



City of  
**Kelowna**

# Tax Distribution Policy 2024



# 2024 Tax Distribution Policy

## Purpose

- ▶ To establish the methodology for “Tax Class Ratios” or distribution of taxation demand among property classes resulting in the 2024 tax rate

# 2024 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

# 2024 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)

# 2024 Tax Distribution Policy

## 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

# 2024 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

# 2024 Tax Distribution Policy

<b>STEP 1 - CALCULATE ASSESSMENT CHANGE</b>			
<b>Property Class</b>	<b>2023 Assessment Totals</b>	<b>2024 Assessment Totals</b>	<b>Assessment Percentage Change</b>
Res/Rec/NP/SH	52,559.58	52,591.92	0.06%
Utilities	58.06	69.83	20.26%
Major Industrial	0.00	1.32	100.00%
Light Ind/Business/Other	8,927.67	10,864.91	21.70%
Farm Land	22.05	22.07	0.08%
Farm Improvements	572.00	546.74	-4.42%
	(In millions)		



# 2024 Tax Distribution Policy

STEP 2 - IDENTIFY REASONS FOR CHANGE			
Property Class	Percentage Change	Non -Market Change	Market Change
Res/Rec/NP/SH	0.06%	2.66%	-2.60%
Utilities	20.26%	-4.21%	24.47%
Major Industrial	100.00%	100.00%	0.00%
Lgt Ind/Business/Other	21.70%	5.95%	15.75%
Farm Land	0.08%	-2.00%	2.08%
Farm Improvements	-4.42%	-2.33%	-2.09%



# 2024 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	2023 Tax Class Ratios	2024 Tax Class Ratios <i>(Modified)</i>	2024 Preliminary Budget Effective Tax Increase
Res/Rec/NP/SH	-2.60%	1.0000	1.0000	4.75%
Utilities	24.47%	5.7720	4.5169	4.75%
Major Industrial	0.00%	8.5581	8.3358	4.75%
Lgt Ind/Bus/Other	15.75%	2.4594	2.0696	4.75%
Farm Improvements	-2.09%	0.5149	0.5122	4.75%

# 2024 Tax Distribution Policy

## Comparison with 2023

Property Class	Market Change	2023 Tax Class Ratios	2024 Tax Class Ratios
Res/Rec/NP/SH	-2.60%	1.0000	1.0000
Utilities	24.47%	5.7720	4.5169
Major Industrial	0.00%	8.5581	8.3358
Lgt Ind/Business/Other	15.75%	2.4594	2.0696
Farm Land	2.08%	0.2307	0.2291
Farm Improvements	-2.09%	0.5149	0.5122

# 2024 Tax Distribution Policy

## 2023 Tax Class Ratios

PROPERTY CLASS	MUNICIPAL	SCHOOL	BC ASSESSMENT	RDCO & HOSPITAL
Res/Rec/NP/SH	1.00	1.00	1.00	1.00
Utilities	5.77	11.09	13.54	3.50
Supportive Housing	1.00	0.09	0.00	1.00
Major Industrial	8.56	1.17	13.54	3.40
Light Industrial	2.46	2.94	2.87	3.40
Business/Other	2.46	2.94	2.87	2.45
Recreation/Non-Profit	1.00	1.76	1.00	1.00
Farm Land	0.23	6.43	1.00	1.00

# 2024 Tax Distribution Policy

2023 Ratios: >75,000 Population

<b>Municipality</b>	<b>Business</b>	<b>Utilities</b>	<b>Major Ind.</b>	<b>Light Ind.</b>
Saanich	4.90	9.57	2.36	2.36
Victoria	3.80	12.35	3.80	3.80
Nanaimo	3.59	10.00	3.59	3.59
Coquitlam	3.52	16.73	3.40	2.36
Burnaby	3.25	10.49	13.88	2.45
New Westminster	3.24	7.68	7.07	3.10
Kamloops	3.10	10.70	12.07	4.07
Vancouver	3.10	17.82	21.81	3.10
Langley	2.81	20.09	2.06	2.06
North Vancouver	2.68	25.62	8.28	3.62
Maple Ridge	2.66	17.12	5.32	2.66
Prince George	2.60	7.22	10.93	5.66
Surrey	2.53	23.49	12.53	1.64
Kelowna	2.46	5.77	8.56	2.46
Abbotsford	2.42	16.83	2.00	2.00
Richmond	2.17	22.55	3.63	2.17
Delta	2.16	20.67	8.79	1.79
Chilliwack	1.91	14.25	1.45	1.45
<i>Average</i>	<i>2.94</i>			

# 2024 Tax Distribution Policy

## Fixed Share Tax Distribution

- ▶ Business Tax Class Ratio below cap of 3.00 :1
  - ▶ Remains below 2023 Provincial Average
- ▶ Utility Tax Class Ratio below legislated provincial cap of 2.5 times Business Tax Class Ratio

# 2024 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	2023 Tax Class Ratios	2024 Tax Class Ratios
Res/Rec/NP/SH	-2.60%	1.0000	1.0000
Utilities	24.47%	5.7720	4.5169
Major Industrial	0.00%	8.5581	8.3358
Lgt Ind/Business/Other	15.75%	2.4594	2.0696
Farm Land	2.08%	0.2307	0.2291
Farm Improvements	-2.09%	0.5149	0.5122



*That concludes my report.  
Questions?*