

Subject: Residential & Industrial Taxes 1991-2002

Date: Sat, 08 Nov 2003 22:40:05 -0800

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CC: fonvca@fonvca.org

Your Worship & Members of Council,

There has been a lot of recent media coverage about the high business and industrial tax rates compared to residential tax rates. I wish to shed some light on this issue.

The basis of my information comes from the 1991 and 2002 provincial database schedules sch9161.xls and sch0261.xls respectively.

For the year 1991 the District collected a total of \$31.2m in municipal taxes, \$22.5m from residential (assessed at \$5.086billion, mill rate 4.417) while for major industrial the district collected \$3.11m (assessed at \$118m, mill rate 26.35).

For the year 2002 the District collected a total of \$49.0m in municipal taxes, \$34.7m from residential (assessed at \$9.16billion, mill rate 3.39) while for major industrial the district collected \$4.38m (assessed at \$100m, mill rate 43.8).

Now the industrial tax payer could argue that their tax rates have gone up 66% ($43.8/26.35*100-100$) while the residential tax rates have dropped 23.3% ($3.39/4.417*100-100$).

In fact, what has happened is that assessment of residential units has gone up dramatically (80%) - not because we built more housing, but mainly because the market price of housing has dramatically increased. Since taxes are driven by service costs (which increase roughly with inflation) the residential mill rate actually dropped.

In the meantime industrial assessments dropped and since the service costs to them remained largely unchanged (except for inflation) the mill rate had to increase along with it.

The bottom line is that Major Industries paid about 9.97% ($3.11/31.2*100$) of municipal taxes in 1991 and about 8.94% ($4.38/49.0*100$) of municipal taxes in 2002. Thus the share of taxes paid by Major Industries has actually gone down in the period 1991 to 2002!

So why the hulla-balloo from Major Industries? It's because their TAX RATES have changed dramatically compared to residential ones. Why was this? Again - because residential property prices have ballooned while theirs have remained static. Service costs (except for inflation) remain largely unchanged and their TAXES have remained unchanged.

The focus on mill rates is thus unfair. What counts is how much taxes (in some years's constant dollars) are being charged. By that measure the Major Industrial users seem to have little to cry about.

Yours truly,

Corrie Kost

cc: FONVCA

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