

# Assessment and Taxation in Ontario

(By K. W. McKAY.)

The Ontario law relating to municipal taxation is the result of gradual development. In 1793, during the first session of the second Legislature of Upper Canada, an Act was passed "to authorize and direct the levying and collecting of assessment rates in every district within the Province." This provided for the appointment of assessors and the valuation of real and personal property. The taxes were levied by the justices in quarter session. When the present system of municipal institutions was established, the authority to levy taxes was transferred to the municipal councils. The original system was continued for many years, with very little change. An agitation, however, gradually arose for a more equitable basis, and in 1878 the Legislature appointed a special committee to consider and take evidence on the subject of municipal taxation and exemptions. Ten years later the report of a municipal commission contained an extended reference to taxation. The only important change from the basis of taxation first established was made at this time, the live stock and implements of the farmer being exempted from assessment as personal property. The effect of an active agitation for some reform in the assessment of personal property resulted in the appointment, in 1900, of a commission to consider the whole question. Its report, together with a consolidation of the assessment laws of the Province, was presented in 1902. This showed that ninety-five per cent. of the municipal taxation of the whole Province was levied on the assessed value of lands and buildings, and that in townships practically the whole tax was derived from this source. The commission recommended that the main basis or incidence of taxation be the same, the actual value of lands and buildings, personal property, and machinery of all kinds to be exempt. New sources of municipal revenue were suggested, to be levied on the actual value of lands and buildings occupied for business or residence purposes. The Legislature did not approve of the residence tax, but adopted the principle of a special business tax. This includes a tax on business of all kinds, based on the value of the property occupied for business purposes, the tax to be levied in the same manner as other taxes, and for this purpose the business properties were classified and their values increased from twenty-five per cent. to one hundred and fifty per cent.

Where any person carries on more than one kind of business, the rate is that for the chief or predominating business.

To relieve small businesses, the Act provides that where the amount of business assessment is under two hundred and fifty dollars it is to be assessed for one hundred dollars only.

Where land is partly used for business and residence, the portion occupied for business purposes only is considered.

There is no business tax for operating vessel property, or a steam railway, or a farm, garden, or nursery.

The basis for the imposition of the tax is definite, and its amount is easily ascertained. It is applied to all professions, trades, and businesses with a definite location. It is not claimed that this tax is equitable in every respect. The percentages were determined largely by the proportion of personalty tax formerly paid by each class of business. This was inaccurate, and the existing tax perpetuates the inaccuracy. The business tax eliminates all opportunities for evasion and dishonesty, and is simple and inexpensive in administration. It increases revenue by not allowing anyone in business to escape taxation.

## Property Exemptions.

Most of the property exemptions at present in force were taken from the Act of 1869, the additions being seminaries of learning, public parks, and machinery used for manufacturing and farming. The full list included: Crown property, places of worship, churchyards, burying-grounds, buildings and grounds of educational institutions, but not if otherwise occupied; seminaries of learning maintained for philanthropic, religious or educational purposes, the whole profits from which are devoted or applied to such purposes only; municipal buildings and public hospitals receiving Government aid; roads and public squares, the property of any county or municipality, but not when occupied by any person as tenant or lessee; public parks, prisons, industrial farms, poor-houses, etc.; property used by children's immigration and aid societies; public libraries and the property of agricultural and horticultural societies; machinery used for manufacturing or farming, but not the

fixed machinery used or required for the supply of motive power, or the machinery of a street railway or a company having permission to use the streets for the supply of water, heat, light, power, transportation, or other service.

The structures, rails, poles, ties, etc., on the right of way of a railway are exempt from assessment. The Province, however, collects from sixty to twenty dollars per mile of track, a portion of which is distributed among the municipalities in proportion to population.

The Assessment Act of Ontario contains the most modern ideas in reference to municipal taxation. The most important feature in addition to the business assessment are the reduction of income exemption in the case of those who are not householders, the specific assessment value per mile for telegraph and telephone companies in townships and assessment based on gross receipts in urban municipalities and police villages—the assessment of land including buildings at actual value. The taxable values of the province have increased very rapidly under its administration.

Land and buildings . . . . .	50 per cent.
Business assessment over personal property values . . . . .	122 per cent.
Income . . . . .	250 per cent.
Total income in values of 1904 compared with 1911 . . . . .	56 per cent.

Notwithstanding this, the average rate of taxation remains about the same, the councils having increased their annual levies very largely during recent years.

To meet emergencies due to the war the provincial authorities found it necessary to levy a special War Tax of one mill on the dollar on the equalized value of Municipalities in Counties and the assessed value of other municipalities.

This is the first direct provincial levy on the Municipalities in Ontario, as a system of raising provincial revenue it is to be commended and is preferable from a municipal point of view to some of the provisions of the act respecting the "taxation of certain corporations for provincial purposes."

The present assessment or equalized values, while sufficient for municipal purposes, do not form an equitable basis for raising revenue for provincial purposes. No fault can be found with the legislature for adopting the only basis available in levying the War Tax.

With a view of being prepared for future emergencies the law should be amended by making it compulsory for County Councils to appoint County valuers every five or ten years and by providing for the supervision of these valuations and the assessment of property in other Municipalities by a provincial authority.

In the constitutions of the states of the Union to the South of us, the bases for Municipal and State revenue are clearly defined and a state board of equalizers or assessors assists the local assessors in maintaining valuations on an equitable basis for state tax purposes.

In Ontario the municipalities do not have access to all the sources of revenue to which they are entitled.

The structures, etc., on railway right of way are exempt and as a result municipalities in which the railways are situated are deprived of the right to levy on values which under other owners would be found on the Assessment Rolls.

The amount of assessable railway land value that Ontario municipalities may claim the right to tax, is the amount by which the rails, ties, poles, and other structures on a railway right of way increase the value of the land to an ordinary purchaser. Any greater value than this is franchise value, which should be taxed by the Province.

A few years ago the Michigan State Tax Commission reported on the actual present value, considering cost and condition, of 7,000 miles of main line railway and 3,800 miles of branches and second track. For the property now specially exempt in Ontario, the present value was \$5,820 per mile, of which \$3,100 was for rails only. To an ordinary purchaser of railway land, these values would be very much less, or what is known as scrap or junk value.

The question is a large one, entirely separate from the taxation of railways by the Province for supplementary revenue purposes. It would give great satisfaction if The Assessment Act were amended by directing assessors to add to the value of railway land a fixed sum per mile of track, the annual returns now made by the railway companies to show mileage in each municipality.