



## *From the Executive Director*

In the past few months, we have made significant progress in our efforts to achieve property tax reform on behalf of waterfront property owners in Ontario.

- ≈ Research has been completed on property tax systems in the US. The results, which include many examples of assessment capping, are summarized in a separate article. They have been shared with the provincial officials. A similar study is underway covering practices in each Canadian province.
- ≈ Meetings with provincial representatives are continuing and we believe that our message is getting through that the current assessment-based methodology for distributing property taxes is shifting an excessive share of tax onto waterfront properties.
- ≈ Our membership in mid-April stands at 107 associations, representing

25,000 property owners and close to 100,000 Ontario voters.

- ≈ We have identified the home riding of all waterfront property owners residing in Ontario and will be using this information in our lobbying efforts. We continue to ask our member associations to encourage their members to contact their MPPs to express their concerns about our unfair property tax system.
- ≈ We have retained the services of a communications consultant, who will assist in getting our message across to politicians and the public.
- ≈ We have completed our analysis of potential reforms to the assessment/property tax system. WRAFT is recommending the capping of assessment increases with modest escalators. We also favour establishment of a separate waterfront class

for the purpose of halting any further shift of tax onto the waterfront.

Specific recommendations have now been submitted to Queens Park (see separate article).

- ≈ We are strengthening communication to our membership through our quarterly newsletter. Also, there was an excellent article on WRAFT in the March issue of Cottage Life magazine.

In the first issue of WRAFT REPORT a few months ago, we stated that our objective in 2005 is to halt any further shift of tax onto waterfront properties. This remains our goal. We also believe it is essential that the system be made more stable so that individual property owners no longer experience the dramatic tax increases that have occurred in recent years. If reforms are not acted on this year, we have asked the Ontario government to defer the next assessment until 2006.

## *Impact of Assessment/Property Tax System on Municipal Spending*

Waterfront Ratepayers After Fair Taxation (WRAFT) is a coalition of waterfront associations across Ontario. It was formed to lobby for a more equitable property tax regime and for a halt to the ongoing shift of tax onto waterfront properties

### **Contact**

Bob Topp, Executive Director  
131 Bloor St. W. Suite 200  
Box 263  
Toronto, ON M5S 1R8  
Email: [wraft@sympatico.ca](mailto:wraft@sympatico.ca)  
Website: [www.wraft.com](http://www.wraft.com)

WRAFT is the first province-wide organization dedicated to property tax reform on behalf of waterfront property owners. As our membership grows, we are hearing more and more about the impact of the present tax system on the spending habits of municipalities. Where there are a substantial number of waterfront properties and a growing shift of tax onto those properties, a municipality is able to raise its total tax take by not lowering its tax rate as assessment grows. Properties not on water in many parts of the province are not rising significantly in value so their taxes are not affected. Waterfront residents get a double whammy because their share of the tax load rises and there is no offsetting decline in the tax rate. Waterfront property owners end up paying far more than their fair share of taxes.

Your Executive Director has personal experience of this phenomenon at his summer cottage in Seguin Township in the District of Parry Sound. The 2001 assessment resulted in the dramatic

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increase in total township assessment, almost all on waterfront. Despite this, the tax rate, instead of declining, actually increased and spending by the Township grew by leaps and bounds. Waterfront residents represent a substantial percentage of the population of Seguin Township, and the end result of this spending spree was a substantial change in the makeup of council in the 2003 election. Appropriate spending controls are now in place and all residents of the Township are being better served.

In many Ontario municipalities, waterfront property owners are in the minority, with no meaningful representation on local councils; yet they are paying an ever-increasing share of the tax load. The assessment-based distribution of taxes is seriously straining relationships between year-round and seasonal residents.

## Reform Proposals

On April 13, we presented a report to the provincial government with WRAFT's specific proposals for reform. There are two elements to our proposal. The first asks for a limit to future assessment increases and is modeled on the Oregon system. Oregon legislation was enacted in 1997 and rolled back assessments to a 1995 base. Thereafter, the base was escalated at 3% per year (we are proposing inflation) and the assessment for tax purposes was the lesser of actual assessment and 1995 escalated assessment. Unlike some other jurisdictions the Oregon system does not revalue a property when ownership changes. WRAFT sees that practice as fair to all property owners and easy to administer. Also, new properties and improvements are assessed at a factored value based on the relationship of current value to assessed value. We refer to our proposal as the Progressive Assessment Stabilization (PAS) Plan.

The second proposal is for a separate waterfront class which would have a tax rate established to prevent the class in future from picking up a greater share of the total residential tax load. This protects the waterfront class in total while the PAS proposal stabilizes taxes for the individual property owner. It also protects all Ontario residents from the excessive volatility of their tax bills under

the existing system. Staff in the Finance ministry are reviewing our report and we expect to meet with them again shortly for further discussion. **Finally if these reforms cannot be implemented in time to impact the 2005 assessment we strongly recommend that the next assessment be postponed until 2006.**

### What Can You Do?

There are three things you can do:

- 1) **Talk up the need for reform,** particularly with your friends that may have some influence in Provincial matters! You can keep up to date through the WRAFT website at [www.wraft.com](http://www.wraft.com).
- 2) Let your MPP representative at Queen's Park know how you feel! To find your MPP's address, phone number and email address, go to [www.gov.on.ca](http://www.gov.on.ca). It is critical that we begin to build political support for our proposals. **Our members tell us about how unfair the system is. Now we have to tell the politicians.**
- 3) Be sure your association and also any neighbouring associations are WRAFT members. The bigger the better when dealing with the provincial government at Queens Park.

## Precedents for Property Tax Reform

Last fall, WRAFT engaged the services of a PhD candidate in Economics from the University of Michigan, who has specialized in property taxes. He was asked to do a review of the property tax systems in a number of US states, and we have now received his report. He studied 28 US states in detail, most of which contained waterfront properties and had experienced significant increases in property values. While all states used some form of market value assessment, eleven of them have mechanisms to dampen the impact of rising values. Nine states revalue but less than annually and only eight have systems comparable to Ontario's. The modifications to temper increased values are in all cases some form of stabilization or capping of assessment increases for tax purposes. The best known of these is the California system which has been in place since 1978, caps increases at 2% a year and only revalues properties at market on change of ownership. Many states have since taken action to stabilize their property tax regimes.

We are obtaining a similar study for the Canadian provinces and will share the results of that analysis with provincial officials. We believe Nova Scotia is the first province to introduce stabilization legislation and it is backdated to 2002.