



Re: EX16.3

City of Toronto – Revenue Options Study

June 28, 2016



Introduction

Background

Hemson Consulting Ltd. had prepared a report for the City in March 2007 entitled “Assessment of Potential New Tax Measures under the City of Toronto Act, 2006”.

- The Hemson Report undertook a review of the municipal tax options for generating revenues under the City of Toronto Act, 2006 (“COTA”).

During deliberations on the City’s 2016 operating and capital budgets in February, Council directed staff to commission an external consultant to perform an update of the Hemson Report.

- KPMG was formally engaged by the City on April 15th.
- Our work consisted of providing an updated assessment of the revenue options permitted under COTA and a review of other revenue options identified by the City that the City does not currently have legislative authority to implement.

It is recommended that the City perform more detailed reviews of any specific revenue option it determines warrants further consideration prior to its implementation.

City of Toronto Revenue Options Study

Revenue Options Assessed

The revenue options reviewed include:

Permitted under COTA

- Alcohol and Tobacco Tax
- Entertainment and Amusement Tax
- Motor Vehicle Ownership Registration Tax
- Parking Levy
- Road Pricing (excl. tolling of the Gardiner and DVP)

Require Additional Legislative Approval

- Development Levy
- Hotel Tax
- Municipal Income Tax
- Municipal Sales Tax
- Parking Sales Tax

Revenue option profiles were developed for each of the options listed above.

- Quantitative and qualitative assessments of each revenue option have been provided in the report, as well as an overview of how the option has been implemented in other jurisdictions.



Summary of Findings

City of Toronto Revenue Options Study

Summary of Findings

| Revenue Option | Net Annual Revenue Potential (\$ millions) | Permitted Under COTA | Time to Implementation | Equivalent Increase in Residential Property Tax Rate** |
|--|--|----------------------|------------------------|--|
| Alcohol (1 – 10% rate) | 20 – 151 | Yes | 12 months | 0.8% - 5.7% |
| Entertainment and Amusement Tax (1 - 10% rate) | 3 – 35 | Yes | 12 months | 0.1% - 1.3% |
| Motor Vehicle Registration Tax (\$20 to \$100) | 18 – 94 | Yes | 6 months | 0.7% - 3.5% |
| Parking Levy (\$0.50 to \$1.50 per spot / day) | 171 – 535 | Yes | 18 months | 6.5% - 20.3% |
| Road Pricing (Cordon Pricing) (\$5 to \$20 per day) | 89 – 377 | Yes* | 36 months | 3.4% - 14.3% |
| Tobacco Tax (1 – 10% rate) | 5 – 46 | Yes | 12 months | 0.2% - 1.7% |
| Development Levy (2 – 10% rate) | 17 – 87 | No | 12 months | 0.7% - 3.3% |
| Hotel Tax (2 – 14% rate) | 21 – 126 | No | 12 months | 0.8% - 4.8% |
| Business Income Tax (0.5 – 2%) | 145 – 580 | No | 24 months | 5.5% - 22.0% |
| Personal Income Tax (1%; employment vs. taxable) | 580 – 926 | No | 24 months | 22.0% - 35.1% |
| Sales Tax (0.5 – 2% rate) | 125 – 515 | No | 24 months | 4.7% - 19.5% |
| Parking Sales Tax (5 – 20% rate) | 30 – 121 | No | 12 months | 1.1% - 4.6% |

*Note: Provincial approval may be required.

** Non-residential tax rates would correspondingly increase by 1/3 of the residential tax rate





kpmg.ca



© 2016 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.