



## STAFF REPORT ACTION REQUIRED

### 2009 Education Levy and 2009 Clawback Rate By-Laws

<b>Date:</b>	April 22, 2009
<b>To:</b>	City Council
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All Wards
<b>Reference Number:</b>	P:\2009\Internal Services\Cf\Cc09010Cf – et (AFS #9847)

#### SUMMARY

This report introduces the 2009 education tax rates for the City of Toronto as prescribed by the Minister of Finance, and recommends adoption of the necessary by-law to establish the 2009 property tax levy for school purposes. This report also recommends the 2009 percentage of the tax decreases required to recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes (the 'clawback' rates), as provided for by legislation.

#### RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends to Council that:

1. The 2009 tax rates for school purposes set out in Column II, which will raise an education tax levy for 2009 of \$1,912,111,340, be adopted:

Column I	Column II
Property Class	2009 Tax Rate for Education Levy
Residential	0.252000%
Multi-Residential	0.252000%
New Multi-Residential	0.252000%
Commercial	1.803060%
Commercial (New Construction)	1.520000%
Residual Commercial (New Construction)	1.520000%
Industrial	1.861811%
Industrial (New Construction)	1.520000%
Pipelines	1.742512%
Farmlands	0.063000%
Managed Forests	0.063000%

2. Council enact a by-law for the 2009 taxation year to reduce tax decreases for the 2009 taxation year on properties in the commercial, industrial and multi-residential property classes by the percentage of the tax decrease set out in Column II in order to recover the revenues foregone as a result of capping:

Column I (Property Class)	Column II (Clawback Percentage)	Column III (Allowable Decrease)
Commercial	89.836296%	10.163704%
Industrial	76.687827%	23.312173%
Multi-residential	25.101384%	74.898616%

### **Implementation Points**

In accordance with various legislative requirements, Council must annually adopt the following three by-laws: (i) the municipal levy by-law; (ii) the education levy by-law; and (iii) the claw-back rate by-law. These three by-laws are required to enable the City to issue the final property tax bills for the year, for both municipal and school purposes.

On March 31, 2009, Council adopted the 2009 Operating Budget and the corresponding municipal levy by-law. On March 11, 2009, Ontario Regulation 92/09 was filed prescribing the 2009 education tax rates for Toronto and other Ontario municipalities. With both these rates established, staff have calculated the 2009 clawback rates, and the necessary by-laws have been prepared for adoption by Council at its meeting scheduled for April 29 and 30, 2009.

### **Financial Impact**

There is no direct financial implication to the City of Toronto arising from education tax rates. The City is required by legislation to levy and collect property taxes for school purposes at the tax rates prescribed by the Minister of Finance. The 2009 education levy is \$1,912,111,340. The average household assessed at \$387,680 in 2009 will pay an education tax bill of \$976.95.

There is also no direct financial implication to the City of Toronto arising from adoption of this report. The foregone revenue resulting from the legislated limit on Current Value Assessment (CVA) related tax increase (5% cap) for the commercial, industrial and multi-residential property tax classes is funded by withholding (clawing-back) a portion of the decrease that would otherwise be recognized within each class, with no budgetary funding implications for the City.

### **DECISION HISTORY**

At its meeting of March 31, 2009, during consideration of the City's 2009 Operating Budget, Council authorized the Deputy City Manager and Chief Financial Officer to report directly, if necessary, to Council at its meeting scheduled for April 29 and 30, 2009, on the 2009 education tax rates and the percentage of the tax decreases required to

recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes (the 2009 ‘clawback’ rates).

<http://www.toronto.ca/legdocs/mmis/2009/ex/reports/2009-03-24-ex30-cr.pdf>

## COMMENTS

### 2009 Education Tax Rates:

The Education Act requires every municipality in each year to levy and collect taxes for school purposes at the education tax rates prescribed by the Minister of Finance. Ontario Regulation 92/09 prescribes the education tax rates for 2009. Chart 1 below provides the 2009 education tax rates and levies for Toronto, and a comparison with 2008. The 2009 Education levy is \$1,912,111,340.

**Chart 1 – 2009 Education Tax Rates**

Column I	Column II	Column III
Property Class	2009 Education Tax Rate	2009 Education Levy
Residential	0.252000%	623,109,719
Multi-Residential	0.252000%	72,026,046
New Multi-Residential	0.252000%	1,053,516
Commercial	1.803060%	1,094,784,876
Commercial (New Construction)	1.520000%	371,525
Industrial	1.861811%	115,953,984
Industrial (New Construction)	1.520000%	142,812
Pipelines	1.742512%	4,661,311
Farmlands	0.063000%	7,404
Managed Forests	0.063000%	147
Total Education Levy		1,912,111,340

### Funding Capping Limits (Commercial, Industrial and Multi-Residential Property Classes):

Legislation mandates a cap on CVA-related tax increases on properties in the commercial, industrial, and multi-residential classes. Since 2006, as part of the initiatives under ‘Enhancing Toronto’s Business Climate’, Council’s policy has been to limit reassessment-related tax increases for the commercial, industrial, and multi-residential property classes to 5% of the preceding year’s current value taxes.

Chart 2 below sets out the percentage reductions in the tax decreases for 2009 (the “clawback rate”) necessary to fund the foregone revenue resulting from the 5% cap on tax increases for 2009. The “allowable decrease” (Column III) represents the percentage of the tax decrease allowed for those properties that are experiencing tax reductions under CVA.

**Chart 2**  
**2009 Clawback Rates for Capped Property Classes**

Column I (Property Class)	Column II (Clawback Percentage)	Column III (Allowable Decrease)
Commercial	89.836296%	10.163704%
Industrial	76.687827%	23.312173%
Multi-residential	25.101384%	74.898616%

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## SIGNATURE

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