

“Tax Shift”

Source: <https://tofino.civicweb.net/filepro/documents/134947/?preview=142278>

Pages 51-53 of the May 9, 2023 Regular Council Meeting

2023 Tax Shift

The 2022-2026 Financial Plan Bylaw, adopted on May 10, 2022, lays out the policy objectives relevant to setting property tax rates. The objectives include the following:

- The District may consider the following factors to determine future decision-making:
 - tax shifts from one or more property classes to another;
 - initiatives to maintain, encourage or discourage development of various property types;
 - alignment of the property tax rate multipliers or percentage distributions with the social and economic goals of the community;
 - comparison of rate multipliers or percentage distributions in other selected communities; or
 - another method or combination of methods.

Based on these objectives Council may consider shifting taxes during the financial planning process and prior to setting annual tax rates. An in-depth discussion regarding shifting taxes from the Business and Other Class (Class 6) to the Residential Class (Class 1) began during the 2022-2026 Financial Planning process. This discussion came after observing relatively static assessments in the business class and significant increases in assessments in the residential class over many of years. The following table shows the changes in annual assessment values from 2018 to 2023 in these classes against overall taxable assessment values:

Year	Residential Class	Business & Other Class	Total Taxable Assessment
2018	733,140,102	208,572,951	948,263,977
2019	837,589,802	231,822,244	1,077,164,646
2020	968,346,002	255,400,424	1,232,596,126
2021	1,042,850,102	243,049,401	1,296,509,703
2022	1,411,598,102	269,654,133	1,696,728,235
2023	1,711,142,349	293,135,638	2,021,079,487

Properties in the Residential Class have increased by 133% since 2018 and properties in the Business and Other Class have increased 41%. The changes from year to year relate to market and non-market changes.

There are several pressures on the municipal operating budget that are partially linked to properties in the Business Class. There is a link between business activity and increased visitation which increases the need for staffing resources in many areas of the organization including parks, facilities maintenance, asset management and administration. The increase in residential assessment values due to high valued market sales and extremely high inflation rates are impacting households that cannot react in the same way that businesses are able to.

The municipality is a beneficiary of the Resort Municipality Initiative (RMI) program and receives over \$1 million annually to invest in tourism related services and infrastructure such as a Seasonal Shuttle service, MUP expansion and improvements, downtown vitalization and improving beach access points. The services and infrastructure are enjoyed by residents and provide a benefit to businesses and visitors. The operations and maintenance costs associated with these assets are funded by property taxation as they cannot be funded by RMI once installed. Over the years, this has created pressure on the residential class as we continue to experience significant increases to assessments value.

In addition to operations and maintenance costs associated with these assets, is the collection of the Capital and Infrastructure Levy on an annual basis. As more assets are added, the levy may be increased. This creates further pressures on the residential class, particularly as assessment values increase. For these reasons, the proportion of property taxes paid by the residential and business classes are being reconsidered. Council passed the following motion at the April 18, 2023 Special Budget Meeting:

THAT staff be authorized to shift \$256,850 in property taxes from the residential class to the business class and report back to Council with sample tax bill calculations upon introduction of the 2023 tax rates bylaw.

Staff estimated the proposed tax shift by identifying specific budget items based on the budget pressures noted above. The following budgets have been identified which is resulting in the proposed overall tax shift of \$256,850 from the Residential Class to the Business and Other Class.

Potential Expenditures	Expenditure Range
Seasonal Janitor/Labourer	\$25,100
Janitor/Labourer (3 months)	\$12,550
Amortization/C&I Levy - A Portion of Capital Assets	\$130,000
Parks and Trails – Repairs and Maintenance; Improvements	\$43,000
Washroom Facilities – Repairs & Maintenance; Supplies	\$36,000
Insurance on a Portion of Capital Assets	\$10,200
Total Property Tax Shift	\$256,850

The property tax shift will result in an adjustment of the proportion of overall municipal property taxation, including General, C&I Levy and Debt, that is levied by the two classes. The percentage of overall municipal property taxes paid by the Residential versus Business Class, based on historic proportions, is 53% and 46% respectively for 2023. The tax shift will result in new proportions of 48.5% (Residential) and 48.7% (Business) of overall municipal property taxes. Library taxes are considered municipal taxes by the Province and therefore, use the same tax proportions as municipal taxes. The new proportions apply to the Library levy causing a further tax shift of \$9,804.60. The total tax shift for 2023 is \$266,654.60.

The 2023 Tax Rates Bylaw and 2023-2027 Financial Plan Bylaw reflect the tax shift from the Residential Class to the Business Class. Should Council approve first three readings of the bylaw, as Special Meeting will be held on May 11, 2023 to allow for adoption of both bylaws. Staff will then proceed with preparation and distribution of the 2023 tax notices.