



Property Tax Policy Framework

2022 September 29

Recommendations

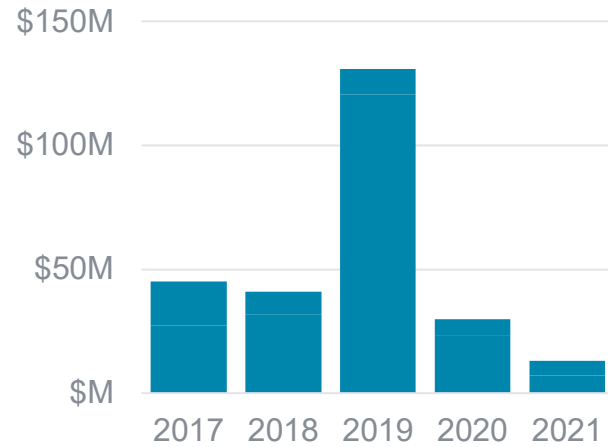
1. Adopt this report and attachments as resources to support future decision-making on budget and property tax matters.
2. Continue to use the budget-based approach to setting budgets and property tax rates.
3. Continue to use the tax share approach in making tax distribution decisions.
4. Further consider the distribution of tax responsibility between residential and non-residential for the 2023–2026 Service Plans and Budget, and if Council wishes to make changes that the distribution change no more than one per cent per year, with the option to revisit the tax distribution as part of the adjustments and mid-cycle adjustment process if conditions warrant.
5. Direct Administration to include information regarding changing the distribution of tax responsibility between residential and non-residential taxpayers to the 2022 October 18 Executive Committee, in addition to information on preliminary assessment values.
6. Abandon the 2012 direction to continue applying a zero per cent increase to consolidated business tax revenue, effectively drawing business tax consolidation to a close, while continuing to use the tax share approach to make tax distribution decisions.
7. Direct Administration to prepare an annual briefing for Council on the context of property tax exemptions and tax relief expenditures in Calgary.
8. Direct Administration to develop additional tools and resources that reflect best practice, current Council direction, and provide further recommendations on how Council may exercise tax policy options in the future, in fulfillment of Financial Task Force Recommendations 20 and 34 and to report back to Council by Q2 2024.



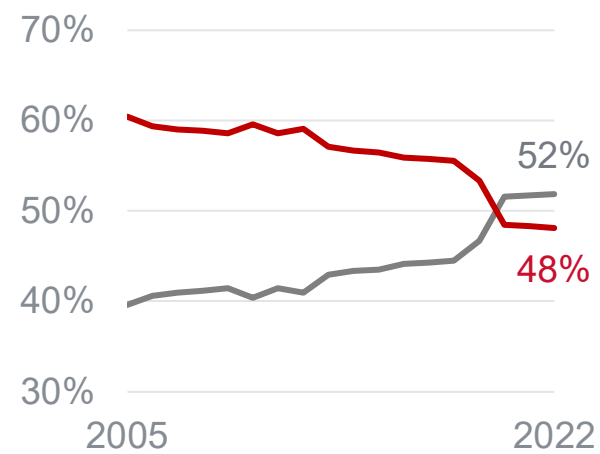
Context



Reduction in downtown assessed value



Phased Tax Programs



Municipal tax share



Financial Task Force

Highlights

- A review of tax policy is good governance.
- The current *budget-based* approach to tax rate setting works well to generate consistent revenue on a volatile tax base, resulting in more stable individual tax bills.
- Build on Council's decision to use *tax shares* and integrate with the four-year planning and budgeting cycle to equitably and transparently adjust tax responsibility.
- Set policy direction before a detailed discussion of implications on October 18th.

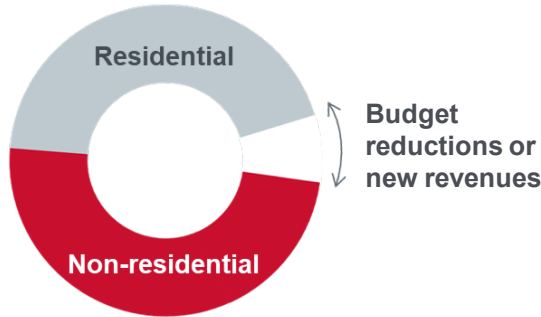


Potential policy levers to address tax volatility

(Numbers in brackets are Financial Task Force recommendations from C2020-0742.)

1

Reduce the overall tax revenue required (#20, #21, #22)



2

Transfer tax share from non-residential to residential (#19)



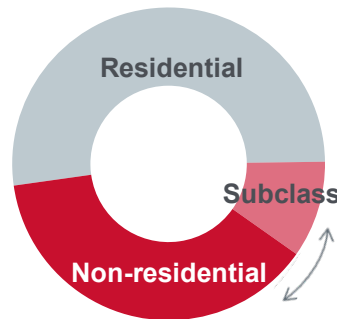
3

As a last resort, draw on reserves and/or one-time funding sources (#19, #34)



4

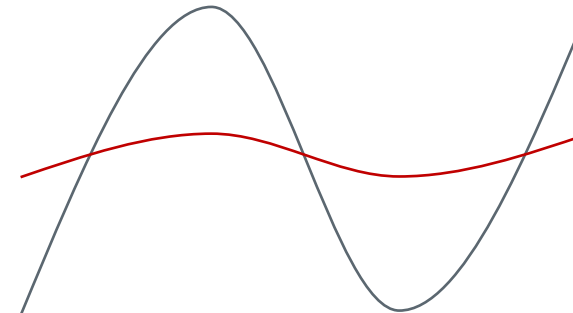
Transfer tax distribution within non-residential class (#12)



Would require more fundamental change to taxation model and provincial legislation

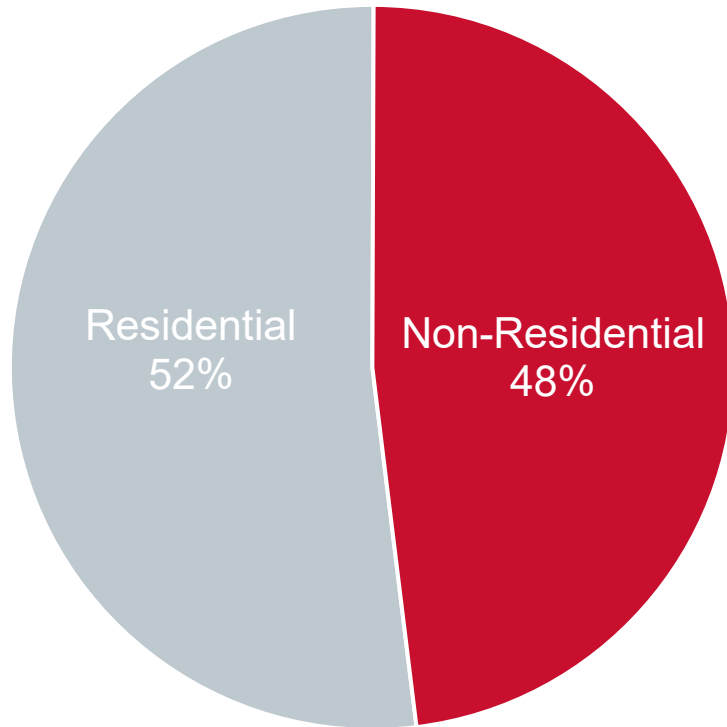
5

Smooth Assessments to Reduce Volatility (#35)

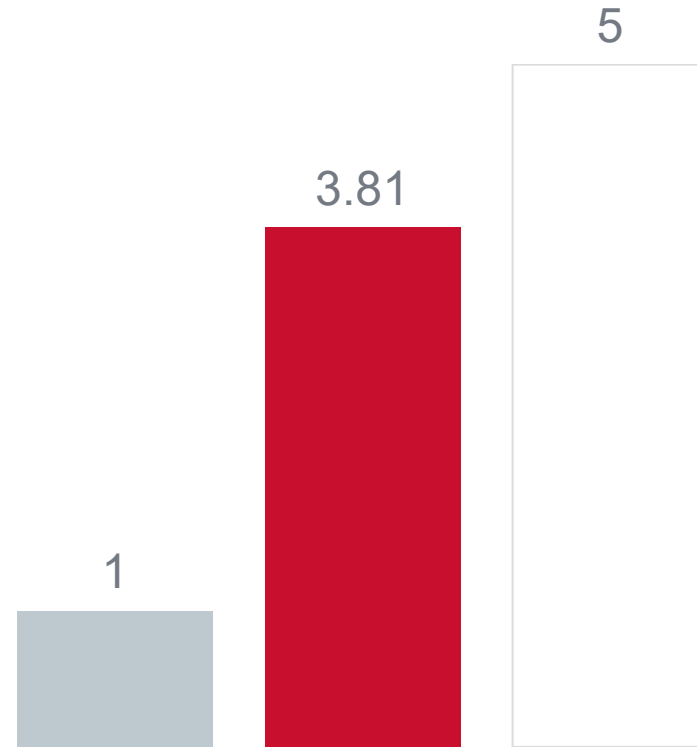




Calgary's Municipal Tax Share and Tax Rate Ratio



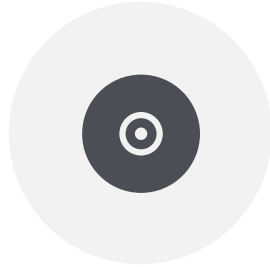
Municipal Tax Share = 48%



1:1 Municipal Tax Rate Ratio = 3.81:1

MGA Maximum Municipal Ratio = 5:1

Setting Target Tax Shares



A contextual local decision



Benchmarking with other municipalities



Consultation with business and survey of residents



Longer-term Council-directed target

Next steps

- Information on expected impacts for 2023 available with preliminary assessment roll at October 18 Executive Committee.
- Direction that Council is interested in adjusting the shares over the next four-year cycle.
- Final decision on tax share would be used in conjunction with 2023-2026 Service Plans and Budgets in November.

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