Two Presentations on Municipal Finance: Non-Residential Property Taxation in Canada and Reform in Québec

Speaker:
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Land Acknowledgement

We wish to acknowledge this land on which the University of Toronto operates. For thousands of years it has been the traditional lands of the Wendat Nation, the Seneca, and most recently, the Mississaugas of the Credit. Today, this meeting place is still the home to many Indigenous people from across Turtle Island and we are grateful to have the opportunity to work on this land.

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NON RESIDENTIAL PROPERTY TAXES IN CANADA: CHARACTERISTICS AND IMPACTS, 2010-2020

François Vaillancourt

IMFG

Toronto October 2026

Classified as Microsoft Confidential

Presentation of CIRANO study entitled:

Taux variés selon les classes et contribution des immeubles non résidentiels à l'impôt foncier au Canada

co-authored by

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WHY AND OUTLINE

- WHY
- Literature often states that NR rates are:
  - Higher than warranted by difference in costs of R and NR services
  - Dampen economic activity if too high
- Yet they are highly popular: tax non-voter and permit tax exportations
- OUTLINE :1)Data; 2)Descriptive statistics(DS); 3)Multivariate analysis

DATA 1

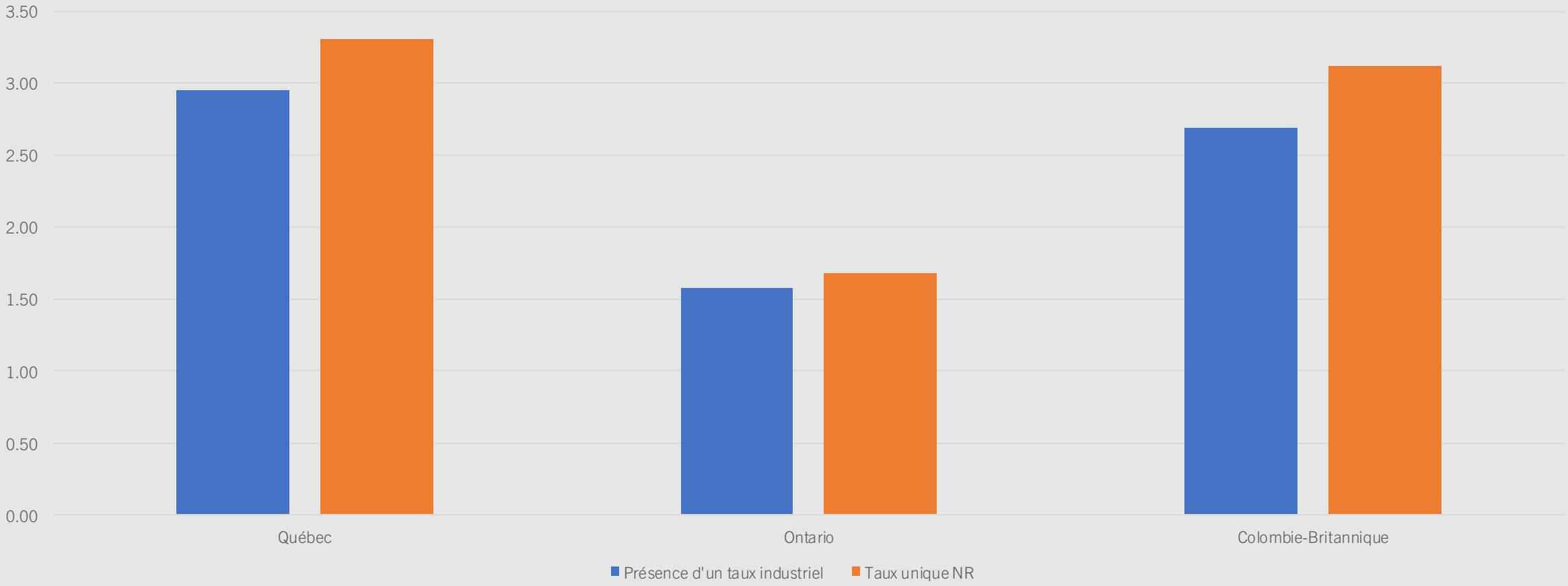
- 171 of the 179 Canadian municipalities with population ≥ 25 000 in 2021 census
- Excluded are NFLD and PEI municipalities,Whitehorse, Lunenburg and Saint-Hyacinthe for data reasons
- Wood Buffalo is also excluded due to the oil sands
- In total we cover 73% of the Canadian population
- Next slide presents key aspects of taxation

Data 2 Provinces	# munici	Population/ (%)	# rate groups	Restriction on rates (2025) **NR non residential; R: residential**
Nova-Scotia	1	45,4	3*	**Na**
New-Brunswick	4	31,0	2	Ratio NR rate/ R rate : 1,4 - 1,7
Québec	44	66,0	7*	max ratio 4,1 - 4,8 base R population). Industrial ratio maximum 5 times base rate.
Ontario	69	83,9	14 (+)	Target ratio is between 0,6 et 1,1 R rate. In sample1,082-2,462(To)
Manitoba	2	59,7	9	Taxable value is 45 % of R value and 65 % of NR values ratio is1,44
Saskatchewan	4	49,8	3	Max rate 7 times min rate
Alberta	16	73,2	4	Max rate 5 times R rate.
BC	31	74,8	9	Na .

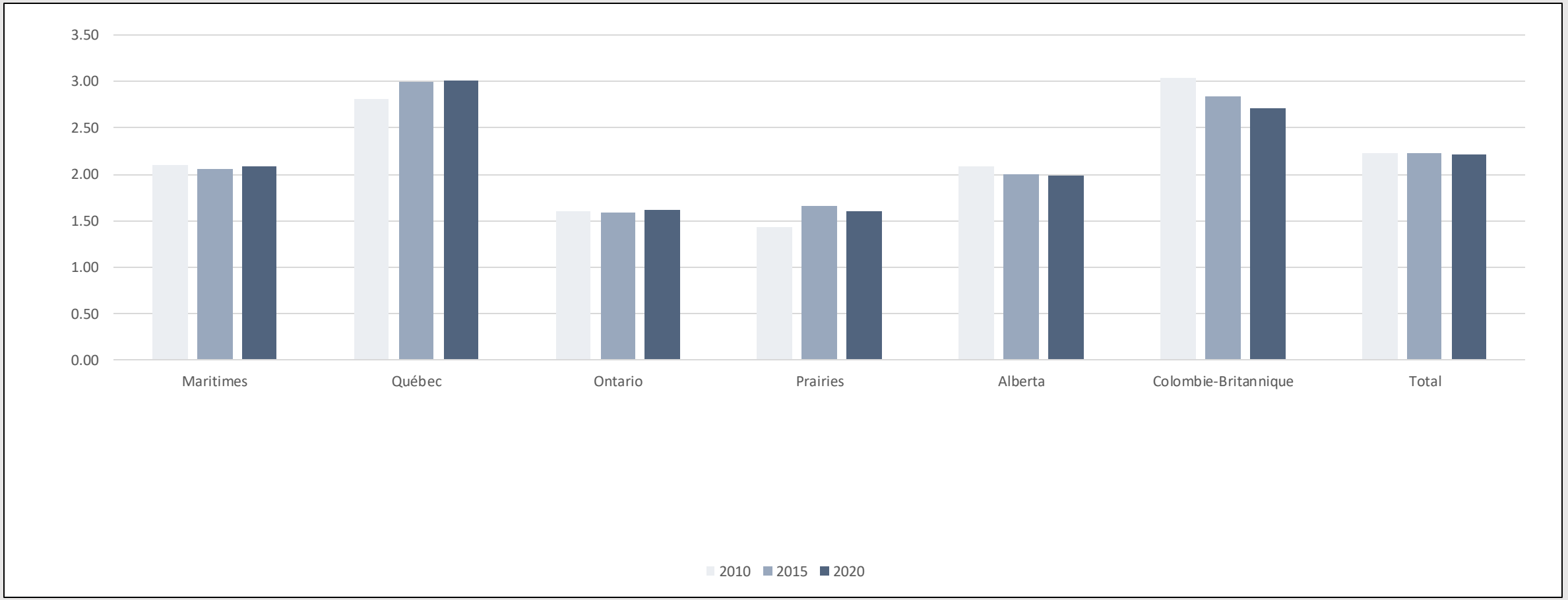
DATA 3

- Ratio used is commercial/ residential: slight under-estimation (next slide)
- Ratios in 2020 vary from1,082 in Leamington(On) to 4,62 in Boucherville
- Nine of top ten in QC; Saanich BC is 10th at 3,967
- Eight of bottom ten in On; Leduc and Saskatoon are 5th and 10th(1,28 ratio)

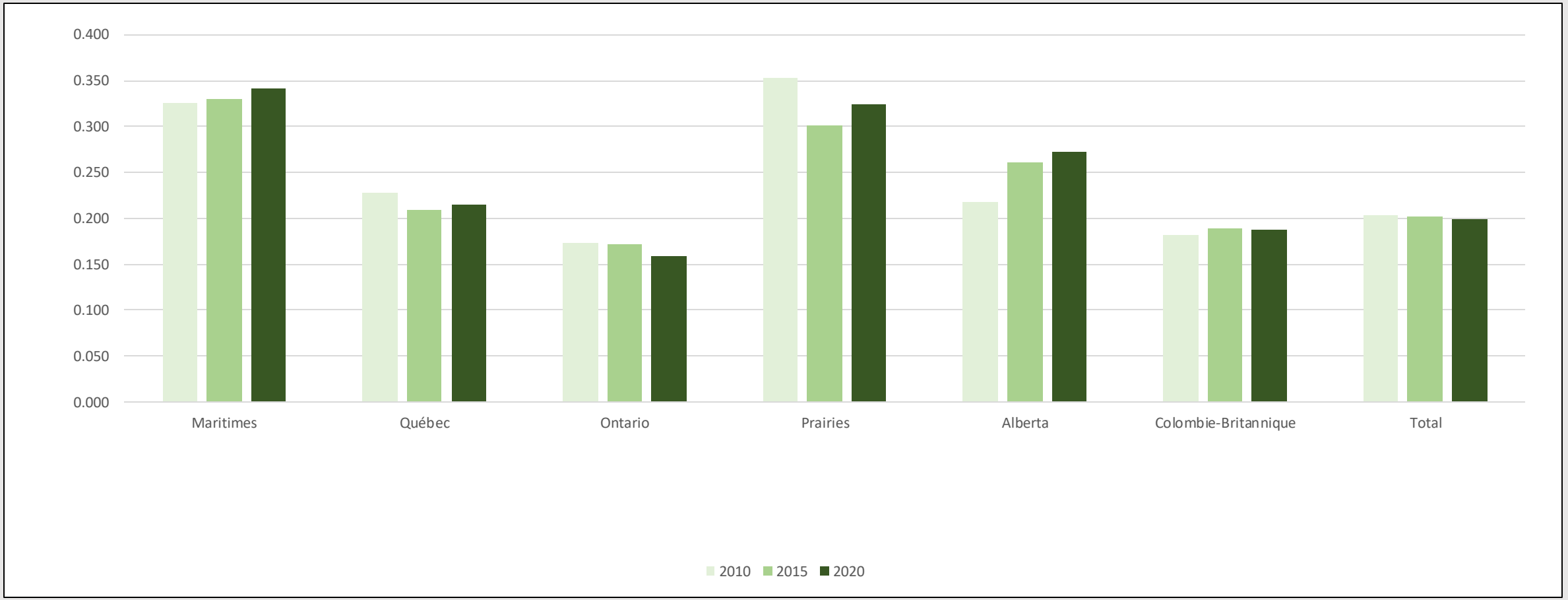
RATIO NR/R RATE COMPUTED, THREE PROVINCES WITH WITHOUT INDUSTRIAL RATE



DS 1) AVERAGE RATIO NR/R, 2010, 2015, 2020 SIX PROVINCES-REGIONS

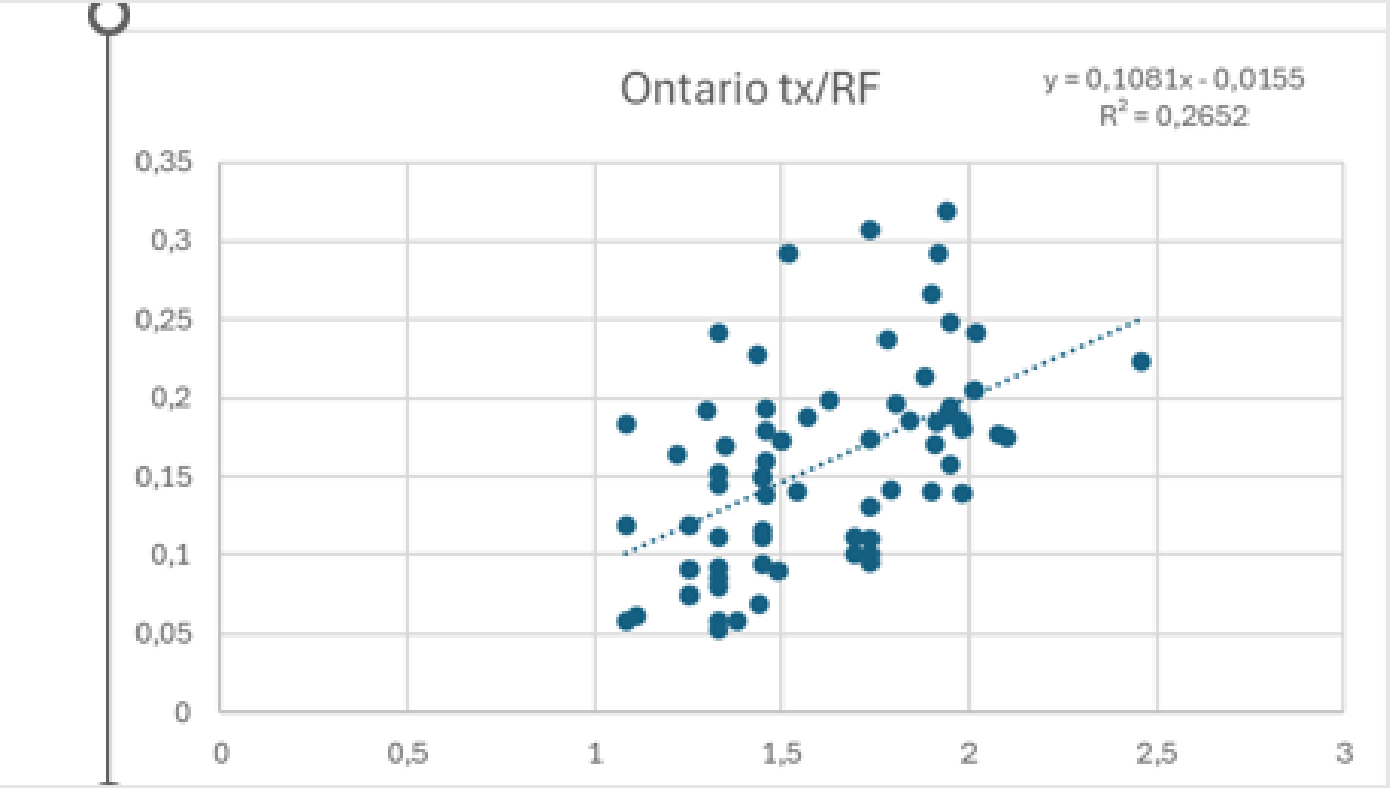


DS 2) AVERAGE RATIO TAX BASE NR /R, 2010, 2015, 2020

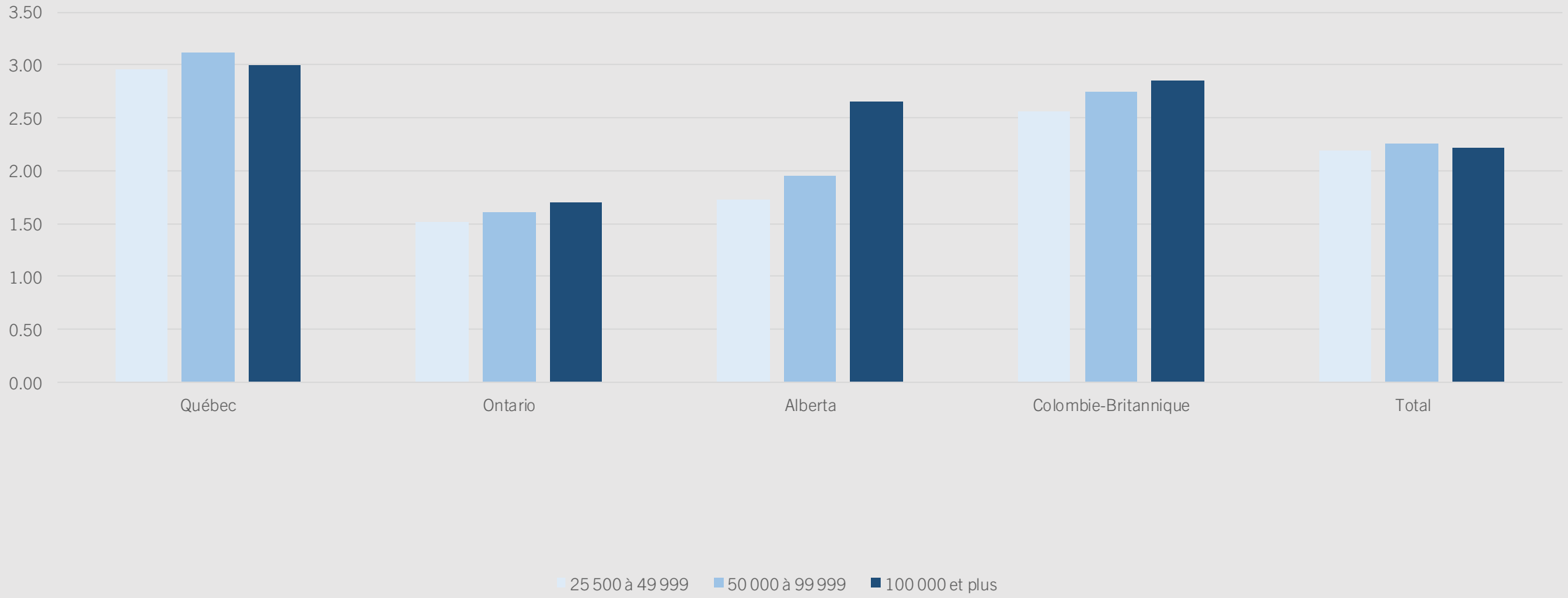


DS 3) RELATIONSHIP BETWEEN BASE AND RATE

- Correlation analysis between NR rate and base not conclusive($R^2 \leq 0{,}01$ except for Ontario as shown Y axis base X axis rate



DS 4) RATIO NR/R RATE ,BY POPULATION SIZE (25-50, 50-100,100+) 2020-2021 DATA



MULTIVARIATE ANALYSIS: THREE ISSUES

- Relationship between base ratio and rate ratio: three estimation methods: issue is endogeneity
  - NR base: fct Tax Ratio;
  - NR and R bases: fct tax Ratio
  - Δ ratio of bases: fct initial Tax Ratio Most plausible presented
- Relationship between Tax Ratio and economic development
- Relationship between municipal spending/R base and NR base / R base

ΔRATIO BASES OVER TIME SIGNIFICANT 5%

Ontario and 2010-2015 reference	FE	CS
Ratio NR/R rate 2010	0,0551	-0,0006
Québec		-0,0158
Manitoba		-0,0410
Saskatchewan		-0,0557
Alberta		0,0456
2015-2020	-0,0002	--
Intercept	-0,1244	-0,0008
R^2	0,0079	0,4865
New-Brunswick, Nova Scotia and BC are not significant		

ECONOMIC DEVELOPMENT FOR CMR & CAN = 75

SIGNIFICANT 5%

Ontario and 2010-2015 Reference	Δ Mean income		Δ Employment rate		Δ population	
	FE	CS	FE	CS	Fe	CS
Ratio rates	-0,0102	-0,0039	0,0413	0,0026	-0,0227	-0,0014
Québec	--	0,0722	--	0,0643	--	-0,0300
Manitoba	--	-0,0270	--	0,0147	--	0,0370
Alberta	--	-0,1173	--	-0,0473	--	0,0819
C-B.	--	0,0642	--	0,0513	--	0,0643
2015-2020	-0,0093		-0,0259		0,0107	
Intercept	0,1852	0,3360	-0,1073	-0,0895	0,0910	0,0873
R^2	0,000	0,752	0,128	0,766	0,000	0,304
Nova Scotia New Brunswick and Saskatchewan not significant						

IMPACT ON (SPENDING/R BASE) OF NR BASE
SIGNIFICANT 5%
ANALYSIS 0,06/0,015 ≈ 4 = RATIO NR/R RATE

2010 reference	FE	FE
Ratio NR/R base	0,0717	0,0626
2020	--	-0,0053
2015	--	-0,0038
Intercept	0,0104	0,0153
R^2	0,1619	0,1830

- Thank you; Merci

A summary presentation of *Rapport sur la fiscalité et les finances municipales Un modèle arrivé à ses limites : un virage s'impose*

FRANÇOIS VAILLANCOURT

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Background

- Report was prepared for UMQ by two ex-finance ministers
- Monique –Jérome Forget: retired, Liberal
- Nicolas Marceau: economics prof UQAM (PQ candidate 2026)

- This presentation is based on my reading & understanding of the report : 21 recommendations in total

Why the report-1

- **Infrastructure issue**
- **Backlog of 50 billion in 2025 projected to 95 billion in 2035 if yearly cost growth rate unchanged (7,5% yearly)**
- **Such growth attributed in good part (40%) to new regulatory requirements (nitrogen in wastewater, seismic norms updates…)**
- **Complex costly (325M/year of municipal admin costs) set of provincial funding programs(200+) with project based financing**
- **Concurrent demands (fed, prov, mun) on construction sector**

Why the report -2

- **Revenue issue**
- **Lack of municipal political will to increase property tax above inflation rate- understandable but a problem**
- **Drop in property tax/GDP ratio observed- projected**

Year	2015	2024	2035
PT/GDP	3,8	3,0	2,3

Recommendations Infrastructure funding

- **R2: A single conditional grant program giving leeway to respect municipal choices + R10 multi-year budgeting**
- **R6 A fund for maintenance available to municipalities who:**
  - **increase their property taxes by at least the nominal GDP growth rate**
  - **allocate the difference between CPI indexed and extra amount to maintenance**
- **Long term fund is 75% Québec G financed ≈ 1% point of QST (10%) if QG has no deficit and construction costs growth has stabilized**
- **Target is a 40% drop in maintenance deficit**

Recommendation own revenues

- Allow progressive taxation of residential buildings R11
- Allow a higher non-residential maximum tax rate R12
- Ask Q gov to introduce deferral mechanism of property taxes R13
- Meter water more R14
- Use more fully ''new'' tax powers R15

Other recommendations

- Invest more in public transit, less in roads R7
- Rethink responsibilities and financing (états généraux) R8
- Facilitate mergers and service groupings with+ financing R9
- Improve valuation process to reduce complaints R17
- Allow joint issuing of municipal bonds R18-reduce interest rate
- Create QMERS R19-currently ≈ 200 pension plans + RREMQ (2008- joint CSN and FQM) ≈ 250 employers
- Reduce municipal wage premium R20

- Merci/thank you