Appendix A: Share of Taxes

Executive Summary

Currently, 64.1 per cent of municipal tax revenues are paid by residential properties and 35.9 per cent are paid by non-residential properties. Though residential properties pay more as a group, non-residential properties pay more individually. For every $1 in tax paid by a residential property, a non-residential property will pay $1.45.

The analysis in this report shows that for a one per cent reduction in the residential share of municipal taxes, residential municipal property taxes are reduced by approximately 1.6 per cent, and non-residential property taxes rise by approximately 2.8 per cent.

The impact of a one per cent shift is greater on non-residential properties than residential properties because there are fewer non-residential properties, non-residential properties typically have a higher assessed value and non-residential properties have a higher effective tax rate. A significant shift in the non-residential share of taxes is not consistent with the City's economic development goals stated in *Design Regina: The Official Community Plan Bylaw No. 2013-48 (OCP)* and the City's tax policy objectives. Increasing property taxes for non-residential properties may affect competitiveness and discourage investment as property taxes can influence a company's decision to locate in the same way as any other cost of production. Additionally, businesses are still recovering from the impact of the current COVID-19 pandemic.

An engagement survey was conducted on *Be Heard Regina* from May 28 to June 30, 2021 to gauge level of support for a number of potential property tax policy and affordability programs. 62 per cent of the respondents support an increase of one per cent or more in the non-residential share of taxes, but there is a wide divide between taxpayer groups. Support was greatest among households with annual incomes less than $40,000 (71 per cent) and declined as income increased but remained significant for households making more than $150,000 (50 per cent). Support was lowest among the 3 per cent of respondents who pay commercial property taxes where 74 per cent oppose an increase in the tax share paid by non-residential properties.

From an affordability stance, shifting the share of tax will have a small impact on the tax liability of low-income homeowners, and the benefits are directed to all residential homeowners regardless of income.

This paper is structured as follows:

Background and Current State

The City raises 56 per cent of general revenues through municipal property taxes. Property taxes are currently structured as *ad valorem* taxes meaning the amount of property taxes paid by a property owner varies according to a property's assessed value. Property values are assessed every four years as required by Section 22 of *The Assessment Management Agency Act* and in accordance with the process established by the Saskatchewan Assessment Management Agency (SAMA).

The City uses mill rate factors to determine the share of municipal property taxes to be paid by each property class or sub-class. The formula for calculating municipal property taxes is:

Taxable Assessment X Municipal Mill Rate X Mill Rate Factor / 1000

Tax policy objectives are reviewed every revaluation year. Policy decisions from 1997 to 2021 have been centered around three main themes:

1. **Stability, predictability and sustainability**. Stable property taxes are sustainable and provide a viable economic environment. This stability is ensured with a predictable tax policy framework.
2. **Equity, fairness and transparency.** Tax policy principles and decisions must be equitable and fair. These principles strongly align with the application of a mass appraisal assessment system and a tax system based on property values.
3. **Decisions must be in the best interest of the community.** Tax policy principles must be in the best interest of the community, not the best interest of a specific property group or class. A breach of this principle can jeopardize both the first theme of stability and predictability and the second theme of equity and fairness.

Tax policy can be a driver for economic development. The OCP sets out three economic development goals which guide tax policy:

- **Goal 1.** Foster an environment conducive to economic vitality and competitiveness which supports the standard of living of residents in Regina and surrounding region.
- **Goal 2.** Optimize the economic development potential of Regina, the region and the Province of Saskatchewan.
- **Goal 3.** Cultivate entrepreneurship and supporting economic generators.

While each goal has a number of policies to support it, the most relevant policies relate to Goal 1 which requires the City to ensure an orderly regulatory environment within which business and industry can operate assured of transparency, predictability, and fairness in their dealings with the City, and to establish taxation rates and other residential and business fees and charges that consider the sustainability of services.

This paper considers the share of municipal taxes paid by residential and non-residential properties. The current residential municipal tax share is 64.1 per cent of tax revenues and the non-residential share is 35.9 per cent. The City's policy since 2005 has been to maintain the share of tax after each revaluation. This means the share will drift naturally between revaluation years, depending on the rate of development, but will not change as the result of the revaluation. This is an informal policy with the principle being approved by Council in the revaluation report and the annual approval of the mill rate factors in the *Regina Property Tax Bylaw*.

Table 1: Residential and Non-Residential Tax Share, 2005 to 2021and Figure 1: Residential and Non-Residential Tax Share, 2005 to 2021 display the share paid by each class between 2005 and 2021. Figure 2: Residential and Non-Residential Tax Paid, 2005 to 2021 displays the amount of tax paid by each class for the same period. While the amount of tax paid has increased overall, the share has stayed relatively stable, with only a 1.2 percentage point increase in the residential share since 2005.

Table 1: Residential and Non-Residential Tax Share, 2005 to 2021

Year	Residential Share (%)	Non-Residential Share (%)	Year	Residential Share (%)	Non-Residential Share (%)
2005	62.9	37.1	**2014**	63.9	36.1
2006	63.1	36.9	**2015**	64.5	35.5
2007	63.3	36.7	**2016**	63.7	36.3
2008	63.1	36.9	**2017**	64.0	36.0
2009	62.9	37.1	**2018**	63.8	36.2
2010	63.2	36.8	**2019**	63.7	36.3
2011	63.3	36.7	**2020**	64.7	35.3
2012	63.3	36.7	**2021**	64.1	35.9
2013	63.7	36.3			

Figure 1: Residential and Non-Residential Tax Share, 2005 to 2021

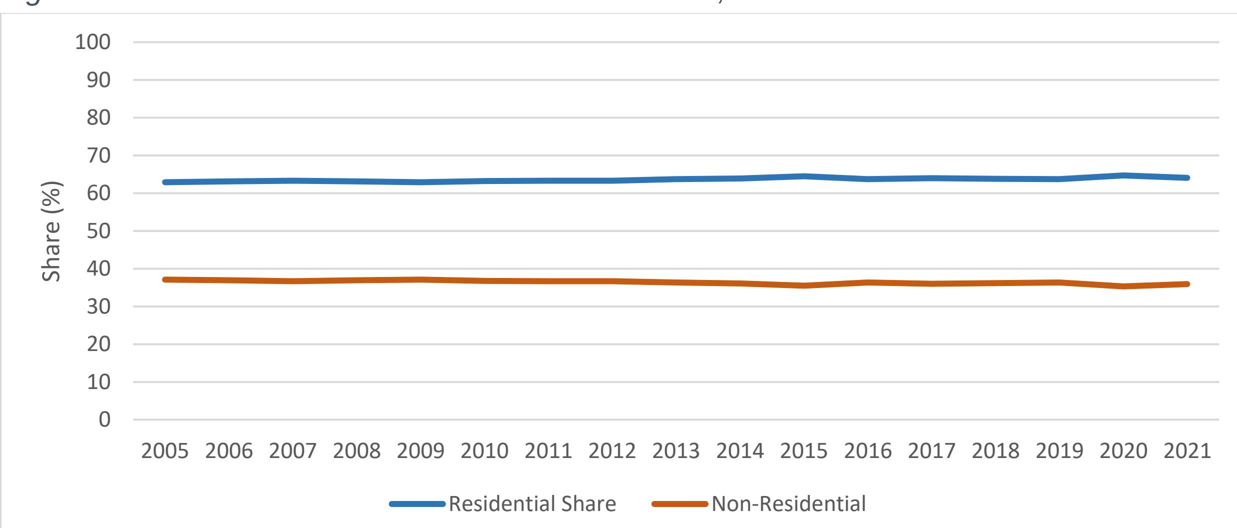

Figure 2: Residential and Non-Residential Tax Paid, 2005 to 2021

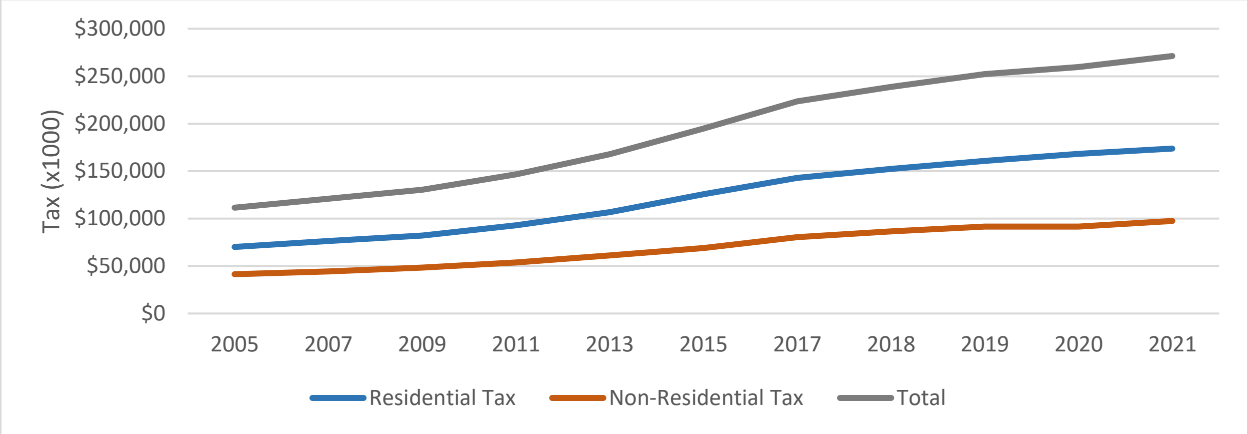

Table 2: Tax Shares and Assessment Base Shares for Major Prairie Cities, 2021 compares Regina's tax and assessment base shares to that of other prairie cities. Regina's tax shares and assessment base shares are near the group average. Calgary has the highest share of tax for non-residential properties at 49 per cent, followed by Edmonton with 46 per cent. Regina and Saskatoon fall in the middle of the order with non-residential shares of 36 and 34 per cent, respectively, which roughly aligns with the average of 38 per cent. Winnipeg is the lowest with a non-residential share of 27 per cent. With the exception of Winnipeg, the non-residential share of tax is greater than the non-residential share of the assessment base (i.e. the share of total assessed value). In all cases the non-residential tax share is lower than the residential tax share. Though the tax share is lower than that for residential properties, non-residential properties pay a higher property value tax than residential properties in these cities. Most other municipalities maintain the share of tax in each revaluation year.

Table 2: Tax Shares and Assessment Base Shares for Major Prairie Cities, 2021

City	Tax Share		Assessment Base		Tax Policy Approach
	Residential	Non-res.	Residential	Non-res.	
Calgary	51%	49%	72%	28%	No interference with ratio. Currently under review.
Edmonton	54%	46%	77%	23%	Maintain relative share of tax burden prior to growth.
Saskatoon	66%	34%	76%	24%	Targeted ratio of 1.75 – non-residential to residential tax rate.
Winnipeg	73%	27%	73%	27%	Maintain share of tax burden.
Regina[1]	64%	36%	71%	29%	Maintain share of tax burden - revenue neutral in revaluation years.
Average	62%	38%	74%	26%	

[1] There are 78,428 residential properties with a total taxable value of $20,189,423,589 (71 per cent of total) and 3,891 non-residential properties with a total taxable value of $8,278,964,944 (29 per cent of total).

Impact of Changing the Share of Taxes

Table 3: Impact of a Tax Share Shift on Mill Rate and Mill Rate Factors presents the changes in mill rate factors for one, three and five per cent shifts from residential to non-residential properties. Table 4: Total Impacts of Shifting Municipal Tax Share to Non-residential Properties presents the impacts on total municipal taxes paid by each property class. The change is equal among property classes within the residential and non-residential groups, but the per cent increase in taxes for non-residential properties is approximately double the decrease experienced by residential properties.

Table 3: Impact of a Tax Share Shift on Mill Rate and Mill Rate Factors

	Current	1% Shift	3% Shift	5% Shift
Mill Rate	9.4513	9.4513	9.4513	9.4513
Residential Mill Rate Factor	0.9103	0.89611	0.86766	0.83921
Non-Residential Mill Rate Factor	1.2495	1.2842	1.3536	1.4230
Golf Mill Rate Factor	0.8120	0.83456	0.87966	0.92476

Table 4: Total Impacts of Shifting Municipal Tax Share to Non-residential Properties

Property Class	Current Total Municipal Tax	Tax Change 1% Shift (%Change)	Tax Change 3% Shift (%Change)	Tax Change 5% Shift (%Change)
Residential				
Single Family	$136,741,749	-$2,137,482 (-1.6%)	-$6,410,943 (-4.7%)	-$10,684,404 (-7.8%)
Condo	$19,941,819	-$311,721 (-1.6%)	-$934,944 (-4.7%)	-$1,558,167 (-7.8%)
Multi-residential	$17,024,142	-$266,113 (-1.6%)	-$798,153 (-4.7%)	-$1,330,192 (-7.8%)
Non-Residential				
Commercial/ Industrial	$96,221,153	$2,672,168 (2.8%)	$8,016,504 (8.3%)	$13,360,840 (13.9%)
Rail/Pipeline	$127,358	$12,486 (2.8%)	$37,459 (8.3%)	$62,431 (13.9%)
Resource	$913,986	$3,537 (2.8%)	$10,611 (8.3%)	$17,684 (13.9%)
Agricultural	$449,613	$25,382 (2.8%)	$76,147 (8.3%)	$126,912 (13.9%)

Golf	$37,361	$1,039 (2.8%)	$3,115 (8.3%)	$5,190 (13.9%)

Table 5: Impact of Shifting Municipal Tax Share to Non-residential Properties presents the impacts on several sample properties and shows that though the per cent change experienced by non-residential properties is roughly double that of residential properties, the absolute increase is much greater. Any change in the tax share between residential and non-residential properties results in a small reduction to the annual taxes of most residential properties but a significant increase to the annual taxes of non-residential properties. This is because residential properties comprise a much larger share of the assessment base and because non-residential properties pay a higher tax rate.

Table 5: Impact of Shifting Municipal Tax Share to Non-residential Properties

Sample Property	Assessed Value	Annual Property Tax	Impact on Annual Property Taxes		
			1% Shift	3% Shift	5% Shift
Standalone retail	$1,839,800	$18,468	$513	$1,539	$2,564
Restaurant	$1,859,400	$18,664	$518	$1,555	$2,592
Strip mall	$4,629,100	$46,466	$1,290	$3,871	$6,452
Hotel	$13,627,500	$136,792	$3,799	$11,397	$18,994
Shopping mall	$55,928,400	$561,408	$15,591	$46,773	$77,955
Small residential	$250,000	$1,694	-$27	-$81	-$134
Average residential	$315,000	$2,134	-$34	-$102	-$169
Large residential	$500,000	$3,388	-$54	-$161	-$269
Multi-residential (170 units)	$21,578,600	$148,527	-$2,322 (-$14 per unit)	-$6,963 (-$41 per unit)	-$11,605 (-$68 per unit)

The Regina Chamber of Commerce and Economic Development Regina were consulted on the tax shares and identified the following concerns:

- The impacts of a tax increase on business will be significant and affect financial viability.
- Shifting taxes to non-residential properties will result in instability and unfairness, a perception of picking winners and losers.
- Non-residential properties pay more due to higher assessed values, higher provincial percentages and higher mill rate factors but do not receive more services.

In addition to paying property taxes, non-residential properties contribute to the community in a wide variety of areas including community development, social needs, the arts, and sport.

The impacts of the COVID-19 pandemic have increased the strain on businesses. Many businesses – particularly those in the hospitality, food service and tourism sectors – shut down between March and May 2020. There was a slow but steady recovery between then and January 2021, but the loss of revenue for businesses remains significant. The Bank of Canada estimates that, for Canada as a whole, full economic recovery will not be achieved until the second half of 2022.[2]

[2] Bank of Canada (2021, 2)

Engagement Results

Property taxpayers were engaged of *Be Heard Regina* from May 28 to June 30, 2021 with a survey on water utility and property tax affordability options. A full report on the engagement is included as Appendix G: COR Water Utility & Property Tax Affordability. The survey asked respondents if they agreed with non-residential properties paying a higher share of tax than residential properties and what, if any, per cent of increase from residential to non-residential they support.

Table 6: Support for Non-Residential Tax Share Increase shows that a majority of overall respondents (62 per cent) support an increase in the non-residential share of taxes, but there is significant variation between taxpayer groups. Support was greatest among households with annual incomes less than $40,000 and declined as income increased but remained significant for households making more than $150,000. Three per cent of respondents paid commercial property tax, but 74 per cent of these oppose an increase is the share of tax.

Table 6: Support for Non-Residential Tax Share Increase

Increase	Overall Support	Pays Commercial Property Tax	Annual Household Income				
			<$20,000	$20,000-$40,000	$40,000-$80,000	$80,000-$150,000	>150,000
0%	36%	74%	26%	27%	33%	38%	49%
1%	29%	8%	29%	32%	31%	29%	25%
2%	18%	10%	20%	22%	20%	17%	14%
5%	15%	8%	22%	17%	14%	14%	11%
>0%	62%	26%	71%	71%	65%	60%	50%
>1%	33%	18%	42%	39%	34%	31%	25%

Though the general public has expressed moderate support for an increase in the non-residential share of tax, those most impacted by the shift should be engaged and informed through a communications strategy should Council wish to implement a shift in the share of tax paid by each class.

Sources

Bank of Canada. 2021. *Monetary Policy Report July 2021.* Bank of Canada.