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A Discussion of Public Policy Revenue Tools under the City of Toronto Act, 2006

The *City of Toronto Act* came into effect on January 1, 2007 and provides the City with new limited powers of taxation.

This is a discussion paper only and makes no specific recommendations, nor will it provide any new revenues for the 2007 budget.

The *Act* provides the City with revenue sources that will be directed by public policy and linked to city-building initiatives in areas such as transportation, parks and recreation, culture and to climate change initiatives

The *City of Toronto Act* provides the City with a diverse set of tools but these tools do not provide the solutions required to permanently address Toronto's structural funding shortfall of more than \$1 billion annually as identified by the Conference Board of Canada. Property taxes were never designed to support the services now being paid for by the City.

In order to finance this shortfall, Toronto requires:

- the province to pay for provincial programs such as social services and social housing, and
- a permanent stable funding source that grows with the economy such as one cent of the GST.

The potential new revenues provided under the *City of Toronto Act* will not provide the funding required to support transit. Toronto, as part of the Big City Mayor's Caucus of the Federation of Canadian Municipalities, has called on the federal government to develop a National Transit Strategy and deliver a permanent federal investment of \$2 billion per year for transit.

- Public consultations with residents, stakeholders and businesses will take place prior to any new tax being implemented and then implemented only with the authority of Toronto City Council.
- The impact of any new potential tax will be reviewed for its effect on homeowners and local businesses and on the need for Toronto to remain economically competitive and an attractive tourist destination.
- The staff discussion paper was written based on a background study prepared for the City of Toronto by Hemson Consulting.

- Eight potential taxation options were reviewed:
 - Alcohol (stores and licensees – restaurants and bars)
 - Tobacco (cigarettes)
 - Entertainment (movies, sporting events and live entertainment)
 - Motor Vehicle Ownership
 - Parking Tax
 - Land Transfer Tax
 - Road Pricing
 - Billboard Tax

- Each tax was assessed based on several factors:
 - Fit with the City’s policy objectives
 - Average household impact
 - The time required to implement
 - Administrative complexity
 - Exportability to those from outside Toronto
 - Vendors who would be affected
 - Effect on the business community

<i>Revenue tools and average annual impact per affected household within the mid-range of other jurisdictions - do not tally these numbers to arrive at a total per household, as it is very unlikely that all potential new taxes would be implemented by the City.</i>	<i>Administrative Complexity</i>
Vehicle registration – \$40 per vehicle	Low; requires provincial cooperation
Land Transfer – \$1,750 per home when sold @ 0.5% tax on sale price	Low
Alcohol – \$70 (tax on store sales only) \$70 (licensee tax)	Low (stores) High (licensee)
Tobacco – \$137 annually	High
Amusement – Annually \$6 movies \$15 sporting events \$12 performance	High (movies, sporting events and performance)

<i>Revenue tools and average annual impact per affected household within the mid-range of other jurisdictions - do not tally these numbers to arrive at a total per household, as it is very unlikely that all potential new taxes would be implemented by the City.</i>	<i>Administrative Complexity</i>
Parking – No direct household impact, parking lot owner pays	Low
Billboard – No direct household impact	Low
Road Pricing \$655 annually based on weekday toll trip for one year	High; complex

- The intent of this discussion paper is to help members of the Executive Committee understand the significance of the potential tax measures and to begin the discussions among members.
- Following Executive Committee’s consideration and direction to City staff, there is a significant amount of work that must be completed before any new tax could be implemented. This work includes:
 - Consultations with stakeholders and the general public
 - Reports to Council with recommendations for implementation
 - Discussions with retailers about the City designating them as vendors to collect taxes for the City
 - Agreements regarding collection options and collection systems
 - Identification of administration costs and staffing
 - Trend monitoring and adherence to policy
- No new taxes will be implemented in 2007. The process to implement any new taxes would begin no earlier than 2008.
- It would be up to Council to decide whether, and to what extent, any new taxes will be implemented.
- It is important to note that if any new taxes are implemented, they will be in support of the City’s public policy objectives.

The discussion paper, full report and backgrounder may be viewed at http://www.toronto.ca/finance/revenue_tools.htm

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