

2025 Education Property Tax Levy and Clawback Rate By-Law

Date: March 31, 2025

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

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

- the municipal levy;
- the education levy; and
- the clawback rates.

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 2025 municipal property tax rates at its meeting on February 11, 2025, this report sets the education levy and the claw-back rates.

This report recommends adoption of the 2025 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 2025 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 2025, 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. As a result, properties that would

otherwise see a tax reduction due to reassessment may not receive the full decrease, since a portion is withheld to help offset the revenue lost from capped tax increases on other properties. Given the Province continues to postpone reassessment, the number of properties impacted by this policy is minimal in 2025.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council adopt the 2025 tax rates for school purposes, as shown in column II, which will generate an education tax levy on rateable properties for 2025 in the total amount of \$2,189,040,814 in accordance with Ontario Regulation 400/98 as amended, prescribing such rates for the City of Toronto, of which \$4,221,673 (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	2025 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 2025 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	2025 Clawback Percentage	2025 Allowable Decrease
Commercial	75.698772%	24.301228%
Industrial	75.711863%	24.288137%
Multi-residential	39.089049%	60.910951%

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 2025 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 \$692,031 in 2025 will see no increase in their education tax bill of \$1,059, which has remained the same since 2020. It should be noted that assessed values have not been updated since 2020, when they were fully phased in following the last provincial valuation in 2016. A detailed breakdown of 2025 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 2025 the education tax levy is \$2.189 billion. For certain PILT properties, the portion of the payment that would normally go toward education taxes is retained by the City under prior agreements and existing legislation/regulations. Of the total education levy, the City retains only \$4.222 million or about 0.2% as the education portion of PILTs as permitted by Ontario Regulation 121/07 and remits the remaining balance of \$2.185 billion to the Province. The City is required to remit the amounts levied for school purposes within the calendar year.

The continued 15% education tax rate reduction for the small business tax subclass will result in \$24.9 million in reduced education taxes for the subclass in 2025. Table 1 shows the dollar value of the 15% reductions for the small business tax subclass in 2025 for variety of Current Value Assessments (CVAs).

Table 1: Representative 2025 Education Tax Reductions for Properties within the Small Business Tax Subclass

Property CVA	Commercial Class: 2025 Education Levy	Small Business Subclass: 2025 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. The capping policy limits property tax increases for businesses to 10% of the prior year's annualized taxes, provided that the increase exceeds \$500, to mitigate significant annual impacts for property owners. If the 10% increase is \$500 or less, no capping applies, and the property is taxed at its full CVA level. To offset the cost of capping, some property tax decreases that would otherwise be passed on to property owners are retained.

DECISION HISTORY

At its meeting of February 11, 2025, City Council adopted Item [CC27.1](#): Budget Implementation including Property Tax Rates, User Fees and Related Matters that established the 2025 municipal property tax levy and tax 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 11, 2025, enacted By-law [105-2025](#) thereby adopting the 2025 municipal property tax rates and the municipal tax levy arising from such rates.

On October 31, 2024, the Minister of Finance filed [O. Reg. 420/24](#) amending O. Reg. 400/98 under the Education Act prescribing 2025 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 2025 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
	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

2025 Education Tax Rates

The *Education Act*, as amended by Ontario Regulation 400/98, requires every municipality to levy and collect taxes for school purposes each year at the education tax rates prescribed by the Minister of Finance.

The Provincial government has continued to postpone the planned province-wide reassessment, and the assessment values for the 2025 taxation year remain the same as for the last four taxation years. As a result, there is no CVA-related education tax increase in 2025. 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, have been maintained at the 2022 rates.

For the 2025 taxation year, City Council approved the 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 2025 which will result in \$24.90 million in education tax relief for the properties in the small business subclass in Toronto.

In addition to the Small Business Tax Subclass, the City of Toronto introduced a New Multi-Residential (Municipal Reduction) Subclass in late 2024, which provides a 15% property tax reduction to new multi-residential properties. As part of the 2025 budget process, City Council requested the Province provide a matching 15% property tax rate reduction on the education property tax rate for eligible properties. The City continues to

advocate for this change in order to incentivize new housing supply in alignment with provincial housing targets.

Table 3 below provides a reconciliation of the 2025 education tax levy for Toronto by property class. The Province will receive an additional \$32.358 million in education tax levies in 2025 arising from new development and assessment growth in the City, largely driven by condominium, multi-residential and commercial development.

Table 3: 2025 Education Taxes (\$000s)

Property Class	2024 Education Levy	2024 Levy Change from Assessment Growth	2025 Education Levy
Residential	902,209	15,309	917,518
Multi-Residential	79,305	-1,011	78,294
New Multi-Residential	12,422	2,771	15,193
Commercial	1,087,003	14,535	1,101,538
Industrial	72,390	677	73,067
Pipelines	3,350	77	3,427
Farmlands	2	0	2
Managed Forests	2	0	2
Total	2,156,683	32,358	2,189,041

Table 4 summarizes the tax impacts on the average home in Toronto with an assessed value of \$692,031. The average 2025 household impact arising from the municipal portion of taxes of \$268 (a 6.9% increase including the City Building Fund) was reported to City Council in February 2025 during the budget process. The 2025 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 2025 combined municipal and education levy impact for the average household in Toronto will be \$268, or a combined 5.4% increase on the total property tax bill.

Table 4: 2025 Tax Impacts on Average Home (CVA \$692,031)

	2024 Taxes	2025 Taxes	2025 Increase, \$	2025 Increase, %
Municipal	3,891	4,160	268	6.9%
Education	1,059	1,059	-	0.0%
Total	4,950	5,219	268	5.4%

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 2025, City Council adopted item [CC27.1](#), which includes 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. This applies to any property in the commercial, industrial, and multi-residential tax classes that would otherwise experience a tax increase greater than 10%, and where the tax increase exceeds \$500 for the 2025 taxation year. This policy provides protection from significant tax increases to all business properties. The application of the \$500 threshold, however, allows for faster transition to full CVA and reduce the number of capped and clawed back properties impacted. Only properties with a 10% increase exceeding \$500 will continue to be capped.

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 2025 (the "clawback rate") necessary to fund the foregone revenue resulting from the Council-approved 10% cap on tax increases for 2025. The "allowable decrease" column represents the percentage of the tax decrease allowed for those properties that are experiencing tax reductions based on their CVA.

Table 5: 2025 Clawback Rates

Property Class	2025 Clawback Percentage	2025 Allowable Decrease
Commercial	75.698772%	24.301228%
Industrial	75.711863%	24.288137%
Multi-residential	39.089049%	60.910951%

Table 6 below shows the number of properties that are capped, clawed back and those that are at full CVA in 2025. There are a limited number of properties impacted in 2025, given the continued postponement to the provincial reassessment process. As shown in

the table, only 3% to 6% of the total number of properties in each class are subject to capping and clawback in 2025.

Table 6: 2025 Property count of capped, clawed back and full CVA properties

Property Tax Class	Capped	Clawed back	Full CVA	Total # of Properties
Commercial	194	1,520	40,052	41,766
Industrial	11	181	3,011	3,203
Multi-Res	6	114	3,883	4,003
Total	211	1,815	46,946	48,972

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SIGNATURE

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