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REPORT TITLE: **Funding of Capped Tax Increases - 2021**

FROM: Gary Kent, Chief Financial Officer and Commissioner of Corporate Services

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## RECOMMENDATION

**That a by-law to establish a percentage by which tax decreases respecting the commercial property class are limited for the 2021 taxation year in order to recover revenue required to fund the capped tax increase of property in this property class for that year, be presented for enactment.**

### REPORT HIGHLIGHTS

- Regional Council is required to enact a by-law establishing the clawback factor to be used by the local municipalities in their final property tax billing for this year.
  - The 2021 reduction of tax decreases (“clawback factor”) required to fund the cap on tax increases in the commercial capped property class is 33.0980 per cent.
  - The Region has phased-out the multi-residential and industrial capping programs in 2020. All properties in these capping programs will be eliminated from the capping program process and taxed at full Current Value Assessment (CVA) tax for the 2021 and future taxation years.
  - The Region has implemented the four-year phase-out of the capping program for the commercial class starting in 2020. Currently this program is in its second year of the four-year phase-out.
  - Regional and local municipal finance staff have reviewed and confirmed the calculations to determine the clawback factors.
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## DISCUSSION

### 1. Background

#### **Funding of Capped Tax Increases**

Regional Council at its meeting on May 13, 2021 approved By-law 31-2021 which adopts all available optional tools, as applicable, of subsection 329.1 (1) of the *Municipal Act, 2001* (the “*Act*”), and Ontario Regulation 73/03, as amended, for calculating the amount of taxes payable in respect of properties in the commercial (capped) property class for 2021. Section 330 of the *Act* allows municipalities to fund the cap for 2021 by limiting tax decreases through clawback factor within the capped class. The optional tools adopted by Council are as follows:

1. The annual cap is set at 10 per cent of the prior year’s annualized capped taxes;

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2. The upper-limit on the annual tax increase is the greater of the amount calculated under item 1 listed above, or 10 per cent of the property's previous year's annualized CVA based tax;
3. A \$500 threshold is applied to both increasing (capped) properties and decreasing (clawback) properties after application of either items 1 or 2 above in order to move properties that are within the \$500 threshold to their full CVA based taxes;
4. Properties that reached CVA level taxes in 2020 will be removed from the capping program for the 2021 taxation year;
5. Properties that cross over from being capped properties in 2020 to clawback properties in 2021 will be removed from the capping program for the 2021 taxation year;
6. Properties that cross over from being clawback properties in 2020 to capped properties in 2021 will be removed from the capping program for the 2021 taxation year;
7. Implementation of four-year phase-out program for the capped property class.

## 2. Findings

### a) 2021 Clawback of Tax Decreases

Regional and local municipal finance staff agreed to continue to use the Online Property Tax Analysis (OPTA) system for the 2021 capping calculation. Region of Peel and OPTA staff worked to prepare the assessment data, as well as, the parameters that were used to calculate the 2021 clawback of tax decreases, and confirms the 2021 clawback factor as follows:

#### **Final 2021 Clawback Factors (\$000's)**

	<b>Commercial Class</b>
Capped Taxes \$	\$(2)
Clawback Taxes \$	<u>2</u>
Surplus / (Shortfall) \$	\$0
Properties Capped	1
Properties Clawed Back	2
Decrease % Allowed	66.9020%
<b>Clawback %</b>	<b>33.0980%</b>

### b) Capping / Clawback Summary

All properties in the multi-residential and industrial property classes will be eliminated from the capping program process and taxed at full CVA tax for 2021 and future taxation years. Starting in 2020, the Region has implemented the four-year phase-out of the capping program for the commercial class since there were no capped properties taxed at less than 50 per cent of their CVA level taxes in 2019 in that class. Currently this program is in its second year of the four-year phase-out.

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It should be noted that for 2021, 0.01 per cent of the properties in the commercial class are capped, while 0.01 per cent of properties in this class will have their tax decreases reduced or “clawed back”. The remaining 99.98 per cent of the properties in the commercial capped class will pay tax at their full CVA level.

The number of properties at full CVA taxation has increased from the 99.92 per cent of properties in 2020. The details of the 2021 capping calculation by local municipality are provided in Appendix I.

### **c) Regional Tax Capping By-law Required**

Regional Council is required to pass a by-law if, as is recommended, it is to limit the tax decreases on properties in the commercial class in order to fund the 2021 capping requirements.

## **CONCLUSION**

Regional and local municipal finance staff have reviewed the capping calculation and confirm that the 2021 clawback factor required to fund the 2021 capped increase in the commercial (capped) property class is 33.0980 per cent. Regional Council's enactment of a by-law will permit the local municipalities to apply this clawback factor to their final tax bills for the capped property class.

## **APPENDICES**

Appendix I - 2021 Capping/Clawback Summary

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*For further information regarding this report, please contact Stephanie Nagel, Treasurer & Director of Corporate Finance, Ext. 7105, [stephanie.nagel@peelregion.ca](mailto:stephanie.nagel@peelregion.ca).*

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### ***Reviewed and/or approved in workflow by:***

Department Commissioner, Division Director and Legal Services.