

# City of Toronto

Budget Committee Presentation

2013 Re-assessment Impacts  
and Tax Policy Options

December 17, 2012

# Presentation Outline

1. Background – Property Tax & Assessment
2. 2013 Current Value Assessment (CVA) Changes
3. Council's Approved Tax Policy
  - Enhancing Toronto's Business Climate Targets
4. 2013 Tax Rate Timelines

# Background

# Property Tax Basics

$$\begin{array}{|c|} \hline \text{Municipal Property} \\ \text{Tax Levy } \$3.69 \text{ B} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Provincial} \\ \text{Education Property} \\ \text{Tax Levy } \$1.95 \text{ B} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Total Property} \\ \text{Tax Levy } \$5.64 \text{ B} \\ \hline \end{array}$$

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

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

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

# Re-assessment Cycle

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

✓

## Illustration of 4-year Assessment Increase Phase-In

Property value on January 1, 2012	\$550,000
Property Value on January 1, 2008 for 2012 tax year	<u>\$448,000</u>
Property value has changed by	\$102,000 ÷ by 4 years

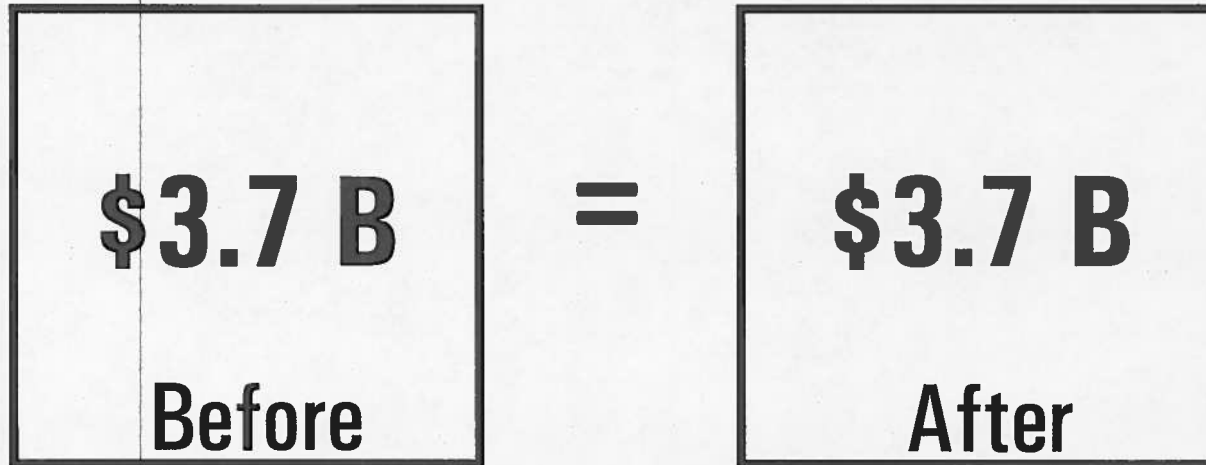
<u>Tax year</u>	<u>Phased-In Assessment</u>
<b>2013</b>	<b>\$473,500</b> ✓
2014	\$499,000
2015	\$524,500
2016	\$550,000

# Property Tax Classes

Prescribed by *Assessment Act*:

- **Residential** (*detached, semi's, town-homes, condo's, etc.*)
- **Multi-Residential & New Multi-Residential** (*rental containing 7 or more units*)
- **Industrial**
- **Commercial:**
  - **General** (*Large Office, Large Shopping, Large Sports, Large Theatres, Parking Lots*)
  - **Residual** (*neighbourhood retail, hotels, commercial condo's, small & medium offices, all other commercial not in General*)
- **Pipeline, Farmland, Managed Forests**

# City-Wide Re-assessment is Revenue Neutral Municipal Taxes



## Reassessment

Before	Average House	After
\$2,470	474,368	\$2,470

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

# Executive Summary

## CVA Reassessment Impacts

1. **CVA -Tax shifts between properties within a class (Legislative Requirement)**
  - If appreciate faster than class average, increase in tax burden, and vice versa. (e.g. Res. average increase 5.7%)
- + 2. **CVA -Tax shifts between property classes (Legislative Requirement)**
  - If appreciate faster than city-wide average, increase in tax burden, and vice versa. (e.g. Res. +5.7%, Com. +5.2%)
- + 3. **Policy tax shift – Enhancing Bus. Climate (City discretion)**
  - Shift from Non-Res. onto Res. to achieve tax ratio reduction targets, per Council direction.

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- + 4. **Budgetary tax increase (City discretion)**

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- = **Total Impact on property owner (CVA + Budget)**

*No New Revenue to City*



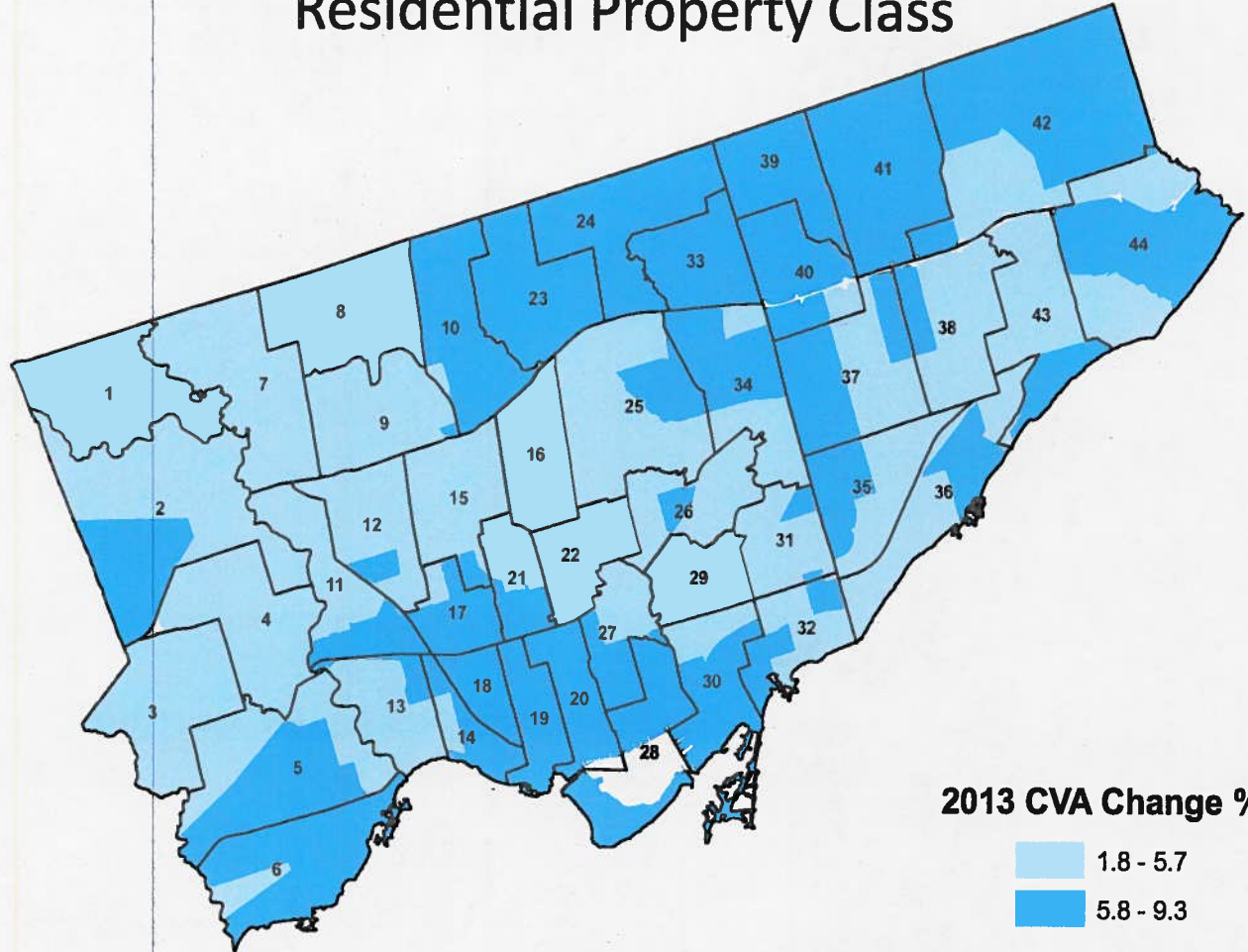
# CVA Update / Re-Assessment for 2013 to 2016 Tax Years

# 2013 CVA Changes

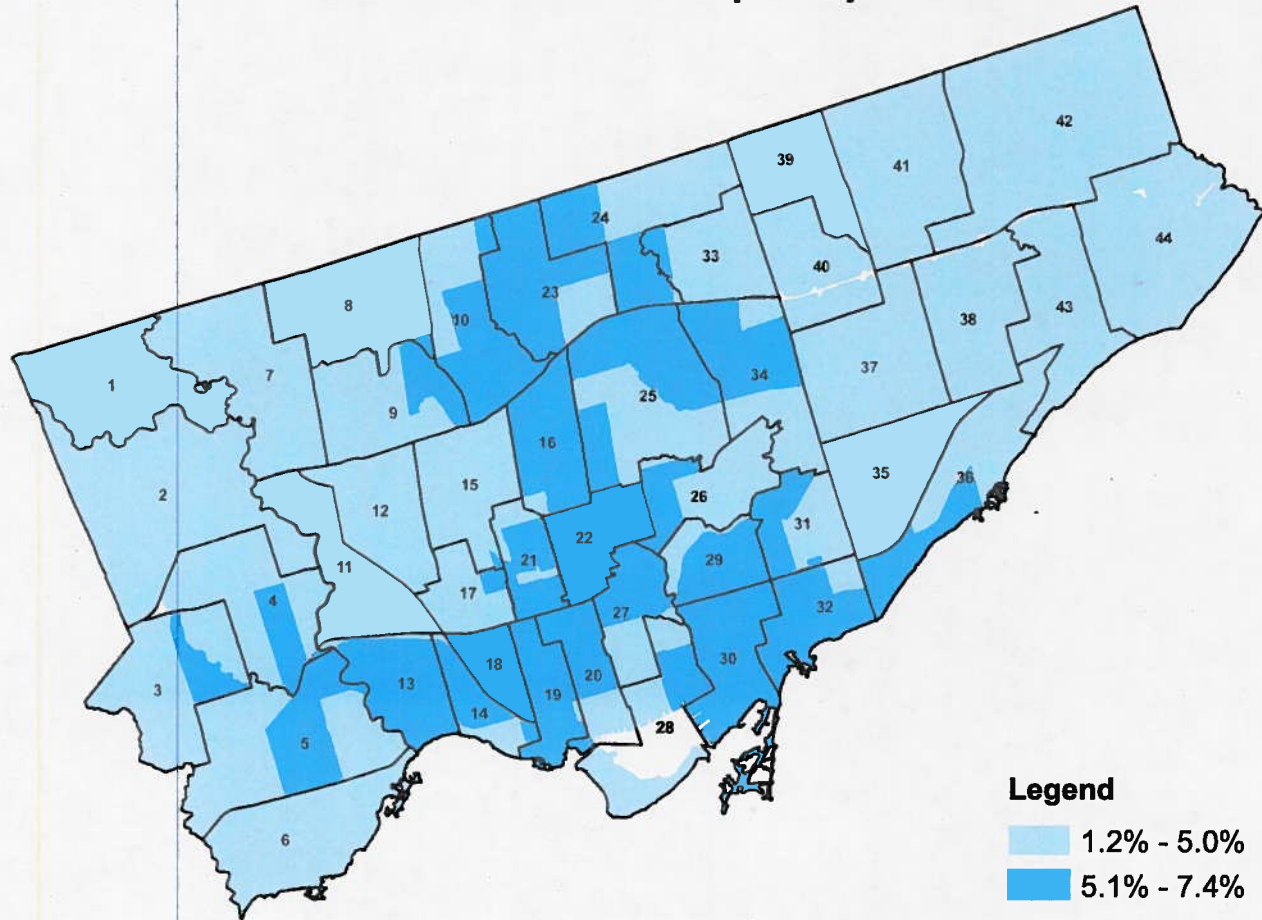
## % CVA Change

<u>Property Tax Class</u>	<u>Jan 1/08 – Jan 1/12</u>	<u>2013 Taxation (Annual)</u>
<b>Residential</b>	<b>23.0%</b>	<b>5.7%</b>
Multi-Residential	23.4%	5.7%
Commercial	22.1%	5.2%
Industrial	<u>18.2%</u>	<u>4.3%</u>
<b>Overall</b>	<b>22.8%</b>	<b>5.6%</b>

# 2013 Average Phased in CVA Change (Annual) Residential Property Class



# 2012 Average Phased in CVA Change (Annual) Residential Property Class



### Legend

- 1.2% - 5.0%
- 5.1% - 7.4%

# 1. CVA -Tax shifts between properties within a class (Residential)

	No. Properties	% of Properties	\$ Tax Impact (municipal)*	% Tax Impact
Facing Increases	357,374	51.6%	\$45.76	1.97%
Facing Decreases	335,437	48.4%	(\$48.75)	-1.86%
All Residential	692,811	100%	\$0	0%

2013 Average Residential CVA = \$474,368  
 Average Municipal Tax \$2,470

## 2. CVA -Tax shifts between property classes

2013 CVA Changes (preliminary)

<u>Property Tax Class</u>	<u>% CVA Change Jan 1/08 – Jan 1/12</u>	<u>% CVA Change for 2013 Taxation</u>	<u>CVA Re-Assessment Tax Impact (Based on Current Tax Ratios) \$M's</u>	<u>CVA Tax Impact %</u>
<b>Residential</b>	<b>23.0%</b>	<b>5.7%</b>	<b>3.6</b>	<b>0.21%</b>
Multi-Residential	23.4%	5.7%	1.3	0.26%
Commercial	22.1%	5.2%	(3.5)	-0.26%
Industrial	<u>18.2%</u>	<u>4.3%</u>	<u>(1.4)</u>	<u>-1.12%</u>
<b>Overall</b>	<b>22.8%</b>	<b>5.6%</b>	<b>-</b>	<b>0.00%</b>

CVA- Shift  
between classes



# 3. Policy Tax Shifts

Addressing imbalance in tax ratios - Approach

- Tax Ratio Target → 2.5x residential rate
- Time Frame → 15 years (by 2020)

How?

**Budgetary Tax Rate  
Increase  
Differential**



**One-third pass-thru  
(eg. 3% res. & 1%  
non-res. tax  
increases)**

**AND**

**CVA Tax  
Shift from  
non-res. to res.**



**Avg. 0.3% Tax policy  
CVA shift (\$4 M/yr)  
onto Res.**

# Enhancing Toronto's Business Climate

## Tax Ratio Reduction Initiative

		Actual				Projected	Target		
	2006	2009	2010	2011	2012	2013	2014	2015	2020
<b>Residential</b>	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>Commercial</b>	3.68	3.37	3.26	3.23	3.17 (vs. 3.23 target)	3.12 (vs. 3.15 target)	3.08	3.00	2.50
<b>Industrial</b>	4.09	3.55							
<b>Multi-Residential</b>	3.63	3.38	3.31	3.31	3.26 (vs. 3.23 target)	3.18 (vs. 3.15 target)			
<b>Small Business</b>	n/a	3.26	2.97	2.93	2.81 (vs. 2.89 target)	2.76	2.63	2.50	



## Summary of 2013 Municipal Tax impacts – 1.95% Scenario (% over 2012 taxes)

Tax Class	Average CVA Impact	Average Policy Impact	Average Levy Impact	Average Total Impact	
Residential	0.21%	0.30%	1.95%	2.46%	} 2.46% Res.
Multi-residential (Apartment)	0.26%	-0.92%	0.65%	0.00%	
Commercial	0.22%	-0.48%	0.65%	0.39%	} 0.20% Non-Res.
Commercial Large*	-0.69%	0.29%	0.65%	0.25%	
Industrial	-1.12%	0.28%	0.65%	-0.18%	
<b>City Average</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.26%</b>	<b>1.26%</b>	

\*Commercial Large includes: office buildings >25,000 ft<sup>2</sup>; shopping centres >25,000 ft<sup>2</sup>; parking lots; professional sports facilities.

# Impact of CVA, Policy and Levy on Average\* Residential Home (preliminary)

**Budgetary 1.95% Residential Tax Increase & 0.65% Non-Res. Increase**

	Impact on Average Residential Household	
	%	\$ Per Household*
CVA-Shift between Residential Properties	0.00%	\$0.00
CVA-Shift and Policy Shift between Property Classes	0.51%	\$12.43
Budgetary Levy Increase (Res.*)	1.95%	\$48.41
<b>Average Net Impact on Homeowner</b>	<b>2.46%</b>	<b>\$60.84</b>

2012 Tax = \$2,470 (municipal)

*No New Revenue to City*

2013 Tax = \$2,531

\*Average House Assessed at \$474,368

# 2013 Tax Bill Images

## Explanation of Tax Change 2012 to 2013

Final 2012 Levies	Final 2013 Levies
₹ \$ 3,462.04	₹ \$ 3,522.88
<b>Total Year Over Year Change</b>	
₹ 60.84	

## Explanation of Tax Changes

Final 2012 Levies	\$ 3,462.04
*2012 Annualized Taxes	\$ 3,462.04
2013 Local Municipal Levy Change	\$ 48.41
2013 Provincial Education Levy Change	\$ 0.00
2013 Tax Change due to Reassessment	\$ 12.43
**Final 2013 Levies	\$ 3,522.88

\* An annualized tax figure is used in this analysis to compensate for mid-year adjustments in tax treatment or assessment value. If a property did not have any mid-year adjustments, the annualized taxes should equal the Final 2012 Levies listed above.

\*\* Final Levy amount applies only to the property or portion(s) of property referred to in this notice and may not include some special charges or credit amounts.

# 2013 Tax Rate Timelines

2013 Municipal Rates	At Operating Budget approval (January 17 <sup>th</sup> Council)
2013 Education Rates	Provincial Regulation expected in March 2013
2013 Clawback Rates	Once Municipal and Education Rates established (April 3 <sup>rd</sup> Council)
Final Tax Bills Mailed Out	May 31 <sup>st</sup> for installments commencing July 1 <sup>st</sup>



Corporate Finance