IPTI Xtracts
Property Tax and Assessment News from Around the World

CANADA – March 2021

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CANADA'S WILD HOUSING MARKET IS MAKING A CASE FOR THE COUNTRY'S MOST UNPOPULAR TAX

Canada's housing market is bonkers. February marked another record month for sales and prices. The cost of a home is surging across the country. The average national sales price, according to the Canadian Real Estate Association, is up 25 per cent from a year ago.

During the previous housing market wildfire, in 2016 and 2017, governments took several steps to cool the unbridled free-for-all. But one tool was never used or even considered: taxing capital gains on the sale of principal residences.

Canada has a Rocky Mountains-high list of tax breaks. The Department of Finance enumerates them in its annual Report on Federal Tax Expenditures. Some are small ($130-million in deducted moving expenses for a new job, benefiting about 100,000 people a year), and some are bigger ($3.6-billion of untaxed private health and dental plans, a break enjoyed by some 13 million Canadians).

One especially generous line item stands out: the non-taxation of capital gains on the sale of principal residences. It will save sellers an estimated $7.1-billion this year.

Ottawa taxes capital gains on investments such as stocks and real estate – but it steadfastly refuses to touch gains on principal residences. Why? The answer is a decision made a half-century ago, by politicians who feared voters' wrath. Then, as now, taxing the profit on the sale of a person's home was not a winning idea.

Back in the 1960s, as the country created social programs such as medicare and the Canada Pension Plan, tax reform was also on agenda. A decade-long debate has defined Canada's tax system ever since. In 1966, the Royal Commission on Taxation published a 2,600-page tome.

Among its proposals? A capital gains tax on the sale of principal residences.

There was a big asterisk: a proposed $25,000 exemption – back then, a reasonable price for a house – so "few home owners would be concerned with a potential tax liability." Three years later, when Ottawa put out a tax-reform white paper, taxing the sale of homes, with exemptions, was still in play.

Tax reform became reality in 1971, and a capital gains tax on investments was a centerpiece. But the Liberal government dropped the whole idea of taxing principal residences. As finance minister E.J. Benson told the House of Commons, "many taxpayers feared that their homes might still be subject to taxation." The government chose to "eliminate this concern."

The issue remains understandably close to Canadians' hearts, and wallets. Two-thirds of Canadian households own their home. It is usually their most valuable asset. Last summer, after the Canada Mortgage and Housing Corp. provided funding for a housing study that included a peek at taxation, outrage ensued.

No one likes taxes. But this unique hole in the tax code is big, and it encourages Canadians to sink ever more money into real estate. Since 2000, home prices in Canada's big cities are up 270 per cent. A $300,000 home has become a $1.1-million home.

Sometimes it feels like current rules, such as this tax break, are the way things have always been, and must always be. But for decades, there were no taxes on capital gains on stocks, and then in 1971 there were, at an inclusion rate of 50 per cent – meaning tax applied to only half the gain. By 1990, Brian Mulroney had increased that to 75 per cent, and Jean Chrétien cut it back to 50 per cent in 2000.

Today, the housing tax break is one whose biggest benefits flow to those with the deepest pockets. A $200,000 gain on the sale of a $300,000 home is tax free, but so is a $10-million windfall on the sale of a $15-million home.

In the United States, gains on a principal residence are taxed – with an exemption of up to US$500,000. It's a tax break, but with limits – echoing Canada's long-ago idea.

The likelihood of action on this issue is? Low. Canadians have a lot of money tied up in their homes, and politicians fear that so much as mentioning the idea would be like pressing the career self-destruction button.

But the measure of a thing isn't its popularity. Canada had the right idea a half-century ago. It's time to consider taxing capital gains on the sale of principal residences, with an exemption large enough to spare the average homeowner. That idea started life as classically Canadian middle ground. It could be again.

ALBERTA

Rural municipalities seek unpaid oil-and-gas property tax

The Rural Municipalities of Alberta (RMA) is calling for reform so municipalities can collect unpaid property taxes from oil-and-gas companies.

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"Rural municipalities can't have deficits, so if we have a loss of tax revenue we have to draw upon other sources of income to balance the tax flow," said RMA president Paul McLauchlin.

"A lot of municipalities have been forced to go to their reserves, and the problem is that the reserves are designated funds for capital replacement."

With the provincial budget unveiled recently set to slash the Municipal Sustainability Initiative by 25 per cent over the next three years, McLauchlin said infrastructure pressures on municipalities will increase.

While in the past there have been delays in energy companies paying taxes, he said the issue of non-payments has only emerged in the past five years.

"We're all aware there's been a downturn in the oil-and-gas industry, but I think in some cases companies must be making a choice not to pay, with full understanding we don't have mechanisms to collect," he said.

"A large majority of companies are paying their taxes, so I think there's a choice being made among a minority of companies."

According to RMA, municipalities are adversely affected by a loophole that prohibits them from placing special liens or to use other tax recovery methods on linear property.

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Sexsmith is currently seeking to recover $94,38 in unpaid taxes on an abandoned Firenze Energy well.

The town is currently engaging legal counsel after having considered applying for compensation through provincial programs, said mayor Kate Potter.

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Under these programs the province covers the education requisition, but not most other property tax.

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That should also be the message for policy-makers from a new report by the University of Calgary's School of Public Policy.

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While the conclusion isn't revolutionary, it does quantify the effect it can have.

The data suggests increasing the rate by 10 per cent results in nearly a seven per cent decline in business investment in these communities.

“This then creates a boomerang effect — a decline in investment results in a lower stock of capital and a corresponding reduction in property and income tax bases in the future,” the report cautions.

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The report, released Thursday, notes an increase in the commercial rate by one mill — the amount of property tax that’s owed per $1,000 of assessed value — leads to a drop in per-person commercial and industrial building permits of about $40.

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“There’s been a view that higher property taxes don’t really have an impact on economic activity . . . our paper suggests otherwise,” said economist and report co-author Bev Dahlby.

“It does have a negative impact on investment and therefore economic activity, including employment and job creation and earnings.”

Business groups weren’t surprised by the results, as they’ve been highlighting concerns about municipal tax levels for years.

Adam Legge, president of the Business Council of Alberta, said the report underscores that investment decisions are influenced by taxes that flow from all levels of government, including cities.

“Businesses have been paying the majority of the freight when it comes to funding the property tax revenues of Alberta communities,” Legge said.

“For most businesses, they look at the entire tax package. And so the tax rates in a municipal jurisdiction can very much have an impact on their location.”

The study points out most Alberta municipalities impose a higher mill rate on commercial property owners than upon homeowners. Over a 20-year period ending in 2018, the 17 Alberta communities — except Grande Prairie and Leduc — became relatively more reliant on non-residential property taxes.

The Calgary Chamber of Commerce said businesses will pay about 3.4 times more per $1,000 in assessed property value than local residents this year, and the group wants to see that level brought down to about 2.8.

“We think that could be done by next year,” said chamber interim CEO Murray Sigler.

“Reducing it will increase our competitiveness and encourage businesses to start here and grow here.”

But adjusting that ratio would mean homeowners would pay higher taxes, not exactly a popular idea during the run-up to a civic election this fall.

Communities across Alberta are already grappling with the delicate question of how best to foster economic recovery following a brutal recession and a pandemic that's now dragging into its second year — while still funding necessary services.

In Calgary, the issue is compounded by the dramatic erosion in the value of downtown office towers and the subsequent shift of commercial property taxes to businesses outside the core during the annual reassessment process.

Facing anger from business owners fed up with massive hikes from reassessment, city council decided to shift about $60 million of the tax burden onto homeowners in 2020.

Calgary homeowners are now responsible for shouldering 52 per cent of municipal property taxes, while commercial property owners pay 48 per cent.

The effect of the downtown doldrums isn't fading as office vacancy rates in the core approach a staggering 30 per cent.

Office buildings in the past year shed 13 per cent of their assessed value. The decline led to double-digit tax hikes in 2021 for some businesses, such as those operating along 17th Avenue S.W. and larger industrial properties.

City council's finance committee agreed earlier this month to limit commercial property tax increases to 10 per cent this year, at a cost of $13 million, but decided against a proposal to hold them flat.

However, it agreed to use $30 million to provide relief to businesses affected by COVID-19. Details of a new program have yet to be worked out, although more information is expected later this month.

Coun. Jeff Davison said a number of options are being considered, such as removing the cost of a business licence for three years or waiving city inspection fees.

"We are trying to figure out a way that is equitable to all businesses," he said.

"To me, the fastest path to value here is to reduce costs to businesses and remove those fees, rather than go through a fairly cumbersome process . . . and issue rebates."

Any help is appreciated by small business operators during the pandemic as revenues have plummeted, but speed is of the essence, said Annie Dormuth of the Canadian Federation of Independent Business.

Governments don't have a great track record of building new programs and getting assistance out the door quickly, although they've done a better job during the COVID-19 crisis.

For Calgary, which has created Band-Aid programs for five years to cap the biggest tax hikes created by reassessment, these issues need to be part of the broader public discussion: how to best foster growth coming out of the pandemic, make the downtown more vibrant and attract investment and jobs to the city.

Like trying to catch a boomerang for the first time, it could be painful — and it won't be easy.

Calgary council approves $43M for business support and cap on tax hikes

Another year of business tax relief is on the way in Calgary after city council unanimously supported a plan to spend $43 million to cap increases and support those impacted by the pandemic.

The plan would spend $13 million to keep non-residential property taxes to a limit of 10 per cent higher than last year in order to help soften the ongoing issue of businesses outside the core picking up the financial slack for Calgary's hollowed out downtown.

The remaining $30 million would be used for a yet-to-be-defined relief program for local businesses. The details of that targeted support are expected to be unveiled at council on March 22.

Debate in council focused on the need to ensure small businesses that are directly impacted by the pandemic receive the funds they need and money does not flow to larger corporations with a more robust balance sheet.

Band-Aids and focused relief

Coun. Jeromy Farkas first introduced a motion to spend $44 million to ensure there were no tax increases for any businesses in the city, which was approved by a council committee.

But that plan was altered significantly through an amendment by Coun. Jeff Davison on Monday that was ultimately passed.

Davison said using the phased tax program, which offsets spiking tax rates, benefits too many businesses that have profited while others suffered.

"One of the things we need to do is figure out a better way that we can support local," he said.

Coun. Druh Farrell, who recently announced she would not seek re-election, said she was supporting the plan but stressed it was yet another Band-Aid solution to a persistent civic issue.

"We need to focus on the problem, not the symptom of the problem, which is the tax shift," she said.

"We need to focus on downtown recovery. So again, I urge all members of council to get involved in the downtown strategy. It's all-encompassing, and it will require at least a decade, perhaps more, of concerted effort by by the City of Calgary."

The city has long relied on a downtown stuffed with head offices and the resulting staff to help cover a big portion of the money flowing into city accounts, a model that collapsed alongside the price of oil.

Calgary's downtown office vacancy rate could reach 'unseen territory' of 30% within 2 years, report says
Property taxes function in such a way that tax money that has disappeared from the downtown towers must be covered by businesses outside the core, leading to the potential for massive increases.

The vacancy rate downtown is hovering around 30 per cent and values have plummeted.

The province responds

Council over the past few years has alleviated that pressure by consistently approving one-time allocations of reserve money in order to limit increases despite concerns it is simply pushing the issue down the road.

Since 2017, the city has spent over $200 million on tax relief for businesses.

Last fall, city council opted to give non-residential properties a small tax cut overall.

However, some business properties where land values went up will still face double-digit tax hikes in 2021.

On Monday, the minister of jobs, economy and innovation, Doug Schweitzer, penned an op-ed in the Calgary Herald saying the province will form a working group to look at helping Calgary's downtown. He promised town halls on the issue through the coming months.

That was met with skepticism from Calgary's mayor later in the day.

"Well, minister, with all due respect, welcome to the party. We're happy to have you and we need your help. We don't need town halls for the next four to five months, we've been working on this for years," Naheed Nenshi said.

"Business owners have spoken — business owners who are here, business owners who want to be here. We will be presenting a downtown strategy to council in the next few weeks based on all of that input, and we're really happy to have the province on board, but don't reinvent the wheel."

Meanwhile, Calgary Chamber of Commerce CEO Murray Sigler said in an emailed statement that the organization welcomes the relief for businesses but hopes to see other changes made to alleviate property tax increases for businesses in the coming years.

"The city's current financial position demands thoughtful and creative solutions to reduce costs and generate revenue without placing the tax burden on businesses and the citizens they employ and serve. Today's measures point us in the right direction. But many businesses in Calgary will still see property tax increases next year due to structural problems within the tax system, and the shift of the tax burden from the highrises in our downtown to businesses outside of the core," read Sigler's statement in part.

"We must ensure fairness and sustainability in our property tax system. We urge city council to shift the non-residential to residential tax ratio, reduce the cost and increase the effectiveness of local government, make better use of non-revenue generating city-owned land, and contribute to reimagining the municipal-provincial relationship."

BRITISH COLUMBIA

Vancouver real estate: board upholds $8 million assessment of Cambie Corridor lot bought in 1984 at $172,000

A board has confirmed the $8,031,000 assessment of a property along the rapidly densifying Cambie Corridor of Vancouver.

The decision by the provincial Property Assessment Appeal Board regarding 512 King Edward Avenue is a good example about how much properties have appreciated in the city.

It also illustrates how land becomes more expensive as a result of city government measures like the adoption of new community plans and rezonings.

“The property has no recent sales history, last selling on the open market in 1984 for $172,000,” panel chair Larry Dybvig wrote.

Dybvig's decision and order arose from an appeal brought by property owner Sydney Benjamin.

Benjamin believes that the 2020 valuation made by a property assessment review panel was too high.

The owner argued the valuation of 512 King Edward should be a lot lower, or closer to $2,471,000.

The provincial assessor presented evidence that the property is actually worth higher at $11,958,000.

The assessor asked the appeal board to uphold the review panel's assessment of $8,031,000, which was mainly for land value.

The property is located at the southwest corner of King Edward Avenue and Cambie Street.

Across the street is the King Edward Station of Canada Line.

In 2016, Vancouver city council approved an application by filed by Arno Matis Architecture on behalf of S Benjamin Holdings Ltd. to rezone the property.

The plan was to redevelop the single-family home lot into a six-storey building with 50 rental units.

The rezoning application was made and approved under the city's Cambie Corridor Plan, which was designed to transform the mostly single-family-home properties near the path of the underground Canada Line.

In his decision and order, Dybvig noted that the City of Vancouver has "not enacted the rezoning nor has it registered a title encumbrance restricting development to rental housing".

The assessor argued that since there is no restriction yet on the title requiring it for rental purposes, the market value should be based on its highest use, which is strata or condo development.

With this type of development and based on comparable properties, the market value is $11,958,000.

If it were a rental, the market value is $7,965,000.

The owner Benjamin argued that the "rezoning-in-principle is still in place" and that "nothing can be done differently until it is removed".

Also, a development permit application for rental development has been submitted to the city.

"He lists an extensive list of requirements that must be met to obtain approval for development under the Cambie Corridor Plan," Dybvig wrote.

Dybvig noted that the Cambie Corridor Plan allows for strata development.

Also, Benjamin has "not provided evidence demonstrating why the four-year-old 2016 application cannot be abandoned and a new application under the Cambie Corridor Plan initiated, whether by the current owner or by some other hypothetical owner".

"Given the evidence before me, I find that development pursuant to the Cambie Corridor Plan is the highest and best use of the property; consequently, I find the market value of the subject property to be $11,958,000," Dybvig wrote.

Dybvig confirmed the assessment of the 11,063 square feet at 512 King Edward Avenue at $8,021,000, and the 2,286-square-foot house built in 1948 at $10,000.

BC Assessment: High demand, low supply will continue in Nelson real estate

Nelson council heard local stats from the Crown corporation at a recent meeting

There is no end in sight for high demand and low supply in the Nelson real estate market, a representative of BC Assessment told Nelson City Council at a Feb. 23 meeting.

Ramaish Shah said the average list price of single family home in Nelson in January was $576,000 (four per cent higher than the previous January). The average sale price that month was $568,750 (9.1 per cent higher than in January, 2020).

“Homes are pretty much selling for what they are being listed as,” Shah said, adding that some residences sold for amounts higher than the list price.

He said this is not typical of January sales, which are usually slower, but he said this represents a continued “pent-up demand” following several months of low sales during the beginning of the pandemic in the spring of last year.

In Nelson, the average time on the market for a single family home was 62.5 days in January, down 39 per cent from 103.5 days in January 2020.

“So we are seeing higher list prices, higher sale prices, things going for what they are asking, and taking less time to sell,” Shah said.

BC Assessment is an independent provincial Crown corporation that provides property assessments to B.C. homeowners. Its listings provide a baseline for municipal and other taxing authorities.

Councillor Jesse Woodward asked Shah what he expects for 2021.

The Kootenays are very attractive to people looking for a home or a second home, Shah replied.

“There were four new listings in January in Nelson. That is not much inventory. If there is an increase in demand that will have upward pressure on prices.”

Shah said we are reaching the upper limit of what most people can pay for a family home.

“What we have seen is people moving to surrounding areas, slightly rural areas, but again there are also not many rural properties. There will be strong demand and that is likely to continue.”

Other highlights of Shah’s presentation:

• Across the Kootenays, the average home price in January 2021 ($427,544) was 28 per cent higher than in 2020.

• The number of single family homes for the 2021 tax roll in Nelson is 4,779, up 0.4 per cent from 2020 (the provincial increase was 1.1 per cent).

• Total value of single family home properties in Nelson for the 2021 tax roll is $2.44 billion, an increase of 5.6 per cent over the previous year (the provincial increase was 3.9 per cent).

• The value of construction of new residences in Nelson was $22.4 million, down 10.8 per cent from the previous year (the province was down 18.6 per cent)

NOVA SCOTIA

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Property Tax Relief for Small Businesses

Restaurants, gyms, hair salons and small businesses in the service sector are the lifeblood of Nova Scotia's economy but have suffered as a result of the COVID-19 restrictions.

Recognizing that, government is announcing a $7 million rebate program today, March 2, to help the service sector weather the impact of the COVID-19 shutdowns.

The Small Business Real Property Tax Rebate Program provides qualified businesses a one-time rebate of a portion of their paid property taxes. Qualified businesses can choose a rebate of $1,000 or 50 per cent of the commercial real property taxes paid for the final six months of the 2020-21 tax year.

"This is cash in the pockets for restaurants and other small businesses in the service sector," said Premier Iain Rankin. "The rebate may be based on property taxes but is designed to be used by business owners to support any aspect of their business, including hiring staff or paying down debt, paying utilities or ordering supplies. We understand and appreciate the sacrifices that restaurants and other businesses in the service sector have made to protect all Nova Scotians."

Nearly 3,300 businesses are eligible, including dine-in restaurants and drinking establishments; gym and fitness establishments; hair salons and barber shops, spas, nail salons and body art establishments.

"I want to thank those businesses that have been following public health directives," said Labi Kousoulis, Minister of Inclusive Economic Growth. "We know that your businesses have been impacted by these latest necessary public health directives, as we work together to flatten the curve and slow the spread of this virus. This program will provide eligible businesses with financial support."

More details – including how to apply online– will be available mid-March at https://novascotia.ca/coronavirus/support/#support-for-business .

Quotes:

This is much-needed help and the rebate will make a difference. We all understand that we are in this together. But this is a recognition by the province that every time new restrictions are put in place our businesses suffer.Jennie Dobbs, owner of Morris East Restaurant and Wine Bar

The Restaurant Association of Nova Scotia is pleased to see the provincial government's support for the restaurant industry during the pandemic. The property tax rebate will assist operators, who are in survival mode, and represents a step forward in the recovery process. It is a positive move for the future of the sector.Gordon Stewart, executive director, Restaurant Association of Nova Scotia (RANS)

Quick Facts:

- funding for the grant will come from the Nova Scotia COVID-19 Response Council administered by Dalhousie University
- businesses include recipients of previous Small Business Impact Grants (part 1 or 2); businesses that have experienced a year-over-year decline in revenues of at least 30 per cent for the period April 30, 2020 to Jan. 31, 2021; or those businesses started on or after Jan. 1, 2020
- provincial COVID-19 small business supports have included grants, commercial rent deferral guarantee program, business continuity vouchers, access to low-interest rate loans and credit, deferring fees, loan, and interest payment

Additional Resources:
Provincial COVID supports for business: https://novascotia.ca/coronavirus/support/#support-for-business
Federal COVID supports for business: https://www.canada.ca/en/department-finance/economic-response-plan.html#business

ONTARIO

Toronto real estate market out of control and unsustainable

Politicians have begun floating ideas to cool things down, but let's hope they don't reach for a sledgehammer

Just in case anyone isn't yet exhausted from the seemingly endless discussions around how the Toronto housing market is completely loco, yet another week has passed and the spring market is in full swing.

And it's still completely loco.

Properties — the good, the bad, and the, quite literally, ugly — continue to trade in a frenzy, commanding multiple offers and fetching bank robber prices.

Sellers appear to be delighted, buyers seem to be a mixed bag of resolute and furious, and the rest of us, well, the rest of us are wondering what to make of it all.

The new million-dollar question is what happens next?

I have yet to speak to anyone who believes this is sustainable.

Is this a bubble or an affordability crisis? Beyond semantics, is there even a difference?

From what I can observe, we're well past the point where people's frustrations have begun to give way to anger and indignation, economists' careful analysis has started to openly betray alarm, and politicians have started to float ways to intervene in order to cool things down.

And in case you're wondering how that might go, one need only look behind us to see how it usually goes when government steps in to slow down a real estate market.

Short answer: Not well.

Let's go back to 1974 when, in an effort to cool down dramatically rising prices in a market driven by speculative investment, the Ontario Land Speculation Act was introduced by the provincial Conservatives.

A standalone tax to accompany federal capital gains taxation, which added a 20% levy on profits from speculative investment.

In theory, a good idea — reduced profits should mean reduced incentive for investors to compete with end users for real estate.

As the story goes, the real estate market was brought to its knees almost overnight.

Investors offloaded holdings and stopped all new acquisition. Liquidity in the marketplace was substantially reduced. Prices came down but so did demand. The owner-users that the government has purportedly stepped in to save now had houses they couldn't move.

Oops.

The act was repealed 1978.

In April 2017, facing an affordability crisis similar to today's, Ontario Liberals implemented a foreign buyer tax in an attempt to cool things down.

A 15% tax on all real estate held by non-resident foreign nationals, the idea being that it would disincentivize foreign buyers, thereby reducing competition and bringing down prices.

The legislation had an almost immediate calming effect.

By that June sales were down 37.3% from the year before. And what we eventually came to understand was that while we had largely overestimated the extent to which foreign buyers were actually driving the market, we had vastly underestimated the impact such an intervention would have on buyer psychology in the marketplace. People were spooked.

The market cooled. Home values fell. The market hadn't just moderated — the bubble had burst. And it was the Liberals holding the pin.

It would be one thing if proposed interventions were carefully studied and thoughtfully implemented, therein all but ensuring that the desired consequences would take effect.

It's entirely another when policy is implemented with a sledgehammer, resulting in largely unintended effects while missing the mark on the intended objectives.

In a country where it is estimated 60 to 65% of the average household's net worth today is tied up in real estate, such a thought is terrifying.

Hearing that the Feds are studying the idea of imposing a capital gains tax on primary residences is chilling. How can that even be a conversation right now?

The Toronto real estate market is out of control. Low interest rates, intense demand, steep competition, and stimulus money flowing through our tenuous pandemic economy — it's a perfect storm. So rather than throw around ideas for heavy-handed interventions that could easily blow things up entirely, let's hope our politicians lean into careful moderation.

How about tightening the stress test for mortgage qualification? That would slow things down.

Given the trillions of dollars

SASKATCHEWAN

Finance committee recommends maintaining property tax ratio

The committee voted in favour of maintaining the property tax ratio at 1.59, meaning businesses pay $1.59 for every $1 paid by homeowners.

Saskatoon business lobby groups are sure to be pleased, or at least relieved, after city council's finance committee recommended avoiding any redistribution of the property tax burden.

The committee voted unanimously in favour of maintaining the property tax ratio at 1.59, meaning businesses pay $1.59 for every $1 in property taxes paid by homeowners.

That ratio has been in place since 2017, and is among the lowest in the country. Only the City of Vancouver has a rate more favourable to commercial landowners; the prairie average is 2.15.

Committee members voted on Monday, after the completion of the latest property value reassessment, which found a jump in commercial property values and a decline in residential values.

They backed the city administration's status quo preference; coupled with this year's 2.83 per cent property tax increase, it means the property tax bill for a home worth $400,000 will decrease by an average of $50 in the first year.

The owner of a non-residential property worth the same amount can expect a $491 increase in property taxes, according to information compiled by city administrators. Budget changes could change tax bills in subsequent years.

That analysis does not include the provincial education property tax, which represents around 40 per cent of all property taxes collected by the city. It won't be known until the provincial budget comes out on April 6.

Premier Scott Moe has acknowledged education property taxes could increase this year, but the target is still for the taxes to make up 40 per cent of the province's education budget.

Greater Saskatoon Chamber of Commerce CEO Jason Aebig, whose organization has long pushed for an even more business-friendly ratio of 1.43, urged councillors to avoid increasing the ratio ahead of a "business-led" recovery.

"Every dollar in new taxes is one less dollar to rehire (employees) or reinvest in their operations … They will drive and accelerate a recovery (from COVID-19) but they need a chance to do that," Aebig told the committee.

North Saskatoon Business Association executive director Keith Moen offered a similar assessment, telling the committee many businesses are experiencing their worst years due to the pandemic, and others have closed — or will close.

“The last thing business needs is a tax increase,” Moen told councillors, adding that a competitive and business-friendly tax policy helps companies and keeps the people who work for them employed

The city’s 23-year-old approach to tax policy is based on “horizontal equity” and executed by estimating the amount of property taxes a business can deduct for income tax purposes.

In a report to the committee, city administrators said the status quo recommendation would minimize tax policy trade-offs while maintaining Saskatoon’s tax competitiveness.

The tax ratio became a major issue in the 2016 municipal election, but was scarcely mentioned during the 2020 campaign. It has been fixed at 1.59 since 2017, before which it was 1.75.

City council is expected to consider the committee’s recommendation at its next meeting, set for March 22.