



# Tax Distribution Policy 2021



# 2021 Tax Distribution Policy

## Purpose

- ▶ To establish the methodology for “Tax Class Ratios” or distribution of taxation demand among property classes resulting in the 2021 tax rate

# 2021 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
  - Utilities
  - Business/Other
  - Rec/Non-Profit
  - Major Industrial
  - Farm Land
  - Supportive Housing
  - Light Industrial
  - Farm Improvements

# 2021 Tax Distribution Policy

## 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)

# 2021 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

# 2021 Tax Distribution Policy

<b>STEP 1 - CALCULATE ASSESSMENT CHANGE</b>			
<b>Property Class</b>	<b>2020 Assessment Totals</b>	<b>2021 Assessment Totals</b>	<b>Assessment Percentage Change</b>
Res/Rec/NP/SH	33,263.64	34,586.44	3.98%
Utilities	45.29	45.71	0.93%
Major Industrial	24.81	0.00	-100.00%
Light Ind/Business/Other	6,374.59	6,409.20	0.54%
Farm Land	21.23	21.49	1.24%
Farm Improvements	378.32	397.10	4.97%
	(In millions)		

# 2021 Tax Distribution Policy

STEP 2 - IDENTIFY REASONS FOR CHANGE			
Property Class	Percentage Change	Non -Market Change	Market Change
Res/Rec/NP/SH	3.98%	2.12%	1.86%
Utilities	0.93%	-1.00%	1.93%
Major Industrial	-100.00%	-105.21%	5.21%
Lgt Ind/Business/Other	0.54%	2.44%	-1.90%
Farm Land	1.24%	0.33%	0.91%
Farm Improvements	4.97%	2.80%	2.17%

# 2021 Tax Distribution Policy

- ▶ 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	2020 Tax Class Ratios	2021 Tax Class Ratios <i>(Modified)</i>	2021 Preliminary Budget Effective Tax Increase
Res/Rec/NP/SH	1.86%	1.0000	1.0000	4.04%
Utilities	1.93%	4.9211	4.9179	4.04%
Major Industrial	5.21%	6.0425	5.8504	4.04%
Lgt Ind/Bus/Other	-1.90%	2.1724	2.2556	4.04%
Farm Improvements	2.17%	0.5096	0.5081	4.04%



# 2021 Tax Distribution Policy

## Comparison with 2020

Property Class	Market Change	2020 Tax Class Ratios	2021 Tax Class Ratios
Res/Rec/NP/SH	1.86%	1.0000	1.0000
Utilities	1.93%	4.9211	4.9179
Major Industrial	5.21%	6.0425	5.8504
Lgt Ind/Business/Other	-1.90%	2.1724	2.2556
Farm Land	0.91%	0.1706	0.1639
Farm Improvements	2.17%	0.5096	0.5081

# 2021 Tax Distribution Policy

## 2020 Tax Class Ratios

PROPERTY CLASS	MUNICIPAL	SCHOOL	BC ASSESSMENT	RDCO & HOSPITAL
Res/Rec/NP/SH	1.00	1.00	1.00	1.00
Utilities	4.92	8.84	11.24	3.50
Supportive Housing	1.00	0.07	0.00	1.00
Major Industrial	6.04	0.00	11.24	3.40
Light Industrial	2.17	0.72	2.58	3.40
Business/Other	2.17	0.75	2.58	2.45
Recreation/Non-Farm Land	1.00	0.53	1.00	1.00
	0.17	4.78	1.00	1.00

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2020 Ratios: >75,000 Population

Municipality	Business	Utilities	Major Ind.	Light Ind.
Saanich	3.97	8.97	2.34	2.34
New Westminster	3.43	8.73	8.76	4.19
Victoria	3.33	11.07	3.33	3.33
Coquitlam	3.28	17.56	12.72	3.46
Langley	3.17	11.81	2.23	2.46
Burnaby	3.11	10.76	14.18	2.97
Nanaimo	2.96	8.89	2.96	2.96
Vancouver	2.83	16.71	19.60	2.83
Kamloops	2.72	8.44	14.41	4.03
Surrey	2.71	21.09	12.72	2.17
Maple Ridge	2.63	12.79	5.25	2.63
Abbotsford	2.60	12.23	-	1.79
Delta	2.44	14.63	9.05	2.31
North Vancouver	2.39	21.52	6.29	3.31
Richmond	2.37	15.78	5.07	2.37
Prince George	2.32	5.80	7.20	3.73
Kelowna	2.17	4.92	6.04	2.17
Chilliwack	2.10	11.37	1.67	1.67
<i>Average</i>	<i>2.81</i>			

# 2021 Tax Distribution Policy

## Fixed Share Tax Distribution

- ▶ Business Tax Class Ratio below cap of 3.00 :1
  - ▶ Remains below 2020 Provincial Average
- ▶ Utility Tax Class Ratio below legislated provincial cap of 2.5 times Business Tax Class Ratio

# 2021 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	2021 Tax Class Ratios	2021 Preliminary Budget Effective Tax Increase
Res/Rec/NP/SH	1.86%	1.0000	4.04%
Utilities	1.93%	4.9179	4.04%
Major Industrial	5.21%	5.8504	4.04%
Lgt Ind/Business/Other	-1.90%	2.2556	4.04%
Farm Improvements	2.17%	0.5081	4.04%



*Questions?*

For more information, visit [kelowna.ca](http://kelowna.ca).