



## STAFF REPORT INFORMATION ONLY

### Property Tax Increases - 1991 to 2010

<b>Date:</b>	April 14, 2010
<b>To:</b>	City Council
<b>From:</b>	Treasurer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2010\Internal Services\rev\cc10010rev (AFS 11957)

#### SUMMARY

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This report provides information on the percentage property tax increases that have occurred in each year since amalgamation, as well as for the seven-year period preceding amalgamation for each of the former municipalities.

#### Financial Impact

There are no financial implications as a result of this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

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#### DECISION HISTORY

At its special meeting on April 7, 2010, the Executive Committee, in considering item EX42.1 - *2010 Operating Budget*, requested the Treasurer to submit a report directly to City Council for its special meeting on April 15, 2010, providing a chart outlining the percent of property tax increase in each year going back to amalgamation, and that the report also go back five years prior to amalgamation outlining the percent increases in each of the constituent municipalities.

The decision document of the Executive Committee can be accessed at:  
<http://www.toronto.ca/legdocs/mmis/2010/ex/decisions/2010-04-07-ex42-dd.htm>

#### ISSUE BACKGROUND

In 1998, the Province of Ontario introduced the first major reform of the property assessment and taxation system with the introduction of Current Value Assessment (CVA). Prior to CVA, property taxes were determined by multiplying the assessed value

of the property by a mill rate (taxes payable per \$1,000 of assessed value). Assessed values were generally based on a 1940 base year for valuation.

For the purposes of property taxation, properties were classified as either:

- a) Residential: which included residential and multi-residential properties, farmland, portions of commercial buildings occupied by charitable or non-profit tenants, and portions of commercial and industrial properties that were classified as vacant.
- b) Commercial: which included commercial and industrial properties, and pipelines.

Each of the former municipalities established their own mill rates in order to meet the annual budget requirements for the municipality. However, legislation at the time prescribed that the mill rate on residential assessment be set at a rate of 85% of the commercial mill rate.

In addition to the mill rates established by each of the six (6) lower tier municipalities, an additional mill rate was established to fund the budgetary requirements of the former Municipality of Metropolitan Toronto, the upper tier level of government.

Additionally, prior to the introduction of CVA in 1998, business owners or tenants were also levied a business occupancy tax as a fixed percentage of their total tax levy. This BOT was eliminated in 1998 and rolled into the tax rates for the commercial and industrial property classes, and billed directly to property owners.

With the introduction of CVA in 1998:

- assessments were regularly updated to reflect the current value of a property (i.e. estimated market value or the amount the property would sell for in an arm's length, open market transaction between a willing buyer and a willing seller);
- assessments were categorized into separate property tax classes for Residential, Multi-Residential, Commercial, Industrial, Pipelines and Farmland with separate tax rates applied to each class;
- tax ratios (a measure of the municipal tax rate for a property class in comparison to the residential tax rate) were introduced to help establish the municipal tax rates for each class. Tax ratios only apply to the municipal portion of taxes.

Given the long period of time prior to 1998 in which assessment had effectively been frozen at 1940's levels, the fact that residential properties had appreciated in value at a rate greater than that of the non-residential property classes over this period, and the fixed 85% ratio of residential to commercial mill rates, the real taxation level on the residential class had been kept lower than it ought to have been in comparison to the other property classes. As a consequence, non-residential tax rates in Toronto in 1998 were four times

that of the residential tax rate under CVA. The disparity between residential and non-residential tax rates was not a result of any action or inaction by the former municipal councils, but rather a product of a long-standing provincial policy and an outdated assessment system.

## COMMENTS

Given the differences in the assessment and taxation regime before and after CVA, it is difficult to directly compare annual property tax increases in the former municipalities during the pre-amalgamation period (1991 to 1997) with increases that have occurred in the post-amalgamation period (1998 to present).

### Property Tax Increases from 1991 to 1997

Table 1 provides a summary of municipal property tax increases for each of the former pre-amalgamation municipalities, and the former Metro level of government, for the period 1991 to 1997. Significant tax increases occurred for the 1991 and 1992 tax years. There were significant funding pressures, in particular for the Metropolitan government, due to the severe recession occurring across the country at that time. The large increase for Metro was largely necessary to fund the surge in social service assistance and to a lesser extent for rising cost of policing.

**Table 1**  
**Municipal Property Tax Increases\* – Former Metro Municipalities – 1991 to 1997**

<b>Municipality</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
Toronto	3.9%	2.5%	0.0%	-0.5%	0.0%	0.0%	0.0%
North York	3.1%	3.5%	0.0%	-0.3%	0.0%	0.0%	0.0%
Scarborough	0.0%	2.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Etobicoke	1.7%	2.7%	-0.2%	-0.1%	0.0%	0.0%	0.0%
York	3.1%	6.9%	2.0%	0.0%	0.0%	0.0%	0.0%
East York	6.8%	4.6%	0.0%	0.1%	0.0%	0.0%	0.0%
Metro (average)	6.9%	14.7%	-0.3%	0.0%	3.9%	1.43%	3.1%

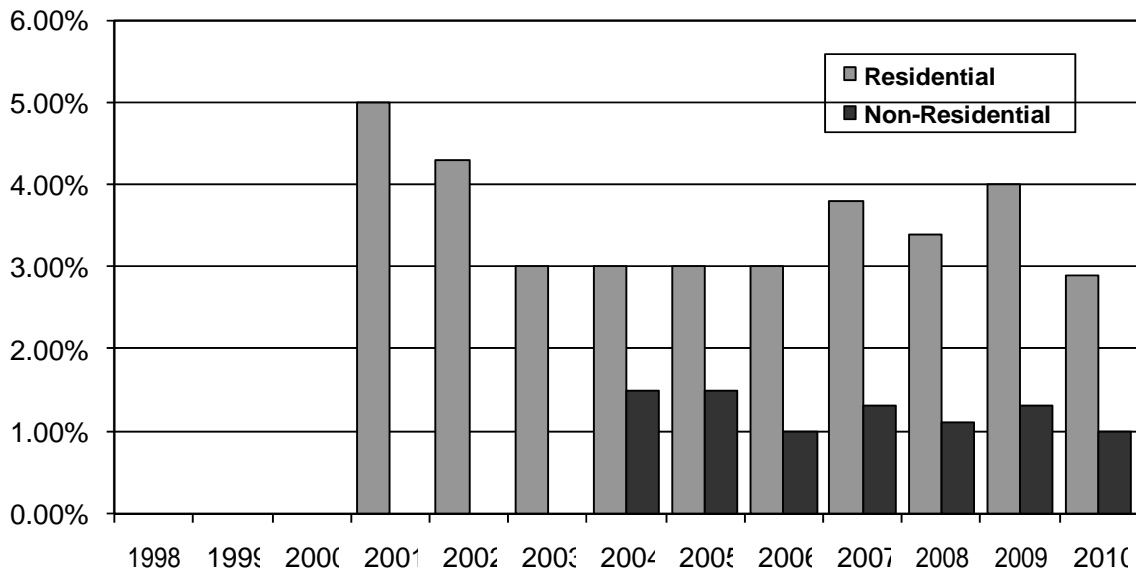
\* Based on mill rates for municipal purposes (not including amounts levied for education purposes). Residential mill rates were fixed at 85% of commercial mill rates prior to 1998, and therefore the percentage change from year to year is the same for residential and commercial.

## Property tax increases from 1998 to 2010

Chart 2 provides a summary of municipal property tax increases for each year for the period 1998 to 2010 for both residential properties and non-residential properties (commercial, industrial and multi-residential tax classes). For comparability, annual tax increases are based on the municipal portion of taxes only, and do not include education amounts.

From Chart 2, the period from 1998 to 2000 reflects no municipal tax increases. For the period from 2001 to 2003, legislative restrictions within the *Municipal Act* prevented tax increases from being passed on to the non-residential tax classes, so the entire municipal tax increase was borne by the residential tax class for these years. In 2004, the *Municipal Act* was changed to permit municipal tax rate increases to be passed on to the non-residential classes, provided that the municipal tax rate increase for non-residential classes did not exceed 50% of the residential tax rate increase. In 2006 and onwards, Council has elected to pass on tax rate increases to the non-residential tax classes of one-third of the residential tax rate increase, to accelerate tax ratio reductions within the non-residential classes.

**Chart 2**  
Municipal Property Tax Increases\* – City of Toronto – 1998 to 2010



**Municipal Property Tax Increases\* – City of Toronto – 1998 to 2010**

Toronto	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Res	0.0%	0.0%	0.0%	5.0%	4.3%	3.0%	3.0%	3.0%	3.0%	3.8%	3.4%	4.0%	2.9%
Non-Res	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	1.5%	1.0%	1.3%	1.1%	1.3%	1.0%

\* Municipal portion of taxes only (does not include the education portion of taxes).

**CONTACT**

Casey Brendon, Acting Director, Revenue Services  
 Phone: (416) 392-8065, Fax: (416) 696-4230, E-mail: [cbrendo@toronto.ca](mailto:cbrendo@toronto.ca)

**SIGNATURE**

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Giuliana Carbone  
 Treasurer