

Municipal Taxation

TO DEVISE and carry out an equitable system of taxation is one of the most profound problems of political economy. A perfect result has never yet been attained. Every scheme proposed involves more or less injustice or gives place to evasions or frauds, which renders its application inequitable.

The Ontario law relating to municipal taxation is the result of a gradual development. The first Act was passed during the second session of the first Legislature in 1793: "To authorize and direct the laying and collecting of assessments and rates in every district within this Province." This provided for the appointment of assessors, and the valuation of the real and personal property of householders. The taxes were levied by the Justices in Quarter Sessions. When the present system of municipal institutions was established the authority to levy taxes was transferred to the municipal councils.

TAX REFORM.

The Legislature, in 1878, appointed a special committee to consider and take evidence on the subject of municipal taxation and exemptions. Their report was presented in 1879 without recommendations. The most important questions which then engaged the attention of the committee are still under consideration.

The Municipal Commission Reports of 1888 contain an extended reference to taxation.

In 1892 a commission was appointed to collect information in regard to the subject of direct taxation for municipal purposes. Their report was published in 1893. The only important change up to this time in the basis of taxation first established was made in 1888, when the live stock and implements of a farmer were exempt from assessment as personal property.

The agitation for further reform in the assessment of personal property in cities, towns and villages resulted in the appointment in 1900 of a Commission to consider the whole question. Their report, together with a consolidation of the assessment law of the Province, was presented to the Legislature in 1902. The Bill was introduced in 1903, and referred to a special committee. The principal recommendations contained in the report of the commission are as follows:

INCIDENCE OF TAXATION—LAND.

In 1901 ninety-five per cent. of the municipal taxation of the Province was levied on the assessed value of land and buildings. In townships 99.5% or practically the whole tax was derived from this source.

The main basis or incidence of taxation proposed by the Commission is *the same*, the actual value of land which is defined to include buildings and special franchises. New values from railways and other public service corporations are included for assessment and some exemptions removed. Personal property and machinery are to be exempt from assessment in all municipalities.

ADDITIONAL TAXES.

New sources of municipal revenue, which must not be considered as being in lieu of the tax on personal property, are proposed for police villages and urban municipalities for protection services, necessary and incident to the concentration of population within a limited area, to be levied on the *annual value of land* on which buildings occupied for business or residence purposes have been erected. It is to provide for police and fire protection, street lighting, hospitals, parks, sanitary regulations, including water supply, drainage and improved streets, etc., that police villages are set apart

and urban communities incorporated. It is the occupation of land that renders the additional expense necessary.

The annual value of land is fixed at a sum equal to 7% of the assessed value.

BUSINESS TAX.

Many years ago the principle of this tax was favorably considered and included in The Assessment Act. It was, however, optional with the councils whether they adopted it in lieu of the personal property tax or not.

It is impossible to evade it and do business. This may have been the reason it was never adopted.

The evidence before the Commission directed attention to the business tax systems of adjoining Provinces as an important consideration in the competition Ontario merchants and manufacturers have to contend with.

The tax is to be paid by all persons engaged in a trade, manufacture, financial or commercial business at a fixed rate of from 7½% to 10% on the annual value of the premises occupied for the purpose of business. All personal property and income derived from businesses is to be exempt from taxation. A business property assessed for \$3,000.00 would pay from \$15.75 to \$21.00, as the council determined.

CALLING TAX.

A distinction is made in the case of persons having or practicing or carrying on any office or profession; they are only to pay the business tax when the income derived therefrom exceeds \$1,000.00. Income derived from a calling or profession thus assessed is to be exempt to the extent of \$4,000.00.

HOUSE TAX.

A supplementary tax is imposed on all owners and occupiers of houses who are to pay a tax of from 5% to 7½% on the annual value of the house premises, subject to exemptions graded according to the population of the municipality. These are as follows:

Population.	Assessed value.	Annual value.
4,000 or less	\$1,000	\$ 70
4,000 to 10,000	1,500	105
10,000 to 20,000	2,000	140
20,000 to 75,000	2,500	175
over 75,000	3,500	245

The exemption is intended to be proportionate. A house renting for \$70.00 per year in a village would rent for \$175.00 in a city of 75,000. A house assessed for \$2,000.00 in a town of less than 4,000 would pay from \$3.50 to \$5.25.

INCOME.

Persons paying the business or calling tax and having income derived from other sources are to pay a tax directly upon such income without exemption. All other persons are to pay a tax upon income, subject to an exemption of \$1,000.

The rate for income tax is fixed at from five to seven mills.

PROVINCIAL BOARD.

The assessment valuation of ordinary land and income is to be made by the municipal assessors. The lands of railways and special franchise corporations and special franchises are to be assessed by a Provincial Board. This provides for a uniform valuation by experts.

RAILWAYS.

Railway land, buildings and improvements are to be assessed as other land at actual value. *The special*