approach to setting tax ratios for residential and non-residential properties while balancing competitiveness, revenue stability, and the City's long-term financial objectives.

While Administration still supports the implementation of the Council-approved Long-Term Property Tax Strategy as outlined in Option 1, it is recognized that subsequent Council decisions have not advanced the strategy as originally intended, with a greater emphasis placed on residential affordability. Therefore, this report recommends Option

2 which would reduce the large industrial ratio from 2.73 to 2.61 and maintain the ratios for all other classes as status quo.

The intent of this option is to continue reducing the large industrial tax ratio to eventually achieve parity with the industrial tax ratio. Currently, there are only three properties in the City classified as large industrial. Maintaining a separate class with so few properties increases tax volatility, which is further amplified by the higher tax ratio. Gradually aligning the large industrial ratio with the industrial ratio promotes greater equity among industrial taxpayers, reduces volatility, and supports the attraction and retention of large-scale industry in Thunder Bay.

The recommended option results in a total increase of \$66.83 (3.60%) per \$100,000 of full service residential assessment. Of this amount \$65.94 (3.55%) is related to the approved 2026 budget increase, while the remaining \$0.89 (.05%) reflects the impact of the recommended change to the large industrial tax ratio. Compared to the status quo option (Option 3), a residential property assessed at \$219,000, which is the median value in the City of Thunder Bay, would pay less than \$2 more if Option 2 is approved.

The recommended tax policies and ratios reflect a balanced approach to implementing the Council-approved long-term tax strategy, while also aligning with Council's decisions in recent years. This approach supports the continued progress toward improved tax equity and economic competitiveness while balancing affordability impacts on residential taxpayers.

KEY CONSIDERATIONS

A fair and sustainable tax policy is a Council-approved guiding financial principle. It supports a well-structured and equitable approach to setting tax ratios for residential and non-residential properties, balancing competitiveness, revenue stability, and the City's long-term financial objectives.

Long-Term Property Tax Strategy – Supporting Growth

In 2023, Council approved a long-term tax strategy designed to support stability in property tax distribution, mitigate risks related to assessment growth and appeals, and enhance fairness and competitiveness to drive economic growth.

Specifically, the following was adopted:

1. The commercial tax ratio be reduced from 2.042037 (2022) to 1.98, the provincial threshold ratio for the commercial property class;
2. The large industrial property class be phased out over the next four years by reducing the large industrial tax ratio by .12 each year until it equals the industrial tax ratio;

3. The multi-residential ratio be reduced by .01 each year and that Administration undertake further analysis once the Province concludes its review on potential approaches to reduce the current property tax burden on multi-residential properties;
4. When the commercial tax ratio reaches the provincial threshold ratio of 1.98, it be reduced by .01 each year thereafter;
5. The annual tax policy report will provide three options for Council's consideration including; one option which will reflect recommendations in paragraphs 1-4; one option which will reflect recommendations in paragraphs 1-2 only; and a status quo option (starting ratios with same tax policies as adopted by City Council in the previous year);
6. Administration report back to Council on the impact that the MPAC reassessment has on the distribution of the tax levy and any corresponding recommended changes to the long term tax strategy.

While Council approved the long-term tax strategy in 2023, decisions in subsequent years have reflected a more gradual approach to implementation, particularly in balancing tax ratio adjustments with affordability considerations for residential taxpayers.

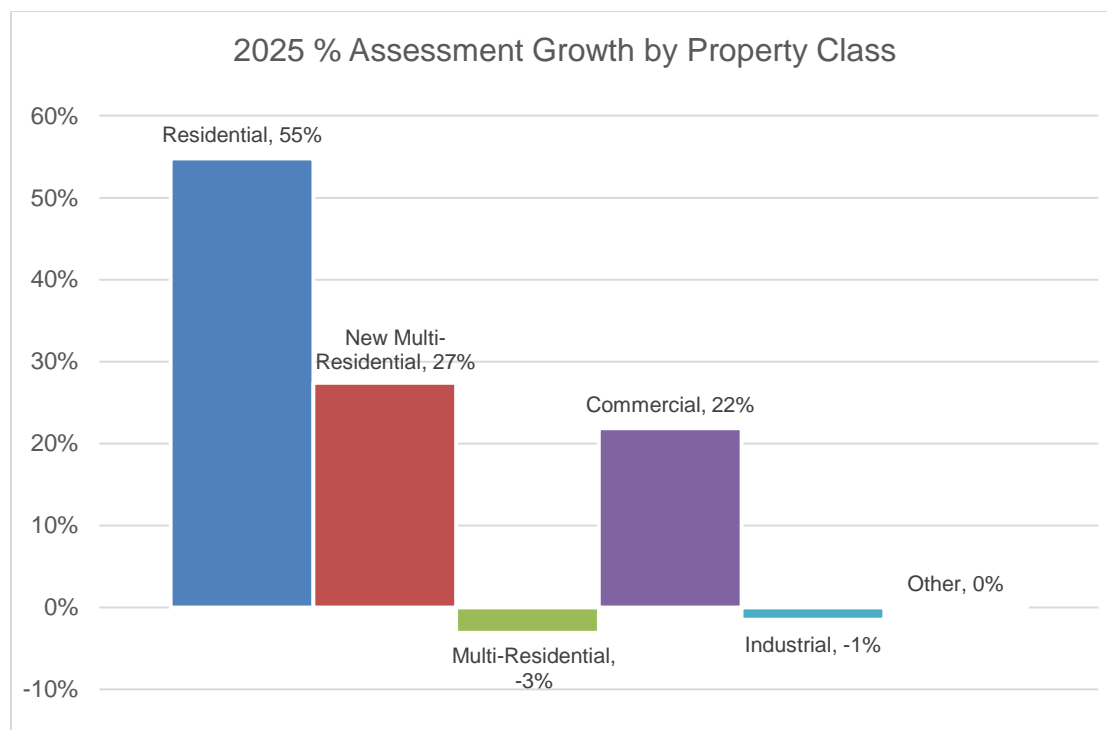
As a result, the recommended 2026 tax policy reflects both the direction of the long-term strategy and Council's demonstrated preference for a phased and slower transition.

MPAC Reassessment and Assessment Growth

The Province postponed the property tax reassessment update for the 2021 to 2024 property taxation years and continues to postpone the reassessment. Because of this postponement, taxes remain based on an updated return roll using the fully phased-in January 1, 2016 current value assessment (CVA). Therefore, there are no re-assessment shifts (value/equity changes) in 2026 as shown in Attachment 1.

Assessment growth was 0.50%. As shown below, most of the growth continues to come from the residential class, followed by new multi-residential and commercial.

Assessment growth has contributed \$1,095,620 (0.46%) in taxation revenue in 2026, which will be directed to the Assessment Growth Reserve Fund to be invested in initiatives aimed at driving further growth in accordance with the approved 2026 budget. Investing in growth creates a positive cycle, driving further economic development and expanding the tax base, which over time may help reduce the tax burden on individual property owners.



“Other” includes Large Industrial, Aggregate Extraction, Landfill, Pipeline, Farmland, and Managed Forest.

Education Taxes

The Province sets the education rates across all municipalities in Ontario and updates the rates on an annual basis to offset the impact of reassessment. Since reassessment was deferred, there were no changes to the education rates in 2026. Therefore, the overall tax levy increase including education is 3.54%.

Municipal Tax Levy

City Council approved a 2026 growth adjusted municipal tax levy including payments in lieu of taxes of \$251,527,800. For billing purposes, the budget is allocated as follows to levy separately for urban/special services:

	2026	2025
Municipal General Tax Levy	\$223,870,352	\$210,990,105
Urban/Special Services:		
Garbage Collection	9,027,065	10,408,843
Street Lighting	3,543,005	4,353,084
Sewage and Drainage	1,284,388	1,486,968
Public Transportation	13,802,990	14,467,400
Total Municipal Tax Levy	\$251,527,800	\$241,706,400

Tax Ratios

- A municipal tax ratio is the degree by which a property class is taxed relative to the residential class.
- The residential tax ratio is always 1.0.
- Tax ratios determine how much of the municipal tax burden is borne by each property class.
- Altering tax ratios does not alter the overall levy amount, only how it is distributed.
- The Province has established a range of fairness for each property class. With the exception of revenue neutral ratios, tax ratios cannot be moved further away from the range of fairness.
- The Province has established threshold ratios for the multi-residential (2.0), commercial (1.98) and industrial (2.63) property classes. Property tax increases cannot be spread evenly over all property classes if any tax ratio exceeds the provincial thresholds.
- Attachment 2 provides an overview of Thunder Bay's historical tax ratios including those recommended in 2026.

Optional Property Classes

In addition to the standard property classes, municipalities can adopt optional classes. Optional classes provide flexibility in spreading the municipality's property tax burden within the commercial and industrial property classes.

All available optional classes were adopted by City Council in 1998 as a temporary solution to mitigate large shifts in the overall tax burden that would have otherwise occurred. The optional classes were not intended to be a permanent solution and in 2006, Council ceased using all but the large industrial optional class.

The large industrial ratio is 2.73 in 2025 compared to the industrial residual ratio of 2.370836.

There are currently three properties in the large industrial class. Having so few properties in the class increases the volatility of the class, which is magnified by the high ratios. In addition, reducing the large industrial ratio encourages large industry to Thunder Bay. Therefore, administration recommends that the large industrial ratio be reduced as outlined in option 2.

2026 Tax Policy

Administration continues to support the full implementation of the Long-Term Tax Strategy (Option 1); however, it also acknowledges Council’s direction over the past two years, which has maintained the status quo to support residential affordability.

Accordingly, Administration is recommending Option 2 for 2026, which proposes a targeted reduction to the large industrial tax ratio while maintaining existing tax ratios for all other property classes. This option advances a key component of the Council-approved tax strategy while having only a minimal impact on residential tax bills, reflecting Council’s continued focus on residential affordability.

Summary of Options			
	Option 1 – Full Implementation	Option 2 – Phased Implementation (Recommended)	Option 3 – Status Quo
Increase in tax bill per \$100,000 assessment on a full-service residential property related to 2026 Budget	\$65.94 3.55%	\$65.94 3.55%	\$65.94 3.55%
Multi-residential ratio	1.98	1.99	1.99
Commercial ratio	1.97	1.98	1.98
Large industrial ratio	2.61	2.61	2.73
Increase in tax bill per \$100,000 assessment on a full-service residential property related to tax ratios	\$3.71 0.20%	\$0.89 0.05%	\$0.00 0.00%
Supports economic growth	✓	✓(moderate)	✗
Balances affordability	✓(moderate)	✓	✓
Advances long-term strategy	✓	✓(phased)	✗
Overall Assessment	Accelerated progress with higher short-term impact	Balanced approach to progress and affordability	Maintains current state; delays progress

Option 1 – Approved Long-Term Tax Strategy – Not Recommended

This option represents the full implementation of the Council-approved long-term tax strategy for 2026.

Under this option, the multi-residential ratio is reduced from 1.99 to 1.98, the commercial ratio is reduced from 1.98 to 1.97 and the large industrial ratio is reduced from 2.73 to 2.61.

The total tax increase on a full-service residential property assessed at \$100,000 would be \$69.65, or a 3.75% increase. This increase reflects both the approved 2026 municipal budget and the impact of tax ratio adjustments.

Of the total increase shown in the chart below, \$65.94 or 3.55% is related to the 2026 budget. This amount would apply if no changes were made to the tax ratios. It reflects the additional funding required to support municipal services, programs, and infrastructure.

The remaining \$3.71 or 0.20% of the increase results from the changes to the tax ratios for commercial, large industrial, and multi-residential properties.

	Total Tax Increase per \$100,000 of full service residential assessment	% Increase
No change to ratios (budget increase)	\$65.94	3.55%
Commercial ratio reduced to 1.97	\$ 2.24	0.12%
Large industrial ratio reduced to 2.61	\$ 0.89	0.05%
Multi-residential ratio reduced to 1.98	\$ 0.58	0.03%
Total	\$69.65	3.75%

The median residential single family detached home in Thunder Bay has an assessment of \$219,000 and would see an increase of \$152.54.

Attachment 3 provides further details on the tax changes by property class for Option 1.

This option advances all elements of the long-term tax strategy and results in the greatest movement toward improved tax equity among property classes. However, it also results in a higher tax impact on residential properties compared to the other options.

While this approach accelerates progress toward the long-term tax strategy objectives, it introduces additional tax shifts in the current year. Given recent Council decisions on tax policy, this option is not recommended.

Option 2 – Long Term Tax Strategy – Phased Implementation (Recommended)

Option 2 reflects a balanced approach to implementing the long-term tax strategy by focusing on continued reduction of the large industrial tax ratio, while maintaining the other ratios at their current levels.

Under this option, the large industrial ratio is reduced from 2.73 to 2.61, consistent with Council's approved direction to phase out the large industrial class over time. The commercial ratio remains at the provincial threshold of 1.98, and the multi-residential ratio remains at 1.99.

The median residential single family detached home in Thunder Bay has an assessment of \$219,000 and would see an increase of \$146.36, \$6.18 less per year compared to recommended Option 1.

The tax changes by property class for Option 2 are shown in Attachment 4.

This option advances key elements of the long-term tax strategy, including reducing reliance on a small number of large industrial properties and improving the competitiveness of the large industrial tax class. At the same time, it maintains stability within the commercial and multi-residential classes and reduces additional tax impacts on residential properties beyond those already approved through the budget.

This approach is consistent with Council's decisions in recent years and reflects a prudent, phased transition toward the objectives of the long-term tax strategy. It balances the goals of tax equity, and economic competitiveness with affordability for residential taxpayers.

For these reasons, Option 2 is the recommended approach. In 2027, Administration will revisit the long-term tax strategy and present options for the new term of Council's consideration and approval.

Option 3 - Status Quo

Option 3 maintains the tax ratios at the 2025 approved levels and reflects a status quo approach. This approach is typically adopted when Council has achieved its desired ratios and is satisfied that the tax shifts that are occurring between property classes are not significant enough to warrant a different approach.

All ratios would remain at the 2025 approved ratios. The starting ratios and the tax changes by property class for Option 3 are shown in Attachment 5.

The median single-family detached home in Thunder Bay, assessed at \$219,000 would see an increase of 3.55% or \$144.42.

This option maintains stability in the short term and avoids any additional tax impacts resulting from changes to tax ratios. However, it does not advance the objectives of the long-term tax strategy, including improving tax equity among property classes and enhancing competitiveness for commercial and industrial properties to promote economic growth.

As a result, this approach delays progress toward the City's long-term tax policy goals and is not recommended.

Attachment 6 highlights the Municipal Tax Shift by property class comparing the recommended Option 2 with Option 1 and Option 3.

Tax Rates and Due Dates

Attachment 7 provides the tax ratios and tax rates required to raise the 2026 Municipal Tax Levy using Option 1 – Long Term Tax Strategy. This option is not recommended.

Attachment 8 provides tax ratios and tax rates that would be required to raise the 2026 Municipal Tax Levy using option 2 – Long Term Tax Strategy - Phased Implementation. This option is recommended.

Attachment 9 provides tax ratios and tax rates that would be required to raise the 2026 Municipal Tax Levy using option 3 – Status Quo. This option is not recommended.

Final bills are anticipated to be ready for mailing end of June.

Administration recommends the final tax levy be due in two installments: August 5th and October 7th.

FINANCIAL IMPLICATION

Approval of the 2026 tax policies and tax rates as recommended will ensure that the 2026 tax levy will be sufficient to meet budgeted taxation revenue.

BACKGROUND

The provincial government sets the province-wide policies and rules with respect to property assessment and taxation. The Ministry of Finance sets assessment policy and standards and is responsible for establishing legislation and regulations governing tax policy. It also is responsible for setting education tax rates for all property classes. The Ministry of Education is responsible for establishing the deadlines for municipalities to pay their education tax installments and is responsible for allocating the education taxes to the school boards.

The Municipal Property Assessment Corporation (MPAC) is responsible for assessing all property in Ontario. MPAC conducts its activities in accordance with the provisions of the Assessment Act, as well as regulations issued under the Act by the Province. Municipalities use the values MPAC establishes for properties when they calculate property taxes.

Municipalities have been granted some decision-making responsibility by the Province relating to municipal taxation. In this regard, there are options made available by the Province through the Municipal Act, 2001, and regulations issued thereunder whereby certain tax policy decisions must be made by December 31 of each year.

Since the introduction of current value assessment by the Province in 1998, inequities in tax treatment have been identified in the multi-residential, commercial, and industrial property classes in many cities including Thunder Bay. On April 24, 2023, City Council approved Report 128/2023 – Long Term Tax Strategy Update, with a continued focus on reducing property tax ratios to enhance long-term financial stability and achieve greater fairness and relative competitiveness over time.

REFERENCE MATERIAL ATTACHED

- Attachment 1 – Assessment Changes 2025-2026
- Attachment 2 – History of Tax Ratios
- Attachment 3 – Impact of Using Option 1 – Long Term Tax Strategy
- Attachment 4 – Impact of Using Option 2 – Long Term Tax Strategy Phased Implementation - Recommended
- Attachment 5 – Impact of using Option 3 – Status Quo
- Attachment 6 – Impact Options have on Distribution of the Tax Levy
- Attachment 7 – 2026 Tax Rates & Ratios for Option 1
- Attachment 8 – 2026 Tax Rates & Ratios for Option 2 –Recommended
- Attachment 9 – 2026 Tax Rates & Ratios for Option 3

REPORT PREPARED BY

Kathleen Cannon, CPA, Director – Revenue

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

04/08/2026 (MM/DD/YEAR)