

**PRESENTATION TO THE STANDING COMMITTEE ON FINANCE AND
ECONOMIC AFFAIRS
JANUARY 21, 2008**

Good afternoon. My name is Bob Topp and I'm Chairman of CAPTR, the Coalition After Property Tax Reform. We appreciate the opportunity to appear before this committee today. CAPTR is an Ontario wide alliance of urban and waterfront ratepayer coalitions as well as two major seniors' organizations and represents over one million Ontario property owners. It was formed in early 2006 to lobby for property tax reform in Ontario. Over the past two years we have held extensive discussions with officials at Queens Park and with representatives of all three major political parties. Our primary concern is with the use of pure assessment to distribute taxes amongst property owners. The reliance on volatile real estate markets, combined with imprecise valuation methods, results in major and unpredictable taxation shifts from one neighbourhood to another and from one property to another. It can create financial hardship for long term homeowners whose properties happen to be located in hot market pockets. The impact is particularly onerous in urban and waterfront areas where real estate markets are widely divergent.

Representatives of all three political parties have recognized the need for more stability in the system for distributing property taxes. Prior to the recent election both opposition parties were prepared to introduce major reforms, either limiting assessment increases or freezing assessments until property sale. The government in its 2007 budget introduced amendments whereby assessments would be carried out every four years with increases phased in over the subsequent four year period. While this will cushion the shock of a major increase, it does not, in our view, properly deal with the volatility inherent in the CVA-based system. In fact, by reducing the frequency of assessment, homeowners over-

assessed due to inadequate sales data, inaccurate assessment or hot market conditions are stuck with that valuation for the next four years. This is of particular concern if real estate values decline, as many expect, and Ontarians are left for four years with high and distorted valuations.

In the 2005 assessment, 400,000 properties had assessment increases of over 20% compared to the average Ontario increase of 12%. That valuation covered a 1½ year period. We then had a two year freeze on valuations which ended a few months after the election. As a result the upcoming assessment covers three years, 2005 through 2007. In many parts of the province, real estate markets remained strong over that period. There is no question that there will be again a wide range of assessment increases, particularly in urban and waterfront markets, with a resulting shift of tax from one area to another and one property to another. There will be huge distress amongst Ontario's homeowners this fall when they receive their assessment notices. Seniors, whose numbers are growing, will be particularly angered when they find themselves exposed to large and unpredictable tax hikes. This will be true with each new assessment, now that the valuations will only be carried out every four years.

CAPTR has commissioned a study in an effort to predict from an analysis of real estate markets, the range of assessment increases which will be faced in 2008 by urban and waterfront homeowners. From data we have seen already it's clear that there will be large disparities in valuation increases and these will result in major assessment related tax hikes for countless thousands of property owners across the province. We will present that analysis to the Finance Minister in the near future in an effort to convince the government that further stabilization is needed NOW to protect property owners from major and unpredictable assessment related tax increases in 2009. We continue to recommend a limit be placed on assessment increases so that home owners can forecast their property tax obligations over the long term. Taxpayers will still be faced with inevitable increases due to the rising costs faced by municipalities but can work through local government to attempt to keep those at a reasonable level. What is hugely unfair is to find your tax bill escalating, without selling your home, without any additional income

and without any additional services, because MPAC has decreed that over the past few years your property has increased in value by 40% while one a few blocks away is only up 20%.

Throughout North America, some form of market value assessment is used broadly as a basis for distributing property taxes. We do not suggest that Ontario move to some entirely new system. What we do believe is that the market value system requires a degree of stability. This has been recognized in some twenty jurisdictions in the US and Canada which have shown leadership by limiting either assessment increases or tax increases. There are plenty of precedents and they are well known to the government. We also believe that limits to assessment increases will protect homeowners at all value levels. They will not, as some will argue, benefit the wealthy at the expense of lower income homeowners.

In conclusion, CAPTR will continue to push for an equitable property tax regime in Ontario. We believe the situation is urgent with the next assessment notices arriving this fall. We will share our market analysis with the government and make every effort to bring greater stability and fairness to the system on behalf of our coalition members and all Ontario homeowners. Given that Ontario has among the highest property taxes in the Western world, a fair system for distributing the tax load is essential. It is our hope that this Committee will recommend to the government that it take immediate steps to stabilize the property tax system.

For further information go to www.captr.org