TORONTO

REPORT FOR ACTION

2017 Property Tax Rates and Related Matters

Date: January 24, 2017
To: Executive Committee
From: Deputy City Manager & Chief Financial Officer
Wards: All

SUMMARY

To recommend the 2017 municipal tax ratios and tax rates arising from the concurrent adoption of the City of Toronto's 2017 tax supported Operating Budget and Capital Budget.

The 2017 tax rate increases arising from the 2017 tax supported Operating and Capital Budgets recommended by the Budget Committee and the tax policy decisions recommended by the Budget Committee are as follows:

2017 Recommended Property Tax Rate Increases

Property Class	2017 Tax Rate Increase for Operating Budget	2017 City Building Fund Tax Rate Increase	2017 Total Tax Rate Increase
Residential, New Multi-Residential, Farmland, Managed Forest, and Pipelines	2.00%	0.50%	2.50%
Multi- Residential	0.0%	0.0%	0.0%
Commercial	1.00%	0.25%	1.25%
Industrial	0.67%	0.16%	0.83%
Total Tax Rate Increase	1.39%	0.35%	1.74%

RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer recommends that:

1. In calculating the tax ratios, Council elect the following:

(a) for the purposes of establishing notional tax rates, to exclude the assessment of a property in a property class from the calculation of the total assessment of the properties in that property class if the current value of the property has increased by 100 percent or decreased by 25 percent, in accordance with subsection 2.2(4) of Ontario Regulation 121/07 ("O.Reg. 121/07"); and

(b) subject to receiving the necessary regulation, for the purpose of determining the tax revenue that is used to establish the allowable maximum 2017 revenue limit, to adjust the total assessment for property in a property class so that the assessment does not include changes to the tax roll resulting from eligible assessment-related losses (largely from appeals) from prior years, and advise the Ministry of Finance of this election.

2. Council adopt the 2017 tax ratios shown in Column II for each of the property classes set out below in Column I:

Column I	Column II	Column III
Property Class	2017 Recommended Tax Ratios (before Graduated Tax Rates)	2017 Ending Ratios (after Graduated Tax Rates and Budgetary Levy Increase)
Residential	1.0000000	1.0000000
Multi-Residential	2.7277000	2.6611705
New Multi-Residential	1.0000000	1.0000000
Commercial General	2.8828055	2.8476492
Residual Commercial –Band 1	2.7339614	2.4854894
Residual Commercial –Band 2	2.7339614	2.8476492
Industrial	2.8828055	2.8359305
Pipeline	1.9235639	1.9235638
Farmlands	0.2500000	0.2500000
Managed Forests	0.2500000	0.2500000

3. Subject to receiving the necessary amendment to O.Reg. 121/07 for the 2017 taxation year, Council elect to raise the tax rates on the restricted property classes, as follows:

(i) on the Commercial Property Classes, by one-half of the percentage tax rate increase on the unrestricted property classes (residential, new multi-residential, pipelines, farmlands, and managed forests),

(ii) on the Industrial Property Classes, by one-third of the percentage tax rate increase on the unrestricted property classes (residential, new multi-residential, pipelines, farmlands, and managed forests),

(iii) on the Multi-Residential Property Classes, no tax rate increase.

4. Council continue the previous adoption of two bands of assessment of property in the Residual Commercial property class, for the purposes of facilitating graduated tax rates for the Residual Commercial property class in 2017 as set out in the Enhancing Toronto's Business Climate initiative, and setting such bands of assessment for each band shown in Column II at the amount shown in Column III, and setting the ratio of the tax rates for each band in relation to each other at the ratio shown in Column IV.

Column I	Column II	Column III	Column IV
Property Class	Bands	Portion of Assessment	Ratio of Tax Rate to Each Other
Residual Commercial	Lowest Band 1	Less than or equal to $1,000,000	0.9203402
Residual Commercial	Highest Band 2	Greater than $1,000,000	1.0000000

5.

(a) Council adopt the tax rates set out below in Column V, which rates will raise a local municipal general tax levy for 2017 of $4,087,125,122 inclusive of a 2.0% residential, new multi-residential, pipeline, farmlands and managed forest tax rate increase, a 1.0% commercial tax rate increase, and a 0.67% industrial tax rate increase.

(b) Council adopt the additional tax rates set out below in Column VI, which rates will raise an additional special general tax levy of $14,045,625 dedicated for priority transit and housing capital projects (the "City’s Building Fund levy"), in accordance with Recommendation 1.i. of Budget Committee Report BU30.1 (January 24th, 2017).

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Property Class	2017 Tax Rate for General Local Municipal Levy before Graduated Tax Rates	2017 Tax Rate for General Local Municipal Levy After Graduated Tax Rates	2017 Additional Tax Rate to Fund Budgetary Levy Increase	2017 Municipal Tax Rate (excluding Charity rebates)	2017 Additional Tax Rate to Fund City Building	2017 Municipal Tax Rate Inclusive of City Building Rate (excluding Charity rebates)
				(Column III+IV)		(Column V+VI)
Residential	0.4708753%	0.4708753%	0.0094175%	0.4802928%	0.0023544%	0.4826472%
Multi-Residential	1.2844065%	1.2844065%	0.0000000%	1.2844065%	0.0000000%	1.2844065%
New Multi-Residential	0.4708753%	0.4708753%	0.0094175%	0.4802928%	0.0023544%	0.4826472%
Commercial	1.3574419%	1.3574419%	0.0135744%	1.3710163%	0.0033936%	1.3744099%
Residual Commercial – Band 1	1.2873549%	1.1848045%	0.0118480%	1.1966525%	0.0029620%	1.1996145%
Residual Commercial – Band 2	1.2873549%	1.3574419%	0.0135744%	1.3710163%	0.0033936%	1.3744099%
Industrial	1.3574419%	1.3574419%	0.0090496%	1.3664915%	0.0022624%	1.3687539%
Pipelines	0.9057587%	0.9057587%	0.0181152%	0.9238739%	0.0045288%	0.9284027%
Farmlands	0.1177188%	0.1177188%	0.0023544%	0.1200732%	0.0005886%	0.1206618%
Managed Forests	0.1177188%	0.1177188%	0.0023544%	0.1200732%	0.0005886%	0.1206618%

6. Council determine that the 2017 Non-Program Tax Account for Rebates to Charities in the Commercial and Industrial Property Classes be set in the amount of $5,918,116 to fund the mandatory 2017 property tax rebates to registered charities in the commercial and industrial property classes, which provision is to

be funded, for a net impact on the 2017 operating budget of zero, by the following:

(a) The additional tax rates set out below in Column III be levied as part of the general local municipal levy on the commercial classes set out in Column I and Column II to raise a further additional local municipal tax levy of $5,830,697 to fund the total estimated rebates to registered charities for properties in the commercial classes in 2017.

Column I	Column II	Column III
Commercial Property Classes	Bands	Additional Tax Rate to Fund Rebates to Eligible Charities
Commercial General	Unbanded	0.0058134%
Residual Commercial	Lowest Band	0.0050741%
Residual Commercial	Highest Band	0.0058134%

(b) An additional tax rate of 0.0011028% be levied as part of the general local municipal levy on the industrial class to raise a further additional local municipal tax levy of $87,419 to fund the total estimated rebates to registered charities for properties in the industrial class in 2017.

7. Council determine that for the purposes of the City's Tax Cancellation for Low-Income Persons Program the assessed value criteria for property eligibility be increased to be equal to or less than $850,000 for the 2017 and 2018 tax years, and $975,000 for the 2019 and 2020 tax years.

8. Council direct the Deputy City Manager & Chief Financial Officer to report to Executive Committee at its meeting scheduled for April 19, 2017, or directly to Council or a special meeting of Council if necessary, on the 2017 tax rates for school purposes, the 2017 capping policies, and the 2017 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 2017 'clawback' rates).

9. Council determine that:

(a) the instalment dates for the 2017 final tax bills be set as follows:

(i) The regular instalment dates be July 4, August 1, and September 1 of 2017.

(ii) For taxpayers who are enrolled in the monthly pre-authorized property tax payment program, the instalment dates be July 17, August 15, September 15, October 16, November 15 and December 15 of 2017.

(iii) For taxpayers who are enrolled in the two installment program, the final instalment date be July 4, 2017.

(b) The collection of taxes for 2017, other than those levied under By-law No. 1242-2016 (the interim levy by-law) be authorized.

10. City Council authorize the appropriate officials to take the necessary actions to give effect to Council's decision and authorize the introduction of the necessary bills in Council.

FINANCIAL IMPACT

The tax ratios and rates recommended in this report reflect a number of policy changes recommended by Budget Committee and permitted and/or mandated by recent or pending Provincial regulatory changes. These include:

- allowing one-half of the tax rate increase on the Residential property class to be applied to the Commercial property class (instead of the City's one-third policy)
- a slowing down of the City's tax ratio reduction policy to achieve a business tax ratio target of 2.5-times the residential rate, with a revised target date of 2023 instead of 2020
- a freezing of the tax burden on the Multi-Residential property class for 2017, as mandated by the Province
- making a property tax rate calculation adjustment to adjust the year-end assessment used in the notional property tax rate calculation to offset changes resulting from certain in-year assessment-related changes (i.e. appeals)
- making an adjustment to the notional property tax rate calculation to exclude assessment of a property in the calculation if the current value assessment of the property has increased by greater than 100% or decreased by greater than -25% (i.e. filtering of outliers)

The Budget Committee recommended local municipal general tax levy for 2017 is summarized as follows:

	Property Tax Levy $000's
2016 Levy	3,971.9
Real Assessment Growth during 2016	31.7
2016 Year End Levy	4,003.6
Adjustment for Appeals	6.9
Adjustment for Outliers	20.5

	Property Tax Levy $000's
Total Revenue Adjustments	27.3
2017 General Levy	4,030.94
2017 Budgetary Levy Increase (2%)	56.2
2017 Operating Budget Levy Requirement	4,087.1
2017 City Building Fund (0.5%)	14.0
2017 Total Property Tax Levy Requirement	4,101.2

2017 is the first year of the current reassessment cycle covering the period 2017-2020. The average residential property value has increased from $548,943 in 2016 (January 1, 2012 valuation dated) to $706,178 (January 1, 2016 valuation date), with a phased-in value for 2017 of $587,471. A summary of the 2017 tax impacts on the average residential property, inclusive of reassessment together with the above noted adjustments and budgetary tax increases is as follows:

	Impact on Average Residential Household	
2016 Municipal Tax	2,745	% Impact
CVA/Regulatory Impact (including Appeals/Outliers adjustments)	(3.21)	(0.12%)
Policy Impact	24.90	0.91%
Budgetary Levy Increase	55.33	2.00%
City Building Fund	13.83	0.50%
2017 Municipal Tax	2,835	3.29%

The average impact on the various property classes are as follows:

	Budgetary Increase	City Building Fund	CVA/ Regulatory	Policy	Total
Residential	2.00%	0.50%	-0.12%	0.91%	3.29%
Multi-Residential	0.0%	0.0%	5.52%	-5.52%	0.00%
Commercial Residual	1.00%	0.25%	1.26%	0.92%	3.43%
Commercial Large	1.00%	0.25%	0.01%	0.16%	1.42%
Industrial	0.67%	0.16%	-3.80%	0.15%	-2.82%
City Average	1.39%	0.35%	0.68%	0.00%	2.42%

DECISION HISTORY

In each year, Council must pass a by-law for the purposes of raising the general local municipal levy in an amount Council decides to raise in its budget for that year. The by-law shall establish the tax ratios for that year for the City, and shall specify a separate tax rate on the assessment in each property class in the City rateable for municipal purposes, determined in accordance with legislation and regulations.

The "2016 Property Tax Rates and Related Matters" Report can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX12.1

COMMENTS

This report presents, on a preliminary basis as a result of the 2017 Operating Budget recommended by Budget Committee at its meeting of January 24, 2017, the City's 2017 Tax Ratios, Tax Rates and Levy for municipal purposes.

Council will be considering the City's 2017 Operating Budget and 2017 Tax Levy at a Special Meeting of Council scheduled to be held on February 15 and 16, 2017. Upon conclusion of that meeting and adoption of the City's 2017 Operating Budget, the City Solicitor will introduce a Bill in Council to enact the City's 2017 Tax Ratios, Tax Rates and Levy for City purposes.

In 2016 and 2017, the Province announced a number of changes intended to increase municipal flexibility in setting tax policy. These included:

- a property tax rate calculation adjustment - municipalities have the option to adjust the year-end assessment used in the notional property tax rate calculation to offset changes resulting from certain in-year assessment related changes (i.e. appeals);

- modified levy restriction - continued flexibility to apply a municipal tax increase of one-half or less of the residential increase to the commercial and industrial classes;

- tax ratio flexibility - flexibility to increase ratios to avoid tax shifts that may occur between property classes as a result of reassessment impacts;

- business property tax capping - increased flexibility to accelerate progress to current value assessment (CVA) level taxes, as well as the option to exit or phase-out from the program;

- vacant unit rebate program and reductions for vacant and excess lands - flexibility to tailor the programs to reflect community needs and circumstances, while considering the interests of local businesses.

In addition, the Province announced it would mandate a freeze in municipal tax burden on the Multi-Residential property class for the 2017 tax year, for municipalities whose tax ratio for that class is above 2.0. Toronto's current tax ratio for multi-residential is 2.9, therefore the freeze on multi-residential tax burden will apply in Toronto.

The tax ratios and tax rates recommended in this report incorporate the permissible property tax rate calculation adjustments, an increase in the commercial tax increase to one-half of the residential tax rate increase, and a freezing of the multi-residential tax burden. All of these measures still require Provincial regulations to allow the City to implement them. Accordingly, this Report recommends that these measures be approved subject to receiving the necessary authority. The Province has indicated an intention to have the necessary regulations in place within the next month.

Business tax capping and the vacant rebate programs, which do not directly affect the tax levy, will be the subject of future reports to Council.

Assessment Cycle

The assessment of all property in Ontario is carried out by the Municipal Property Assessment Corporation (MPAC), under the Province's Assessment Act. Reassessments are conducted on a four-year cycle with Current Value Assessment (CVA) increases being phased-in between the four-year periods. 2016 was the last year of the previous assessment cycle reflecting a January 1, 2012 valuation date.

The current reassessment update is for taxation years 2017-2020, with the valuation basis being January 1, 2016. Chart 1 below provides the valuation dates used for each taxation year from 1998 through 2024.

Chart 1: Assessment Cycle

<table>
<tr><td>Taxation Year</td><td>Valuation Date</td><td></td><td></td></tr>
<tr><td>1998, 1999, 2000</td><td>June 30, 1996</td><td></td><td></td></tr>
<tr><td>2001, 2002</td><td>June 30, 1999</td><td></td><td></td></tr>
<tr><td>2003</td><td>June 30, 2001</td><td></td><td></td></tr>
<tr><td>2004,2005</td><td>June 30, 2003</td><td></td><td></td></tr>
<tr><td>2006, 2007, 2008</td><td>January 1, 2005</td><td></td><td></td></tr>
<tr><td>2009, 2010, 2011, 2012</td><td>January 1, 2008</td><td></td><td rowspan="4">Increases phased in over 4 years</td></tr>
<tr><td>2013, 2014, 2015, 2016</td><td>January 1, 2012</td><td></td></tr>
<tr><td>2017, 2018, 2019, 2020</td><td>January 1, 2016</td><td>✓</td></tr>
<tr><td>2021, 2022, 2023, 2024</td><td>January 1, 2020</td><td></td></tr>
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2017 Assessment Changes and Tax shifts

The current reassessment cycle, reflecting a January 1, 2016 valuation date, will apply for the period 2017-2020, with increases phased-in over four years. The average increase in assessment for the City is 30.9%. The residential property class has appreciated 28.6%, which is slightly below the City average. The Multi-residential class has appreciated over 54%, while the Industrial had the lowest appreciation of 19%.

Chart 2: Re-Assessment Changes

Cycle Valuation Date	'09-'12 Jan. 1, 2008	'13-'16 Jan. 1, 2012	'17-'20 Jan. 1, 2016	'17 Phased-in
Residential	22.0%	23.0%	28.6%	7.0%
Multi-Residential	9.3%	23.4%	54.4%	13.1%
Commercial	35.1%	22.1%	33.6%	7.8%
Industrial	41.9%%	18.2%	18.8%	3.3%
City Wide	23.5%	22.8%	30.9%	7.5%

The 2017 phased-in CVA for the residential tax class has on average appreciated by 7.0%. The average assessed value for all residential property types for 2017 taxation is $587,471 as compared to $548,943 for 2016 taxation purposes. Chart 3 summarizes the average CVA values for single family detached, semi-detached, townhome and condominium property types as well as for all residential property types for the 2012 and 2016 valuation dates as well as the phased-in values for and 2017.

Chart 3 - Average CVA Values for Single Family Detached Homes and All Residential Property Types

	2016 (Jan. 1/12 Valuation)	2020 (Jan. 1/16 Valuation)	% Change	2017 Phased-In	2017 Phased – in % Change
Single Family Detached	729,565	973,346	33%	790,248	8.3%
Town Homes	530,710	722,193	36%	578,556	9.0%
Semi Detached	518,512	714,293	38%	567,449	9.4%
Condominiums	369,936	413,843	12%	379,388	3.0%
All Residential	548,943	706,178	29%	587,471	7.0%

In reassessments, tax shifts between properties within a property class will occur – a property which appreciates at a rate greater than the class average will experience an increase in tax burden, and conversely, a property which appreciates at a rate less than the class average will experience a decrease in tax burden.

In a similar way, during reassessments, tax shifts between property classes will also occur – property classes that appreciate at a rate greater than the City-wide average will experience an increase in tax burden, and conversely, property classes that appreciate at a rate less than the City-wide average will experience a decrease in tax burden. Under provincial regulations, the City has the option to reduce the tax ratios for the commercial, industrial and multi-residential classes, which could also cause shifts in tax burden between classes.

2017 Multi-Residential Tax Burden Freeze

As part of the December 2016 Economic Outlook, the government of Ontario expressed concerns about the significantly higher property tax burden for multi-residential apartment buildings and its effect on housing affordability. In response to these concerns, the Province announced it would undertake a review of the property taxation of multi-residential apartment buildings, and in the meantime, make a regulation to freeze the tax burden on this class for 2017. Since the multi-residential class appreciated at rate significantly higher than other classes, in the absence of mitigating action, this class would otherwise experience a significant tax shift increase.

Appeal Loss Adjustment

In 2016, in response to requests by certain municipalities, the Province introduced regulatory amendments that allowed those specified municipalities, for the first time, to include an adjustment for assessment appeal losses from the prior year in the determination of assessment that is used as a starting point to establish the annual maximum property tax levy amount (allowable revenue limit) for the following taxation year.

The adjustment for assessment appeal losses recognizes that reductions in assessment from successful assessment appeals over the course of a year result in property tax reductions. As a consequence, a municipality, once having set tax rates to raise its budgetary requirements, never collects the full amount of the property tax levy due to assessment appeal-related tax reductions that occur after the levy is set – there is an annual shortfall in the amount of property taxes payable and the original tax levy amount. This annual shortfall in tax revenue is compounded each year, and reduces the allowable revenue limit that forms the basis of each subsequent year's levy.

By allowing a municipality to recognize both increases in assessment occurring over the course of a year (from new construction, building improvements, etc.) plus actual assessment appeal losses during the year that reduce taxation revenues, the calculation for assessment growth (used as the starting point in determining a municipality's maximum property tax levy for the following year), is a better estimate of net assessment changes.

In 2016, Toronto saw assessment reductions due to eligible assessment appeals totalling 475.2 million, with associated reductions in 2016 property tax revenues of $6.87 million. This $6.87 million is the shortfall in tax revenue resulting from assessment appeals. By including this total in the determination of net assessment change occurring in 2016, the City's maximum allowable revenue limit (the starting point for determination of 2017 tax rates), is increased by $6.87 million. Including this adjustment ensures that Toronto's allowable revenue limit for 2017 captures the full effect of assessment changes that occurred in 2016.

In order to use the assessment appeal loss adjustment in the calculation of Toronto's notional and final tax rates for 2017, Toronto Council must approve by resolution their intention to have the appeal loss adjustment apply, and the Minister of Finance must pass a regulation affirming its use. This report recommends that Council approve the inclusion of an assessment appeal loss adjustment in the determination of final tax rates for 2017 and to advise the Minister of Finance of this intention.

In addition to this most recent change permitting adjustments to assessment, since 2012 O.Reg. 121/07 has permitted the City, when calculating notional tax rates, to also exclude the assessment of a property in a property class from the calculation of the total assessment of the properties in that property class if the current value of the property has increased by 100 percent or decreased by 25 percent. The intention of this provision is to exclude extraordinary outliers from the calculation of the notional tax rate which could distort true assessment growth for the City. For 2017, this report recommends Council elect to apply this rule in its notional tax rate calculation, and which will result in an additional $20.5 million in revenue for the City in 2017.

Property Tax Assistance for Small Businesses, Commercial and Industrial

Council’s adopted policy commencing in 2006 under the ‘Enhancing Toronto’s Business Climate’ initiative is to reduce the tax ratios for the multi-residential class and the business classes (commercial and industrial) to 2.5-times the residential tax rate by 2020 (a 15 year plan). The plan also provides for an accelerated reduction in tax rates for small businesses, with a target of 2.5-times the residential rate by 2015 (a 10 year plan, instead of the 15 years for the rest of commercial).

Reducing the tax ratios for the multi-residential class and the business classes is accomplished by (i) limiting the budget-related tax increases on these classes to 1/3 of that for the residential class (as opposed to 1/2 mandated through Provincial legislation); and (ii) shifting part of the tax burden from these classes onto the residential class.

For 2017, Budget Committee is recommending allowing one-half of the tax rate increase on the Residential property class to be applied to the Commercial property class (instead of the City's one-third policy). Together with the mandated freeze of the tax burden on the Multi-Residential property class for 2017, these actions will result in a a slowing down of the City's tax ratio reduction policy, with an estimated revised target date of 2023 instead of 2020 to achieve a ratio of 2.5-times the residential rate, as shown in the Chart 4.

Chart 4 – Revised tax Ratio Projections

<table>
<tr><td></td><td colspan="8">Actual</td><td>Projected</td><td></td></tr>
<tr><td></td><td>2009</td><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>Target</td></tr>
<tr><td>Commercial</td><td>3.37</td><td>3.26</td><td rowspan="2">3.23</td><td rowspan="2">3.17</td><td rowspan="2">3.12</td><td rowspan="3">3.07</td><td rowspan="3">3.00</td><td rowspan="3">2.90</td><td>2.85</td><td rowspan="4">2.50</td></tr>
<tr><td>Industrial</td><td>3.55</td><td>3.26</td><td>2.83</td></tr>
<tr><td>Multi-Residential</td><td>3.38</td><td>3.31</td><td>3.31</td><td>3.26</td><td>3.18</td><td>2.66</td></tr>
<tr><td>Small Business</td><td>3.26</td><td>2.97</td><td>2.93</td><td>2.81</td><td>2.76</td><td>2.63</td><td>2.50</td><td>2.50</td><td>2.49</td></tr>
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Property Tax Assistance for Low-Income Seniors and Disabled Persons

The City provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for low-income seniors and low-income disabled homeowners that meet certain eligibility criteria. Under the Tax Increase Cancellation program, eligible homeowners can have their tax increases, whether CVA or budgetary related, cancelled. Under the Tax Increase Deferral program, eligible homeowners can have their tax increases, whether CVA or budgetary related, deferred without interest, and only repayable once they are no longer the homeowner. Chart 5 provides a summary of these programs.

In 2015, City Council enhanced the seniors and disabled tax relief programs by adopting an automatic adjustment of the income criteria in future years based on the City of Toronto rate of inflation (Consumer Price Index "CPI"). Accordingly, the income criteria increased from $38,000 in 2015 to $38,570 in 2016.

In accordance with the above Council decision, and based on the 2016 CPI, all – items for Toronto, of 2.1%, the household income eligibility for the cancelation program in 2017 will be increased to $39,380. The threshold for household income for the deferral program remains at $50,000.

The household CVA value threshold for the Cancellation Program was $715,000 in 2016. Given the CVA appreciation for the current reassessment cycle, it is recommended the household CVA value threshold for 2017 and 2018 be increased to $850,000, and to $975,000 for 2019 and 2020. There is no household CVA value threshold for the Deferral Program.

Chart 5 – Property Tax Assistance for Low-Income Seniors and Low-Income Disabled Persons

	Tax Increase Deferral Program	Tax Increase Cancellation Program
Seniors	Age 65 years or older; or aged 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	Aged 65 years or older or 60-64 years and receiving a Guaranteed Income Supplement(GIS) and/or Spousal Allowance Household income $39,380 or less Property CVA equal to or less than $850,000 for 2017 and 2018.
Disabled Persons	No age requirement receiving support from one or more specified disability programs Household income $50,000 or less	No age requirement Receiving support from one or more specified disability programs Household income $39,380 or less Property CVA equal to or less than $850,000 for 2017 and 2018.

Since the inception of these programs, the City has funded over $9.4 million from its operating budget for the Tax Increase Cancellation Program for the City portion of taxes (an additional $3.8 million in provincial education taxes was also cancelled), and deferred over $6.8 million in tax increases, of which the current receivable to the City is $3.1 million in deferred taxes. There is no interest charged under the Deferral Program.

It should also be noted that for Low-Income Seniors and Low-Income Disabled Persons that are eligible for either of the above property tax assistance programs are also eligible for a rebate on their water bill, so long as their water consumption is less than 400 m3 annually.

Funding Rebates for Registered Charities

Provincial legislation requires that the City must adopt a tax rebate program for Charities located in properties in the commercial or industrial property classes. The tax rebate must be not less than 40%. Regulation also provides that the tax rates and tax ratios for the commercial and industrial classes may be greater than would be allowed in order to fund rebates to charities from within the commercial and industrial classes. The Province funds the education share of the rebates.

For 2017, the City funding requirement based on an estimated 905 applications being processed in 2016 is $5,830,697 from the commercial class and $87,419 from the industrial class.

City Building Fund

At its meeting on January 24, 2017, Budget Committee recommended that City Council approve a special dedicated property tax levy for priority transit and housing capital projects equal to a 0.5 percent residential property tax increase in 2017, with additional 0.5 percent increases in each year from 2018 to 2021.

The 0.5% City Building Fund levy will raise $14.05 million in 2017, and is projected to raise $70 million annually in the fifth year (2021) and thereafter.

Capping and Clawback

The City of Toronto Act, 2006 mandates capping protection which limits CVA-related tax increases on the commercial, industrial and multi-residential classes. The Act provides the City with three capping options, which can be used independently or in any combination, in order to increase progress towards fully implementing CVA taxation. These capping options are: (i) a cap of not less than 5% and not more than 10% of prior years' taxes; (ii) a cap of not less than 5% and not more than 10% of prior years' CVA taxes; (iii) a threshold of up to $500 wherein if a property is within that threshold, it may be moved directly to full CVA taxes; and (iv) removing a property from capping eligibility once it reaches its full-CVA level of taxation.

For 2017, the Province announced additional capping flexibility which includes (i) limiting capping protection only to reassessment related changes prior to 2017; reassessment related increases beginning in 2017 would not be subject to capping; and (ii) allowing a four-year phase-out from the capping program if no capped properties, excluding vacant properties, are beyond 50% of CVA level taxes in a property class. No regulations have been filed to date to provide authority for this flexibility.

The City has previously adopted a cap of 5% of prior years' CVA taxes. The City funds the foregone revenue resulting from the 5% cap by reducing or ‘clawing back’ the decreases that properties facing decreases would otherwise experience.

Staff will be reporting to Executive Committee at its meeting scheduled for April 19, 2017 on the 2017 tax rates for school purposes, the 2017 capping policies, and the 2017 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 2017 'clawback' rates).

A by-law needs to be enacted in each year to identify which capping option applies.

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