

Report to Council



Date: April 20, 2026
To: Council
From: City Manager
Subject: 2026 Tax Distribution Policy
Department: Financial Services

Recommendation:

THAT Council approves a Municipal Tax Distribution Policy as outlined in the Report dated April 20, 2026, for the year 2026 that will result in a modification of the 2025 tax class ratios to reflect the uneven market value changes which have been experienced between property classes, as follows

<u>Property Class</u>	<u>2025 Tax Class Ratios</u>	<u>2026 Tax Class Ratios</u>
Residential/Rec/NP/SH	1.0000:1	1.0000:1
Utilities	3.6021:1	3.3316:1
Major Industrial	8.2256:1	8.0676:1
Light Industrial/Business/Other	2.0265:1	1.9705:1
Farm Improvements	0.5136:1	0.5141:1

AND THAT Council approves development of 2026 tax rates to reflect 2026 assessment changes in property market values.

Purpose:

To establish tax class ratios that will be used in the preparation of the 2026 tax rates.

Background:

The 2026 assessment roll is based on market values established on July 1, 2025. The market value change to assessments is outlined in the following table:

<u>Property Class</u>	<u>Market Increase/(Decrease)</u>
Residential/Rec/NP/SH	-1.92%
Utilities	6.04%
Major Industrial	0.00%
Light Industrial/Business/Other	0.87%
Farm Improvements	-2.00%

Discussion:

Under Provincial legislation, Community Charter section 165(3.1)(b), municipalities must set out objectives and policies in relation to the distribution of property value taxes among the property classes. The current Council policy is to use the Fixed Share tax distribution methodology to modify tax class ratios in order to provide an effective tax increase that is the same for all classes. Market value changes are uneven between the property classes from year to year. Leaving the tax ratios unchanged would result in greater tax burden shifts to the property classes experiencing greater market value increases. Modifying the tax ratios, using this Fixed Share methodology, accounts for these uneven market shifts to ensure an equal distribution of the tax burden between the classes.

2025 information on municipalities with a population of over 75,000, shows Kelowna with the third lowest Business Class ratio and was one of eleven municipalities that had a Business class ratio under 3.00. To remain competitive, Kelowna ensures that business and light industry property tax ratios remain below the average of BC municipalities with populations greater than 75,000. A maximum of 3.00 is to be considered for these classes and any impacts from this cap will be reported to Council.

There is a Provincial regulation capping the Utility class multiple at 2.5 times the Business property class ratio; this equates to a maximum of 4.93 for the current year. The Utility Class proposed ratio for 2026 of 3.33 meets this constraint.

Farm Land tax rates are set by provincial statute and cannot be modified using this Fixed Shared distribution methodology. For 2026, the tax rate is set at \$0.56 per \$1,000 of assessed value.

The recommended ratios for 2026 have decreased for all the classes except for Farm Improvements when compared to 2025. This is because the market changes for these property classes were larger compared to the base residential property class. Farm Improvements had a larger decrease compared to the residential class and therefore the ratio for this class increased slightly.

Impact on Properties Within Each Property Class

It is important to be aware that the tax rates established because of new tax class ratios are designed to avoid shifts between property classes; however, the rates established are based on the average market value increase for the entire class or classes.

The establishment of tax class ratios that prevent shifts between classes does not eliminate potential shifts within a property class where a property has experienced a market value change that is greater than the average for that class.

The establishment of modified tax class ratios provides a basis for an equitable distribution of general municipal taxes between classes; however, the establishment of the required tax rate will be dependent on the final tax demand as determined by Council during Final Budget deliberations.

Conclusion:

The recommended tax class ratios calculated using the Fixed Share tax distribution methodology, adjusts for the uneven market value changes which have been experienced between property classes to ensure an equal effective tax increase across all property classes. This methodology provides stability and

predictability for the City of Kelowna, Council, and its citizens, and provides a basis for an equitable distribution of municipal taxes between property classes.

Considerations applicable to this report:

Legal/Statutory Authority:

Community Charter section 165(3.1)(b)
Taxation (Rural Area) Act Regulation B.C. Reg 387/82(5)

Existing Policy:

As included in the Five-Year Financial Plan Bylaw:

- Council will annually review and modify tax class ratios to provide an effective tax change that is the same for all classes.
- The impacts on other property classes from administering a ratio cap on the Light Industrial/Business classes will be reported to Council.
- Regularly review and compare the City's relative position in terms of distribution of taxes to other similarly sized municipalities in British Columbia.

Financial/Budgetary Considerations:

The approved tax class ratios will be used to establish the 2026 property tax rates.

Considerations not applicable to this report:

Legal/Statutory Procedural Requirements
Consultation and Engagement
Communications Comments

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Approved for inclusion: M. Warrender, Deputy Chief Financial Officer, Financial Services