February 15, 2006

Dear Head of Council:

I am writing to advise you of a number of important decisions for the 2006 taxation year related to education tax rates and municipal flexibility in setting tax policy.

The government is again holding the line on education taxes ensuring that, on average, homeowners and businesses will not see an increase in the education portion of their property tax bills. The uniform residential education tax rate will be lowered to offset the average increase in residential assessed values across the province.

The business education tax rates for 2006 will also be reset to account for the results of the 2006 reassessment on a municipality-by-municipality basis.

The government will also provide municipalities with the flexibility they need to manage the impacts of the 2006 reassessment. Municipalities will be able to use this flexibility to avoid reassessment-related tax shifts among property classes and ease the property tax burden on residential property taxpayers.

Also for 2006, municipalities with property classes subject to the levy restriction will have the flexibility to apply a municipal tax increase to those classes of up to 50 per cent of any increase applied to the residential class. For instance, a municipality levying a 2 per cent increase in residential taxes could raise taxes on any restricted class by up to 1 per cent.

This will give municipalities the ability to share the burden of any municipal tax increases among all taxpayers while continuing to reduce the municipal taxation gap between business and residential property taxpayers.

We believe that individual municipalities are in the best position to determine how to deal with the municipal tax impact of higher assessments on homeowners and we are giving them the tools to make those decisions in time for their 2006 budgets.

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The Deputy Minister of Finance will be providing municipal treasurers with more detailed information relating to these decisions.

Our government looks forward to continuing to work in partnership with municipalities to ensure stability for Ontario’s property tax system, while providing flexibility for municipalities in addressing their local circumstances.

Sincerely,

Dwight Duncan
Minister