Montreal West has the highest tax rate on the Island

Taxpayers sometimes wonder how their own town's tax rate compares to other towns. It appeared in 2023 that CSL had surpassed us as the highest taxed on the Island, but care must be taken when comparing tax rates with regard to how a town deals with the property valuation increases that come with each new three-year valuation roll.

Tax rates, very loosely, are calculated from a town's total expenses divided by total valuations so that as total valuations increase, the tax rate will naturally decrease – as long as expenses are controlled. Towns recognize valuation increases in two different ways: some, such as CSL, Kirkland, and NDG/CdN phase-in valuation increases over the three-year period of the roll, other towns such as MoWest, Hampstead, TMR, and Westmount recognize the entire increase upfront in the first year. (There is no benefit to phasing-in valuation increases as explained on page 3, if there was, all municipalities would be doing it.)

Towns that phase-in one-third of their valuation increases each year of the 3-year roll will have smaller denominators in the first two years, and hence larger tax rates, than if they recognized the entire increase in the first year. This means that for the first two years of a roll, no meaningful comparisons can be made between phase-in and non-phase-in towns.

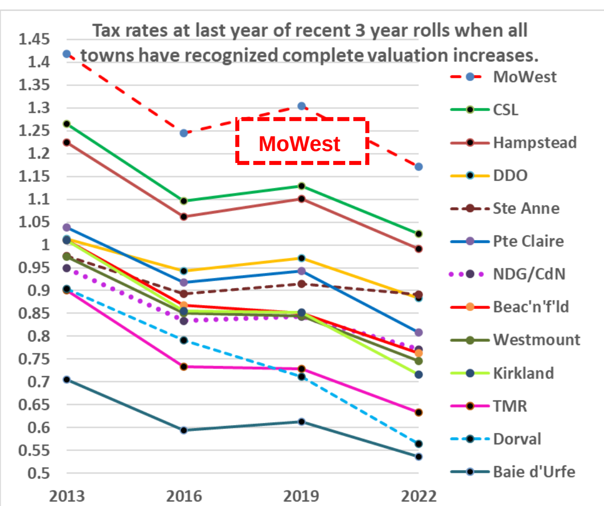
2024	Tax/mill rate	% MoWest above towns	% towns below MoWest	Tax on average** house	MoWest pays this much more
MoWest	0.9597			9,917	
Hampstead	0.7847	22.3	-18.2	8,109	1,808
SAdB	0.7221	32.9	-24.8	7,462	2,455
Pierre/Rox	0.7126	34.7	-25.7	7,364	2,553
Westmount	0.6347	51.2	-33.9	6,559	3,358
Pte Claire	0.6261	53.3	-34.8	6,470	3,447
Beacons	0.6061	58.3	-36.8	6,263	3,654
TMR	0.5204	84.4	-45.8	5,378	4,540
Baie d'Urfe	0.4310	122.7	-55.1	4,454	5,463

** average MoWest house valuation: $1,033,348 in 2024

The table on the right gives **2024** tax rates for nine towns that recognized entire valuation increases upfront at the beginning of the new roll in 2023. The MoWest rate is significantly greater than all these towns. For example, a house in Hampstead with the same valuation as yours pays **18.2%** less taxes, or yours pays **22.3%** more. The right two columns give the tax on the average MoWest house if it were located in these towns, and how much more is paid in MoWest. Our average house pays **$3,447** (53.3%) more than if it were in Pointe Claire.

2024 tax rates for towns that phase-in their valuation increases are: **CSL (0.9130), DDO (0.7572), NDG/CdN (0.6819), Kirkland (0.6288), Dorval (0.4587**). The MoWest rate (**0.9597**) is greater than these five towns, but the differences are misleadingly small due to the phase-in which results in the MoWest rate only 4.9% greater than CSL.

Meaningful apples-to-apples comparisons can only be made between the two groups in the last (third) year of a roll when all towns have recognized their entire valuation increases. **MoWest has consistently had much higher tax rates** as apparent in the graph below which plots rates for third-years occurring in 2013, 2016, 2019, and 2022.



2022	Tax rate	% MoWest above towns	% towns below MoWest	Tax on house w/ average** valuation	MoWest pays this much more
MoWest	1.1712			8,538	
CSL	1.0241	14.4	-12.6	7,466	1,072
Hampstead	0.9920	18.1	-15.3	7,232	1,306
SAdB	0.8917	31.3	-23.9	6,501	2,038
DDO	0.8830	32.6	-24.6	6,437	2,101
Pte Claire	0.8080	45.0	-31.0	5,890	2,648
NDG/CdN	0.7714	51.8	-34.1	5,624	2,915
Beacons	0.7630	53.5	-34.9	5,562	2,976
Westmount	0.7459	57.0	-36.3	5,438	3,100
SAdB	0.7221	62.2	-38.3	5,264	3,274
Kirkland	0.7160	63.6	-38.9	5,220	3,318
TMR	0.6326	85.1	-46.0	4,612	3,926
Dorval	0.5643	107.5	-51.8	4,114	4,424
Baie d'Urfe	0.5367	118.2	-54.2	3,913	4,626

** average MoWest valuation: $729,004 in 2022.

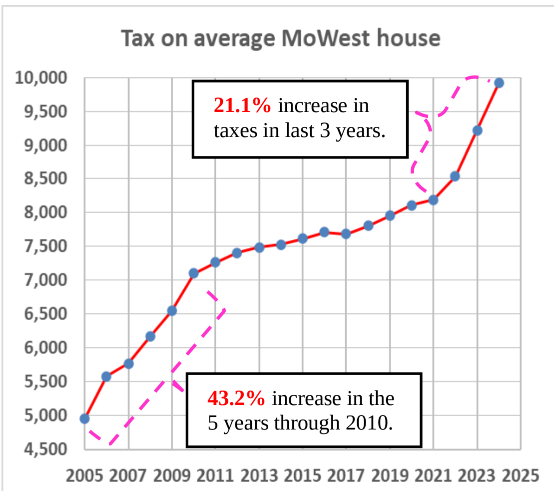
In **2022**, the average house in MoWest was valued at **$729,004** and paid a tax of **$8,538** according to the table above. If it was located in CSL the tax would have been **$7,466**, or **$1,072 less**. And since the MoWest tax rate was **51.8%** greater than NDG/CdN, the same house in NDG would have paid only **$5,624**, or **$2,915 less**.

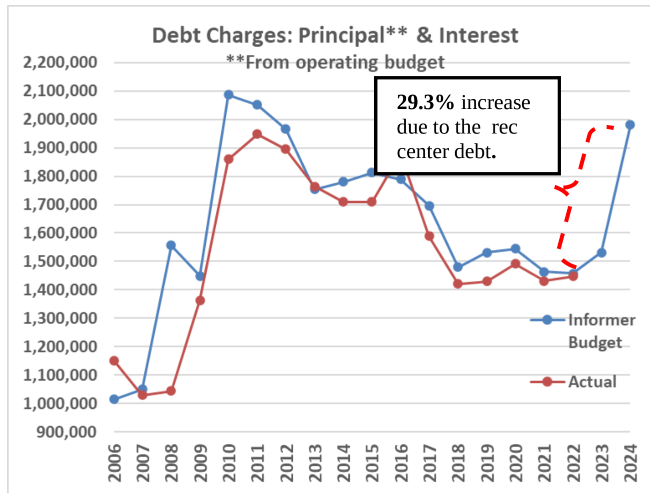
Aside from the impact on personal finances, our high taxes do affect the local real estate market, which is the subject of a companion report.

1. Two periods of steep Montreal West tax increases

The high-tax era began in 2006 with a **12.5%** increase above 2005. The left graph shows that MoWest experienced a **43.2%** increase in taxes on the average home in the 5 years from 2006 to 2010, which averaged $428 per year. We are now in the midst of another period of large increases: **21.1%** in the 3 years from 2022 to 2024 averaging $575 per year.

Recent tax increases have been driven by Agglomeration tax increases in 2023 and 2024, and debt charge increases due to the new rec center starting in 2024 – shown on the right graph.



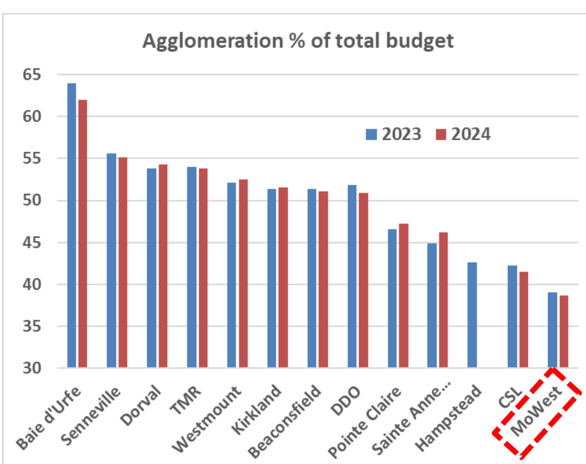


2. The tax implications of the new recreation center

A note that came with our 2024 tax bills indicated that the tax increase with the initial rec center expenses was **7.58%.** Excluding rec center charges the increase would have been **5.48%,** or a difference of **$194** on the average house. **However, our Town debt is set to double with the financing of the new rec center so this $194 increase is just the tip of the iceberg, and the 29.3% ($449,158) increase in debt charges is certain to go much higher.** (It is not clear how much of the new debt was recognized in the $194 calculation, especially in view of the Town probably using much of the accumulated surplus to reduce initial borrowing at current high interest rates.)

3. Our Agglomeration tax increases are not nearly as bad as some other towns

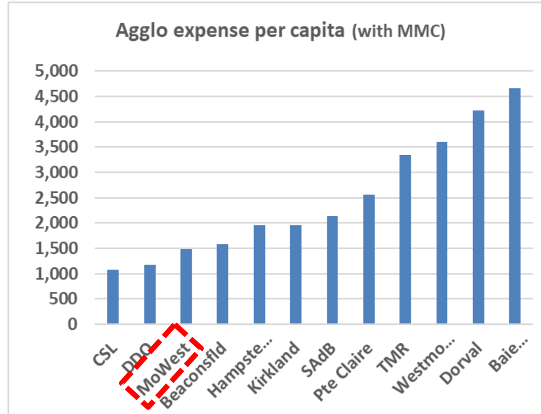
Blame the Agglomeration tax? While it's true that Montreal has been dumping expenses on the Agglomeration for services that we don't use, or have, or that are not improved, Montreal West is fortunate to have the **lowest Agglomeration percentage of total expenses**.



% Agglomeration of total expenses		
	2023	2024
Baie d'Urfe	64.0	62.0
Senneville	55.6	55.1
Dorval	53.8	54.3
TMR	54.0	53.9
Westmount	52.2	52.5
Kirkland	51.3	51.5
Beaconsfield	51.3	51.1
DDO	51.9	50.9
Pointe Claire	46.6	47.3
Sainte Anne de B.	44.8	46.2
Hampstead	42.7	
CSL	42.3	41.5
MoWest	39.1	38.7

In terms of **Agglomeration expense per capita**, MoWest ranks **third lowest**.

	Agglomeration tax per capita		
2024	Tax	Population	per cap.
CSL	36,890,300	34,504	1,069
DDO	58,511,000	49,637	1,179
MoWest	7,606,517	5,115	1,487
Beaconsfld	30,612,800	19,280	1,588
Hampstead**	13,763,700	7,037	1,956
Kirkland	38,018,000	19,413	1,958
SAdB	10,717,300	5,030	2,131
Pte Claire	85,774,500	33,488	2,561
TMR	70,094,600	20,953	3,345
Westmount	70,775,600	19,658	3,600
Dorval	84,348,701	19,990	4,220
Baie d'Ufre	17,540,700	3,760	4,665
** 2023 Agglomeration			



Both metrics, **Agglomeration tax per capita** and as a **percent of total expenses,** indicate that MoWest has little to complain about compared to some other towns. Still annoying, but could be much worse.

4. How is the tax rate determined?

Tax/mill rates are roughly calculated as:

$$\text{Tax rate} = \frac{\text{Total town expenses}}{\text{Total town valuation}} * 100$$

The calculation is a little more complicated due to the different classes of property such as non-residential, vacant land, and apartment buildings. Notice that total valuations appear in the denominator so any increase in valuations will in fact lower the tax rate. The result is that **tax rates naturally decrease as valuations increase, as long as a town's expenses are controlled.**

The factor of 100 is included since without it the tax rate would be inconveniently small. This means that the tax rate is for every $100 of your valuation, so when calculating your individual tax bill, you drop the last 2 digits on the right and multiply by the mill rate, which is **0.9597** for MoWest in 2024. For example: a home valued at **$1,250, 000** would have taxes of **0.9597 * 12500 = $11,996.25**.

Tax rates calculated this way have built-in stability. People panic when valuations increase significantly, assuming that their taxes will increase by the same amount, but they won't! Imagine that MoWest valuations doubled, but spending remained the same as the previous year. The new tax rate would be

$$\text{New rate} = \frac{\text{same expenses} * 100}{2 * \text{old total valuation}} = 0.5 * \text{previous tax rate}$$

Although valuations have doubled, the tax rate has halved, and taxes would remain the same provided MoWest expenses do not increase. **One major caveat:** While tax rates automatically adjust for valuation increases, this only applies to internal MoWest taxes, and not to Agglomeration taxes. **If our valuations doubled while those of other Agglo towns did not, then we would have to assume a proportionally greater Agglo share.**

5. Is there an advantage to phasing-in valuation increases?

Phasing-in valuation increases over 3 years is often interpreted as somehow giving a break to homeowners, which is complete rubbish!! If a town adds only one-third of the valuation increase in the first year of a new roll while its expenses remain constant, its tax rate will be higher than a town recognizing the complete valuation increase because its denominator is proportionally smaller. The higher tax rate and lower valuation increase will completely offset one another, and taxes will be the same as if the total evaluation increase were recognized upfront. **A town must cover its expenses; phasing-in produces lower valuation increases, but also higher tax rates than otherwise. Taxes will therefore be the same whether there is a phase-in or not.**