
REPORT TITLE: **Funding of Capped Tax Increases - 2022**

FROM: Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

1. That a by-law to establish a percentage by which tax decreases respecting the commercial property classes are limited for the 2022 taxation year in order to recover revenue required to fund the capped tax increases of properties in those property classes 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 2022 reduction of tax decreases (“clawback factor”) required to fund the cap on tax increases in the commercial capped property class is 0.00 per cent.
 - All properties in the commercial capping program have reached full Current Value Assessment (CVA) based taxation in 2022.
 - For the 2023 and future taxation years, all properties in the commercial property classes will be eliminated from the capping program process and taxed at full CVA tax.
 - Regional and local municipal finance staff have reviewed and confirmed the calculations to determine the clawback factor.
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DISCUSSION

1. Background

Funding of Capped Tax Increases

Regional Council at its meeting on May 12, 2022 approved By-law 26-2022 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 2022. Section 330 of the *Act* allows municipalities to fund the cap for 2022 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;
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 Current Value Assessment (CVA) based tax;

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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 2021 will be removed from the capping program for the 2022 taxation year;
5. Properties that cross over from being capped properties in 2021 to clawback properties in 2022 will be removed from the capping program for the 2022 taxation year;
6. Properties that cross over from being clawback properties in 2021 to capped properties in 2022 will be removed from the capping program for the 2022 taxation year;
7. Implementation of four-year phase-out program for the capped property class.

2. Findings

a) 2022 Clawback of Tax Decreases

Regional and local municipal finance staff agreed to continue to use the Online Property Tax Analysis (OPTA) system for the 2022 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 2022 clawback of tax decreases, and confirms the 2022 clawback factor as follows:

Final 2022 Clawback Factors

	Commercial Class
Capped Taxes \$	\$0
Clawback Taxes \$	\$0
Properties Capped	0
Properties Clawed Back	0
Decrease % Allowed	100.00%
Clawback %	0.00%

b) Capping / Clawback Summary

Starting in 2020, the Region has implemented the four-year phase-out of the capping program for the commercial class, and is currently in its third year of the four-year phase-out. All properties in the commercial capping program have reached full CVA based taxation in 2022 and will be eliminated from the capping program process and taxed at full CVA tax level for 2023 and future taxation years.

The Region has phased-out the multi-residential and industrial capping programs in 2020. Given that the commercial phase-out option has been adopted by the Region for the three consecutive taxation years, section 8.3 of the Ontario Regulation 73/03, as amended, provides the Region to be exempt from the application of Part IX of the Act (i.e. to exit the commercial capping program) starting with 2023 taxation year.

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c) Regional Tax Capping By-law Required

Regional Council is required to pass a by-law establishing a percentage by which tax decreases relating to the commercial property classes are limited for the 2022 taxation year in order to fund the 2022 capping requirements.

CONCLUSION

Regional and local municipal finance staff have reviewed the capping calculation and confirm that the 2022 clawback factor required to fund the 2022 capped increase in the commercial (capped) property class is 0.00 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.

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