

DATE: May 1, 2012

REPORT TITLE: **FUNDING OF CAPPED TAX INCREASES - 2012**

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

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 2012 taxation year as required to fund the capped tax increases of properties in those property classes for that year.

REPORT HIGHLIGHTS

- The 2012 reduction of tax decreases ("clawback factors") required to fund the cap on tax increases in the capped property classes are: 50.35164% for commercial, 51.05556% for industrial and 6.95876% 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 to be used by the area municipalities in their final property tax billing for this year.

DISCUSSION

1. Background

Funding of Capped Tax Increases

Regional Council at its meeting on April 12, 2012 approved By-law 28-2012 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 2012. Section 330 of the Act allows municipalities to fund the cap for 2012 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

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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 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 2011 are eligible to be removed from the capping program for the 2012 taxation year.
5. Properties that cross over from being capped properties in 2011 to clawback properties in 2012 are eligible to be removed from the capping program for the 2012 taxation year.
6. Properties that cross over from being clawback properties in 2011 to capped properties in 2012 are eligible to be removed from the capping program for the 2012 taxation year.

2. Findings

a) 2012 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 2012 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 2012 clawback of tax decreases and confirms the 2012 clawback factors as follows:

Final 2012 Clawback Factors (\$000's)

	Commercial Class	Industrial Class	Multi-residential Class
Capped Taxes \$	\$(1,651)	\$(869)	\$(34)
Clawback Taxes \$	\$1,651	\$869	\$34
Surplus/(Shortfall) \$	\$0	\$0	\$0
Properties Capped	141	60	3
Properties Clawed back	592	241	45
Decrease % Allowed	49.64836%	48.94444%	93.04124%
Clawback %	50.35164%	51.05556%	6.95876%

b) Capping/Clawback Summary

It should be noted that for 2012, 1.3 per cent of the properties in the commercial, industrial and multi-residential classes are capped, while 5.5 per cent of the properties in these classes will have their tax decreases reduced. This means that 93.2 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 92.3 per cent of properties in 2011. Appendix I (as attached) provides details of the 2012 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 2012 capping requirements.

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This is the last year of tax capping in the current four-year (2009-2012) reassessment cycle. The next four-year reassessment cycle commences in 2013 (2013-2016). Tax capping requirements will continue into the next reassessment cycle.

CONCLUSION

The Joint Regional and Area Municipal Tax Policy Team has reviewed the capping calculation and confirms that the 2012 clawback factors required to fund the 2012 capped increases in the capped property classes are 50.35164 per cent for commercial, 51.05556 per cent for industrial and 6.95876 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.



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Approved for Submission:



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c. Legislative Services

APPENDIX I

Region of Peel
2012 Capping/Clawback Summary

	<u>Commercial</u>		<u>Industrial</u>		<u>Multi-residential</u>		<u>Total</u>	
	# of Properties	\$	# of Properties	\$	# of Properties	\$	# of Properties	\$
<u>Capped Tax Increases</u>								
Mississauga	62	1,179,823	21	321,352	3	34,324	86	1,535,499
Brampton	32	210,323	7	243,888	-	-	39	454,211
Caledon	<u>47</u>	<u>260,694</u>	<u>32</u>	<u>304,234</u>	<u>-</u>	<u>-</u>	<u>79</u>	<u>564,928</u>
Total Region	<u>141</u>	<u>1,650,840</u>	<u>60</u>	<u>869,474</u>	<u>3</u>	<u>34,324</u>	<u>204</u>	<u>2,554,638</u>
<u>Clawback of Tax Decreases</u>								
Mississauga	471	1,314,360	179	457,480	30	20,157	680	1,791,997
Brampton	100	303,918	50	359,766	15	14,167	165	677,851
Caledon	<u>21</u>	<u>32,562</u>	<u>12</u>	<u>52,228</u>	<u>-</u>	<u>-</u>	<u>33</u>	<u>84,790</u>
Total Region	<u>592</u>	<u>1,650,840</u>	<u>241</u>	<u>869,474</u>	<u>45</u>	<u>34,324</u>	<u>878</u>	<u>2,554,638</u>
<u>Net Balance</u>								
Mississauga		134,537		136,128		(14,167)		256,498
Brampton		93,595		115,878		14,167		223,640
Caledon		<u>(228,132)</u>		<u>(252,006)</u>		<u>-</u>		<u>(480,138)</u>
Total Region		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>

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