
REPORT TITLE: **Funding of Capped Tax Increases - 2020**

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

RECOMMENDATION

That a by-law to establish a percentage by which tax decreases respecting the commercial, industrial and multi-residential property classes are limited for the 2020 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 factors to be used by the local municipalities in their final property tax billing for this year.
- The 2020 reduction of tax decreases (“clawback factors”) required to fund the cap on tax increases in the capped property classes are: 3.790419 per cent for commercial, 0 per cent for industrial and 0 per cent for the multi-residential class.
- All properties in the multi-residential and industrial capped classes are now taxed at full CVA tax for the 2020 taxation year since both capping programs are currently in their final year of the four-year phase-out.
- The Region has implemented the four-year phase-out of the capping program for the commercial class starting in 2020, since there were no capped properties taxed at less than 50 per cent of their CVA level taxes in 2019.
- Regional and local municipal finance staff have reviewed and confirmed the calculations to determine the clawback factors.

DISCUSSION

1. Background

Funding of Capped Tax Increases

Regional Council at its meeting on May 14, 2020 approved By-law 37-2020 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, industrial and multi-residential (capped) property classes for 2020. Section 330 of the *Act* allows municipalities to fund the cap for 2020 by limiting tax decreases through clawback factors within each of the capped classes. 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;

Funding of Capped Tax Increases - 2020

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;
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 2019 will be removed from the capping program for the 2020 taxation year;
5. Properties that cross over from being capped properties in 2019 to clawback properties in 2020 will be removed from the capping program for the 2020 taxation year;
6. Properties that cross over from being clawback properties in 2019 to capped properties in 2020 will be removed from the capping program for the 2020 taxation year;
7. Implementation of four-year phase-out programs for the capped property classes;
8. Exclude vacant land from the phase-out eligibility criteria in determining whether all properties are within 50 per cent of CVA level taxes; and,
9. Exclude reassessment related increases, for the current year, from the capping calculation.

2. Findings

a) 2020 Clawback of Tax Decreases

Regional and local municipal finance staff agreed to continue to use the Online Property Tax Analysis (OPTA) system for the 2020 capping calculation. Staff worked with OPTA staff to prepare the assessment data, as well as, the parameters that were used to calculate the 2020 clawback of tax decreases and confirms the 2020 clawback factors as follows:

Final 2020 Clawback Factors (\$000's)

	Commercial Class	Industrial Class	Multi-Residential Class
Capped Taxes \$	\$(9)	\$(0)	\$(0)
Clawback Taxes \$	<u>9</u>	<u>0</u>	<u>0</u>
Surplus / (Shortfall) \$	\$0	\$0	\$0
Properties Capped	4	0	0
Properties Clawed Back	11	0	0
Decrease % Allowed	96.209581%	100%	100%
Clawback %	3.790419%	0%	0%

b) Capping / Clawback Summary

All properties in the multi-residential and industrial capped classes are now taxed at full CVA tax for the 2020 since they have reached full CVA based taxation in 2019. Both the multi-residential and industrial capping programs are currently in the final year of the

Funding of Capped Tax Increases - 2020

four-year phase-out. 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.

It should be noted that for 2020, 0.02 per cent of the properties in the commercial, industrial and multi-residential classes are capped, while 0.06 per cent of properties in these classes will have their tax decreases reduced or “clawed back”. The remaining 99.92 per cent of the properties in the capped classes will pay tax at their full CVA level. The number of properties at full CVA taxation has increased from the 99.70 per cent of properties in 2019. The details of the 2020 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, industrial and multi-residential classes in order to fund the 2020 capping requirements.

CONCLUSION

Regional and local municipal finance staff have reviewed the capping calculation and confirm that the 2020 clawback factors required to fund the 2020 capped increases in the capped property classes are 3.790419 per cent for the commercial class, 0 per cent for the industrial class and 0 per cent for the multi-residential class. Regional Council’s enactment of a by-law will permit the local municipalities to apply these clawback factors to their final tax bills for the capped property classes.

APPENDICES

Appendix I - 2020 Capping / Clawback Summary

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Reviewed and/or approved in workflow by:

Department Commissioner, Division Director and Legal Services.

Final approval is by the Chief Administrative Officer.



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