

## **2021 Heads and Beds Levy on Institutions**

**Date:** June 18, 2021  
**To:** Executive Committee  
**From:** Controller  
**Wards:** All

### **SUMMARY**

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This report requests Council authority to adopt a by-law to levy amounts for the 2021 taxation year for colleges and universities, public hospitals, and correctional facilities (the "institutions"), estimated at approximately \$19.2 million (annual "Heads and Beds" levy).

If the rates had been increased to reflect increases in the Consumer Price Index in each year from 1987 to 2021 (such that the 2021 rate would be \$156.33 for each full time student, provincially rated bed, or resident place), an additional \$20.8 million in tax revenue would be received in 2021.

### **RECOMMENDATIONS**

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The Controller recommends that:

1. City Council authorize the levy and collection of amounts for the 2021 taxation year on colleges and universities, public hospitals, and correctional facilities as authorized by Section 285 of the City of Toronto Act, 2006 and City Council direct that the maximum prescribed amount of \$75 be applied per provincially rated hospital bed, full time student, or resident place as prescribed by Ontario Regulation 121/07.

### **FINANCIAL IMPACT**

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Estimated revenue of approximately \$19.2 million will be raised through the 2021 levy on institutions. Due to the ongoing COVID-19 pandemic, the capacity figures for public hospitals is based on 2019 data. The levy amount for 2021 is similar to the range of the levy amounts reported for the past three years (2018-2020), which vary from \$18.5 to \$19.2 million, as displayed in Attachment 2 of this report.

Total estimated revenue of \$19.2 million is currently reflected in the Non-Program 2021 Council Approved Operating Budget.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

## **DECISION HISTORY**

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At its meeting held on September 30, October 1 and 2, 2020, City Council, while considering item [EX16.22: "2020 Heads and Beds Levy on Institutions"](#), dated September 4, 2020, adopted the following recommendations:

1. City Council authorize the levy and collection of amounts for the 2020 taxation year on colleges and universities, public hospitals, and correctional facilities as authorized by Section 285 of the City of Toronto Act, 2006, and City Council direct that the maximum prescribed amount of \$75 be applied per provincially rated hospital bed, full time student, or resident place as prescribed by Ontario Regulation 121/07.
2. City Council forward the item to the Premier of Ontario and the Ontario Minister of Finance and request the Province to increase the \$75 levy annually by the rate of inflation.
3. City Council forward the item to the Association of Municipalities of Ontario and Federation of Canadian Municipalities.

## **ISSUE BACKGROUND**

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Section 285 of the City of Toronto Act, 2006 provides the authority for the City of Toronto to pass by-laws to levy amounts payable on colleges and universities, public hospitals, and correctional institutions in an amount not to exceed the prescribed amount.

Section 15 of Ontario Regulation 121/07 made under the *City of Toronto Act, 2006* prescribes a rate of \$75 for each full time student, provincially rated bed, or resident place respectively as determined by the owner Ministry of each facility.

## **COMMENTS**

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The By-law associated with this report provides for levies on institutions in Toronto for 2021. This is an annual levy that applies each year to colleges and universities, public hospitals, and correctional institutions. Since the Ministry of Municipal Affairs and Housing cannot provide the actual figures for public hospitals due to the COVID-19 pandemic, the 2021 levy includes the 2019 hospital capacity figures. The total revenue for all institutions has been calculated to be approximately \$19.2 million.

The Province has indicated that actual capacity figures for public hospitals may be provided to municipalities on an individual basis at a later date, at which point the actual levy will be determined and any adjustments to billings will be issued.

Adopting the By-law at this time will authorize and allow staff to issue and collect the 2021 Heads and Beds tax bills during the summer months. The City of Toronto Act, 2006 provides that the annual amounts are payable by each institution on or after July 1, 2021. Assuming that the City's By-law is enacted by City Council at its meeting of July 14, 2021, it is anticipated that the taxes levied on institutions will be billed over the summer months and will become due and payable on or before September 8, 2021.

### **Council's request for regulatory amendments**

Based on Section 285 of *City of Toronto Act, 2006* and as prescribed by Ontario Regulation 121/07, the City of Toronto levies a maximum of \$75 per provincially rated hospital bed, full time student, or resident place.

In 1970, the fixed rate for universities per full time student was \$25. In 1973, the rate increased to \$50 and included hospitals and provincial correctional facilities and in 1987, the rate increased to its current level of \$75.

As early as 1998, City Council has consistently maintained that the Heads and Beds rate should be increased to a level that reflects what these properties would pay if they were taxed based on current value assessment (CVA) and the applicable tax rates, or at a minimum, that the rates be increased annually to reflect inflation.

In 2001, City Council again recommended that the Heads and Beds rates be increased annually to reflect inflation and that increases to the rate be phased-in over time until these institutions pay the equivalent of property taxes. Council adopted similar recommendations in 2004, 2005 and 2006.

On July 16, 2013, City Council adopted a recommendation that the Province of Ontario enact regulations to prescribe a rate of not less than \$135.29 for each full time student, provincially rated bed, or resident place to the 2013 taxation year, which reflects inflationary increases since 1987 when the current \$75 rate was enacted. In addition, Council approved that the Heads and Beds rate should be adjusted annually in each future year to reflect an average annual inflationary increase. In August 2013, in accordance with Council's July 2013 amended recommendations for the "2013 Heads and Beds Levy on Institutions" report, City staff requested that the Province consider the above noted legislative/regulatory changes in the taxation of these institutions.

Since 2013, City Council has directed that a Heads and Beds Levy on Institutions report be forwarded to the Premier of Ontario and the Minister of Finance, requesting that the \$75 levy be increased annually by the rate of inflation.

To date, the Province has not committed to any review of the legislative or regulatory provisions that govern the levy on provincial institutions

If the rates had been increased to reflect increases in the Consumer Price Index in each year from 1987 to 2021 (such that the 2021 rate would be \$156.33 for each full time student, provincially rated bed, or resident place), an additional \$20.8 million in tax revenue would be received in 2021.

## **CONTACT**

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## **SIGNATURE**

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Andrew Flynn  
Controller

## **ATTACHMENTS**

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Attachment 1 – Letter dated June 22, 2021 from the Ministry of Municipal Affairs and Housing, Municipal Programs and Analytics Branch, regarding the capacity of institutions information to be used for the 2021 payments in lieu calculations

Attachment 2 – Summary of Heads and Beds Levy on Institutions, 2018 - 2021