



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS.**

4141 Yonge Street, Suite 401
Toronto, Ontario M2P 2A6

January 30, 2015

Councillor Gary Crawford
Chair, Budget Committee
c/o Jennifer Forkes
10th floor, West Tower, City Hall
100 Queen Street West
Toronto, ON M5H 2N2

Dear Mr. Crawford,

As you may know, the Canadian Federation of Independent Business (CFIB) represents the views and interests of 109,000 small and medium-sized businesses in Canada. Of those, close to 5,000 are in the City of Toronto. On behalf of our members, we welcome the opportunity to comment on the City's 2015 Budget. Given the critical role that small business owners play in creating jobs and economic growth within the City, their views and concerns should be given careful consideration.

The top concern of small businesses is their total tax burden. At the municipal level, property taxes are the single biggest burden imposed by local governments on small business. To address this concern, Toronto City Council adopted the *Enhancing Toronto's Business Climate Plan* in 2005. This Plan encompassed a set of business cost reduction initiatives intended to enhance the City's competitiveness over the longer term. One of the key features of the Plan was to cut the tax gap between commercial to residential and industrial to residential property classes over a 15-year period to reduce the cost of doing business and keep more businesses and jobs within the City. The City also created a sub-group within the commercial property class for properties under \$1,000,000 of assessed value (Band 1 or Small Business class), and later accelerated the reduction target. As a result, the gap between small business and residential property tax rates was to be gradually reduced from 3.75 in 2005 to 2.5 by 2015. The Plan also included reductions in the industrial property tax gap from 4.09 in 2006 to 2.5 by 2020.

In 2014, CFIB completed the enclosed report entitled *Ontario Property Tax System Stacked Against Small Business* which examined property tax gaps between business and residential properties of the same value in 230 municipalities across Ontario. The report found that Toronto's 2013 municipal property tax gaps (excluding the education portion) were 2.77 and 3.12 respectively - meaning that the City is meeting its target reductions under the aforementioned Plan. However, in line with the findings of our 2009 report, the City of Toronto still has the highest property tax gap between commercial and residential properties of all the 230 municipalities examined. Similarly, Toronto had the third highest industrial to residential property tax gap.

We are encouraged that the City continues to limit business property tax increases to one-third of residential rate increases. While we understand that City Council has taken steps to address the imbalance between business and residential property classes, more needs to be done to alleviate

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the imbalanced burden on businesses. Further extending the reduction schedule to bring Toronto's gap closer to those of other municipalities would go a long way to making the City a more competitive place to do business.

Excessive regulations are consistently ranked as one of the top priority issues for CFIB members. In fact, it costs Canadian businesses approximately \$37 billion per year to comply with regulations from all levels of government. In order to raise awareness about the impact on small businesses, we hold Red Tape Awareness Week (RTAW) every January. This week is a key part of our ongoing campaign to reduce harmful and excessive regulations for small business. We are encouraged to see that the City plans to address regulatory burden by modernizing several existing by-laws and reviewing both the City's approach to business licensing as well as municipal interests related to liquor licensing. To further address small business red tape concerns, we recommend that City Council streamline the process for obtaining permits and licenses and harmonize environmental reporting rules with those of other levels of government. Ultimately, we would love to recognize and celebrate any of the City's progress on this front during next year's RTAW.

We would like to offer the following recommendations for the 2015 City of Toronto Budget:

- ▶ **Do not introduce new revenue tools or taxes to fund municipal priorities.** Small businesses expect the local government to finance priority projects such as infrastructure expansion through existing revenues. Any implementation of new revenue tools or taxes would inevitably force small businesses to freeze or cut employee salaries, reduce internal investments and decrease the number of employees, directly impacting the City's jobs and economic growth.
- ▶ **Continue to reduce the tax gap between commercial or industrial and residential properties.** Toronto continues to have the highest municipal tax gaps of the 230 municipalities that were examined. The City should continue to reduce tax gaps to balance the property tax load and encourage business investment for commercial and industrial property classes. In particular, it should extend the reduction schedule it laid out in *Enhancing Toronto's Business Climate Plan*.
- ▶ **Streamline the process for obtaining permits and licenses.** Toronto Bizpal helps business owners to determine what licenses and permits they need, but applying for and obtaining the licenses is not at all straight forward. There is no online application for most and business owners may be required to submit paperwork to various locations across the City. We recommend streamlining the application process (make it easier by providing more online application and payment options) and also reducing the number of locations ("bundle" them into one central location, or at/close to provincial and federal locations where business owners need to go to get their other licenses). In particular, we recommend that the City focus on simplifying the process for obtaining building and renovation permits because it is one of the most burdensome areas of municipal regulation as indicated by the most recent CFIB red tape survey.
- ▶ **Streamline common reporting requirements and share collected information with other levels of government.** Since 2010, small manufacturers and dry cleaners in the City are required to report the use and emissions of around 25 specific chemicals. With the exception of firms with fewer than 10 employees, the provincial and federal government also require

companies to report on these chemicals. The City of Toronto should work with other levels of government to harmonize the requirements and share the information so businesses only have to report it once. This would reduce the time and effort required by small businesses to comply with regulatory requirements.

In closing, we appreciate the opportunity to outline our members' priorities regarding the 2015 Budget. We hope that City Council will consider the recommendations herein. CFIB remains committed to working with the City to address the needs and concerns of small and medium-sized businesses.

Sincerely,

Original signed by:

Plamen Petkov
Vice-President, Ontario

Nicole Troster
Director, Provincial Affairs, Ontario

cc: John Tory, Mayor of Toronto
Michael Thompson, Chair, Economic Development Committee

Enclosure: CFIB, Ontario Property Tax System Stacked Against Small Business, 2014