



City of
Kelowna

Tax Distribution Policy 2023



2023 Tax Distribution Policy

Purpose

- ▶ To establish the methodology for “Tax Class Ratios” or distribution of taxation demand among property classes resulting in the 2023 tax rate

2023 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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Two Common Tax Distribution Methodologies

Fixed Tax Class Ratio Method

- ▶ Leads to tax burden shifts between classes due to differential changes in market values

Fixed Share Method

- ▶ Compensates for differential changes in Market values between Property Classes
- ▶ Provides an equal effective tax increase for all classes
- ▶ Most common method used by municipalities

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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

2023 Tax Distribution Policy

STEP 1 - CALCULATE ASSESSMENT CHANGE			
Property Class	2022 Assessment Totals	2023 Assessment Totals	Assessment Percentage Change
Res/Rec/NP/SH	45,312.29	52,559.58	15.99%
Utilities	48.70	58.06	19.22%
Major Industrial	0.00	0.00	0.00%
Light Ind/Business/Other	7,488.24	8,927.67	19.22%
Farm Land	22.10	22.05	-0.25%
Farm Improvements	533.72	572.00	7.17%
	(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	15.99%	2.38%	13.61%
Utilities	19.22%	-0.41%	19.64%
Major Industrial	0.00%	0.00%	0.00%
Lgt Ind/Business/Other	19.22%	1.65%	17.57%
Farm Land	-0.25%	-1.86%	1.61%
Farm Improvements	7.17%	-1.05%	8.23%

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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	2022 Tax Class Ratios	2023 Tax Class Ratios <i>(Modified)</i>	2023 Preliminary Budget Effective Tax Increase
Res/Rec/NP/SH	13.61%	1.0000	1.0000	3.80%
Utilities	19.64%	6.0783	5.7720	3.80%
Major Industrial	0.00%	7.5328	8.5581	3.80%
Lgt Ind/Bus/Other	17.57%	2.5451	2.4594	3.80%
Farm Improvements	8.23%	0.4905	0.5149	3.80%

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Comparison with 2022

Property Class	Market Change	2022 Tax Class Ratios	2023 Tax Class Ratios
Res/Rec/NP/SH	13.61%	1.0000	1.0000
Utilities	19.64%	6.0783	5.7720
Major Industrial	0.00%	7.5328	8.5581
Lgt Ind/Business/Other	17.57%	2.5451	2.4594
Farm Land	1.61%	0.2052	0.2307
Farm Improvements	8.23%	0.4905	0.5149

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2022 Tax Class Ratios

PROPERTY CLASS	MUNICIPAL	SCHOOL	BC ASSESSMENT	RDCO & HOSPITAL
Res/Rec/NP/SH	1.00	1.00	1.00	1.00
Utilities	6.08	10.78	13.36	3.50
Supportive Housing	1.00	0.08	0.00	1.00
Major Industrial	7.53	2.98	13.36	3.40
Light Industrial	2.55	2.98	2.97	3.40
Business/Other	2.55	2.98	2.97	2.45
Recreation/Non-Farm Land	1.00	1.72	1.00	1.00
Farm Land	0.21	5.91	1.00	1.00

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2022 Ratios: >75,000 Population

Municipality	Business	Utilities	Major Ind.	Light Ind.
Saanich	4.80	9.41	2.55	2.55
Coquitlam	3.80	18.22	11.72	3.07
Victoria	3.65	12.17	3.45	3.53
Nanaimo	3.61	9.69	3.61	3.61
Langley	3.50	14.35	2.30	2.53
New Westminster	3.44	9.16	7.67	3.69
Burnaby	3.31	9.76	12.92	2.79
Kamloops	3.19	10.18	13.67	4.34
Vancouver	3.09	18.08	22.24	3.09
Maple Ridge	2.95	16.58	5.90	2.95
Abbotsford	2.90	16.18	-	2.00
North Vancouver	2.80	25.47	8.21	3.85
Surrey	2.76	23.90	13.88	1.92
Kelowna	2.55	6.08	7.53	2.55
Delta	2.53	19.66	10.36	2.16
Prince George	2.50	6.95	9.80	5.08
Richmond	2.41	23.25	4.53	2.41
Chilliwack	2.29	14.75	1.89	1.89
<i>Average</i>	3.12			

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Fixed Share Tax Distribution

- ▶ Business Tax Class Ratio below cap of 3.00 :1
 - ▶ Remains below 2022 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		2023 Tax Class Ratios	2023 Preliminary Budget Effective Tax Increase
Res/Rec/NP/SH	13.61%		1.0000	3.80%
Utilities	19.64%		5.7720	3.80%
Major Industrial	0.00%		8.5581	3.80%
Lgt Ind/Business/Other	17.57%		2.4594	3.80%
Farm Improvements	8.23%		0.5149	3.80%



*That concludes my report.
Questions?*