

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

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Presentation of CIRANO study entitled

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

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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

DATA 1

- 171 of the 179 Canadian municipalities with population $\geq 25\ 000$ 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	# munic i	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 sample 1,082-2,462 (To)
Manitoba	2	59,7	9	Taxable value is 45 % of R value and 65 % of NR values ratio is 1,44
Saskatchewan	4	49,8	3	Max rate 7 times min rate
Alberta	16	73,2	4	Max rate 5 times R rate.

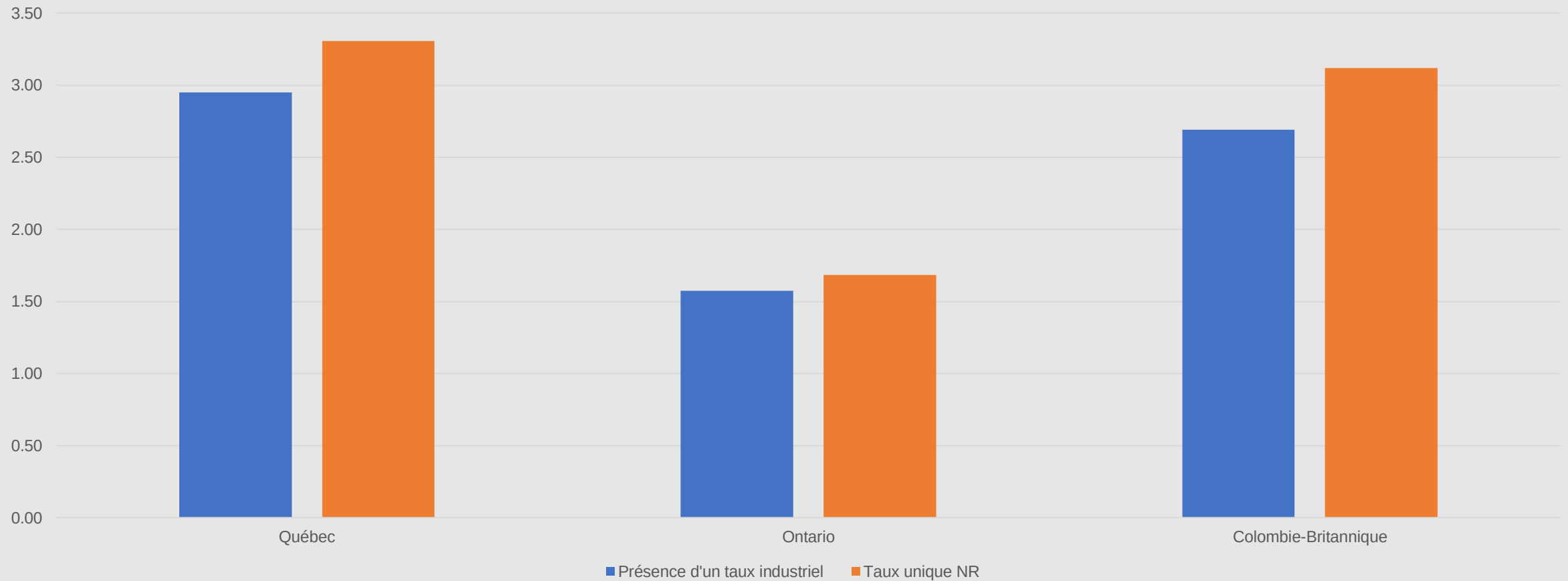
DATA 3

- Ratio used is commercial/ residential: slight under estimation (next slide)
- Ratios in 2020 vary from 1,082 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)

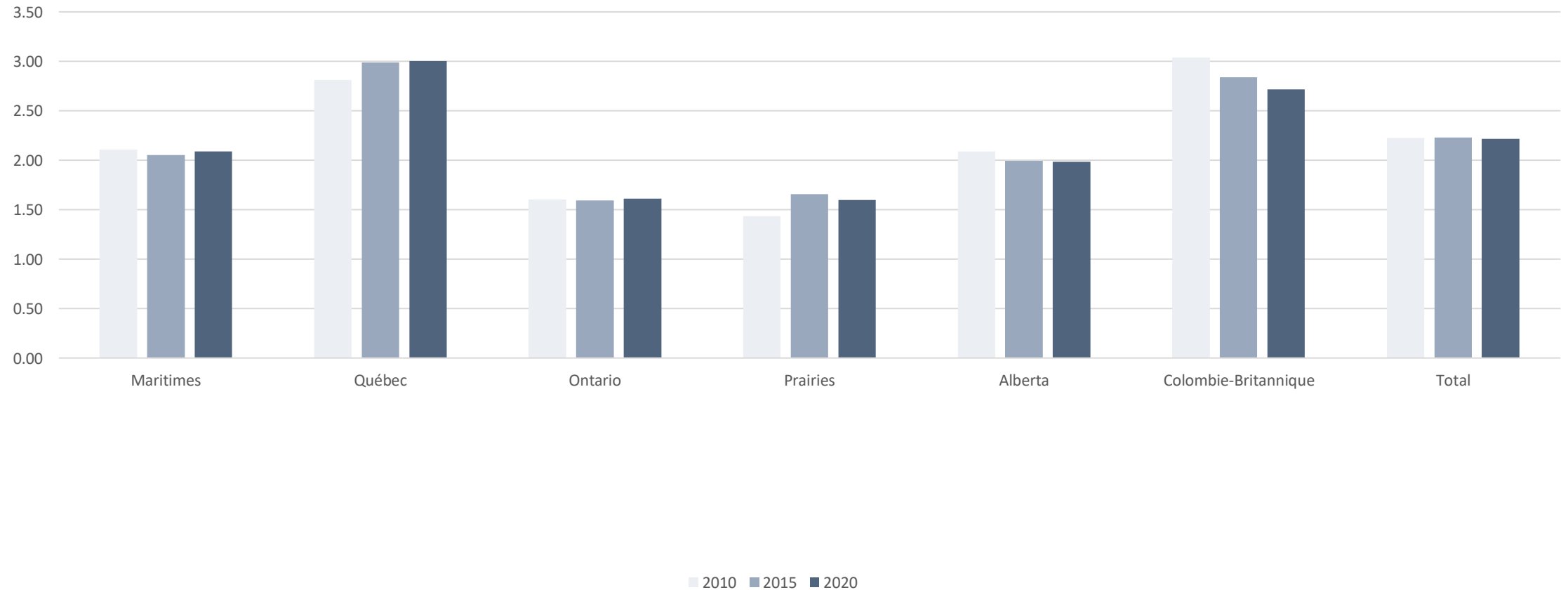
RATIO NR/R RATE COMPUTED, THREE PROVINCES

WITH WITHOUT INDUSTRIAL RATE

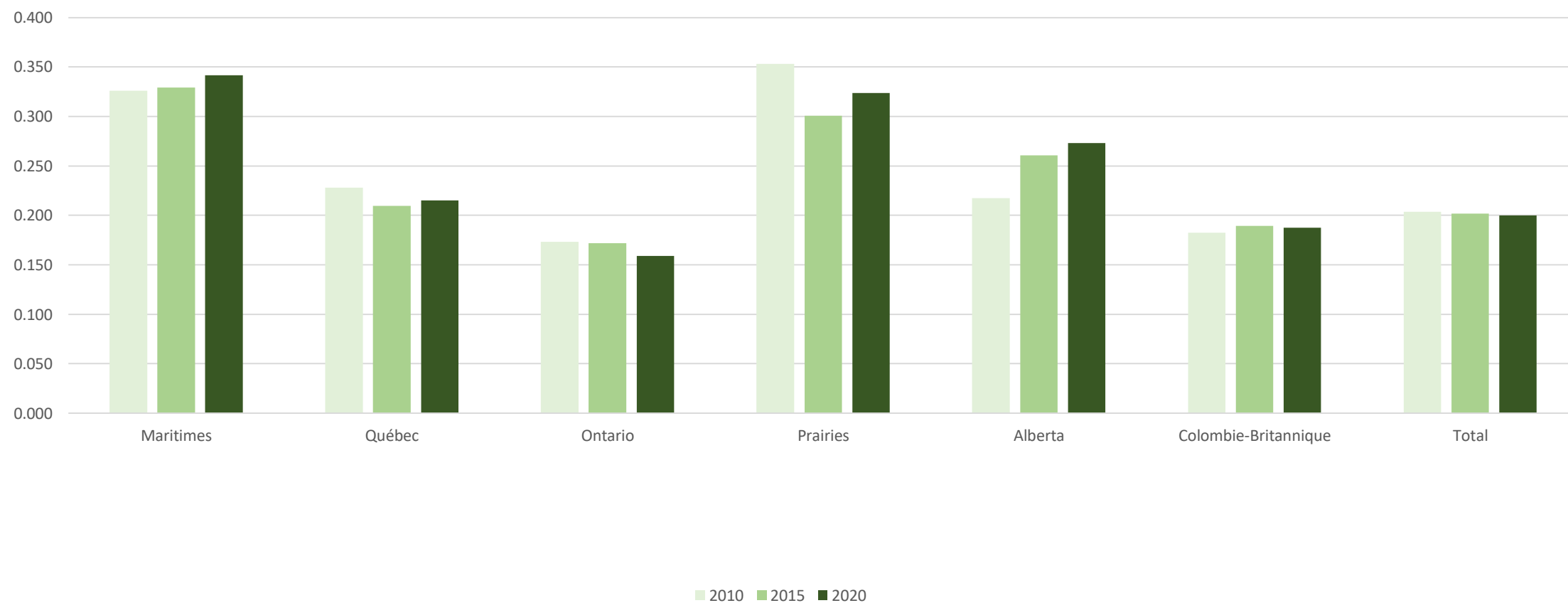
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DS 1) AVERAGE RATIO NR/R ,2010,2015,2020 SIX PROVINCES-REGIONS

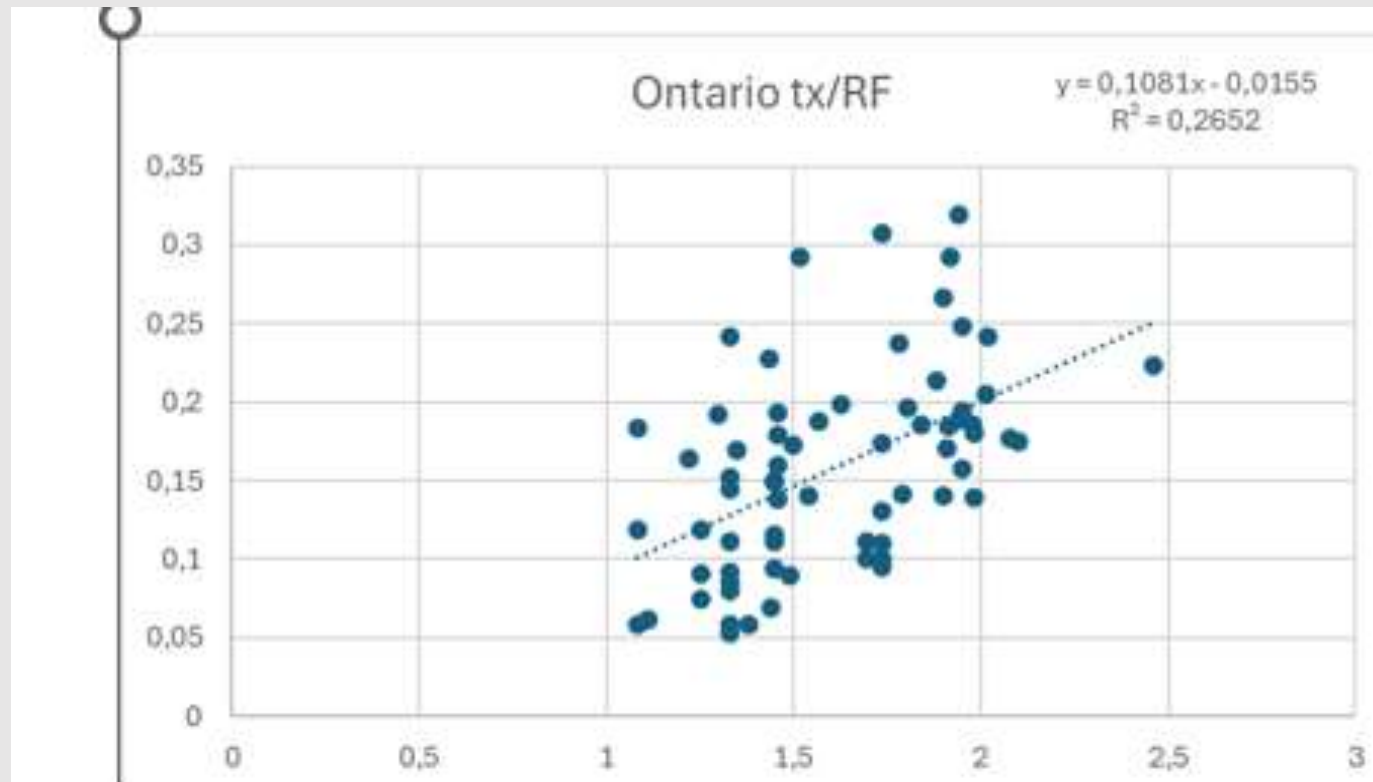


DS 2) AVERAGE RATIO TAX BASE NR /R ,2010,2015,2020



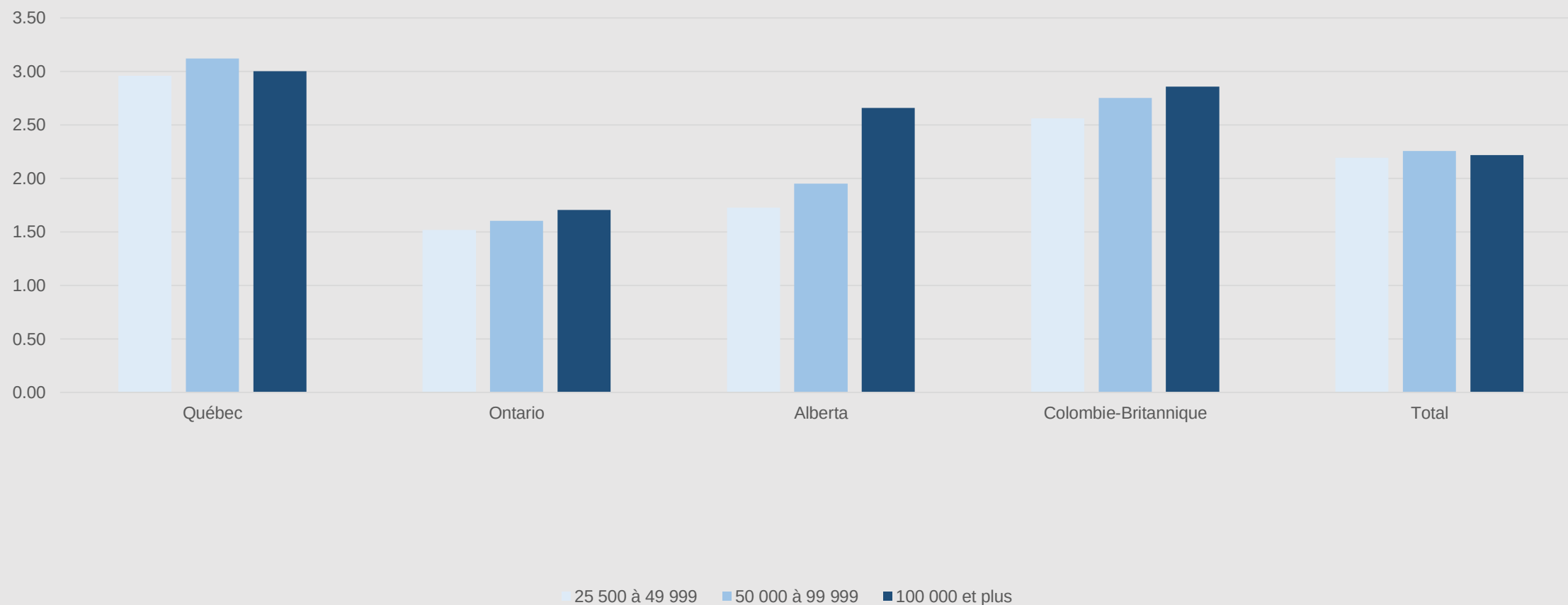
DS 3) RELATIONSHIP BETWEEN BASE AND RATE

- 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

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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 B-C are not significant		

ECONOMIC DEVELOPMENT FOR CMR & CA N= 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

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- Thank you ; Merci