

City of Toronto

Budget Committee Presentation

2011 Re-assessment Impacts
And 2011 Tax Rates

January 24, 2011

Overview

1. Property Tax Basics
2. 2011 Tax Rate Timelines
3. 2011 Current Value Assessment (CVA) Changes
4. Enhancing Toronto's Business Climate Targets
5. Senior's Tax Assistance

Property Tax Basics

$$\begin{array}{|c|} \hline \text{Municipal Property} \\ \text{Tax Levy } \mathbf{\$3.58 B} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Provincial} \\ \text{Education Property} \\ \text{Tax Levy } \mathbf{\$1.93 B} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total Property} \\ \text{Tax Levy } \mathbf{\$5.51 B} \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \mathbf{CVA} \\ \text{(Current Value Assessment)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Municipal Tax} \\ \text{Rate (} \mathbf{Council} \mathbf{)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Municipal} \\ \text{Property Tax} \\ \hline \end{array}$$

$$\begin{array}{|c|} \hline \mathbf{CVA} \\ \text{(Current Value Assessment)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Education Tax} \\ \text{Rate (} \mathbf{Province} \mathbf{)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Education} \\ \text{Property Tax} \\ \hline \end{array}$$

CVA = Market Value at a specific point in time – Determined by Municipal Property Assessment Corporation (**MPAC**)
2009, 2010, 2011, 2012

Re-assessment Cycle

<u>Taxation Year</u>	<u>Valuation Date</u>	
2009, 2010, 2011, 2012	January 1, 2008	✓
2013, 2014, 2015, 2016	January 1, 2012	

Illustration of 4-year Assessment Increase Phase-In

Property value on January 1, 2008 (2009 tax year)	\$220,000	✓
Property Value on January 1, 2005 (2007 tax year)	<u>\$180,000</u>	
Property value has changed by	\$40,000	÷ by 4 years

<u>Tax year</u>	<u>Phased-In Assessment</u>	
2009	\$190,000	
2010	\$200,000	
2011	\$210,000	✓
2012	\$220,000	

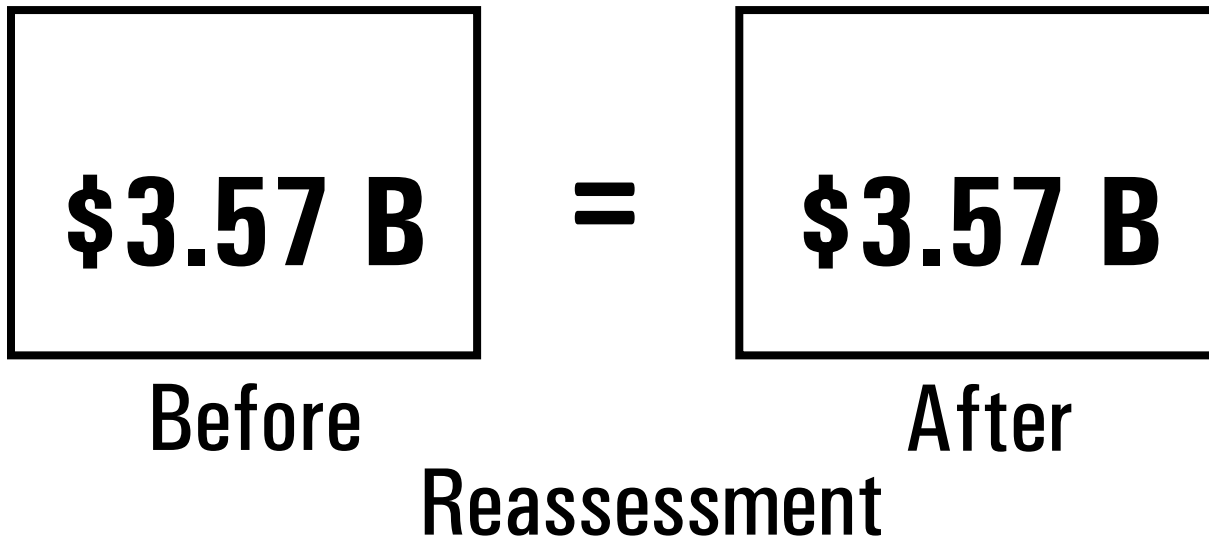
Property Tax Classes

- Prescribed by *Assessment Act*
 - ***Residential*** (*detached, semi's, townhomes, link's, condo's, 2-6 plexes*)
 - ***Multi-Residential*** (*rental containing 7 or more units*)
 - ***Industrial, Pipeline, Farmland, Managed Forests***
 - ***Commercial:***
 - *General (Large Office, Large Shopping, Large Sports, Large Theatres, Parking Lots)*
 - *Residual (neighbourhood retail, hotels, commercial condo's, small and medium offices, and all other commercial not in General)*

2011 Tax Rate Timelines

2011 Municipal Rates	At Operating Budget approval (February 23 rd Council)
2011 Education Rates	Provincial Regulation expected in March
2011 Clawback Rates	Once Municipal and Education Rates established (April 12 th Council)
Final Tax Bills Mailed Out	May 31 st for installments commencing July 1 st

City-Wide Re-assessment is Revenue Neutral Municipal Taxes



Before	Average House	After
\$2,400	427,177	\$2,400

However, tax shifts will occur between properties within a Class, and possibly between property classes arising from tax ratio rules

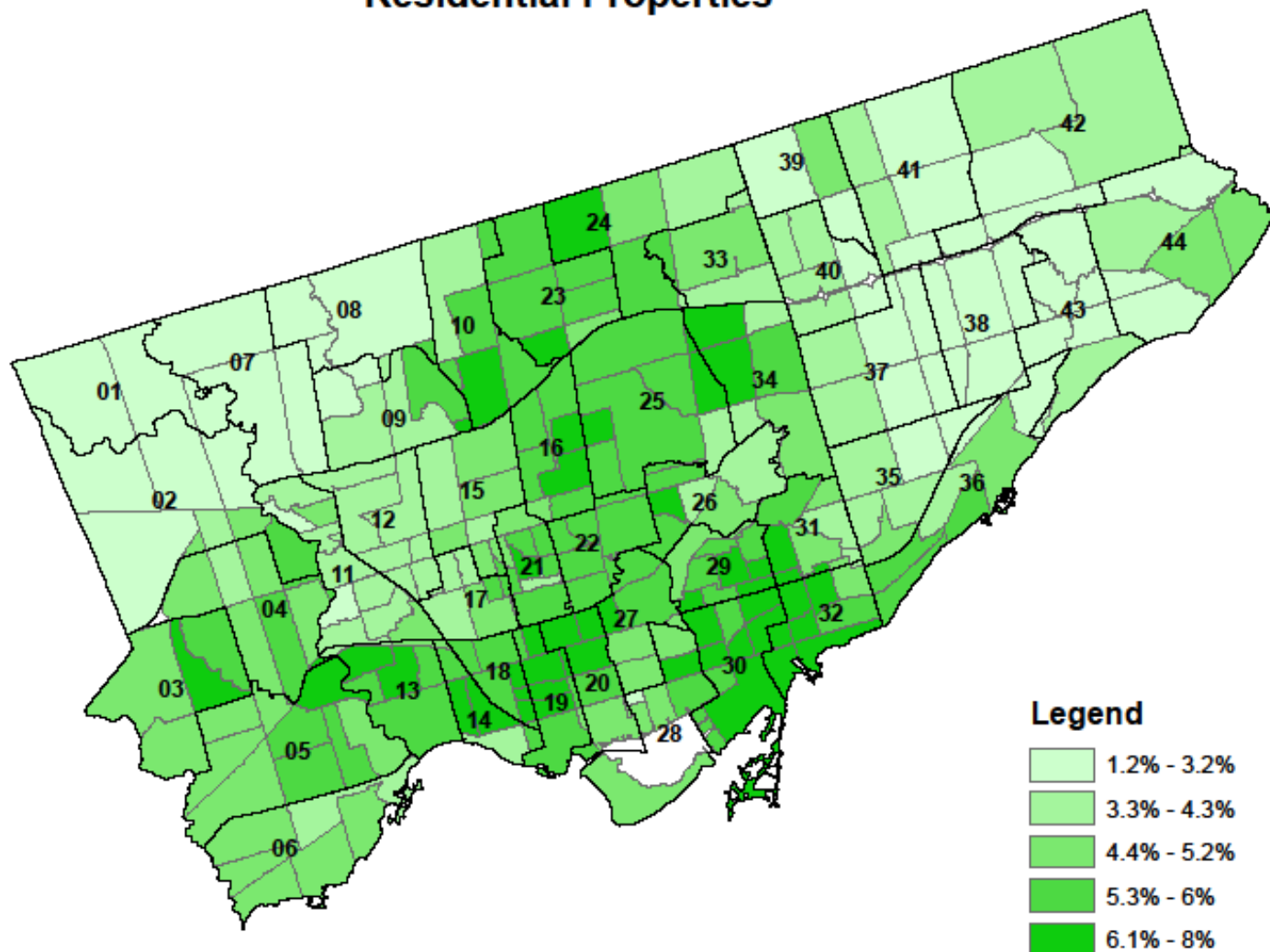
Step 1 – CVA Tax Shifts

- Two types of tax shifts occurring:
 - i) Tax shifts within property class – if res. home appreciated more than 4.9% -> increase in tax burden to home, and visa versa (intra-class)
 - ii) Tax shifts between property classes – commercial and industrial class appreciated more than average 5.3% -> increase in tax burden to entire class, and decrease to res. and multi-res. (inter-class)

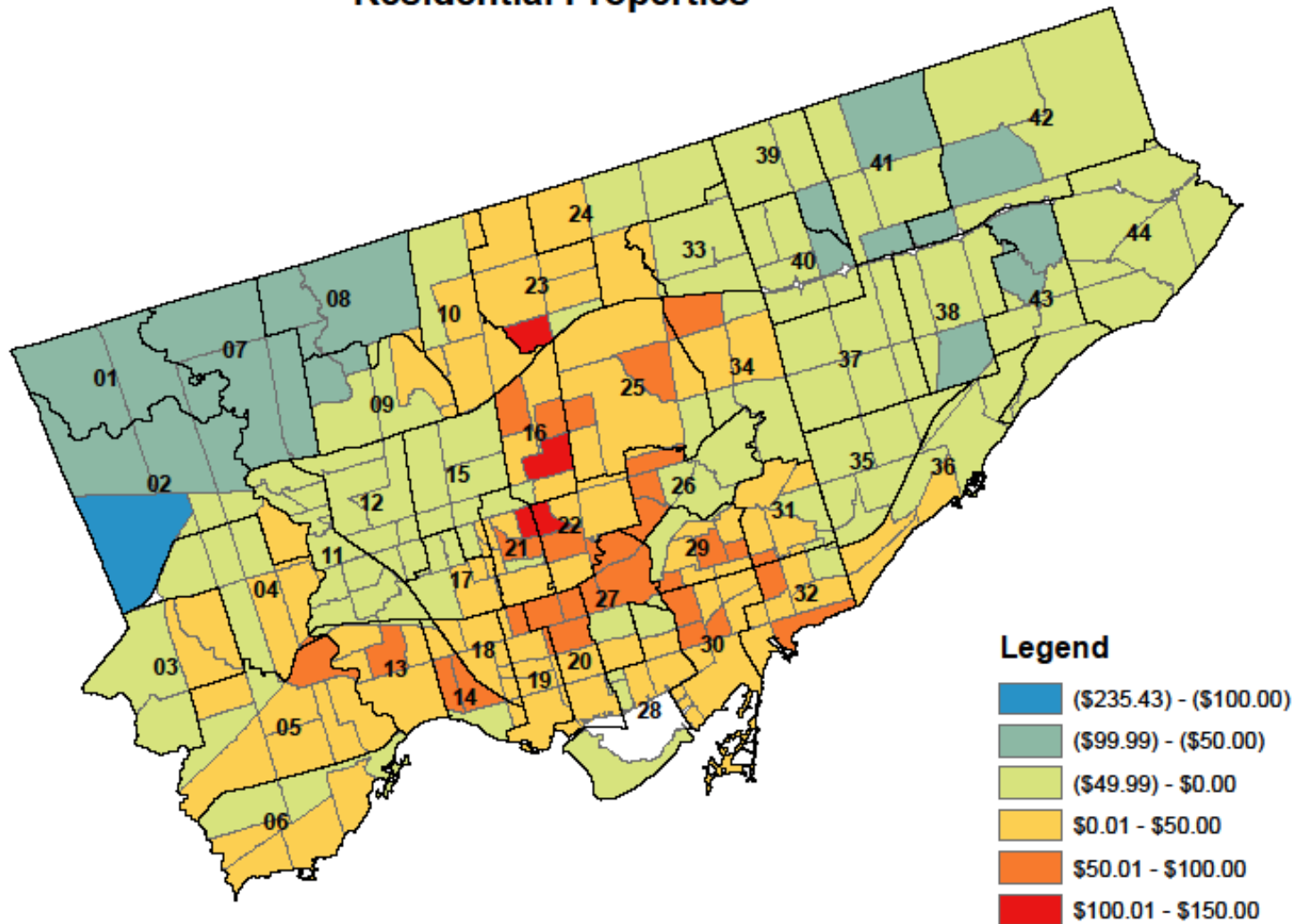
2011 CVA Changes

<u>Property Tax Class</u>	<u>% CVA Change Jan 1/05 – Jan 1/08</u>	<u>% CVA Change for 2011 Taxation</u>
Residential	21.6%	4.9%
Multi-Residential	8.9%	2.3%
New Multi-Residential	10.0%	2.5%
Commercial	35.3%	7.6%
Industrial	42.0%	8.7%
Pipeline	11.8%	2.8%
Farmland	52.6%	10.4%
Managed Forest	45.8%	9.3%
Overall	23.2%	5.3%

2011 Phased-In % CVA Change Residential Properties



2011 Phased-In Average CVA \$ Tax Impact Residential Properties



Number of Properties Facing Tax Increases and Tax Decreases Under CVA Reassessment

(Excludes any Impacts arising from Tax Ratio Shifts and Education Levy Changes)

	Tax Decreases				Tax Increases			
	No. of Properties	% of Properties	Average Tax Impact (%)	Average Tax Impact (\$)	No. of Properties	% of Properties	Average Tax Impact (%)	Average Tax Impact (\$)
2009 Phased-In	365,803	57.4%	-2.2%	(\$61)	272,005	42.6%	+2.1%	+\$82
2010 Phased-In	378,437	58.2%	-1.8%	(\$51)	272,353	41.8%	+1.8%	+\$71
2011 Phased-In	373,279	56.2%	-1.7%	(\$47)	290,885	43.8%	+1.5%	+\$61
Estimated 2012 Phased-In	373,279	56.2%	-1.6%	(\$43)	290,885	43.8%	+1.3%	+\$55

Tax Shifts Between Classes

(Inter-Class Shifts)

	2010 Final Rates	% CVA Change	2011 Notional Rates (before levy & policy changes)	CVA Shift (\$ millions)	
Residential	0.590%	4.9%	0.558%	-10.07	
Multi-Residential	1.955%	2.3%	1.852%	-17.43	(\$27.5)
<i>City Wide</i>		5.3%		0.0	
Commercial Residual (blended)	1.880%	7.9%	1.781%	13.54	
Commercial General	1.926%	7.2%	1.824%	10.55	
Industrial	1.990%	8.7%	1.885%	3.61	+\$27.5
Municipal Tax Levy	\$3.57 B		\$3.57 B		

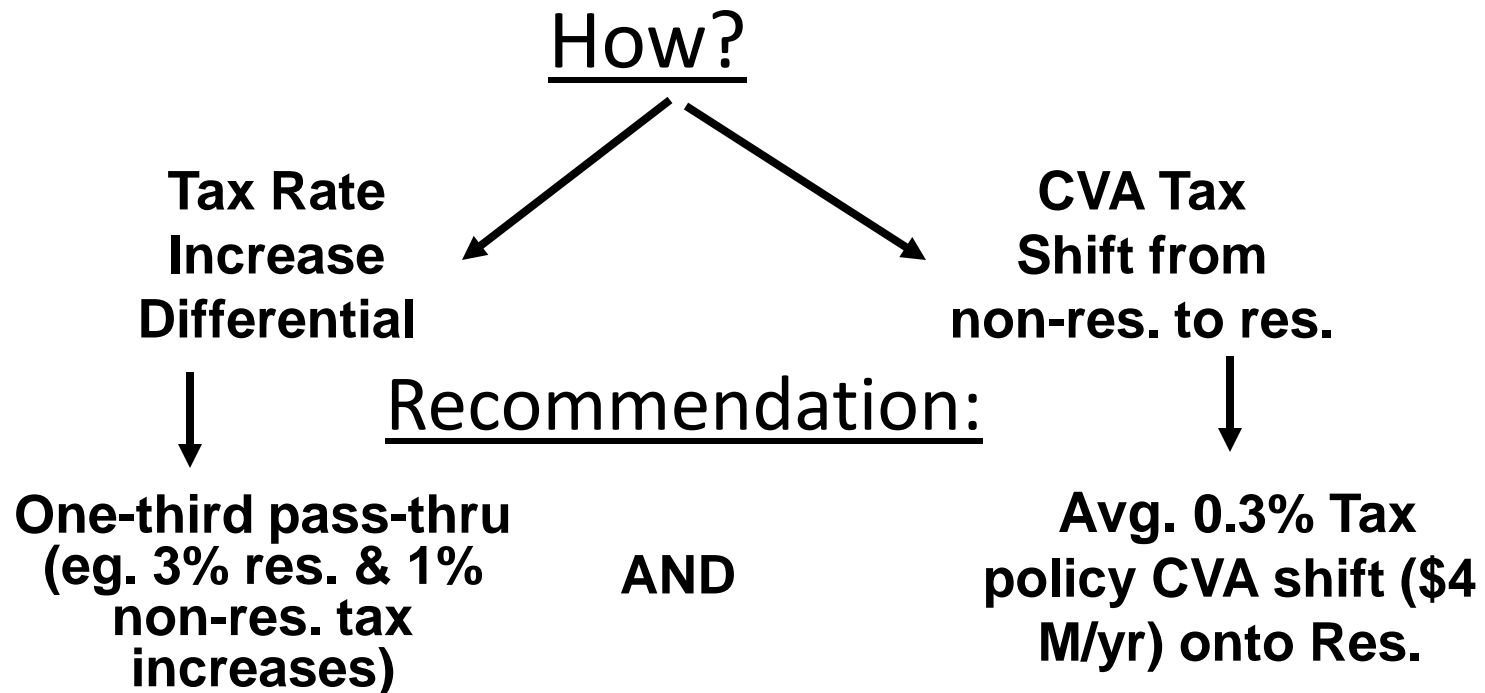
- The further away from city-wide average of 5.3%, the bigger the impact
- Average Residential Inter-class CVA impact is decrease of \$15.16 per hh

Enhancing Toronto's Business Climate – Key Initiatives

- A phased plan for the reduction ratio of in business tax rates to residential rates from the then existing ratio of 3.8 to 4.3 times the residential rate, to 3.0 times by 2015 and 2.5 by 2020
- An accelerated reduction in small business tax ratios to 2.5 times by 2015
- Limiting business tax increases
- Eliminating property tax inequities caused by the capping/clawback system by accelerating properties to their fair full-CVA level of taxation
- From the Province, a reduction in Toronto's business education tax rates phased in by 2014

Addressing imbalance in tax ratios Approach

- Tax Ratio Target → 2.5x residential rate
- Time Frame → 15 years



Enhancing Toronto's Business Climate - Tax Ratio Reduction Initiative

				Rec'd	Projected		
	2006	2009	2010	2011	2012 (est.)	2015 Target	2020 Target
Residential	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Commercial	3.68	3.37	3.26 (vs. 3.38 target)	3.23 (vs. 3.31 target)	3.16	3.00	2.50
Industrial	4.09	3.55					
Multi-Residential	3.63	3.38	3.31 (vs. 3.38 target)	3.31 (vs. 3.31 target)			
Small Business	n/a	3.26	2.97 (vs. 3.15 target)	2.93 (vs. 3.02 target)	2.80	2.50	

Step 2 – Policy Adjustments to Achieve Ratio Targets per Enhancing Toronto’s Bus. Climate

	2011 Max. Ending Ratios Approved in 2005	Required Policy Rate Adjustment	Policy Shift \$ m	2011 Actual Ending Ratios
Residential	1.000	0.00355%	\$10.07	1.000
Multi-Residential	3.316	0.01177%	\$3.43	3.316
Commercial Residual Band 1 (Small)	3.020	-0.08361%	(\$3.19)	3.020
Commercial Residual Band 2	3.316	0.03805%	(\$3.55)	3.237
Commercial General	3.316	-0.00578%	(\$2.19)	3.237
Industrial	3.316	-0.06605%	(\$4.67)	3.237
			\$0	

Summary of 2011 Municipal Tax impacts

(% over 2010 taxes)

Tax Class	Average CVA Impact	Average Policy Impact	Average Levy Impact	Average Total Impact
Residential	-0.63%	0.63%	0.00%	0.00%
Multi-residential (Apartment)	-3.08%	0.62%	0.00%	-2.46%
Small Business Band 1	0.83%	-1.11%	0.00%	-0.28%
Residual Commercial Band 2 (Blended)	2.26%	-1.12%	0.00%	1.13%
Commercial General	1.55%	-0.32%	0.00%	1.23%
Industrial	2.78%	-3.60%	0.00%	-0.82%
City Average	0.00%	0.00%	0.00%	0.00%

NET

0%
Res.

0%
Non-Res.

Business Tax Relief

Year	2006	2007	2008	2009	2010	2011	
	Council Enhancing Toronto's Business Climate policy for one-third of increase to non-residential						
			Council Policy Accelerated Small Business Tax Reduction				
Residential Tax Increase	3.00%	3.80%	3.39%	4.00%	2.90%	0.00%	
Business Tax Increase	1.00%	1.27%	1.13%	1.33%	0.97%	0.00%	Cumulative
Business Tax Relief (\$ M in forgone tax increase revenue)	\$ 36.7	\$ 47.0	\$ 42.5	\$ 51.1	\$ 37.6	\$ 0	\$ 215.0
Additional Small Business Relief			\$ 8.3	\$ 4.9	\$ 14.5	\$ 10.6	\$ 38.3
							\$ 253.3

2011 Municipal Tax Impacts

Tax Class	2010 CVA (Example)	2011 CVA (Example)	2010 Muni. Tax	2011 Final Municipal Tax	Net Municipal Change	
Residential	407,144 (average)	427,177 (average)	\$2,400	\$2,400	(\$0.00)	0.00%
Multi-Residential (Apartments)	97,713	100,000	\$1,911	\$1,864	(\$47)	-2.46%
Small Businesses Band 1	928,678	1,000,000	\$17,018	\$16,970	(\$48)	-0.28%
Residual Commercial Band 2 (Blended)	926,183	1,000,000	\$17,413	\$17,611	\$197	1.13%
Commercial General	932,575	1,000,000	\$17,965	\$18,187	\$222	1.23%
Industrial	921,489	1,000,000	\$18,338	\$18,187	(\$151)	-0.82%

Senior's & Persons with Disabilities Tax Assistance

- Low Income Seniors and Persons with Disabilities:

	Tax Increase Deferral Program	Tax Increase Cancellation Program
Seniors	<ul style="list-style-type: none"> - aged 65 years or older; or 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 	<ul style="list-style-type: none"> - aged 65 years or older; or 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance - household income \$36,000 or less - property CVA \$575,000 or less
Persons With Disabilities	<ul style="list-style-type: none"> - No age requirement - receiving support from one or more specified disability programs - household income \$50,000 or less 	<ul style="list-style-type: none"> - No age requirement - receiving support from one or more specified disability programs - household income \$36,000 or less - property CVA \$575,000 or less

- Water rebate for low income seniors and persons with disabilities

