



**STAFF REPORT  
ACTION REQUIRED**

**2014 Education Property Tax Levy and Clawback Rate  
By-Law**

<b>Date:</b>	April 7, 2014
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All Wards
<b>Reference Number:</b>	P:\2014\Internal Services\rev\ec14011rev (AFS19118)

**SUMMARY**

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This report recommends adoption of the 2014 education tax rates and property tax levy for school purposes for the City of Toronto as prescribed by regulation by the Minister of Finance. This report also recommends the 2014 percentage of the tax decreases (the ‘clawback’ rates) required to recover the revenues foregone as a result of the cap limit on properties in the commercial, industrial and multi-residential property classes, as provided for by legislation.

**RECOMMENDATIONS**

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**The Deputy City Manager and Chief Financial Officer recommends that:**

1. City Council adopt the following 2014 tax rates for school purposes, which will raise an education tax levy for 2014 of \$1,999,252,981:

Column I	Column II
Property Class	2014 Tax Rate for Education Levy
Residential	0.203000%
Multi-Residential	0.203000%
New Multi-Residential	0.203000%
Commercial	1.292138%
Commercial (New Construction)	1.220000%
Residual Commercial (New Construction)	1.220000%
Industrial	1.339989%
Industrial (New Construction)	1.220000%
Pipelines	1.531874%

Column I	Column II
Property Class	2014 Tax Rate for Education Levy
Farmlands	0.050800%
Managed Forests	0.050800%

2. City Council enact a by-law for the 2014 taxation year to reduce tax decreases for the 2014 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	69.680133%	30.319867%
Industrial	61.262516%	38.737484%
Multi-residential	23.722567%	76.277433%

3. Authority be granted for the introduction of the necessary bills in Council to give effect hereto.

### Implementation Points

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

City Council at its meeting of January 29 and 30, 2014, adopted the 2014 municipal property tax rates, and hence the municipal tax levy arising from such rates.

Ontario Regulation 2/14 made under the *Education Act* was recently filed that prescribes the 2014 education tax rates for the City of Toronto. Council must adopt the prescribed education tax rates in accordance with the regulation and adopt a by-law levying them.

With both these rates established, staff are now in a position to calculate the 2014 clawback rates. The necessary by-laws have been prepared for adoption by Council at its meeting scheduled for May 6 and 7, 2014.

### Financial Impact

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 2014 education levy is \$1,999,252,981, of which \$8,147,478 is to be retained by the City pursuant to Ontario Regulation No. 121/07. The average household assessed at \$499,521 in 2014 will pay education taxes of \$1,014.03, compared to \$1,005.66 in 2013 which represents an increase of 0.83%.

There is also no direct financial implication to the City of Toronto arising from the clawback rates recommended in 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 January 29 and 30, 2014, City Council adopted the 2014 municipal property tax levy and tax rates. That report also authorized the Deputy City Manager and Chief Financial Officer to report to Executive Committee at its meeting scheduled for April 23, 2014, on the 2014 tax rates for school purposes, and the 2014 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 2014 'clawback' rates). That decision can be viewed under item EX37.3 at:

<http://app.toronto.ca/tmmis/viewPublishedReport.do?function=getCouncilDecisionDocumentReport&meetingId=7848>

## COMMENTS

### 2014 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 2/14 made under the *Education Act* prescribes the 2014 education tax rates for the City of Toronto. Education tax rates for the residential, multi-residential, farmland and managed forest tax classes are the same for all municipalities across Ontario. Education tax rates for the commercial, industrial and other classes vary by municipality. Chart 1 below provides 2014 education tax rates and levies for Toronto. The total 2014 education levy in the City of Toronto is \$1,999,252,981.

**Chart 1 – 2014 Education Tax Rates**

Column I	Column II	Column III
Property Class	2014 Education Tax Rate	2014 Education Levy
Residential	0.203000%	715,837,671
Multi-Residential	0.203000%	59,682,405
New Multi-Residential	0.203000%	2,097,591
Commercial	1.292138%	1,083,301,300
Commercial (New Construction)	1.220000%	29,653,669
Industrial	1.339989%	103,459,409
Industrial (New Construction)	1.220000%	345,640
Pipelines	1.531874%	4,864,712
Farmlands	0.050800%	9,280
Managed Forests	0.050800%	1,304
<b>Total Education Levy</b>		<b>1,999,252,981</b>

## 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. Further legislative changes introduced in 2009 allows the City to annually decide that properties which reach their CVA-level of taxation, remain at CVA taxation and are excluded from future capping or clawback due to CVA reassessment changes. Council again made this decision for 2014 at its meeting of January 29 and 30, 2014.

The capping of tax increases is funded by "clawing back" tax decreases. Chart 2 below sets out the percentage reductions in the tax decreases for 2014 (the “clawback rate”) necessary to fund the foregone revenue resulting from the 5% cap on tax increases for 2014. 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**  
**2014 Clawback Rates for Capped Property Classes**

Column I (Property Class)	Column II (Clawback Percentage)	Column III (Allowable Decrease)
Commercial	69.680133%	30.319867%
Industrial	61.262516%	38.737484%
Multi-residential	23.722567%	76.277433%

Chart 3 below shows the progress to CVA-level of taxation between 2011 and 2014. It shows that, for 2014, 61% of commercial properties, 56% of industrial properties, and 72% of multi-residential properties have now reached their full CVA-level of taxation. Chart 4 shows the total tax dollars capped and clawed-back for each class for the same period (the amount of tax revenue foregone as a result of the cap on properties facing tax increases is recovered by the equivalent amount clawed-back from properties facing tax decreases). As progress is made to full-CVA taxation, the amounts capped and clawed back will generally fall. Sudden increases in values in one of the capped classes could however, in a reassessment year, result in the amount of taxes foregone as a result of capping to increase, and hence, the amount required to be clawed back in that class.

**Chart 3  
Progress to Full-CVA Level of Taxation**

Tax Class	CVA Status	2011 Tax Year		2012 Tax Year		2013 Tax Year		2014 Tax Year	
		# of Properties 2010	% of Class Total	# of Properties 2011	% of Class Total	# of Properties 2012	% of Class Total	# of Properties 2013	% of Class Total
Commercial	Capped	9,995	29%	8,509	25%	7,608	23%	6,639	18%
	Clawed-Back	9,539	27%	9,284	27%	8,690	26%	8,051	22%
	At CVA	<u>15,164</u>	44%	<u>16,140</u>	48%	<u>17,197</u>	51%	<u>22,522</u>	61%
		34,698		33,933		33,495		37,212	
Industrial	Capped	409	10%	373	9%	280	7%	249	6%
	Clawed-Back	1,936	48%	1,769	45%	1,648	44%	1,453	37%
	At CVA	<u>1,704</u>	42%	<u>1,787</u>	45%	<u>1,869</u>	49%	<u>2,191</u>	56%
		4,049		3,929		3,797		3,893	
Multi-Residential	Capped	162	4%	120	3%	94	3%	78	2%
	Clawed-Back	2,452	58%	2,441	59%	1,063	28%	1,009	26%
	At CVA	<u>1,624</u>	38%	<u>1,554</u>	38%	<u>2,613</u>	69%	<u>2,818</u>	72%
		4,238		4,115		3,770		3,905	

**Chart 4  
Total Tax Dollars Capped and Clawed-Back (\$M's)**

	2011 Tax Year	2012 Tax Year	2013 Tax Year	2014 Tax Year
Commercial	115.9	91.8	87.0	74.2
Industrial	5.0	4.8	3.3	2.8
Multi-Residential	4.3	1.8	1.5	1.5

**CONTACT**

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**SIGNATURE**

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 Roberto Rossini  
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