

## **ATTACHMENT 1: ACREAGE AND TONNAGE TAXATION SYSTEMS – RESPONSE TO ITEM EX7.20 RECOMMENDATION (JULY 2019)**

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### **Acreage and Tonnage Taxation Systems**

In early 2018 the Ontario Ministry of Finance proposed a high-tonnage rate of \$300.00 per acre, which is substantially lower than the 2018 acreage rate of \$624.33 per acre for the City of Toronto. Municipalities were able to request the high-tonnage rate for railway rights-of-way properties if they believed that the tonnage being moved met the high-tonnage threshold of 70,000,000 gross ton-miles per route mile. It would then be up to the railway companies to provide the tonnage data to either prove or disprove the claim.

The Ontario Government, in their communication dated May 24, 2019, has indicated that no high-tonnage rates are being introduced for railway taxation.

Currently railway companies do not report on tonnage and kilometres of railway rights-of-way for any municipality in Ontario. A taxation system that is entirely dependent on industry-supplied data that cannot be independently verified may prove problematic to administer, and carries the risk that data can be manipulated or under-reported, or that companies may change their business model in an effort to avoid taxes. Information received from municipalities in Saskatchewan, Alberta and Manitoba, confirm that relying on the railway companies to provide this data can be quite challenging.

In February 2020, the Revenue Services Division met with representatives from the railway industry to discuss how tonnage reporting is handled in Saskatchewan, Alberta and Manitoba (see attachment 2 for response from the Railway Association of Canada). In the Western Provinces, tonnage reporting is mandated through provincial legislation. Railway companies report tonnage data annually to provincial assessment authorities who use the data to prescribe the rates. The tonnage data that is reported is broken down by railway subdivisions and not by municipality. The railway representatives indicated that tonnage moving through the Western Provinces (bulk commodities) is vastly different than what is moving through Toronto (commodities to support retail).

Any change to the railway taxation system requires regulatory changes by the Province of Ontario. Currently, the acreage rates for the City of Toronto are the highest in the province. There is no evidence to suggest that changing to a tonnage based levy would provide benefits to Toronto in the form of increased overall levies, and it is unclear how a tonnage-based system would affect the levies on passenger railways (e.g., Metrolinx) that own/operate rights-of-way within Toronto and the GTA.

In 2022, the total tax levy for railway rights-of-way in the City of Toronto was \$1,505,593. This figure is based on the 2022 acreage rate (which remained at 2018 levels for 2022) for railway rights-of-way and 19 assessment roll numbers.

## **Railway Taxation in Other Jurisdictions**

### **Saskatchewan**

The legislation in Saskatchewan (The Cities Act) sets out how railways are assessed and the Saskatchewan Assessment Management Agency (SAMA) establishes the rates for the railway rights-of-way. Railway rights-of-way in Saskatchewan are defined as a continuous strip of land not exceeding 31 metres in width. Any railway land over 31 metres wide is assessed similar to industrial and commercial land and is taxed at the railway rate. The assessment rates as determined by SAMA are based on the value of the railway rights-of-way on a per tonne basis.

In 2022, the total tax levy for railway rights-of-way in the City of Regina was \$203,128. This figure is based on the assessed value assigned to the railway line (freight only), and the lands associated. Currently there are no commuter lines in Regina.

### **Alberta**

The legislation in Alberta (Municipal Government Act) sets out how railways are assessed and the Alberta Government establishes assessment rates for railway rights-of-way in the "Alberta Railway Assessment Minister's Guidelines." Alberta defines railways as the associated rights-of-way and structures. The regulated assessment rates as determined by the provincial government have a base rate that is increased yearly by an assessment year modifier, then adjusted for tonnage by the annual traffic factor.

In 2022, the total tax levy for railway rights-of-way in the City of Calgary was \$842,906. This figure is based on 310.95 kilometers of track that belong to the Canadian Pacific Railway, the Canadian National Railway and private tracks assessed at \$38,428,140. There is a portion of railway rights-of-way that is owned/operated by the City of Calgary that is tax exempt.

### **Manitoba**

The legislation in Manitoba (The Municipal Assessment Act) sets out how railways are assessed and Manitoba Regulation 166/2015 establishes the regulated rates for railway rights-of-way. Railway rights-of-way in Manitoba are defined as a continuous strip of land not exceeding 100 feet in width that are used as a roadway and includes the rails, grading, ballast, embankments, ties, etc., used in the operation of a railway and does not include land and improvements such as stations, warehouses, repair shops, etc. whether or not situated on the right-of-way. The regulated rates are based on the gross tonnage carried on the tracks, the miles of track and the land value (average assessed value of all land in the municipality on the reference date).

In 2022, the total tax levy for railway rights-of-way in the City of Winnipeg was \$1,301,486. This figure is based on the assessed value assigned to both freight and commuter traffic.

## **Quebec**

The legislation in Quebec, Act Respecting Municipal Taxation, sets out how railway rights-of-way are assessed and levied. The assessed value of railway rights-of-way are determined by multiplying the area of the railway rights-of-way land by the rate. The rate is obtained by dividing the total assessment of the local municipality by the total land area of the local municipality. The City of Montreal calculates the levy for railway rights-of-way by multiplying the assessed value of the property by the appropriate boroughs (there are 19 boroughs in total) non-residential tax rate.

In 2022, the total tax levy for railway rights-of-way in the City of Montreal was approximately \$7,000,000. This figure is based on assessment values on 81 assessment roll numbers.