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Councillor Paul Ainslie
Toronto City Council
Scarborough East - Ward 43

Chair, Government Management Committee
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Date: November 6, 2017

To: Mayor John Tory and Executive Committee Members

Re: Municipal Property Taxation for Railway Rights-Of-Way

PROPOSED RECOMMENDATIONS:

1. City Council request the Provincial Government to amend Regulation 387/98 Tax Matters - Taxation of Certain Railway, Power Utility Lands, such that a new system of municipal property taxation for railway right-of-ways is based on an assessed value, which is to include tonnage.
2. City Treasurer report back to Executive Committee at the January 24, 2018 meeting on the potential revenue the City could raise if the Province were to implement a modified taxation system based on tonnage, along with comparison data from other municipalities in Provinces where this taxation policy is already in place.

BACKGROUND

Prior to 1998, in Ontario, railway right-of-ways were assessed based on the market value of abutting lands, and they were taxed at local mill rates. In 1998, a new fixed rate tax system was introduced. The result was a change in the assessment procedures for railway right-of-ways. They were taxed at a fixed rate per acre, based on prescribed municipal and education tax rates.

For the new system, the province was divided into nine regions and different tax rates have been prescribed for each region based on the average tax levels which existed on rail corridor properties prior to 1998. The Provincial government since then, has proposed various options to update the railway right-of-way property tax system, but nothing has ever been done.

One option was to implement an indexed rate, which would maintain a rate per acre property tax, and be updated regularly. Another proposed option, was to implement a minimum rate per acre to address the lower rates and variances between regions. The Province also proposed an approach that is based on assessed value of each ton of cargo over each kilometre of railroad track a train travels.

The City of Toronto has an opportunity to support municipalities in northern Ontario in their desire to increase their financial viability with introduction of an assessed value system based on tonnage which is their preferred option. It would benefit all municipalities including the City of Toronto as we search for additional funding to maintain our financial stability as well.

For many years provinces such as Manitoba, Saskatchewan and Alberta have levied a tax on railroad companies per ton, per mile, travelled through municipalities. It would be prudent for the City of Toronto and the Province of Ontario to review the revenue opportunities available, and implement a revised system.

I look forward to your support on this important matter.

Sincerely,
Councillor Paul Ainslie
City of Toronto, Scarborough East Ward 43