

Finance and Corporate Services

Edmonton

Implications of Adjustments to Residential Tax Rates and Subclasses

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Background

MOTION - March 1, 2021

That administration further analyze the implications of adjustments to residential tax rates and subclasses, as outlined in options 2 and 3, as outlined in the March 1, 2021, Financial and Corporate Services report FCS00131, and provide a report to committee.

- Option 2: Elimination of the Other Residential Differential
- Option 3: Density Subclassing by Property Use with Elimination of the Other Residential Differential

Other Residential Subclass

- Residential property with four or more dwelling units on a single title (apartments, but not condominiums)
- Tax rate is 15% higher than general residential property
- Higher rate recognizes that these properties are usually operated as a business
- Owners of Other Residential property can pass property tax along to renters through rental rates

Eliminating the Other Residential Subclass

- Assumed to shift taxes to general residential property in one year
 - ◆ Other Residential taxes would decrease by 11.7 percent
 - ◆ General residential taxes would increase by 1.6 percent
- Short term gain for Other Residential property owners
- Impact on rents, if any, would occur over the long term and would likely not be measurable

Density and The City Plan

- Envisions deliberate urban intensification in nodes and corridors
- Recognizes that multiple policy levers may be required to achieve objectives
- Targets:
 - ◆ 50% of new dwelling units through infill
 - ◆ 600,000 additional residents in redeveloping area

A Hypothetical Density-Based Subclass

- Low density = single detached, duplexes (typically RF1-3)
- Medium/High density = triplexes, row houses and larger (typically RF4+)
- Estimated tax shifts if low density rate is 10 percent higher than medium/high density:

		New Subclass	
		Low Density	Medium/High Density
Old Subclass	Residential	+5%	-5%
	Other Residential	-9%	-17%

Consequences of Density-Based Subclassing

- A fundamental shift in how we tax residential properties
- Tax policy can be a useful tool, but requires caution
- Any approach will require time and resources
- No known precedents in Canada

Questions?