

TABIA Tax Committee Report

Mr. Lionel Miskin, TABIA Vice President & Tax Committee Chair

TABIA Annual General Meeting: Monday, December 07.

Those of you who heard my report last year heard me say “nothing has changed”. Well, until the 2020 provincial budget was released, I could have said the same thing again this year. Lots of talk about preserving main street, mostly lip service but no action. Someone named Brooks Atkinson wrote: “The perfect bureaucrat everywhere is the person who manages to make no decisions and escape all responsibility.” We’ve certainly seen that.

For many months now TABIA has been engaged in discussions with certain representatives of MPAC and the City’s revenue department with, of course, the aim of achieving meaningful tax reform. Various options were put on the table and discussed. The group reduced the number of viable options to two, and the City agreed to submit them to computer modelling to determine what effect they might have on city revenues, main street, and other taxpayers. This is still a work in progress.

At the same time, the MOF has sponsored a series of consultation meetings with what has come to be called “stakeholders”, again with the aim of exploring possible tax changes. There was no hint of what the Ministry had in mind, and we know that any sufficiently advanced bureaucracy is indistinguishable from molasses. We also know that, as someone named **Laurence J. Peter** said: Bureaucracy defends the status quo long past the time when the quo has lost its status”. That might explain why nothing has changed.

Nevertheless, COVID-19 has substantially increased awareness of the dire predicament of main street and appears now to have driven the province to enact some changes which have the **potential** to prove beneficial.

The 2020 Provincial Budget has been released. Perhaps this is where the Ministry consultation meetings have led to. Based on statements in that document and on statutory and regulatory amendments now being enacted to implement the budget provisions, it would appear that the Province is dumping much of the tax issue back onto the municipalities. To be more explicit, the province is intending to authorize municipalities to establish commercial sub-classes for small businesses, together with the authority to reduce the standard commercial tax rate for those sub-classes by as much as 35%. As added incentive the Province will also **consider** matching these municipal property tax reductions in order to provide further support to small businesses. While that may be intended as added incentive, it may also encourage municipalities to reduce its rate reduction, knowing that the province will be making a contribution too. In TABIA’s view, if there is to me a maximum to the permitted reduction, for

municipalities taking advantage of the authorization, there should also be a minimum. In other words, any reduction should be at least a meaningful percentage.

So, if there is to be real help for main street, the City must first create the sub-class, determine who qualifies to be included in it, and then establish a tax rate for that sub-class significantly below the general commercial rate. So that is why I talk of **potential** benefit as opposed to actual benefit. Judging by the minimal benefit the City has provided to main street in the past when implementing tax relief, I am not too optimistic about this.

Now that I am talking about budgets, let me interject. You can probably identify with this statement by President Ronald Reagan. *Ronald Reagan*: "The government's view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it." Right now, we are at the subsidy stage.

The Budget also deals with what it likes to call the Business Education Tax. After all who could object to an education tax. For those of you who may have forgotten, the BET is a provincial property tax which constitutes about half of your annual property taxes. It is collected by the municipalities and turned over to the Province. Where it ends up after that is very opaque. What has been distressing to your Tax Committee is that there was no uniform rate. The province reset the rate every year and set different rates for different municipalities. Unhappily, the Toronto rate was consistently set substantially higher than that in the surrounding municipalities, thereby penalizing Toronto businesses. Anyhow the Budget indicates that the Province is now establishing a uniform maximum BET rate for commercial property at 0.88% in 2021. This will reduce the BET for Toronto properties by about 10%. So, for the first time in a long time, I am pleased to be able to report that we appear to have made **some** meaningful progress. While this had been frankly unexpected, it is something we have been advocating for a very long time. So, I could say, as one famous talk show host once said, I think it was Monte Hall, we have become an overnight success, after more than 20 years.

The big question now is what will happen with the new authority given to municipalities, including of course the City of Toronto? That remains to be seen. There will be no requirement that it create a special sub-class and, as it stands now, no requirement that it provide a substantially reduced tax rate. How will it define small "business"? There is also a danger that the municipality will treat the BET reduction as an opportunity for it to raise taxes to the same extent, although the province has indicated that it will not allow this to happen. My advice is, write, phone, and meet with your Councillor and advocate, as we do constantly, for a meaningful tax reduction. TABIA cannot do it alone; just like labour unions, the active support of the rank and file, that is you and all BIA's, is essential for real result.

Another quotation with which you might identify, Robert *Half*: "People try to live within their income so they can afford to pay taxes to a government that can't live within its income."

One more item from the budget: It indicates that the govt is looking at the assessment process, specifically the effect of redevelopment and gentrification. You are all familiar with fast rising assessments in areas where developers are interested in starting redevelopment projects, and

speculative sales are occurring. The thinking which is gaining some traction is to assess other properties in the vicinity, taking out that portion of the assessment attributable to what are called speculative values. The Budget talks of providing new tools to address these concerns. This terminology says to me that this issue too is going to be dumped onto municipalities who will have to determine whether to use those tools, if so where and when. Whether this is cause for optimism is questionable, but time will tell. There may be more in the March budget.

So, in short, the potential for serious tax reduction is there. The question is: will that potential be realized? It depends in large part on whether you and those BIA's not here today and your members are prepared to press the municipal politicians on it.

In another vein, every year the ministry holds a consultation with, again stakeholders, purportedly seeking input to a forthcoming budget. There will be another budget in March 2021. I had attended two such consultations and made the mistake of attending another this past October. You cannot believe the number of organizations which attend and make submissions, and virtually all of them asking for money. The Ministry professes to want to hear our input, but if they were serious about that, they would allow you more than 3 minutes to make your submission. How can anyone make a meaningful presentation about something as complex as tax in 3 minutes? Furthermore, the consultation is so close in time to release of the Budget that there would not be time for the Ministry to include any of the recommendations in the Budget, at least not until the 2021 budget. Well, it's all theatre. And you can wait for hours until they reach you to hear what you have to say. By the time they decide to hold this performance, they know what they intend to do, and as far as I can judge, they have no interest at all in what they hear at these sessions. You can also submit a written submission. I can imagine what they do with those. I will not attend another such session.

One last comment by President Calvin Coolidge: No matter what anyone may say about making the rich and the corporations pay taxes, in the end, they come out of the people who toil. Don't we know that!