



STAFF REPORT ACTION REQUIRED

2015 Education Property Tax Levy and Clawback Rate By-Law

Date:	April 14, 2015
To:	Executive Committee
From:	Deputy City Manager & Chief Financial Officer
Wards:	All Wards
Reference Number:	P:\2015\Internal Services\rev\ec15011rev (AFS21094)

SUMMARY

This report recommends adoption of the 2015 education tax rates and property tax levy for school purposes for the City of Toronto in accordance with the rates prescribed by regulation by the Minister of Finance. This report also recommends the 2015 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

The Deputy City Manager & Chief Financial Officer recommends that:

1. City Council adopt the following 2015 tax rates for school purposes, which will raise an education tax levy for 2015 of \$2,018,100,647:

Column I	Column II
Property Class	2015 Tax Rate for Education Levy
Residential	0.195000%
Multi-Residential	0.195000%
New Multi-Residential	0.195000%
Commercial	1.227826%
Commercial (New Construction)	1.190000%
Residual Commercial (New Construction)	1.190000%
Industrial	1.294610%
Industrial (New Construction)	1.190000%

Column I	Column II
Property Class	2015 Tax Rate for Education Levy
Pipelines	1.506573%
Farmlands	0.048750%
Managed Forests	0.048750%

2. City Council enact a by-law for the 2015 taxation year to reduce tax decreases for the 2015 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	70.898360%	29.101640%
Industrial	52.474622%	47.525378%
Multi-residential	24.682543%	75.317457%

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 March 10 and 11, 2015, adopted the 2015 municipal property tax rates, and hence the municipal tax levy arising from such rates.

Ontario Regulation 75/15 made under the *Education Act*, was recently filed to amend O.Reg. 400/98 to prescribe the 2015 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 2015 clawback rates. The necessary by-laws have been prepared for adoption by Council at its meeting scheduled for May 5 and 6, 2015.

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 2015 education levy is \$2,018,100,647. The average household assessed at \$524,833 in 2015 will pay an

education tax bill of \$1,023.42, compared to \$1,013.36 in 2014 for average household assessment of \$499,192.

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 March 10 and 11, 2015, City Council adopted the 2015 municipal property tax levy and tax rates. That report also authorized the Deputy City Manager & Chief Financial Officer to report to Executive Committee at its meeting scheduled for April 22, 2015, on the 2015 tax rates for school purposes, and the 2015 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 2015 ‘clawback’ rates). That decision can be viewed under item EX3.5 at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX3.5>

COMMENTS

2015 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 400/98, as amended, made under the *Education Act* prescribes the 2015 education tax rates for the City of Toronto. On this basis, Chart 1 below provides 2015 education tax rates and levies for Toronto. The total 2015 Education levy in the City of Toronto is \$2,018,100,647.

Chart 1 – 2015 Education Tax Rates

Column I	Column II	Column III
Property Class	2015 Education Tax Rate	2015 Education Levy
Residential	0.195000%	737,893,838
Multi-Residential	0.195000%	59,794,928
New Multi-Residential	0.195000%	2,493,652
Commercial	1.227826%	1,074,144,998
Commercial (New Construction)	1.190000%	37,598,312
Industrial	1.294610%	100,946,649
Industrial (New Construction)	1.190000%	344,565
Pipelines	1.506573%	4,872,576
Farmlands	0.048750%	9,546
Managed Forests	0.048750%	1,282
Total Education Levy		\$2,018,100,647

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 2015 at its meeting of March 10 and 11, 2015.

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 2015 (the “clawback rate”) necessary to fund the foregone revenue resulting from the 5% cap on tax increases for 2015. 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
2015 Clawback Rates for Capped Property Classes

Column I (Property Class)	Column II (Clawback Percentage)	Column III (Allowable Decrease)
Commercial	70.898360%	29.101640%
Industrial	52.474622%	47.525378%
Multi-residential	24.682543%	75.317457%

Chart 3 below shows the progress to CVA-level of taxation between 2012 and 2015. It shows that, for 2015, 60% of commercial properties, 58% of industrial properties, and 75% 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	2012 Tax Year		2013 Tax Year		2014 Tax Year		2015 Tax Year	
		# of Properties	% of Class Total	# of Properties	% of Class Total	# of Properties	% of Class Total	# of Properties	% of Class Total
Commercial	Capped	8,509	25%	7,608	23%	6,639	20%	5,641	17%
	Clawed-Back	9,284	27%	8,690	26%	8,051	24%	7,740	23%
	At CVA	<u>16,140</u>	48%	<u>17,197</u>	51%	<u>18,609</u>	56%	<u>19,737</u>	60%
		33,933		33,495		33,299		33,118	
Industrial	Capped	373	9%	280	7%	249	7%	205	6%
	Clawed-Back	1,769	45%	1,648	44%	1,453	39%	1,339	36%
	At CVA	<u>1,787</u>	45%	<u>1,869</u>	49%	<u>2,046</u>	55%	<u>2,147</u>	58%
		3,929		3,797		3,748		3,691	
Multi-Residential	Capped	120	3%	94	3%	78	2%	64	2%
	Clawed-Back	2,441	59%	1,063	28%	1,009	28%	846	23%
	At CVA	<u>1,554</u>	38%	<u>2,613</u>	69%	<u>2,580</u>	70%	<u>2,747</u>	75%
		4,115		3,770		3,667		3,657	

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

	Tax Year				
	2011	2012	2013	2014	2015
Commercial	115.9	91.8	87.0	74.2	65.6
Industrial	5.0	4.8	3.3	2.8	2.4
Multi-Residential	4.3	1.8	1.5	1.5	0.9

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SIGNATURE

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