

2026 Property Tax Clawback Rate Report

Date: March 24, 2026

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 2026 municipal and education property tax rates at its meeting on February 10, 2026, this report sets the clawback rates and requirements for the commercial, industrial and multi-residential property classes.

In February 2026, 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.

The tax capping and clawback policy as well as the property tax rates must be adopted by City Council prior to setting the clawback rates. Once adopted, staff can then determine the funding requirements of the program and, to capture the lost revenue from properties that are capped, calculate a clawback rate. This clawback rate effectively withholds 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 2026.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council adopt reductions in tax decreases for the 2026 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	2026 Clawback Percentage	2026 Allowable Decrease
Commercial	41.251301%	58.748699%
Industrial	78.766027%	21.233973%
Multi-residential	48.000988%	51.999012%

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

FINANCIAL IMPACT

This report 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 10, 2026, City Council adopted Item [CC38.1](#): Budget Implementation including Property Tax Rates, User Fees and Related Matters that established the 2026 municipal and education property tax levy and tax rates.

COMMENTS

Implementation Points

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

- the municipal levy;
- the education levy; and
- the clawback 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 10, 2026, enacted By-law [133-2026](#) thereby adopting the 2026 municipal and education property tax rates and the municipal and education tax levy arising from such rates.

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 2026, City Council adopted item [CC38.1](#), 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 2026 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 1 below sets out the percentage reductions in the tax decreases for 2026 (the "clawback rate") necessary to fund the foregone revenue resulting from the Council-approved 10% cap on tax increases for 2026. 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 1: 2026 Clawback Rates

Property Class	2026 Clawback Percentage	2026 Allowable Decrease
Commercial	41.251301%	58.748699%
Industrial	78.766027%	21.233973%
Multi-residential	48.000988%	51.999012%

Table 2 below shows the number of properties that are capped, clawed back and those that are at full CVA in 2026. There are a limited number of properties impacted in 2026, given the continued postponement to the provincial reassessment process. As shown in the table, 1.5% to 10% of the total number of properties in each class are subject to capping and clawback in 2026.

Table 2: 2026 Property count of capped, clawed back and full CVA properties

Property Tax Class	Capped	Clawed back	Full CVA	Total # of Properties
Commercial	115	4,208	38,191	42,514
Industrial	10	145	3,138	3,293
Multi-Res	3	58	3,916	3,977
Total	128	4,411	45,245	49,784

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SIGNATURE

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