

Council to receive recommendation for *revenue neutral* tax rate

(Penticton BC – April 13, 2018) – At its upcoming meeting scheduled for April 17, Penticton City Council will receive a staff report recommending an alternative approach to setting the annual tax rate. Known as *revenue neutral*, this method of setting taxes is well suited to real-estate markets where uneven growth across property classes is occurring.

“Establishing an equitable approach across all property classes ensures any changes to the overall property tax demand do not impact one kind of property more than another, regardless of property assessment changes”, said Chief Financial Officer, Jim Bauer. “By using a revenue neutral approach, property owners are better able to accurately estimate what their taxes will be prior to rate setting, while decisions at budget time by Council are more easily understood and transparent for all parties.”

Using a tax neutral approach, a property with no changes other than a market valuation would see a municipal budget increase of 3.44 per cent translate into a municipal tax increase of approximately the same amount. Likewise, each property class pays the same dollar amount in taxes as they did the previous year, prior to any Council approved tax increase or decrease.

“This recommended approach ensures business taxes remain competitive as Penticton continues with one of the lowest rates across the Okanagan Valley and province.”

The various approaches to setting the annual tax rate are used to assist municipal councils in achieving specific priorities. While all approaches work well the neutral approach works best in a dynamic market environment, something that Penticton is currently experiencing with unprecedented residential property assessment increases.

Tax approaches

- *Tax Ratio* (current) – maintains a set ratio of rates between property classes.
- *Revenue Neutral* (recommended) – maintains the level of revenue from each class, and ensures any changes apply consistently across all classes of property.
- *Tax Burden* – Maintains a percentage share of taxes collected from each class year over year.

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Contact:

Jim Bauer
Chief Financial Officer
City of Penticton
250 490 2480