

## Glossary of Terms

Key terms relating to assessment and property taxation.

**Assessment Act** The Provincial legislation that governs the way property is assessed for taxation purposes in Ontario.

**Assessment Appeal** The mechanism by which property owners and other interested parties may challenge the accuracy of a property's assessment including its assigned value (CVA) and classification.

**Assessment Growth** Represents the amount an assessment increases or decreases over time, regardless of whether reassessment has occurred. These assessment changes reflect changes in a property's state, condition, or use. Positive growth occurs from new construction, additions, improvements, and changes in use and will result in new or additional revenue becoming available to the municipality. Negative growth stems from assessment reductions, certain changes in use, demolitions, etc; all of which can result in retroactive tax write-offs and/or the reduction of future revenue streams.

**Assessment Review Board (ARB)** Independent tribunal within the Environmental and Land Tribunals of Ontario (ELTO) cluster which reports to the Ontario Ministry of the Attorney General and adjudicates assessment appeals and some Municipal Act disputes.

**Assessment Roll** An official record of all assessment details prepared by the assessment authority (MPAC) and delivered to municipalities annually.

**Current Value Assessment (CVA)** The basis for valuing land for assessment purposes in Ontario. Current Value Assessment, also known as Market Value Assessment, is the value a property might reasonably be expected to sell for if sold by a willing seller to a willing buyer without undue pressure, at "arm's length" (that is, between parties who have no financial or personal relationship) and with appropriate exposure in an open market. The CVA for each year of a four-year reassessment phase-in cycle is based on the relationship between the Phase-in Starting CVA and the Phase-in Destination CVA. Increases between the Starting and Destination CVAs are phased in using increments of 25%. Decreases are not phased in.

**Destination CVA** The final or full assessment value assigned to the property (after accounting for phase-in adjustments).

**Full CVA** See Destination CVA

**Municipal Act** The statute governing how municipalities administer municipal services and collect taxes.

**Property Class (Tax Class)** A categorization of a property or a portion of a property according to its use, each category representing a different tax class. The classes of property are residential, new multi-residential, multi-residential, commercial, industrial, pipeline, landfill, farm, and managed forests. Examples of property types that fall into each of the tax classes are as follows:

Residential Class includes:

- Residential property with less than 7 units

- Condos, timeshares, group and care homes
- Campgrounds and mobile homes
- Golf courses, driving ranges, ski resorts

New Multi-Residential Class includes:

- Land that would otherwise be in the multi-residential property class but the units on the land have been built or converted from a non-residential use pursuant to a building permit issued after the by-law adopting the new multi-residential property class was passed. The City of Thunder Bay passed the by-law adopting the new multi-residential property class on June 9, 2014.

Multi-Residential Class includes:

- Land with seven or more self-contained units
- Land that is zoned principally for multi-residential development

Commercial Class includes:

- Land that is not included in any other class (defaults to commercial)
- For profit care home with less than seven units
- Hotels
- Office buildings if optional class not adopted
- Parking lots if optional class not adopted
- Shopping Centres if optional class not adopted
- Storage buildings at a manufacturing production or processing site so long as they are not attached or connected to a structure/building that is in the industrial class

Industrial Class includes:

- Manufacturing, processing, or producing anything
- Research and development and associated office space
- Storage or retail sites at the site of a manufacturing processor or producer
- Land zoned principally industrial
- Land used to make/transform electricity
- Land used for mining, extraction, and or gas production
- Shipyards, dry docks
- Sewage or water treatment plant unless owned by a commission

Large Industrial Class (Optional Class) includes:

- Land that would otherwise be in the Industrial class with one or more buildings with a single occupant that has an exterior measurement in excess of 125,000 square feet.

Landfill Class includes:

- land on which landfilling is permitted to occur pursuant to a current environmental compliance approval
- land that contains a closed landfill cell

Pipeline Class includes:

- Pipelines within the meaning of the Assessment Act

Farm Class includes:

- Land used for farming, including outbuildings if a number of requirements listed in the Assessment Act are satisfied

**Managed Forest Class includes:**

- Land that is covered by a forest, and including outbuildings used for forest operations, if a number of requirements listed in the Assessment Act are satisfied

**Property Classes – Optional:** Optional classes that municipalities can choose to adopt to define property use further. Optional classes include office building, shopping centre, parking lots and vacant land, large industrial, and professional sports facility.

**Property Subclasses – Optional:** Optional subclasses that municipalities can choose to adopt. If adopted, these subclasses are provided with a discounted tax rate. Optional subclasses include farmland awaiting development, commercial or industrial vacant land, commercial or industrial excess land, small scale on-farm business, and small business.

**Provincial Range of Fairness** The Province established a target range for each property class. Tax ratios cannot be moved further away from the fairness range. Once a tax ratio is moved closer to the range of fairness, it cannot be moved back with the exception of establishing revenue neutral ratios.

| Property Class              | Provincial Range of Fairness |      |
|-----------------------------|------------------------------|------|
|                             | Low                          | High |
| Residential                 | 1.0                          | 1.0  |
| New Multi-Residential       | 1.0                          | 1.0  |
| Multi-Residential           | 1.0                          | 1.1  |
| Commercial                  | 0.6                          | 1.1  |
| Industrial/Large Industrial | 0.6                          | 1.1  |
| Landfills                   | 0.6                          | 1.1  |
| Pipelines                   | 0.6                          | 0.7  |
| Farm                        | 0.01                         | 0.25 |
| Managed Forests             | 0.25                         | 0.25 |

**Property Code** A property classification system used by MPAC to identify properties of a similar type.

**Provincial Thresholds for tax ratios** Beginning in the year 2001, the Province established threshold tax ratios for the commercial – 1.98, industrial – 2.63, and multi-residential – 2.74 property classes. At the time, the Province indicated that these threshold ratios represented the provincial average in each class. Under provisions of the Municipal Act and related regulations, municipalities were not permitted for the year 2001 or subsequent years to impose a general municipal levy increase on a property class which had a ratio exceeding the Provincial threshold. Beginning in 2004, this restriction was modified to permit a tax increase of up to 50% of any increase applied to the residential class. This changed again in 2017 when the Province announced that municipalities were not permitted to impose a general municipal

levy increase on the multi-residential property class that had a ratio exceeding the provincial threshold of 2.00. The 50% levy restriction continues to apply to the commercial and industrial property classes. The general principal continues that property tax increases cannot be spread evenly over all property classes if any tax ratio exceeds the provincial thresholds. Threshold ratios are calculated at the broad class level which would include the residual and optional classes.

**Reassessment/Phase-in** A process conducted by the Municipal Property Assessment Corporation (MPAC) of updating assessments on all properties in Ontario to reflect more current values. There is a four-year phase-in of assessment changes, whereby increases are spread equally over a four-year term, (2017 - 2020) using a January 1, 2016 valuation date. Decreases resulting from reassessment are flowed through to taxpayers in year one of the phase-in. The last reassessment was postponed, therefore 2021, 2022, and 2023 assessment is based on the January 1, 2016 valuation date.

**Special Area Rate** A tax rate associated with a service or activity of the municipality that is not being provided or undertaken throughout the municipality or is being provided or undertaken at different levels or in a different manner in different parts of the municipality. The City has a special area rate for garbage, public transportation, sewage & drainage, and street lighting.

**Taxation** The process of applying a tax rate to a current value assessment to calculate the taxes owing.

**Tax Rate** A percentage applied to the assessed value of a property to determine property taxes payable. Municipal tax rates are set by local municipalities, counties, and regions and education tax rates are set by the provincial government. Tax rates may differ for each property class. The tax rate for the City of Thunder Bay consists of the municipal general rate, the education tax rate, and special area rates for garbage, public transportation, sewage & drainage, and street lighting.

**Tax Ratio** Tax ratios compare the tax rate for municipal purposes in a particular property class to the residential class. The tax ratio for the residential property class is deemed 1.00. A tax ratio of 2.00 for the commercial property class would therefore indicate a municipal tax rate is twice that of the residential municipal tax rate. (Education tax rates are set by the Province and are not dependent on tax ratios approved by municipal councils). Altering a tax ratio does not alter the overall levy amount, only how the levy is distributed among classes.

- **Starting Ratios** Starting ratios are the previous year's approved ratios updated to account for any levy restrictions applicable to the commercial, industrial, and multi-residential property classes.
- **Revenue Neutral Tax Ratios** Revenue neutral tax ratios can move ratios away from the range of fairness to mitigate tax shifts that occur between property classes due to the phase-in of reassessment changes. There is also an option available for municipalities to include certain CVA adjustments (mainly adjustments due to assessment appeals) in the calculation of revenue neutral ratios. If these CVA adjustments are not removed from the calculation of revenue neutral ratios, the revenue neutral ratios are the same as starting ratios in 2021, 2022, and 2023 because the last MPAC reassessment was phased in from 2017-2020.