



Property Tax Incentives 101: Pros and Cons

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Forum

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Property Tax Incentives 101

- What are they?
- Do they work?
- What are the arguments for them?
- What are the arguments against them?



What are Property Tax Incentives?

- Temporary reduction in property taxes to attract new business to a particular location
- Ontario – tax increment equivalent grants (TIEGs)
- TIEGs -- municipalities provide a grant to a new business to cover a portion of the property tax increase that business faces



Do Property Tax Incentives Work?

- Property taxes matter more within metropolitan areas than between metropolitan areas
- Impact is less if other jurisdictions introduce incentives
- Size of tax differential matters
- Type of business activity matters
- Services matter – if lower taxes mean fewer services, they are unlikely to attract business



Arguments for Property Tax Incentives

- Benefits to community outweigh the costs – attracts businesses that bring more in local revenues than they consume in services (plus environmental impact)
- New investment brings other benefits to community (agglomeration economies)
- Shows municipality is pro-business
- Brownfields – otherwise won't be developed



Arguments Against Property Tax Incentives

- Wasted on firms that would have located there anyway
- Can lead to situation where no major investments occur without incentives
- Zero-sum game – development in one location at expense of development in another location – no overall increase in business activity
- Lower taxes for some firms mean (i) higher taxes for other taxpayers or (ii) reduction in services