

July 16, 2007

The City of Toronto's Potential New Tax Measures

Under the *City of Toronto Act*, 2006, the City of Toronto is provided with limited taxation powers and the following possible new options were reviewed:

- Motor Vehicle Ownership
- Land Transfer Tax
- Alcohol (stores and licensees – restaurants and bars)
- Tobacco (cigarettes)
- Entertainment (movies, sporting events and live entertainment)
- Parking Lot Tax
- Billboard Tax
- Road Pricing

In March 2007, the Executive Committee directed staff to seek input from the public and provide further information and recommendations on these potential new tax measures.

Consultation Process

The City held consultations giving the public an opportunity to share their ideas and options about the possible new taxes. Public consultations were held on the following dates:

Monday, May 7- Harbourfront Centre
Tuesday, May 15- Etobicoke Collegiate Institute
Thursday, May 17- Memorial Hall, North York
Wednesday, May 23- Scarborough Civic Centre

In addition, four stakeholder meetings were also held with representatives from both business and industry. Six ward meetings were also hosted by City Councillors.

New Taxation Measures Report

In response to the Executive Committee directive, the report summarizes the input collected at all consultations and makes recommendations on the City's potential new taxation measures under the City of Toronto Act.

The report recommends:

- Land Transfer Tax at the following rates:
 - 0.5% of the value of the consideration on sales for up to and including \$55,000
 - 1.0% of the value of the consideration which exceeds \$55,000 up to and including \$250,000

- 1.5% of the value of consideration exceeds \$250,000
- if the value of consideration of the sale exceeds \$400,000 for lands containing 1 and/or 2 single family residences, an additional 0.5% on the amount exceeding \$400,000

Estimated net annual revenue is \$300 million if adopted, to be implemented as soon as possible in 2008.

- Personal Vehicle Ownership Tax at the following rates:
 - \$60 per personal vehicle per year
 - \$30 per personal motorcycle or moped per year
 - \$0 for commercial vehicles, personal motorized snow vehicles and historical vehicles

Estimated net annual revenue is \$56 million if adopted, to be implemented as soon as possible in 2008.

Where the money will go

Revenues from taxes would be applied to core municipal services and not to fund Provincial downloaded services. City Council will consider and approved allocation of funding to such services. However, the new tax revenues may be directed to bridge the 2008 budget shortfall pending the long-term funding solutions from the other orders of government.

Land Transfer Tax

- proceeds directed to fund core municipal services in Toronto, including transit, roads, parks and recreation, culture and climate change initiatives.

Vehicle Ownership Tax

- proceeds directed to fund transportation initiatives, and to reduce the backlog of roads capital needs to meet service demands and minimize debt financing.

Administration & Implementation

- Deputy City Manager & Chief Financial Officer report annually in conjunction with the City operating budget process on the specific allocations of revenues from each tax for that budget year.
- In both instances, the DCM & CFO and City Solicitor will negotiate the necessary agreements for the collection of the taxes.
- The report also requests the Province to work co-operatively with the City, as required by the City of Toronto Act.

Taxation Measures vs. User Fees

The report explains the distinction between taxes and user fees.

Taxation Measures

- are not required to be set or applied to recover any particular cost or be connected to any particular service provided by the City.
- can be used to raise general revenue.

User Fees

- are imposed to recover costs
 - services or activities provided by the City
 - costs payable by the City for services provided by another municipality or local board
 - the use of the City's real or personal property and property under the City's control.
- amounts charged as a fee are reasonably connected to the cost of the services being provided by the city.

Further Recommendations:

- Further consultation on the impacts of an alcohol (stores sales to non-licensed consumers) and further consideration of a billboard tax.

Estimated net potential annual revenue of alcohol- \$44 million, billboard- \$3 million

- Road pricing and parking tax options may be considered in the future as part of a GTA wide strategy.
- No other taxing options are recommended.

Background information is available on <http://www.toronto.ca/finance/index.htm>

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