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JUN 0 1 2011

Mr. Terry Rees
Executive Director
Federation of Ontario Cottagers' Associations
201 – 159 King Street
Peterborough, Ontario
K9J 2R8

Dear Mr. Rees:

Thank you for your letter regarding the Municipal Property Assessment Corporation (MPAC) and the Auditor General's 2010 Annual Report.

With respect to your suggestions for reforming the current value assessment (CVA) system, the government has enhanced the stability and predictability of the property assessment system. Beginning in 2009:

- property value reassessments are conducted every four years; and
- assessment increases resulting from reassessment are phased in over four-year periods.

The phase-in of assessment increases complements the four-year reassessment cycle and provides homeowners with greater certainty by introducing increases gradually over four years. For example, a 20 per cent assessment increase would be phased in gradually in increments of five per cent each year over four years. While an increase in value resulting from a reassessment will be phased in over four years, any decrease will apply immediately.

Capping assessments may create inequities and limit transparency in the property tax system. Placing caps or other artificial limitations on the assessment of residential properties may cause distortions and shifts in the tax base. These distortions may grow over time as the relative value of properties change. As a result, the tax base may become increasingly arbitrary and inequitable. Capping assessment increases may also mean that owners of properties with the largest value increases would pay lower taxes, while those with more modest growth would pay higher taxes. This may result in property owners in more affluent areas of a municipality, which tend to see larger market value increases, benefiting at the expense of taxpayers in less affluent areas.

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MPAC has agreed to comply with all of the Auditor General's recommendations, including those dealing with the timing of property inspections, and has already begun making improvements. The government welcomes MPAC's positive response and encourages its adoption of the recommendations as quickly as possible.

The Auditor's report deals with internal processes and procedures at MPAC. It is important to note that MPAC is not a Crown agency; it is a corporation of which all Ontario municipalities are members. Decisions on operational matters are made by the management and Board of Directors of the corporation. Please note that I have taken the liberty of forwarding a copy of your letter to Mr. Carl Isenburg, President and Chief Administrative Officer, MPAC, for his review and consideration.

Although property assessment service delivery is no longer a provincial responsibility, I appreciate being advised of concerns from taxpayers. The Ministry of Finance has regular contact with MPAC, and ministry staff will continue to work with MPAC to reinforce our shared commitment to good customer service.

Thank you again for writing.

Sincerely,

A handwritten signature in black ink, appearing to read "Dwight Duncan", written over a horizontal line.

Dwight Duncan
Minister

c: Carl Isenburg