Ministry of Finance

Provincial-Local
Finance Division

Frost Building North
95 Grosvenor Street
Toronto ON M7A 1Y7

Ministère des Finances

Division des relations provinciales-
municipales en matière de finances

Édifice Frost nord
95 rue Grosvenor
Toronto ON M7A 1Y7

Ontario

December 10, 2025

Dear Municipal Treasurer / Clerk-Treasurer:

I am writing to provide an update regarding a number of property tax policies for the 2026 taxation year, including the status of education property tax rates.

Property Tax Reassessment

Planning for the next reassessment requires a balanced and thoughtful approach to ensure substantial market shifts do not create unmanageable impacts on taxpayers. With tariff impacts and the on-going trade threats, it is also important that Ontario maintains property assessment certainty. Therefore, the government will continue to hold property assessment values stable across the province and continue to defer the province-wide property tax reassessment for the 2026 taxation year.

We also continue to respond to feedback from a broad range of stakeholders, including residential and business property owners, and appreciate the municipal collaboration on improvements to the property assessment and taxation system. We continue to consider further enhancements that focus on affordability, business competitiveness and modernized administration tools and welcome input from your municipality and the municipal sector.

Education Property Taxes (EPT) Rates

Education property tax rates for 2026 will remain unchanged from the previous year as assessments continue to be based on the same valuation date used for 2025. This means that the residential education property tax rate will remain at 0.153 per cent and the business education tax (BET) rate reductions implemented in 2021 will be maintained. The 2026 BET rates for your municipality are attached.

BET rates for certain properties where municipalities are permitted to retain the education portion of payments in lieu of taxes (PILs) will remain at the rates set for 2025.

EPT Streamlined and Integrated Reporting

As announced in the *2025 Ontario Economic Outlook and Fiscal Review*, the Province is implementing measures to simplify EPT administration and provide clarity and consistency for the remittance process. These measures will:

- Reduce duplication in municipal reporting. Municipalities will report EPT information to the Ministry of Finance, which will share it with school boards and the Ministry of Municipal Affairs and Housing for inclusion in the Financial Information Returns.
- Provide clarity and consistency for remittances, by introducing definitions for “amounts levied” and “change to taxes” and clarifying how in-year EPT adjustments are to be accounted for in the instalment payments.
- Eliminate conflicting deadlines, by removing references to a separate EPT remittance timeline for supplementary and omitted assessments, ensuring the *Education Act* deadlines apply uniformly to all EPT remittances.

Collectively, these changes streamline reporting and remittances and reduce administrative complexity. Legislative amendments to the *Education Act* and *Assessment Act* will take effect **January 1, 2028.**

Distribution of EPT Payment-in-Lieu

The Province is also clarifying and simplifying how federal residential EPT PILs are distributed between municipalities and school boards, which will allow some municipalities to retain additional revenue. A streamlined and transparent approach to PIL administration is being implemented by removing and updating outdated references in regulation, and permitting municipalities to retain the education portion of PILs received for all Department of National Defence residential properties with housing accommodation. Previously, these amounts were required to be remitted to school boards.

The corresponding administrative and technical amendments to O. Regulation 382/98 under the *Municipal Act*, and O. Regulation 121/07 under the *City of Toronto Act*, changes will take effect **January 1, 2026.**

Other Property Tax Policies for 2026

Railway Rights-of-Way

For the 2026 tax year, the property tax rates for railway rights-of-way will remain at 2025 levels.

Affordable Rental Housing Subclass

As announced in the *2024 Ontario Economic Outlook and Fiscal Review*, the Province is providing municipalities with the ability to reduce municipal tax rates on affordable rental housing through the creation of an optional property tax subclass.

Further details were announced in the *2025 Ontario Budget*. The subclass would provide municipalities with the option to reduce the municipal property tax rate for affordable rental housing units, as defined in the *Development Charges Act, 1997*, by up to 35 per cent.

Eligible properties could be either existing or newly built, as municipalities could adopt the affordable rental housing subclass under the multi-residential property tax class, the new multi-residential property tax class, or both.

If a municipality adopts both the new multi-residential property tax subclass and the affordable rental housing subclass under the new multi-residential property class, the reduction amount for the affordable rental housing subclass for that class must be equal or higher than that of the new multi-residential property tax subclass reduction amount.

The subclass has been established in section 22.1.1 of O. Reg. 282/98 under the *Assessment Act, 1990*, and the reduction amount in section 8.0.0.0.4 of O. Reg. 73/03 under the *Municipal Act, 2001* and section 9.5 of O. Reg. 121/07 under the *City of Toronto Act, 2006.*

Levy Restriction

Municipalities with property classes subject to the levy restriction continue to have the flexibility to apply a municipal tax increase to those classes of up to 50 per cent of any increase applied to the residential class. For example, a municipality levying a 2 per cent increase in residential taxes could raise taxes on any restricted class by up to 1 per cent. A full levy restriction continues to apply to multi-residential properties for the 2026 tax year where the tax ratio set for that year is greater than 2.

If you have any questions related to any of these updates, please contact Andrea Chow, Director of the Property Tax and Assessment Policy Branch, at Andrea.Chow@ontario.ca or 416-303-9287.

Sincerely,

Ian Freeman
Assistant Deputy Minister
Provincial-Local Finance Division

Region of York

2026 Business Education Tax (BET) Rates

BET Rate - Broad Classes

Business Property Class	2026 BET Rate	2026 Payment-in-Lieu of Taxation (PILT) BET Rate
Commercial	0.880000%	0.896686%
Industrial	0.880000%	0.980000%
Pipeline	0.880000%	1.250000%
Landfill	0.528649%	0.528649%
Aggregate Extraction	0.511000%	0.511000%
Small-Scale On-Farm (Commercial & Industrial)	0.220000%	n/a