

July 2007

## **City of Toronto's New Taxation Measures**

### **1. What does the "New Taxation Measures - *City of Toronto Act, 2006*" report considered by the Executive Committee on June 25, 2007 recommend?**

The report recommends that City Council adopt a new land transfer tax and personal vehicle ownership tax, and to seek further input on the social, economic and administrative impacts on taxation of alcohol sales in stores. It also recommends that a billboard tax be considered as part of the City's sign by-law review.

### **2. If approved by City Council, when will these taxes come into effect?**

Land transfer and vehicle ownership taxes recommended to City Council would be implemented in January 2008 or as soon as possible after that.

### **3. The City had an option of eight potential new taxation measures under the new City of Toronto Act. Why were the land transfer tax and personal vehicle ownership tax recommended?**

The land transfer tax and personal vehicle ownership tax were recommended as the most appropriate and cost effective tax measures that could be directed to enhance and maintain core City services and programs. The recommendations took into consideration public input collected at consultations, impact on residents, businesses and City competitiveness, alignment with City public policy initiatives, administrative feasibility, and revenue diversification objectives.

### **4. Are other tax options available under the new City of Toronto Act under consideration?**

Staff will seek further input on the impacts of an alcohol tax on retail store (beer, wine and liquor) sales to non-licensed consumers (i.e. individuals). The report also recommends that a billboard tax be considered as part of the City's sign by-law review.

Road prices and parking lot tax options will only be considered as part of a GTA region-wide strategy.

## **5. How much will the land transfer tax cost?**

The report recommends the following rates:

- 0.5% for values of consideration on sales up to and including \$55,000
- 1.0% for values of consideration on sales exceeding \$55,000 up to and including \$250,000
- 1.5% for values of consideration on sales exceeding \$250,000
- if the value of consideration on sales exceeds \$400,000 for lands containing 1 and/or 2 single family residences, an additional 0.5% on the value exceeding \$400,000

A typical home selling for \$375,000 would cost the buyer \$4,100 in City land transfer tax.

## **6. Will commercial properties pay a land transfer tax?**

All property classes are affected by the land transfer tax. The report notes that a possible rebate program for new commercial or non-residential property will be considered and dealt with in a separate report in the fall.

## **7. Will the land transfer tax affect first-time home buyers?**

Under the current Province of Ontario Land Transfer Tax, first time home buyers of newly constructed homes receive a rebate up to \$2,000. The City tax is expected to mirror the Provincial tax in this regard, although rebate programs would be the subject of a subsequent report in the fall.

## **8. How much revenue will the land transfer tax net for the City?**

The estimated net revenue from the proposed land transfer tax is \$300 million per year.

## **9. How much will the personal vehicle ownership tax cost?**

The report recommends the following rates for the personal vehicle ownership tax:

- \$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

## **10. How much revenue will the personal vehicle ownership tax net for the City?**

The estimated net revenue from the proposed personal vehicle ownership tax is \$56 million per year.

### **11. How will the City implement and collect these new taxes?**

In both instances, the Deputy City Manager and Chief Financial Officer 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, to collect the personal vehicle tax.

### **12. How much will it cost the City to implement and collect these new taxes?**

The cost of collecting and administering these recommended taxes is expected to be low (in the 1 -2 % range) since collection systems already exist.

### **13. How will the tax revenue collected be spent?**

The revenue from these taxes will support increased investment in City priorities, including enhancing and maintaining City-building initiatives in areas such as transportation, parks and recreation, culture and climate change. However, some portion of the tax revenues may be required to bridge the fiscal shortfall in 2008 depending on the outcome of uploading and revenue sharing initiatives with the Ontario and federal governments.

### **13. Will this solve the City's money problems?**

The City of Toronto Act provides the City with limited powers of taxation which will support the City's strategy to achieve fiscal balance and sustainability needed to deliver core services and programs vital for Toronto and its neighbourhoods to succeed.

However, resolution of the City's fiscal challenges requires more comprehensive changes as proposed by the City, including the upload of social service funding responsibilities, the sharing of sales tax revenues, and the restoration of predictable transit funding.

### **14. The City held a number of public and stakeholder consultations. Was the input collected from those consultations considered?**

Yes, staff reviewed and considered all comments received during all of the consultation sessions.

A summary and analysis of the comments shared and collected at all of the public and stakeholder consultations can be found in Appendix A of the report.

A copy of the report, as well as the presentation given at the Executive Committee meeting, comments collected at the public consultations and background information on the City's potential new tax measures can be found on the City's website at [www.toronto.ca/finance/revenue\\_tools.htm](http://www.toronto.ca/finance/revenue_tools.htm).

Stakeholder submissions are on file at the City Clerks office for viewing at City Hall, 100 Queen St. W.