



Appendix A: 2023 Property Tax Rates and Related Matters

SUMMARY

This report recommends the 2023 municipal tax ratios and tax rates arising from the concurrent consideration of the Mayor's proposed 2023 Tax Supported Operating and Capital Budgets for the City of Toronto.

For 2023, an overall average budgetary tax rate increase of 4.38 per cent as shown below in Table 1, which includes an inflationary increase of 5.50 per cent for residential and industrial properties, and 2.75 per cent increase for commercial and multi-residential properties is recommended to raise the tax revenue set out in the Mayor's proposed 2023 budget. The report also recommends the adoption of an incremental increase of 1.5 per cent to the City Building Fund (CBF) Levy for residential and industrial properties, and a 0.75 per cent increase in the CBF Levy for commercial and multi-residential properties.

Table 1: 2023 Recommended Property Tax Increases

Property Class	2023 Tax Rate Increase for Operating Budget	2023 City Building Fund Tax Rate Increase	2023 Total Tax Rate Increase
Residential, New Multi-Residential, Farmland, Managed Forest, and Pipelines	5.50%	1.50%	7.00%
Multi- Residential	2.75%	0.75%	3.50%
Commercial	2.75%	0.75%	3.50%
Industrial	5.50%	1.50%	7.00%
Total Tax Rate Increase	4.38%	1.20%	5.58%

As the next province-wide reassessment has been postponed by the Province, property assessments in 2023 will reflect the assessment valuation date of January 1, 2016.

FINANCIAL IMPACT

The tax ratios and rates recommended in this report reflect tax policy decisions *previously adopted by City Council* as permitted and/or mandated by recent Provincial regulatory changes, including:

- one-half of the tax rate increase on the Residential property class to be applied to the Commercial and Multi-residential property classes;
- the full tax rate increase on the Residential property class to be applied to the Industrial property class;
- making a property tax rate calculation adjustment to reflect 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. adjustment for appeals)

The recommended total municipal tax levy for 2023 is summarized in Table 2:

Table 2: 2023 Municipal Tax Levy

	Property Tax Levy (\$ millions)
2022 Levy	4,878.8
Traditional Assessment Growth during 2022	39.11
Adjustment for Appeals	7.84
2023 General Levy	4,925.75
2022 Budgetary Levy Increase (5.5%)	215.93
2023 Municipal Levy before CBF	5,141.68
2023 City Building Fund (1.5%)	58.89
2023 Total Municipal Tax Levy	5,200.57

As a result of the postponement of the planned property tax reassessment by the Province, assessments for the 2023 taxation year continue to be based on the January 1, 2016 valuation date, with the same current assessment value that was in effect for the 2022, 2021 and 2020 taxation years, unless there was a change to the assessed value or tax classification. The average residential property value for tax assessment purposes for 2023 is \$695,268.

A summary of the 2023 tax impacts on the average residential property, with the above noted adjustments and budgetary tax increases is as follows in Table 3:

Table 3: Impact of Budgetary Levy and City Building Fund Increases in 2023 for an Average Home (assessed value of \$695,268)

	Impact on Average Residential Household	
2023 Starting Municipal Tax*	\$3,335	% Impact
Budgetary Levy Increase	\$183	5.5%
City Building Fund	\$50	1.5%
2023 Municipal Tax	\$ 3,569	7.0%

* The 2023 starting municipal tax amount includes an appeal adjustment impact of 0.16%.

The average 2023 impact on the various property classes are as follows in Table 4:

Table 4: 2023 Average Tax Impact by Property Class

	Assessment Appeals Adjustment Impact	Budgetary Levy Increase	City Building Fund	Total Recommended Budgetary and CBF Increases	Total Combined Tax Increase Impacts
Residential	0.16%	5.50%	1.50%	7.00%	7.16%
Multi-Residential	0.16%	2.75%	0.75%	3.50%	3.66%
Commercial	0.16%	2.75%	0.75%	3.50%	3.66%
Industrial	0.16%	5.50%	1.50%	7.00%	7.16%
City Average	0.16%	4.38%	1.20%	5.58%	5.74%

DECISION HISTORY

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 2022 Property Tax Rates and Related Matters Report can be viewed at:
Item EX30.1: <https://secure.toronto.ca/council/agenda-item.do?item=2022.EX30.1>

On November 9, 2021 City Council adopted a small business tax subclass for the commercial property tax class, approved the subclass eligibility criteria, the process to approve the inclusion of properties in the subclass, as well as a tax rate reduction for the subclass of 15 percent of the commercial property tax rate.

Item EX27.7: <https://secure.toronto.ca/council/agenda-item.do?item=2021.EX27.7>

On December 17, 2019 City Council adopted an increase to the City Building Levy by adding 1 percent in 2020 and 2021 to the existing 0.5 percent increment, and an additional 1.5 percent annually from 2022-2025, inclusively.

Item EX11.26: <https://secure.toronto.ca/council/agenda-item.do?item=2019.EX11.26>

COMMENTS

Council will be considering the Mayor's proposed 2023 Operating Budget and the corresponding 2023 Tax Levy at a Special Meeting of Council scheduled to be held on February 14, 2023. At the end of the budget process as outlined in Bill 3, City Council is required to levy the tax rates to raise the amount of tax revenue approved in the budget by enacting a municipal tax levy by-law.

This report recommends, on a preliminary basis concurrent with the 2023 Operating Budget proposed by the Mayor on January 10, 2023, the City's 2023 Tax Ratios, Tax Rates and Levy for municipal purposes. If the Mayor's proposed budget is amended at Council so as to affect the revenue to be raised from property taxes, the tax rates recommended in this report will have to be adjusted accordingly.

Various tax policy decision are also required to be made by Council, including setting tax ratios in accordance with the statutory requirements.

The Province stipulates restrictions on tax levy increases for tax classes for which tax ratios are above the Provincial threshold. The commercial tax class is the only remaining tax class with a tax ratio above the Provincial threshold in 2023 and subject to a restriction of up to one-half of the residential tax rate increase.

Toronto's 2023 tax ratio for the multi-residential tax class is 1.96, which is below the Provincial threshold of 2.0 for the first time, and as a result, the multi-residential tax class is not subject to any municipal levy restrictions in 2023, and the full levy increase can be applied to the class. In order to mitigate the impact of transitioning from a restricted tax class with mandated freeze in municipal tax burden since 2017, to a tax class without mandated levy increase restrictions, this report recommends half of the residential increase to be applied to the multi-residential properties.

The tax ratios and tax rates recommended in this report incorporate up to the permissible property tax rate calculation adjustments, an increase in the commercial and multi-residential tax rate of one-half of the residential tax rate increase, and full increase in the industrial tax rate.

Assessment Cycle and Changes

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 in equal increments in each year of the four year phase-in period. The current reassessment cycle, reflecting a January 1, 2016 valuation date, was intended to apply for the period 2017 - 2020, with increases phased-in over each year of the four-year cycle. 2020 was the last year of the phase-in, and prior to COVID-19, 2021 was intended to be the first year of the new reassessment cycle.

In view of the unique and unforeseen challenges that all municipalities, residents, and businesses faced as a result of the COVID-19 pandemic, the Provincial government postponed the 2021 reassessment. The Province has not yet announced the timing for the next reassessment cycle or the effective valuation date.

Since the reassessment was postponed by the Province, property assessments in 2023 reflect the same assessment values as 2020 based on the January 1, 2016 valuation date, unless the property experienced changes that affected the assessed value (e.g. renovations, improvements, or demolitions), with no assessment related changes and corresponding tax shifts in 2023.

Table 5 below provides the valuation dates used for each taxation year since the four-year cycle was introduced in 2008.

Table 5: Assessment Cycle

Taxation Year	Valuation Date		
2009, 2010, 2011, 2012	January 1, 2008		Increases phased in over 4 years
2013, 2014, 2015, 2016	January 1, 2012		
2017, 2018, 2019, 2020, 2021, 2022, 2023	January 1, 2016	✓	

Assessment Adjustments

Assessment Appeal Loss Adjustments

In 2016, the Province introduced regulatory amendments that allowed municipalities 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.

By recognizing increases in assessment growth 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 City more accurately captures the full effect of assessment changes that occurred during the year. Those assessment changes are used in calculating the notional rates and determining a municipality's allowable revenue limit for the following year.

Toronto City Council has elected to apply the adjustment for assessment appeal losses for every year starting in the 2017 taxation year. For 2023, the total assessment value attributable to assessment appeal changes is \$741.7 million, which, when factored in to the calculation of notional tax rates, will result in an adjustment totalling \$7.84 million in the allowable starting revenue limit for 2023. This equates to an impact of approximately \$5 for the average home in 2023, or 0.16%, which is comparable to the impact in 2022.

In order to use the assessment appeal loss adjustment in the calculation of Toronto's notional and final tax rates for 2023, Toronto City Council must pass a by-law stipulating its decision to apply the appeal loss adjustment. This report recommends that Council approve the inclusion of an assessment appeal loss adjustment in the determination of the final tax rates for 2023.

Small Business Subclass

On November 9, 2021, City Council adopted the recommendations in Item [EX27.7](#): Implementing a Small Business Property Tax Subclass which included the implementation of a small business tax subclass for the commercial property tax class with a rate reduction of 15 percent of the commercial property tax rate.

Approximately 29,000 commercial properties have been identified as meeting the eligibility criteria for the small business subclass, as approved by City Council, and will receive a 15% reduction as compared to the commercial general rate in 2023. The Province has announced that they will provide a corresponding rate reduction in the education tax rate for these properties.

Property Tax Ratio Policy for Business Tax Classes

In 2005, Council adopted a policy under the 'Enhancing Toronto's Business Climate' initiative to reduce the tax ratios for the commercial, industrial and multi-residential tax classes to 2.5-times the residential tax rate by 2020 (a 15-year plan). The plan also provided for an accelerated reduction in tax rates for small businesses, with a ratio target of 2.5-times the residential rate by 2015.

The small business target tax ratio of 2.5 was achieved in 2015 through graduated tax rates, according to the plan, and has further decreased since then.

In 2017, the Province announced a freeze of municipal tax burdens for the multi-residential property tax class, where the tax ratio is above 2.0 in a municipality. This freeze has subsequently been extended to apply for each following year, including 2022, and resulted in accelerated reduction of the multi-residential tax ratio, achieving City Council target ratio of 2.5 in 2018. In 2023, the ratio also dropped below the

Provincial threshold of 2.0 and the multi-residential tax class is not subject to the legislated tax freeze restrictions any more.

Since 2017, City Council has adopted a commercial class tax rate increase of one-half of the residential tax rate increase (vs one-third in previous years). These actions resulted in slowing down the City's tax ratio reduction plan for the commercial and industrial property classes, with an estimated revised target date of 2023. In 2023, the commercial ending ratio is projected at 2.49 which achieves City Council target ratio of 2.5 for the commercial tax class.

The industrial ending ratio in 2023 is projected at 2.51 and is expected that industrial ratio will reach the 2.5 target in 2024.

Table 7 below shows the ratio reduction progress since 2014 and the outstanding Council target ratio of 2.5 to be achieved for the industrial tax class in 2024. The last column shows the Provincial threshold ratios, which define tax classes the restricted (allowed only 1/2 levy increase or freeze for multi-residential) when ratios are above the threshold.

Table 7: Tax Ratio Projections

Tax Class	Actual										Proj.	Council Target	Prov. Thres-hold
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023			
Commercial				2.85	2.81	2.74	2.65	2.61	2.58	2.497		1.98	
Industrial	3.07	3.00	2.90	2.83	2.76	2.71	2.62	2.59	2.51	2.513	2.50	2.63	
Multi-Residential				2.66	2.46	2.28	2.10	2.05	1.96	1.899			
Small Business	2.63	2.50	2.50	2.49	2.44	2.43	2.43	2.43	2.19	2.12			

Property Tax Assistance for Low-Income Seniors and People with Disabilities

The City provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for low-income seniors and low-income persons with disabilities that meet certain eligibility criteria. Under the Tax Increase Cancellation program, eligible homeowners can have their annual tax increases cancelled. Under the Tax Increase Deferral program, eligible homeowners can have their tax increases deferred without interest, and only repayable once they are no longer the homeowner. Table 8 provides a summary of the eligibility criteria for these programs.

In 2015, City Council adopted a motion enhancing the tax relief programs for seniors and people with disabilities by adopting an automatic adjustment of the income criteria in future years based on the Consumer Price Index (CPI) annual change for all items for Toronto.

In addition, in June, 2020, City Council adopted an increase of the household income threshold from \$41,228 to \$45,000 for the Property Tax Increase Cancellation Program for 2020 and 2021. The threshold was adjusted to \$46,305 for 2022, based on CPI. The CPI average change for 2022 for all items for Toronto is 6.6%, and the household income is correspondingly adjusted to \$49,361 for the cancellation program for 2023. The threshold for household income for the deferral program remains at \$50,000.

In February, 2017, City Council adopted the household CVA value threshold for 2017 and 2018 for the Tax Increase Cancellation Program to be \$850,000, and to be \$975,000 for 2019 and 2020. Since the 2023 taxation year is based on the assessment values of 2020, the household CVA threshold will remain at \$975,000. There is no household CVA value threshold for the Deferral Program.

Table 6: Property Tax Assistance for Low-Income Seniors and Low-Income Persons with Disabilities

	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 \$49,361 or less Property CVA equal to or less than \$975,000 for 2023.
Persons With Disabilities	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 \$49,361 or less Property CVA equal to or less than \$975,000 for 2023.

Since the inception of these programs, the City has funded over \$26.26 million from its operating budget for the Tax Increase Cancellation Program for the City portion of taxes (an additional \$9.67 million in provincial education taxes were also cancelled), and deferred over \$7.92 million in tax increases, of which the current receivable to the City is \$3.19 million. There is no interest charged under the Deferral Program.

It should also be noted that low-income seniors and low-income people with disabilities who are eligible for either of the above property tax assistance programs are also eligible for a 30% rebate on their water bill, so long as their water consumption is less than 400 m3 annually. Since April 1, 2019, eligible homeowners also receive the benefit of a higher rebate adjustment on the solid waste management component of their utility bill.

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 2023, the estimated amount for commercial charity rebates, based on 1,016 applications received in 2022 is \$6.515 million. The 2023 levy amount includes funding for a deficit of \$3.282 million for rebates paid in 2021 and 2022, for a total funding requirement of \$9.797 million in 2023. The estimated amount for industrial charity rebates for 2023 is \$0.066 million. In addition, funding for a deficit of \$0.02 million for rebates paid in 2021 and 2022 is included, for a total funding requirement of \$0.086 million from the industrial class.

City Building Fund

At its meeting on February 15, 2017, City Council approved 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 ([Item EX22.1](#)).

On December 17, 2019 City Council adopted a further increase to the City Building Levy of an additional 1 percent in both 2020 and 2021, followed by an additional 1.5 percent annually from 2022-2025, inclusively ([Item EX11.26](#)).

The 2023 10-Year Capital Plan reflects revenue generated from an extension of the 1.5% annual increase to the City Building Fund levy to 2035 to continue to support investments in transit and housing. The incremental increase of 1.5% to the City Building Fund levy will raise an additional \$58.9 million in 2023, as shown in Table 9, and is projected to raise approximately \$1.1 billion annually in 2035 and thereafter.

Table 7: City Building Fund Revenue

Year	Actual						Projected												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual Increase, %	0.50%	0.50%	0.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Annual Increase, \$ millions	14.1	14.6	15.2	47.6	49.8	51.6	58.9	59.1	61.4	63.8	66.3	68.8	71.5	74.0	76.7	79.4	82.2	85.1	88.1
Cumulative Annual Revenue, \$ millions	14.1	28.7	43.9	91.5	141.3	192.9	58.9	310.9	372.3	436.1	502.3	571.2	642.7	716.7	793.4	872.8	955.0	1040.0	1128.1

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