

2023 Heads and Beds Levy on Institutions

Date: June 20, 2023
To: Executive Committee
From: Controller
Wards: All

SUMMARY

This report requests Council authority to adopt a by-law to levy amounts in the 2023 taxation year for colleges and universities, public hospitals, and correctional facilities (the "institutions"), estimated at approximately \$19.6 million (annual "Heads and Beds" levy) based on the current legislative rates.

A levy of \$75 per head or bed has been in effect since 1987. If the rates had been increased to reflect increases in the Consumer Price Index in each year from 1987 to 2023 (such that the 2023 rate would be \$170.64 for each full time student, provincially rated bed, or resident place), an additional \$24.9 million in tax revenue would be received in 2023. This is an issue faced by all Ontario municipalities.

RECOMMENDATIONS

The Controller recommends that:

1. City Council authorize the levy and collection of amounts for the 2023 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

Approximately \$19.6 million will be raised through the 2023 levy on institutions, which is in line with the budgeted revenue of \$19.1 million in the 2023 Council-approved Non-Program Operating Budget. The estimated amount of the \$19.6 million levy on institutions for the 2023 taxation year is based on total estimated capacity figures of 260,748, heads and beds places at the prescribed rate of \$75 per head or bed as shown in Table 1 below:

Table 1: Heads and Beds Levy on Institutions, 2023

Institution Type	Capacity	Estimated Levy (\$)
Universities	161,047	\$12,078,525
Colleges	83,578	\$6,268,350
Hospitals	14,668	\$1,100,100
Correctional Facilities	1,455	\$109,125
Total	260,748	\$19,556,100

While the Province has provided 2022 final capacity figures for universities, colleges and correctional facilities (see Attachment 1), full 2022 capacity figures for hospitals are not available due to the COVID-19 pandemic. Therefore, the 2023 levy has been estimated using the capacity figures for public hospitals from 2021.

The levy amount for 2023 is similar to the range of the levy amounts reported for the past four years (2019-2022), which vary from \$19.1 to \$19.2 million, as displayed in Attachment 2 of this report.

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

At its meeting held on July 19, 20, 21 and 22, 2022, City Council, while considering item EX34.22: "[2022 Heads and Beds Levy on Institutions](#)", dated July 19, 2022, adopted the following recommendations:

1. City Council authorize the levy and collection of amounts for the 2022 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.

COMMENTS

Issue Background

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.

2023 Levies on Institutions

The By-law associated with this report provides for levies on institutions in Toronto for 2023. 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 2023 levy uses the 2021 hospital capacity figures as an estimate. The total revenue for all institutions has been estimated to be approximately \$19.6 million.

If the Province provides actual capacity figures for public hospitals at a later date, 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 2023 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, 2023. Assuming that the City's By-law is enacted by City Council at its meeting of July 19, 2023, 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 2, 2023.

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. All Ontario municipalities are impacted by the restriction in rates established and unchanged since 1987.

If the rates had been increased to reflect increases in the Consumer Price Index in each year from 1987 to 2023 (such that the 2023 rate would be \$170.64 for each full time student, provincially rated bed, or resident place), an additional \$24.9 million in tax revenue would be received in 2023.

CONTACT

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SIGNATURE

Andrew Flynn
Controller

ATTACHMENTS

Attachment 1 – Letter dated June 16, 2023 from the Ministry of Municipal Affairs and Housing, Municipal Programs and Analytics Branch, regarding the capacity of institutions information to be used for the 2023 payments in lieu calculations

Attachment 2 – Summary of Heads and Beds Levy on Institutions, 2019 - 2023