



**The Corporation of the
City of Sault Ste. Marie**

C O U N C I L R E P O R T

The April 29, 2025

TO: Mayor Matthew Shoemaker and Members of City Council
AUTHOR: Lisa Petrocco, Manager of Taxation
DEPARTMENT: Corporate Services
RE: 2025 Property Tax Capping Options

Purpose

The purpose of this report is to seek Council approval of a by-law to adopt optional tools for the purposes of administering limits for the non-residential tax classes.

Background

In 1998, the Province of Ontario introduced the Tax Capping program to protect commercial, industrial and multi-residential properties from significant property tax increases. This program limits or “caps” tax increases at 5% due to changes in property value.

Capping limits landowners from paying the full amount of taxes based on the assessed value of the property. When properties experience a decline in property value, which would normally lead to a decrease in property tax, the capping program “claws back” from them to fund the revenue shortfall resulting from the capping limit placed on properties experiencing an increase in value. In other words, decreasing property owners fund the increasing property cap on their tax increases. If there is not enough room in the properties being clawed back to finance the capped properties, then a shortfall occurs, which is funded by general revenue, reserves or all other classes.

The caps established are not intended to be permanent. The ultimate goal is eventually to have all properties at their Current Value Assessment (CVA), which is the fairest measure under the current property tax system. The Province has added additional tools to assist municipalities in reaching the objective of CVA and thus exiting from capping permanently. Generally, this will involve shifting the tax burden amount to properties within the affected property class.

Analysis

The City is in the process of permanently exiting capping for all tax classes and has already exited capping for the Multi-Residential class in 2021. This is the fourth year of the four-year phase-out, and the City will permanently exit capping for the commercial class. Staff recommends the status quo, utilizing maximum tools,

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which is the same as 2024. This will be the second year of the four-year phase-out to permanently exit the industrial class.

Financial Implications

The setting of the property tax capping does not affect the levy requirement for 2025.

Strategic Plan / Policy Impact / Climate Impact

This is an operational matter not articulated in the strategic plan.

Recommendation

It is therefore recommended that Council take the following action:

The relevant By-law 2025-51 is listed under item 12 of the agenda and will be read with all by-laws under that item.

Respectfully submitted,

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