



Tax Distribution Policy 2019



2019 Tax Distribution Policy

PURPOSE

- ▶ To establish the methodology for “Tax Class Ratios” or distribution of taxation demand among property classes resulting in the 2019 tax rate

2019 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)

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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

2019 Tax Distribution Policy

STEP 1 - CALCULATE ASSESSMENT CHANGE			
Property Class	2018 Assessment Totals	2019 Assessment Totals	Assessment Percentage Change
Res/Rec/NP/SH	30,043.01	32,916.61	9.56%
Utilities	38.24	41.15	7.61%
Major Industrial	21.48	23.78	10.73%
Light Ind/Business/Other	5,244.22	5,770.47	10.03%
Farm Land	20.62	20.94	1.53%
Farm Improvements	347.10	373.82	7.70%
	(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	9.56%	2.94%	6.62%
Utilities	7.61%	-0.55%	8.16%
Major Industrial	10.73%	0.78%	9.95%
Lgt Ind/Business/Other	10.03%	2.41%	7.62%
Farm Land	1.53%	0.06%	1.47%
Farm Improvements	7.70%	0.92%	6.78%

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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		2018 Tax Class Ratios	2019 Tax Class Ratios <i>(Modified)</i>		Effective Tax Increase
Res/Rec/NP/SH	6.62%		1.0000	1.0000		4.43%
Utilities	8.16%		5.5475	5.4690		4.43%
Major Industrial	9.95%		6.6176	6.4174		4.43%
Lgt Ind/Business/Other	7.62%		2.3777	2.3555		4.43%
Farm Land	1.47%		0.1524	0.1523		1.91%
Farm Improvements	6.78%		0.4987	0.4980		4.43%

Provisional Budget Tax Increase = 4.43%

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COMPARISON WITH 2018

Property Class	Market Change	2018 Tax Class	2019 Tax Class
Res/Rec/NP/SH	6.62%	1.0000	1.0000
Utilities	8.16%	5.5475	5.4690
Major Industrial	9.95%	6.6176	6.4174
Lgt Ind/Business/Other	7.62%	2.3777	2.3555
Farm Land	1.47%	0.1524	0.1523
Farm Improvements	6.78%	0.4987	0.4980

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2018 TAX CLASS RATIOS

PROPERTY CLASS	MUNICIPAL	SCHOOL	BC ASSESSMENT	RDCO & HOSPITAL
Res/Rec/NP/SH	1.00	1.00	1.00	1.00
Utilities	5.55	9.24	12.50	3.50
Supportive Housing	1.00	0.07	0.00	1.00
Major Industrial	6.62	2.90	12.50	3.40
Light Industrial	2.38	2.90	3.08	3.40
Business/Other	2.38	2.90	3.08	2.45
Recreation/Non-Farm Land	1.00 0.15	1.72 4.83	1.00 1.00	1.00 1.00

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2018 RATIOS: >75,000 POPULATION

Municipality	Business	Utilities	Major Ind.	Light Ind.
Coquitlam	4.38	18.18	14.30	4.91
Saanich	4.26	10.24	2.66	2.66
Burnaby	4.19	16.71	21.18	4.19
Vancouver	4.04	21.30	27.54	4.04
Langley	3.75	12.88	3.18	3.31
Victoria	3.53	10.33	3.53	3.53
North Vancouver	3.52	25.12	14.72	4.85
Delta	3.37	17.26	12.17	3.26
Surrey	3.30	17.75	5.81	2.81
Maple Ridge	3.29	13.35	7.90	3.29
Richmond	3.19	20.85	7.79	3.19
Abbotsford	2.99	11.92	-	2.48
Nanaimo	2.89	9.24	2.89	2.89
Kamloops	2.55	7.71	14.13	4.00
Chilliwack	2.40	11.77	2.23	2.23
Kelowna	2.38	5.55	6.62	2.38
Prince George	2.30	5.76	6.26	3.71
Average	3.31			

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FIXED SHARE TAX DISTRIBUTION

- ▶ Business Tax Class Ratio below cap of 3.00 :1
 - ▶ Remains below 2018 Provincial Average
- ▶ Utility Tax Class Ratio below legislated provincial cap of 2.5 times Business Tax Class Ratio

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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	2019 Tax Class Ratios	Effective Tax Increase
Res/Rec/NP/SH	6.62%	1.0000	4.43%
Utilities	8.16%	5.4690	4.43%
Major Industrial	9.95%	6.4174	4.43%
Lgt Ind/Business/Other	7.62%	2.3555	4.43%
Farm Land	1.47%	0.1523	1.91%
Farm Improvements	6.78%	0.4980	4.43%



Questions?

For more information, visit kelowna.ca.