



The Corporation of the  
City of Sault Ste. Marie

## COUNCIL REPORT

April 29, 2025

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

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### **Purpose**

The purpose of this report is to provide the tax rate options for 2024. Staff is seeking Council approval of the recommended option.

### **Background**

The Long-Term Tax Policy approved by Council on November 21, 2016 sets out Council's objectives in setting the annual tax policy. The fundamental purpose of the tax policy is to assist in achieving municipal goals and objectives by controlling the distribution of taxes between property classes. The Long-Term Tax Policy recognized that significant decreases in the industrial assessment since 2007 led to inequitable tax ratios in that class. The tax policy will be updated and provided to Council for the next reassessment cycle.

The Province deferred the scheduled 2020 reassessment. At this time, no date has been announced for the next reassessment.

Council approved the 2025 Operating Budget levy of \$145,992,909 on December 9, 2024.

### **Analysis**

In recommending a tax ratio option, staff looked at the general objectives for the 2025 tax rates based on the Long-Term Tax Policy guidelines:

- Residential class increase equal to or less than the total levy increase (3.68%)
- Proactively balance tax distribution to provide for the tax ratios of the Industrial and Commercial classes to be less than the previous year
- Manage inter-class assessment shifts where possible

Tax ratios must be set within the guidelines prescribed by the Province. The *Municipal Act* provides a range of tax policy tools to municipalities to alter the tax burdens within and between classes. The tools provide the following options:

- Adopt the current tax ratios (starting ratios)
- Adopt revenue-neutral ratios to mitigate the assessment-related tax shifts between classes
  - The reassessment has been deferred by the Province. Thus, the assessment base remains the same as in 2020, as adjusted for appeals, new assessments, etc. There are no significant tax shifts that would require revenue-neutral ratios
  - Establish a new ratio that is closer to or within the Range of Fairness (alternative ratios)

*Summary of Tax Ratio Options:*

***Starting Ratios***

The current ratios, or starting ratios, reflect a residential tax increase that is less than the total levy increase and slightly reduces the commercial and industrial ratios. The levy restriction naturally decreases the tax ratio for Commercial and Industrial classes, which aligns with the objective of decreasing the ratios over time.

***Revenue Neutral Ratios***

Without significant assessment base shifts in 2025, this scenario is not applicable.

***Alternative Ratios***

The 2024 increase in municipal revenue from assessment growth is 1.0%, the level at which the tax policy provides for a proactive decrease to the industrial and/or commercial classes. Decreasing the commercial ratio to the range of fairness and lessening the Industrial ratio sustains a residential tax ratio under the levy increase.

Staff recommends decreasing the Commercial ratio to the Provincial threshold rate of 1.98%. This will remove this class from the levy restriction that prohibits a levy increase to 50%. Reducing the Commercial ratio will decrease the class's tax burden while also bringing the ratio closer to the provincial range of fairness.

In addition to reducing the Commercial ratio, the Industrial class ratio can also be reduced. Reducing the ratio to 5.5% will result in an overall decrease of 21% since 2017. The reduction of 8.2% in 2025 will provide the class with a significant decrease and will assist the lumber and steel sectors economically, especially with the recent tariffs imposed.

With the reductions to the Commercial and Industrial class ratios, the residential class and the multi-residential class tax increases remain at or below the tax levy increase of 3.68%. This aligns with the tax policy and also ensures that the tax rates on multi-residential units continue to support the growth of the sector.

The above analysis does not include the effect of education taxes, which the City collects on behalf of the Province, or tax capping. Tax capping has in-class implications and does not affect the overall tax ratios of the classes. The tax capping recommendations and by-law appear elsewhere on the agenda.

Staff is recommending the Alternative Ratio scenario as it assists in achieving our Long-Term Tax Policy objectives by reducing the commercial ratio within the range of fairness, reducing the industrial ratio closer to the range of fairness, reducing a residential increase to below the levy increase and a multi-residential increase that is equal to the approved levy increase.

The dollar and percentage tax change for the median property (midpoint) for various property types are shown in Appendix A. Under the recommended Alternative Ratio Scenario, 93.3% (2024 – 86.5%) of the residential properties will increase by \$16.93 (2024 – \$17.67) per month or less for municipal taxes.

### **Financial Implications**

The setting of the 2025 tax rates does not affect the levy requirement for 2025. The only implication is the distribution of the levy amongst the tax classes.

### **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-laws 2025-55, 2025-61, 2025-62 are listed under item 12 of the agenda and will be read with all by-laws under that item.

Respectfully submitted,

Lisa Petrocco, CPA, CGA

Manager of Taxation

705.541.7065

[l.petrocco@cityssm.on.ca](mailto:l.petrocco@cityssm.on.ca)