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DATE: May 10, 2010

REPORT TITLE: **FUNDING OF CAPPED TAX INCREASES - 2010**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

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## RECOMMENDATION

**That a by-law be presented for enactment to establish a percentage by which tax decreases respecting the commercial, industrial and multi-residential property classes are limited for the 2010 taxation year as required to fund the capped tax increases of properties in those property classes for that year.**

### REPORT HIGHLIGHTS

- The 2010 reduction of tax decreases ("clawback factors") required to fund the cap on tax increases in the capped property classes are: 49.51932% for commercial, 61.63153% for industrial and 6.77657% for the multi-residential class.
- The Joint Regional and Area Municipal Tax Policy Team has reviewed and confirmed the calculations to determine the clawback factors.
- Regional Council needs to enact a by-law establishing the clawback factors.

## DISCUSSION

### 1. Background

#### Funding of Capped Tax Increases

Regional Council at its meeting on April 1, 2010 approved By-law 29-2010 which adopts all the optional tools of subsection 329.1(1) of the *Municipal Act*, 2001 (the "Act") as well as Ontario Regulation 73/03 as amended for calculating the amount of taxes for municipal and school purposes payable in respect of property in the commercial, industrial and multi-residential (capped) property classes for 2010. Section 330 of the Act allows municipalities to fund the cap for 2010 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; and/or
2. The upper-limit on the annual tax increase is the greater of the amount calculated under number 1 above or 5 per cent of the property's previous year's annualized Current Value Assessment (CVA) based tax; and/or
3. A \$250 threshold is applied to both increasing (capped) properties and decreasing (clawback) properties after application of either number 1 and number 2 options in

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order to move all those properties that are within the \$250 threshold to their full CVA based taxes.

4. Properties that reached CVA level taxes in 2009 are eligible to be removed from the capping program for the 2010 taxation year.
5. Properties that cross over from being capped properties in 2009 to clawback properties in 2010 are eligible to be removed from the capping program for the 2010 taxation year.
6. Properties that cross over from being clawback properties in 2009 to capped properties in 2010 are eligible to be removed from the capping program for the 2010 taxation year.

**2. Findings****a) 2010 Clawback of Tax Decreases**

The Joint Regional and Area Municipal Tax Policy Team agreed to continue to use the Online Property Tax Analysis (OPTA) system for the 2010 capping calculation. The Tax Policy Team worked with OPTA and Ministry of Municipal Affairs and Housing staff to prepare the assessment data as well as the parameters that were used to calculate the 2010 clawback of tax decreases and confirms the 2010 clawback factors as follows:

**Final 2010 Clawback Factors (\$000's)**

	<b>Commercial Class</b>	<b>Industrial Class</b>	<b>Multi-residential Class</b>
Capped Taxes \$	\$(2,357)	\$(1,163)	\$(39)
Clawback Taxes \$	\$2,357	\$1,163	\$39
Surplus/(Shortfall) \$	\$0	\$0	\$0
Properties Capped	242	92	6
Properties Clawed back	708	272	49
Decrease % Allowed	50.48068%	38.36847%	93.22343%
<b>Clawback %</b>	<b>49.51932%</b>	<b>61.63153%</b>	<b>6.77657%</b>

**b) Capping/Clawback Summary**

It should be noted that for 2010, 2.4 per cent of the properties in the commercial, industrial and multi-residential classes are capped, while 7.2 per cent of the properties in these classes will have their tax decreases reduced. This means that 90.4 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 87.1 per cent of properties in 2009. Appendix I provides details of the 2010 capping calculation by lower-tier municipality.

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

Regional Council is required to pass a by-law to limit the tax decreases on properties in the commercial, industrial and multi-residential classes in order to fund the 2010 capping requirements.

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**CONCLUSION**

The Joint Regional and Area Municipal Tax Policy Team has reviewed the capping calculation and confirms that the 2010 clawback factors required to fund the 2010 capped increases in the capped property classes are 49.51932 per cent for commercial, 61.63153 per cent for industrial and 6.77657 per cent for multi-residential. Council's enactment of a by-law will permit the lower-tier municipalities to apply these clawback factors to their final tax bills for the capped property classes.



Norma Trim  
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**Approved for Submission:**



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c. Legislative Services

**Region of Peel**  
**2010 Capping/Clawback Summary**

	<u>Commercial</u>		<u>Industrial</u>		<u>Multi-residential</u>		<u>Total</u>	
	<u># of Properties</u>	<u>\$</u>	<u># of Properties</u>	<u>\$</u>	<u># of Properties</u>	<u>\$</u>	<u># of Properties</u>	<u>\$</u>
<b><u>Capped Tax Increases</u></b>								
Mississauga	116	1,539,504	36	367,236	6	38,850	158	1,945,590
Brampton	57	472,352	14	288,877	-	-	71	761,229
Caledon	<u>69</u>	<u>344,767</u>	<u>42</u>	<u>507,233</u>	<u>-</u>	<u>-</u>	<u>111</u>	<u>852,000</u>
Total Region	<u>242</u>	<u>2,356,623</u>	<u>92</u>	<u>1,163,346</u>	<u>6</u>	<u>38,850</u>	<u>340</u>	<u>3,558,819</u>
<b><u>Clawback of Tax Decreases</u></b>								
Mississauga	541	1,808,388	195	512,650	32	22,310	768	2,343,348
Brampton	139	497,563	61	573,475	17	16,540	217	1,087,578
Caledon	<u>28</u>	<u>50,672</u>	<u>16</u>	<u>77,221</u>	<u>-</u>	<u>-</u>	<u>44</u>	<u>127,893</u>
Total Region	<u>708</u>	<u>2,356,623</u>	<u>272</u>	<u>1,163,346</u>	<u>49</u>	<u>38,850</u>	<u>1,029</u>	<u>3,558,819</u>
<b><u>Net Balance</u></b>								
Mississauga		268,884		145,414		(16,540)		397,758
Brampton		25,211		284,598		16,540		326,349
Caledon		<u>(294,095)</u>		<u>(430,012)</u>		<u>-</u>		<u>(724,107)</u>
Total Region		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>

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