TORONTO

STAFF REPORT
ACTION REQUIRED

2011 Education Property Tax Rates and 2011 Clawback Rates By-Laws

Date:	April 5, 2011
To:	City Council
From:	Deputy City Manager and Chief Financial Officer
Wards:	All Wards
Reference Number:	P:\2011\Internal Services\Cf\Cc11011cf (AFS #13330)

SUMMARY

This report recommends adoption of the 2011 education tax rates and property tax levy for school purposes for the City of Toronto as is anticipated to be prescribed by the Minister of Finance. This report also recommends the 2011 percentage of the property tax decreases (the 'clawback' rates) required to recover the revenues foregone as a result of the cap limit on CVA-increases for properties in the commercial, industrial and multi-residential property classes, as provided for by legislation.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends to Council that:

1. Subject to the Province making the necessary regulation, the 2011 tax rates for school purposes set out in Column II, which will raise an education tax levy for 2011 of $1,953,197,254, be adopted:

Column I	Column II
Property Class	2010 Tax Rate for Education Levy
Residential	0.231000%
Multi-Residential	0.231000%
New Multi-Residential	0.231000%
Commercial	1.540408%
Commercial (New Construction)	1.330000%
Office Building (New Construction)	1.330000%
Shopping Centre (New Construction)	1.330000%
Industrial	1.565792%

Column I	Column II
Property Class	2010 Tax Rate for Education Levy
Industrial (New Construction)	1.330000%
Pipelines	1.637151%
Farmlands	0.057750%
Managed Forests	0.057750%

2. City Council consider a supplementary report from the Deputy City Manager and Chief Financial Officer, to be submitted directly to City Council at its meeting scheduled for April 12-13, 2011, on enacting a by-law for the 2011 taxation year to reduce tax decreases for the 2011 taxation year on properties in the commercial, industrial and multi-residential property classes in order to recover the revenues foregone as a result of capping for 2011.

Implementation Points

In accordance with various legislative requirements, Council must annually adopt the following three by-laws: (i) the municipal levy by-law; (ii) the education levy by-law; and (iii) the claw-back rate by-law. These three 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 February 23 and 24, 2011, adopted the 2011 Operating Budget, and hence the municipal tax rates arising from such budgetary property tax levy requirement. On January 31, 2011, the Province's Deputy Minister of Finance transmitted a letter to the City Treasurer to provide the draft 2011 education tax rates for the City of Toronto. Provincial staff have advised that the Regulation establishing these rates will be filed around the first week of April 2011. With both these rates established, staff are now in a position to calculate the 2011 clawback rates, and the necessary by-laws will be prepared for adoption by Council at its meeting scheduled for April 12 and 13, 2011.

Financial Impact

There is no direct financial implication to the City of Toronto arising from education tax rates in Recommendation 1. 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 2011 education levy on Toronto is $1,953,197,254. The average household assessed at $427,177 in 2011 will pay an education tax bill of $986.78.

There is also no direct financial implication to the City of Toronto arising from adoption of the Clawback Rates. 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

City Council, at its meeting of February 23 and 24, 2011, adopted the 2011 Operating Budget, and hence the municipal tax rates arising from such budgetary property tax levy requirement. Because the 2011 Education Tax Rates were not available at the time of adoption of the City's tax rates, staff advised that the Deputy City Manager and Chief Financial Officer would report directly to Council at its meeting scheduled for April 12 and 13, 2011, on the 2011 education tax rates, and on the 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 2011 'clawback' rates). That report can be viewed at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.EX3.5

COMMENTS

2011 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. Although the necessary regulation had not been filed at the time of writing this report, the Deputy Minister of Finance has advised of his intent to file a regulation based on these rates. On this basis, Chart 1 below provides the anticipated 2011 education tax rates and levies for Toronto. The 2011 Education levy is $1,953,197,254.

Chart 1 – 2010 Education Tax Rates

Column I	Column II	Column III
Property Class	2011 Education Tax Rate	2011 Education Levy
Residential	0.231000%	655,510,497
Multi-Residential	0.231000%	68,516,034
New Multi-Residential	0.231000%	1,705,660
Commercial	1.540408%	1,105,230,863
Commercial (New Construction)	1.330000%	3,801,136
Office Building (New Construction)	1.330000%	2,216,646
Shopping Centre (New Construction)	1.330000%	940,230
Industrial	1.565792%	110,609,419
Industrial (New Construction)	1.330000%	162,944
Pipelines	1.637151%	4,493,770
Farmlands	0.057750%	8,700
Managed Forests	0.057750%	1,356
Total Education Levy		**1,953,197,254**

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. Legislation also provides for properties which reach their CVA-level of taxation to remain at CVA taxation and be excluded from future capping or clawback due to future CVA reassessment changes.

The 2011 Clawback Rates will be reported directly to Council at its meeting scheduled for April 12-13, 2011. These clawback rates are calculated immediately in advance of the April Council meeting so that they may reflect the most current information contained in the tax system, including the processing of all assessment appeals on hand at that time.

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SIGNATURE

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