

City of Toronto

Budget Committee Presentation

2012 Re-assessment Impacts
And 2012 Tax Rates

January 9, 2012

Overview

1. Property Tax Basics
2. 2012 Tax Rate Timelines
3. 2012 Current Value Assessment (CVA) Changes
4. Enhancing Toronto's Business Climate Targets
5. Senior's Tax Assistance

Property Tax Basics

$$\begin{array}{|c|} \hline \text{Municipal Property} \\ \text{Tax Levy } \mathbf{\$3.63 B} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Provincial} \\ \text{Education Property} \\ \text{Tax Levy } \mathbf{\$1.95 B} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total Property} \\ \text{Tax Levy } \mathbf{\$5.58 B} \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \mathbf{CVA} \\ \text{(Current Value Assessment)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Municipal Tax} \\ \text{Rate (} \mathbf{Council} \mathbf{)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Municipal} \\ \text{Property Tax} \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \mathbf{CVA} \\ \text{(Current Value Assessment)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Education Tax} \\ \text{Rate (} \mathbf{Province} \mathbf{)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Education} \\ \text{Property Tax} \\ \hline \end{array}$$

CVA = Market Value at a specific point in time – Determined by Municipal Property Assessment Corporation (**MPAC**)

Re-assessment Cycle

<u>Taxation Year</u>	<u>Valuation Date</u>	
2009, 2010, 2011, 2012	January 1, 2008	✓
2013, 2014, 2015, 2016	January 1, 2012	

Illustration of 4-year Assessment Increase Phase-In

Property value on January 1, 2008 (2009 tax year)	\$220,000	✓
Property Value on January 1, 2005 (2007 tax year)	<u>\$180,000</u>	
Property value has changed by	\$40,000	÷ by 4 years

<u>Tax year</u>	<u>Phased-In Assessment</u>	
2009	\$190,000	
2010	\$200,000	
2011	\$210,000	
2012	\$220,000	✓

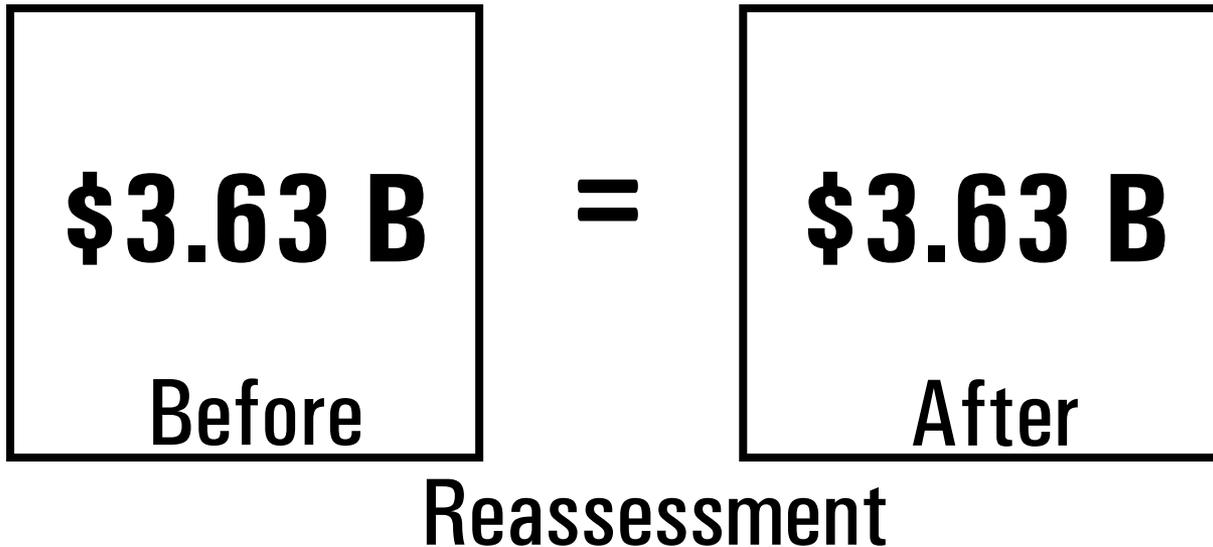
Property Tax Classes

- Prescribed by *Assessment Act*
 - ***Residential*** (*detached, semi's, townhomes, link's, condo's, 2-6 plexes*)
 - ***Multi-Residential and New Multi-Residential*** (*rental containing 7 or more units*)
 - ***Industrial, Pipeline, Farmland, Managed Forests***
 - ***Commercial:***
 - *General (Large Office, Large Shopping, Large Sports, Large Theatres, Parking Lots)*
 - *Residual (neighbourhood retail, hotels, commercial condo's, small and medium offices, and all other commercial not in General)*

2012 Tax Rate Timelines

2012 Municipal Rates	At Operating Budget approval (January 17 th Council)
2012 Education Rates	Provincial Regulation expected in March
2012 Clawback Rates	Once Municipal and Education Rates established (April 10 th Council)
Final Tax Bills Mailed Out	May 31 st for installments commencing July 1 st

City-Wide Re-assessment is Revenue Neutral Municipal Taxes



Before	Average House	After
\$2,400	447,090	\$2,400

However, tax shifts will occur between properties within a Class, and possibly between property classes arising from tax ratio rules

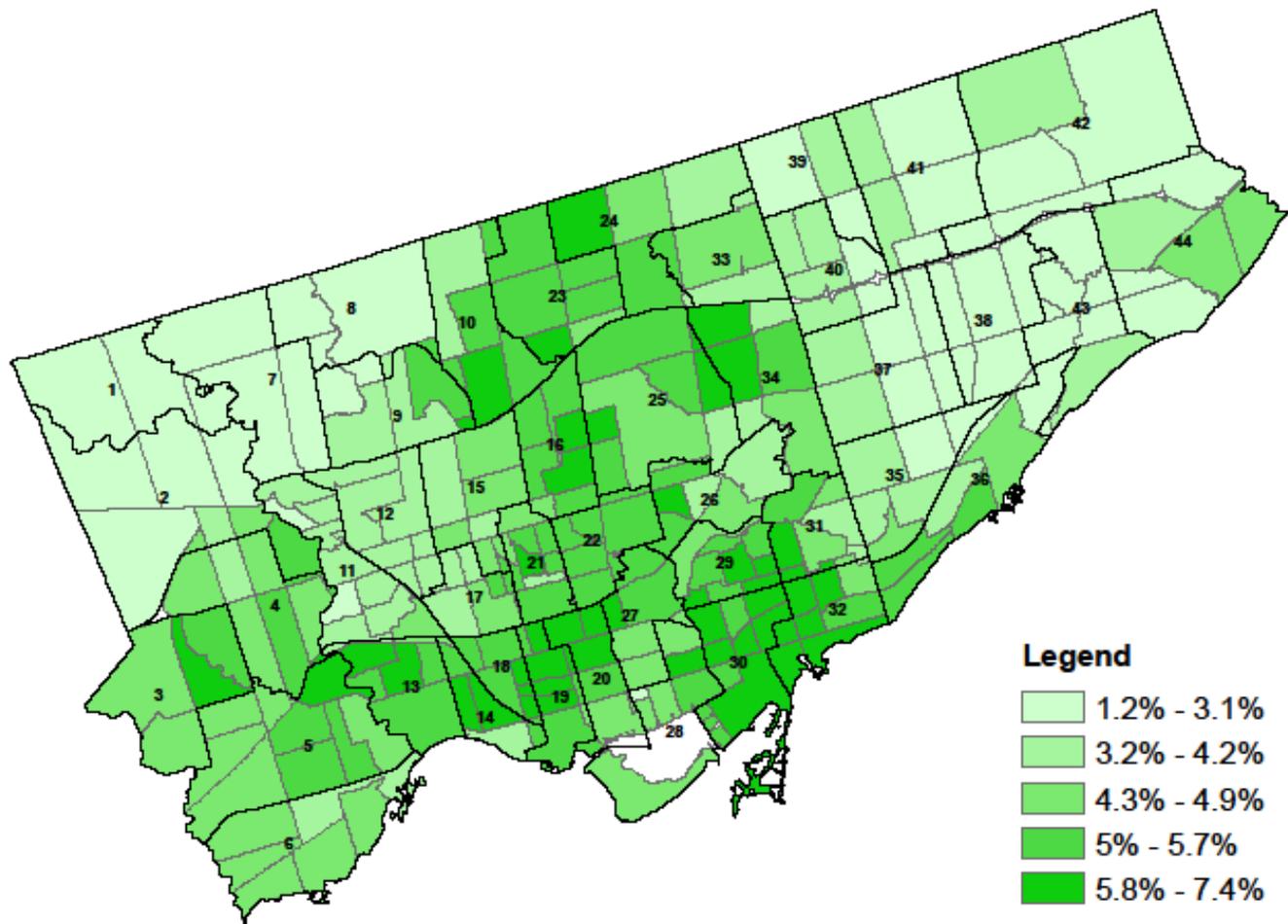
Step 1 – CVA Tax Shifts

- Two types of tax shifts occurring:
 - i) Tax shifts within property class – if res. home appreciated more than 4.7% -> increase in tax burden to home, and visa versa (intra-class)
 - ii) Tax shifts between property classes – commercial and industrial class appreciated more than average 5.0% -> increase in tax burden to entire class, and decrease to res. and multi-res. (inter-class)

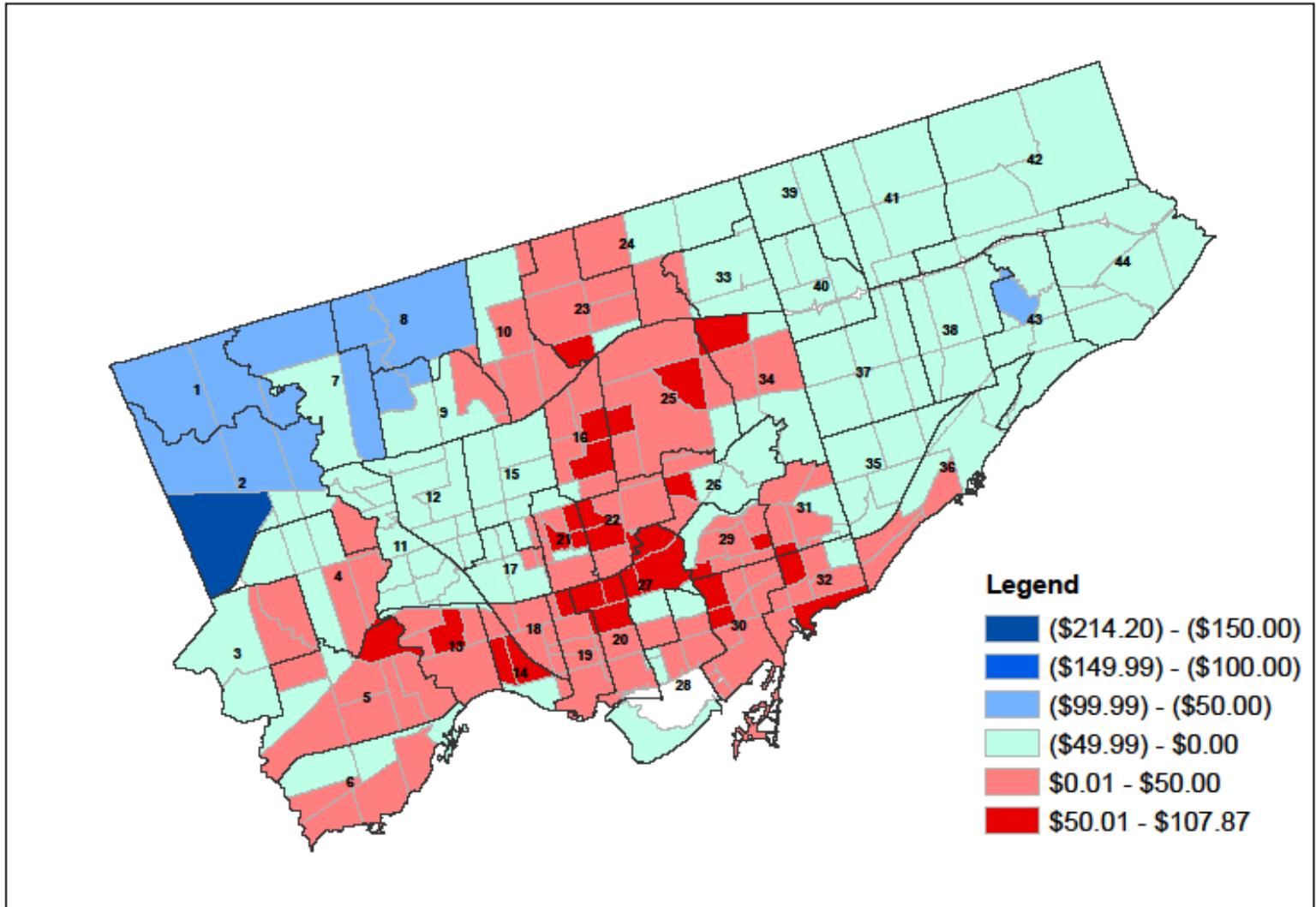
2012 CVA Changes

Class:	Total Change Jan 1/05-Jan 1/08	2009 Phased In	2010 Phased In	2011 Phased In	2012 Phased In
Residential	22.00%	5.40%	5.20%	4.90%	4.70%
Multi- Residential	9.30%	1.70%	2.40%	2.30%	2.20%
Commercial	35.10%	9.00%	8.20%	7.60%	7.00%
Industrial	41.90%	10.40%	9.50%	8.70%	7.90%
All Classes	23.50%	5.80%	5.60%	5.30%	5.00%

2012 Phased-in % CVA Change Residential Properties



2012 Phased-in CVA Average \$ Impact Residential Properties



Number of Properties Facing Tax Increases and Tax Decreases Under CVA Reassessment

(Excludes any Impacts arising from Tax Ratio Shifts and Education Levy Changes)

	Tax Decreases				Tax Increases			
	No. of Properties	% of Properties	Average Tax Impact (%)	Average Tax Impact (\$)	No. of Properties	% of Properties	Average Tax Impact (%)	Average Tax Impact (\$)
2009 Phased-In	365,803	57.4%	-2.2%	(\$61)	272,005	42.6%	+2.1%	+\$82
2010 Phased-In	378,437	58.2%	-1.8%	(\$51)	272,353	41.8%	+1.8%	+\$71
2011 Phased-In	373,279	56.2%	-1.7%	(\$47)	290,885	43.8%	+1.5%	+\$61
2012 Phased-In	373,007	54.7%	-1.6%	(\$43)	308,069	45.3%	+1.3%	+\$52

Tax Shifts Between Classes

(Inter-Class Shifts)

	2011 Final Rates	% CVA Change	2012 Notional Rates (before levy & policy changes)	CVA Shift (\$ millions)	
Residential	0.56%	4.7%	0.54%	-8.5	
Multi-Residential	1.86%	2.2%	1.78%	-16.1	(\$24.8)
<i>City Wide</i>		5.0%		0.0	
Commercial Residual (blended)	1.76%	7.3%	1.65%	12.1	
Commercial General	1.82%	12.3%	1.72%	9.6	
Industrial	1.82%	7.9%	1.72%	3.1	+\$24.8

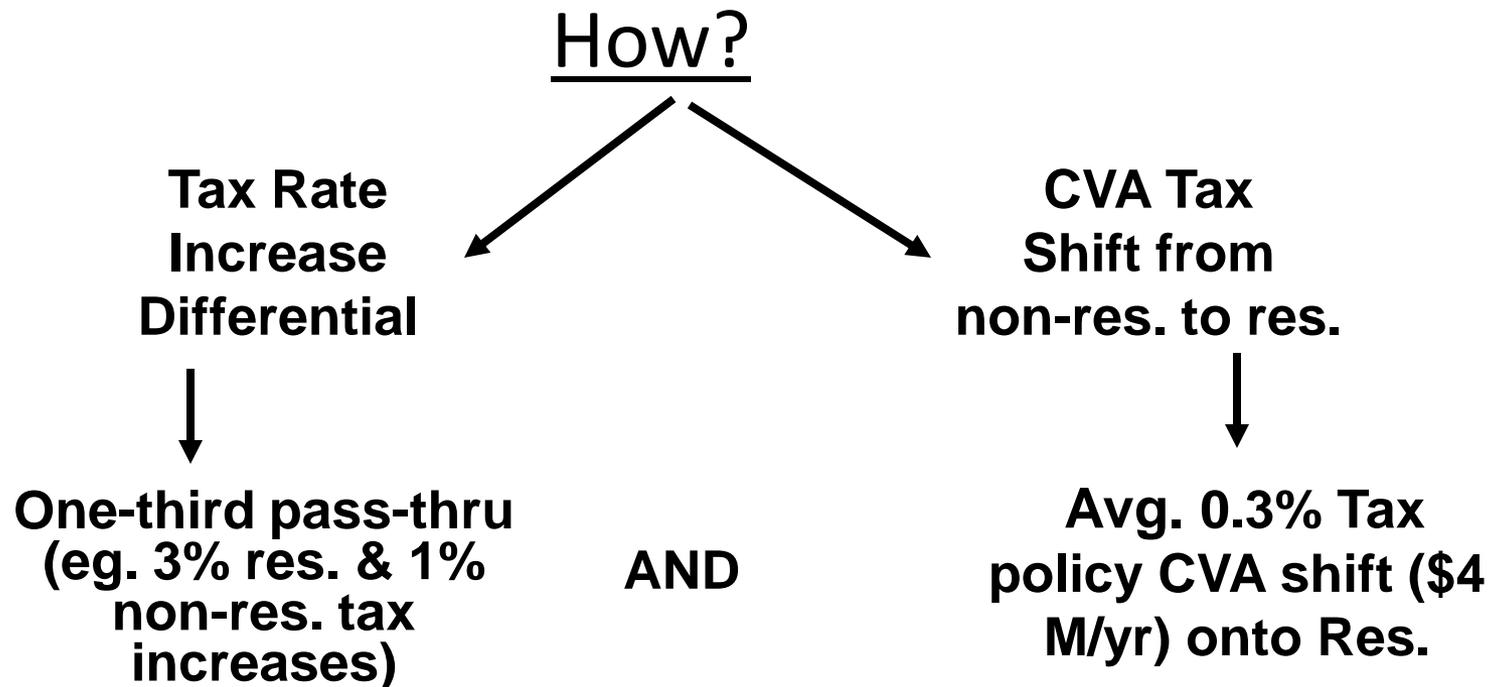
- The further away from city-wide average of 5.0%, the bigger the impact
- Average Residential Inter-class CVA impact is decrease of \$12.54 per hh

Enhancing Toronto's Business Climate – Key Initiatives

- A phased plan for the reduction of ratio in business tax rates to residential rates from the then existing ratio of 3.8 to 4.3 times the residential rate, to 3.0 times by 2015 and 2.5 by 2020
- An accelerated reduction in small business tax ratios to 2.5 times by 2015
- Limiting business tax increases
- Eliminating property tax inequities caused by the capping/clawback system by accelerating properties to their fair full-CVA level of taxation
- From the Province, a reduction in Toronto's business education tax rates phased in by 2014

Addressing imbalance in tax ratios Approach

- Tax Ratio Target → 2.5x residential rate
- Time Frame → 15 years



Enhancing Toronto's Business Climate - Tax Ratio Reduction Initiative

					Rec'd	Projected	
	2006	2009	2010	2011	2012 (est.)	2015 Target	2020 Target
Residential	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Commercial	3.68	3.37	3.26 (vs. 3.38 target)	3.23	3.17	3.00	2.50
Industrial	4.09	3.55					
Multi-Residential	3.63	3.38	3.31 (vs. 3.38 target)	3.31	3.26		
Small Business	n/a	3.26	2.97 (vs. 3.15 target)	2.93	2.81	2.50	

Step 2 – Policy Adjustments to Achieve Ratio Targets per Enhancing Toronto’s Bus. Climate

	2012 Target Ratios	Required Policy Adjustment	Policy Shift \$ m	2012 Actual Ending Ratios	
Residential	1.00	0.52%	\$8.55	1.00	
Multi-Residential	3.23	0.50%	\$2.87	3.26	\$11.4
Commercial Residual Band 1 (Small)	2.89	-1.59%	(\$4.34)	2.85	
Commercial Residual Band 2	3.23	-1.55%	(\$5.17)	3.16	
Commercial General	3.23	-0.22%	(\$1.64)	3.16	
Industrial	3.23	-0.22%	(\$0.31)	3.16	(\$11.4)
			\$0		

Summary of 2012 Municipal Tax impacts

(% over 2011 taxes)

Tax Class	Average CVA Impact	Average Policy Impact	Average Levy Impact	Average Total Impact	
Residential	-0.52%	0.52%	2.50%	2.50%	} 2.5% Res.
Multi-residential (Apartment)	-2.87%	0.50%	0.83%	-1.54%	
Small Business Band 1	1.95%	-1.59%	0.83%	1.19%	} 0.83% Non-Res.
Residual Commercial Band 2 (Blended)	1.99%	-1.55%	0.83%	1.27%	
Commercial General	1.40%	-0.22%	0.83%	2.01%	
Industrial	2.43%	-0.22%	0.83%	3.04%	
City Average	0.00%	0.00%	1.59%	1.59%	

Business Tax Relief

Year	2006	2007	2008	2009	2010	2011	2012	
	Council Enhancing Toronto's Business Climate policy for one-third of increase to non-residential							
			Council Policy Accelerated Small Business Tax Reduction					
Residential Tax Increase	3.00%	3.80%	3.39%	4.00%	2.90%	0.00%	2.50%	
Business Tax Increase	1.00%	1.27%	1.13%	1.33%	0.97%	0.00%	0.83%	Cumulative
Business Tax Relief (\$ M in forgone tax increase revenue)	\$ 36.7	\$ 47.0	\$ 42.5	\$ 51.1	\$ 37.6	\$ 0	\$ 33.0	\$ 248.0
Additional Small Business Relief			\$ 8.3	\$ 4.9	\$ 14.5	\$ 10.6	\$ 15.4	\$ 53.7
								\$ 301.7

2012 Municipal Tax Impacts

Tax Class	2012 CVA (Example)	2011 Municipal Tax	2012 Final Municipal Tax	Net Municipal Change	
Residential	447,090 (average)	\$2,400	\$2,460	\$60	2.50%
Multi-Residential (Apartments)	100,000	\$1,823	\$1,795	(\$28)	-1.54%
Small Businesses Band 1	1,000,000	\$15,516	\$15,700	\$184	1.19%
Residual Commercial Band 2 (Blended)	1,000,000	\$16,360	\$16,568	\$208	1.27%
Commercial General	1,000,000	\$17,043	\$17,385	\$342	2.01%
Industrial	1,000,000	\$16,872	\$17,385	\$513	3.04%

Seniors & Persons with Disabilities Tax Assistance

- Low Income Seniors and Persons with Disabilities:

	Tax Increase Deferral Program	Tax Increase Cancellation Program
Seniors	<ul style="list-style-type: none"> - aged 65 years or older; or 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance; or aged 50 years or older and receiving either a registered pension or pension annuity. - household income \$50,000 or less 	<ul style="list-style-type: none"> - aged 65 years or older; or 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance - household income \$36,000 or less - property CVA \$575,000 or less
Persons With Disabilities	<ul style="list-style-type: none"> - No age requirement - receiving support from one or more specified disability programs - household income \$50,000 or less 	<ul style="list-style-type: none"> - No age requirement - receiving support from one or more specified disability programs - household income \$36,000 or less - property CVA \$575,000 or less

- Water rebate for low income seniors and persons with disabilities

