

2024 Education Property Tax Levy and Clawback Rate By-Law

Date: March 22, 2024

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

In accordance with various legislative requirements, City Council must annually adopt the following by-laws associated with property taxes:

- the municipal levy;
- the education levy; and
- the claw-back rate for properties in the commercial, industrial and multi-residential property classes.

These by-laws are required to enable the City to issue the final property tax bills for the year, for both municipal and school purposes. Following City Council's adoption of the 2024 municipal property tax rates at its meeting, this report now addresses the education levy and the claw-back rate.

This report recommends adoption of the 2024 education tax rates and education property tax levy for school purposes, as required by legislation. The City of Toronto levies and collects education taxes on behalf of the Province of Ontario, based on the education tax rates set out in Ontario Regulation 400/98, as amended. The education property tax rates prescribed by the Province for 2024 remain unchanged from the previous year for all classes. Accordingly, the average household will see no increase in their education tax this year.

In addition, this report addresses the requirements associated with the clawback rate for properties in the commercial, industrial and multi-residential property classes. In February 2024, City Council adopted the continued policy of limiting ('capping') allowable tax increases to a maximum of 10% of a property's prior year's annualized taxes for properties in those classes with a property tax bill increase greater than \$500. This capping policy protects commercial, industrial and multi-residential properties from significant annual tax increases.

In order to capture the lost revenue from properties that are capped, the City annually calculates a clawback rate that effectively results in withholding part of a property's decrease due to reassessment, as applicable. This report recommends the 'clawback percentage', which represents the amount the City will retain from any decreases in

property tax bills, to offset the capping policy. This therefore means that the tax bill will reflect the 'allowable decrease' percentage applied for the year, which in fact is the portion of the decrease the property will be able to retain.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council adopt the 2024 tax rates for school purposes, as shown in column II, which will generate an education tax levy on rateable properties for 2024 in the total amount of \$2,156,683,397 in accordance with Ontario Regulation 400/98 as amended, prescribing such rates for the City of Toronto, of which \$4,165,050 (0.2% of the total education levy) is to be retained by the City pursuant to Ontario Regulation 121/07:

Column I	Column II
Property Class	2024 Tax Rates for Education Levy
Residential	0.153000%
Multi-Residential	0.153000%
New Multi-Residential	0.153000%
Commercial	0.880000%
Commercial Shared Payment-in-Lieu	0.980000%
Industrial	0.880000%
Industrial Shared Payment-in -Lieu	1.067220%
Pipelines	0.880000%
Farmlands	0.038250%
Managed Forests	0.038250%

2. City Council adopt reductions in tax decreases for the 2024 taxation year on properties in the commercial, industrial and multi-residential property classes by the percentage of the tax decrease set out in Column II in order to recover the revenues foregone as a result of capping, and to allow the decrease percentages set out in Column III:

Column I	Column II	Column III
Property Class	2024 Clawback Percentage	2024 Allowable Decrease
Commercial	49.684571%	50.315429%
Industrial	45.385792%	54.614208%
Multi-residential	63.875734%	36.124266%

3. City Council authorize the introduction of the necessary bills in Council to give effect to Council's decision.

FINANCIAL IMPACT

Education Tax Rates:

The education property tax rates prescribed by the Province for 2024 remain unchanged from the previous year for all classes, including the education rates for certain properties where municipalities are permitted to retain the education portion of payment in lieu of taxes (PILTs).

Accordingly, the average household assessed at \$694,381 in 2024 will see no increase in their education tax bill of \$1,062, remaining the same since 2020. It should be noted that assessed values have not been updated since 2020, when they were fully phased in. A detailed breakdown of 2024 municipal and education property taxes on the average home is presented in Table 4 of this report.

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. For 2024 the education tax levy is \$2,156,683,397. For certain PILT properties, the portion of the PILT that would be attributable to education taxes is retained by the City, by prior agreement, and current legislation/regulation. Of the total education levy, the City retains only \$4,165,050 or about 0.2% as the education portion of PILTs as permitted by Ontario Regulation 121/07 and remits the remaining balance of \$2,152,518,347 to the Province.

The continued 15% education tax rate reduction for the small business tax subclass will result in \$24.93 million of reduction in education taxes for the subclass in 2024. Table 1 shows the dollar value of the 15% reductions for the small business tax subclass in 2024 for variety of Current Value Assessments (CVAs).

Table 1: 2024 Education Tax Reductions for Properties within the Small Business Tax Subclass

Property CVA	Commercial Class: 2024 Education Levy	Small Business Subclass: 2024 Education Levy	15 % Small Business Reductions \$
1,000,000	\$ 8,800	\$ 7,480	\$ 1,320
5,000,000	\$ 44,000	\$ 37,400	\$ 6,600
7,000,000	\$ 61,600	\$ 52,360	\$ 9,240

Clawback Rates:

This report also recommends clawback rates for the commercial, industrial and multi-residential property tax classes, as is required on an annual basis. There is no direct financial implication to the City of Toronto arising from the clawback rates recommended in this report. The foregone revenue resulting from the legislated limit and Council-approved capping policy on CVA-related tax increases on the commercial, industrial and multi-residential property tax classes is funded by withholding (clawing-

back) a portion of the decrease that would otherwise be realized within each class. This policy protects businesses from property tax increases greater than 10% of a property's prior year's annualized taxes (for an increase greater than \$500), which is offset by retaining some property tax decreases that otherwise would be passed on to property owners.

DECISION HISTORY

At its meeting of February 14, 2024, City Council adopted Item [CC15.1](#): Budget Implementation including Property Taxes, User Fees and Related Matters that established the 2024 municipal property tax levy and tax rates. That report also authorized the Chief Financial Officer and Treasurer to report to Executive Committee, or directly to Council or a special meeting of Council, if necessary, on the 2024 tax rates for school purposes, and the 2024 percentage of the tax decreases required to recover the revenues foregone as a result of the capping limit on properties in the commercial, industrial and multi-residential property classes (the 2024 'clawback' rates).

COMMENTS

Implementation Points

In accordance with various legislative requirements, City Council must annually adopt the following by-laws: (i) the municipal levy; (ii) the education levy; and (iii) the claw-back rate for properties in the commercial, industrial and multi-residential property classes. These by-laws are required to enable the City to issue the final property tax bills for the year, for both municipal and school purposes, and may be combined into one by-law.

City Council at its meeting of February 14, 2024, enacted By-law [154-2024](#) thereby adopting the 2024 municipal property tax rates and the municipal tax levy arising from such rates.

On January 18, 2024, the Minister of Finance filed [O. Reg. 5/24](#) amending O. Reg. 400/98 under the Education Act prescribing 2024 tax rates for school purposes. The regulation provides that the tax rate for school purposes for the small business subclasses be reduced by 15 per cent, matching the municipal tax rate reduction for the subclass. The applicable subclass tax rate reductions on the education rates in 2024 for the City of Toronto are shown in Table 2 below.

Table 2: Applicable Education Tax Rate Reductions

Property Class	Tax Subclass	Applicable Tax Rate Reduction
Commercial	Creative Facilities Enterprise subclass (Creative Co-location Facilities Subclass)	50% of Commercial rate
	Small Business subclass	15% of Commercial rate

Property Class	Tax Subclass	Applicable Tax Rate Reduction
	Excess Land	0% of Commercial rate
	Vacant Land	0% of Commercial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
Industrial	Excess Land	0% of Industrial rate
	Vacant Land	0% of Industrial rate
	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate
Multi-residential	Farmland Awaiting Development (First subclass)	60% of Residential/Farm rate

2024 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. Ontario Regulation 400/98 as amended, made under the *Education Act*, prescribes the education tax rates for all municipalities.

The Provincial government has continued to postpone the planned province-wide reassessment, and the assessment values for the 2024 taxation year continue to be the same as for the last four taxation years. As a result, there is no CVA-related education tax increase in 2024. To ensure municipalities are not negatively impacted by business education tax reductions, the education rates for payment-in-lieu properties where the education portion of taxes are retained by the municipality were maintained at 2022 rates.

For the 2024 taxation year City Council approved continuation of the small business tax subclass within the commercial class with a tax rate reduction of 15%. The Province is continuing to match the reduction on the education tax rates in 2024 which will result in \$24.93 million in education tax reductions for the properties in the small business subclass in Toronto.

Table 3 below provides a reconciliation of the 2024 education tax levy for Toronto by property class. The Province will receive an additional \$16.545 million in education tax levies in 2024 arising from new development and assessment growth in the City, largely driven by condominium and multi-residential development.

Table 3: 2024 Education Taxes (\$000s)

Property Class	2023 Education Levy	2023 Levy Change from Assessment Growth	2023 Year End Education Levy	2024 Prescribed Education Levy
Residential	890,281	11,928	902,209	902,209
Multi-Residential	77,507	1,798	79,305	79,305
New Multi-Residential	10,750	1,672	12,422	12,422
Commercial	1,084,876	2,127	1,087,003	1,087,003
Industrial	73,381	(991)	72,390	72,390
Pipelines	3,340	11	3,351	3,350
Farmlands	1.6	(0.1)	1.5	1.5
Managed Forests	1.6	0	1.6	1.6
Total	2,140,138	16,545	2,156,683	2,156,683

Table 4 summarizes the tax impacts on the average home in Toronto with an assessed value of \$694,381. The average 2024 household impact arising from the municipal portion of taxes of \$338 (a 9.5% increase including the City Building Fund) was reported to City Council in February 2024 during the budget process. The 2024 education tax rates, prescribed by the Province and recommended in this report, will see no increase in education taxes on the average home in Toronto. The total 2024 combined municipal and education levy impact for the average household in Toronto will be \$338, or a combined 7.3% increase on the total property tax bill.

Table 4: 2024 Tax Impacts on Average House (CVA \$694,381)

	2023 Taxes	2024 Taxes	2024 Increase, \$	2024 Increase, %
Municipal	3,566	3,904	338	9.5%
Education	1,062	1,062	-	0.0%
Total	4,626	4,966	338	7.3%

Capping Policy and 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. In February 2024, City Council adopted item [CC15.1](#), including the recommendation to continue the policy of limiting ('capping') allowable tax increases to a maximum of 10% of a property's prior year's annualized taxes, for any property in the commercial, industrial and multi-residential tax classes that would otherwise experience a property tax increase of greater than 10% and where the tax increase is greater than \$500 for the 2024 taxation year. This policy provides protection from significant tax increases to all business properties while also allowing for faster transition to full CVA and a reduction in the number of clawed back properties by applying the \$500 threshold.

As permitted by current legislation, the capping of tax increases is funded by "clawing back" tax decreases, that some properties may otherwise experience following a reassessment. Table 5 below sets out the percentage reductions in the tax decreases for 2024 (the "clawback rate") necessary to fund the foregone revenue resulting from the Council-approved 10% cap on tax increases for 2024. The "allowable decrease" column represents the percentage of the tax decrease allowed for those properties that are experiencing tax reductions under CVA. Given the capping policy and clawback rates are influenced by the provincial reassessment process, the City anticipates a limited number of properties impacted by these recommendations for 2024.

Table 5: 2024 Clawback Rates

Property Class	2024 Clawback Percentage	2024 Allowable Decrease
Commercial	49.684571%	50.315429%
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Multi-residential	63.875734%	36.124266%

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SIGNATURE

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