



Tax Distribution Policy 2018

2018 Tax Distribution Policy

PURPOSE

- ▶ To establish the methodology for “Tax Class Ratios” or distribution of taxation demand among property classes resulting in the 2018 tax rate

2018 Tax Distribution Policy

BACKGROUND

- ▶ Provincial legislation empowers local governments to distribute property taxes among property classes
- ▶ There are nine property classes within the City of Kelowna:
 - Residential
 - Light Industrial
 - Major Industrial
 - Utilities
 - Business/Other
 - Farm Land
 - Supportive Housing
 - Rec/Non-Profit
 - Farm Improvements

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TAX CLASS RATIO

- ▶ Used to calculate the Municipal Tax Rate for each Property Class
- ▶ A multiple of the tax rate in comparison to the residential rate (base rate)

2018 Tax Distribution Policy

FIXED SHARE TAX DISTRIBUTION

- ▶ The “Fixed Share” method has been supported by Council since 1989
- ▶ Compensates for market shifts between property classes
- ▶ Provides an effective tax increase that is the same for all property classes

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STEP 1 - CALCULATE ASSESSMENT CHANGE			
Property Class	2017 Assessment Totals	2018 Assessment Totals	Assessment Percentage Change
Res/Rec/NP/SH	25,473.50	30,043.00	17.94%
Utilities	32.80	38.20	16.56%
Major Industrial	21.20	21.50	1.16%
Light Ind/Business/Other	4,638.00	5,244.20	13.07%
Farm Land	21.30	20.60	-3.19%
Farm Improvements	318.40	347.10	9.01%
	30,505.20	35,714.60	17.08%
	(In millions)		

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STEP 2 - IDENTIFY REASONS FOR CHANGE			
Property Class	Percentage Change	Non -Market Change	Market Change
Res/Rec/NP/SH	17.94%	2.56%	15.38%
Utilities	16.56%	5.95%	10.61%
Major Industrial	1.16%	0.00%	1.16%
Lgt Ind/Business/Other	13.07%	1.62%	11.45%
Farm Land	-3.19%	-3.51%	0.32%
Farm Improvements	9.01%	-2.28%	11.28%
	17.08%	2.37%	14.71%

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- ▶ Fixed Share method modifies the Tax Class Ratios to account for market change
- ▶ The effective tax increase is equal among all property classes

STEP 3 - MODIFY THE TAX CLASS RATIOS					
Property Class	Market Change		2017 Tax Class Ratios	2018 Tax Class Ratios (Modified)	Effective Tax Increase
Res/Rec/NP/SH	15.38%		1.0000	1.0000	3.60%
Utilities	10.61%		5.3182	5.5475	3.60%
Major Industrial	1.16%		5.8019	6.6176	3.60%
Lgt Ind/Business/Other	11.45%		2.2967	2.3777	3.60%
Farm Land	0.32%		0.1357	0.1524	0.21%
Farm Improvements	11.28%		0.4810	0.4987	3.60%

Provisional Budget Tax Increase = 3.60%

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COMPARISON WITH 2017

Property Class	Market Change		2017 Tax Class Ratios	2018 Tax Class Ratios
Res/Rec/NP/SH	15.38%		1.0000	1.0000
Utilities	10.61%		5.3182	5.5475
Major Industrial	1.16%		5.8019	6.6176
Lgt Ind/Business/Other	11.45%		2.2967	2.3777
Farm Land	0.32%		0.1357	0.1524
Farm Improvements	11.28%		0.4810	0.4987

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2017 TAX CLASS RATIOS

PROPERTY CLASS	MUNICIPAL	SCHOOL	BC ASSESSMENT	RDCO & HOSPITAL
Res/Rec/NP/SH	1.00	1.00	1.00	1.00
Utilities	5.32	8.35	11.53	3.50
Supportive Housing	1.00	0.06	0.00	1.00
Major Industrial	5.80	2.99	11.53	3.40
Light Industrial	2.30	2.99	3.22	3.40
Business/Other	2.30	2.99	3.22	2.45
Recreation/Non-Farm Land	1.00 0.14	1.68 4.30	1.00 1.00	1.00 1.00

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2017 RATIOS: >75,000 POPULATION

Municipality	Business	Utilities	Major Ind.	Light Ind.
Coquitlam	5.05	17.67	13.36	5.36
Burnaby	4.72	18.40	24.31	4.72
Vancouver	4.60	22.51	27.37	4.60
North Vancouver	4.40	24.90	17.68	6.51
Saanich	3.89	9.52	2.70	2.70
Delta	3.85	17.14	12.60	3.72
Langley	3.64	11.37	3.27	3.29
Richmond	3.57	21.39	8.00	3.57
Victoria	3.40	9.50	3.40	3.40
Surrey	3.34	17.25	5.91	3.05
Maple Ridge	3.27	11.97	7.83	3.27
Abbotsford	2.78	10.36	-	2.38
Nanaimo	2.66	8.79	2.66	2.66
Kamloops	2.48	7.27	13.33	3.82
Kelowna	2.30	5.32	5.80	2.30
Chilliwack	2.29	10.05	2.18	2.18
Prince George	2.23	5.57	6.06	3.59
<i>Average</i>	<i>3.44</i>			

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FIXED SHARE TAX DISTRIBUTION

- ▶ Business Tax Class Ratio below cap of 3.00 :1
 - ▶ Remains below 2017 Provincial Average
- ▶ Utility Tax Class Ratio below legislated provincial cap of 2.5 times Business Tax Class Ratio

2018 Tax Distribution Policy

FIXED SHARE TAX DISTRIBUTION

- Provides stability and predictability
- Provides a basis for an equitable distribution of Municipal taxes between property classes

Property Class	Market Change		2018 Tax Class Ratios	Effective Tax Increase
Res/Rec/NP/SH	15.38%		1.0000	3.60%
Utilities	10.61%		5.5475	3.60%
Major Industrial	1.16%		6.6176	3.60%
Lgt Ind/Business/Other	11.45%		2.3777	3.60%
Farm Land	0.32%		0.1524	0.21%
Farm Improvements	11.28%		0.4987	3.60%



Questions?

For more information, visit kelowna.ca.