



Tax Distribution Policy 2022



2022 Tax Distribution Policy

Purpose

- ▶ To establish the methodology for “Tax Class Ratios” or distribution of taxation demand among property classes resulting in the 2022 tax rate

2022 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

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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

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STEP 1 - CALCULATE ASSESSMENT CHANGE			
Property Class	2021 Assessment Totals	2022 Assessment Totals	Assessment Percentage Change
Res/Rec/NP/SH	34,586.44	45,312.29	31.01%
Utilities	45.71	48.70	6.53%
Major Industrial	0.00	0.00	0.00%
Light Ind/Business/Other	6,409.20	7,488.24	16.84%
Farm Land	21.49	22.10	2.85%
Farm Improvements	397.10	533.72	34.40%
	(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	31.01%	2.25%	28.76%
Utilities	6.53%	2.36%	4.18%
Major Industrial	0.00%	0.00%	0.00%
Lgt Ind/Business/Other	16.84%	2.72%	14.11%
Farm Land	2.85%	2.32%	0.53%
Farm Improvements	34.40%	1.03%	33.37%

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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	2021 Tax Class Ratios	2022 Tax Class Ratios <i>(Modified)</i>	2022 Preliminary Budget Effective Tax Increase
Res/Rec/NP/SH	28.76%	1.0000	1.0000	3.93%
Utilities	4.18%	4.9179	6.0783	3.93%
Major Industrial	0.00%	5.8504	7.5328	3.93%
Lgt Ind/Bus/Other	14.11%	2.2556	2.5451	3.93%
Farm Improvements	33.37%	0.5081	0.4905	3.93%

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Comparison with 2021

Property Class	Market Change	2021 Tax Class Ratios	2022 Tax Class Ratios
Res/Rec/NP/SH	28.76%	1.0000	1.0000
Utilities	4.18%	4.9179	6.0783
Major Industrial	0.00%	5.8504	7.5328
Lgt Ind/Business/Other	14.11%	2.2556	2.5451
Farm Land	0.53%	0.1639	0.2052
Farm Improvements	33.37%	0.5081	0.4905

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2021 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	8.91	11.51	3.50
Supportive Housing	1.00	0.07	0.00	1.00
Major Industrial	5.85	2.68	11.51	3.40
Light Industrial	2.26	2.68	2.77	3.40
Business/Other	2.26	2.68	2.77	2.45
Recreation/Non-Profit	1.00	1.61	1.00	1.00
Farm Land	0.16	4.79	1.00	1.00

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2021 Ratios: >75,000 Population

Municipality	Business	Utilities	Major Ind.	Light Ind.
Saanich	4.23	8.37	2.27	2.27
Coquitlam	3.61	17.06	12.88	3.10
New Westminster	3.47	7.81	7.79	3.90
Burnaby	3.34	10.92	14.02	3.03
Victoria	3.33	11.07	3.33	3.33
Langley	3.18	12.03	2.08	2.32
Nanaimo	3.16	8.82	3.16	3.16
Vancouver	3.07	17.69	20.80	3.07
Kamloops	2.93	8.62	14.35	4.08
Surrey	2.73	21.41	12.16	1.96
Maple Ridge	2.62	12.96	5.24	2.62
North Vancouver	2.57	21.92	7.45	3.51
Abbotsford	2.52	12.61	-	2.00
Richmond	2.46	21.55	4.51	2.46
Prince George	2.45	6.11	7.59	3.93
Delta	2.42	15.83	8.95	2.14
Kelowna	2.26	4.92	5.85	2.26
Chilliwack	2.08	11.74	1.65	1.65
<i>Average</i>	2.91			

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Fixed Share Tax Distribution

- ▶ Business Tax Class Ratio below cap of 3.00 :1
 - ▶ Remains below 2021 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	2022 Tax Class Ratios	2022 Preliminary Budget Effective Tax Increase
Res/Rec/NP/SH	28.76%	1.0000	3.93%
Utilities	4.18%	6.0783	3.93%
Major Industrial	0.00%	7.5328	3.93%
Lgt Ind/Business/Other	14.11%	2.5451	3.93%
Farm Improvements	33.37%	0.4905	3.93%



*That concludes my report.
Questions?*