
DATE: May 1, 2013

REPORT TITLE: **FUNDING OF CAPPED TAX INCREASES - 2013**

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 2013 taxation year as required to fund the capped tax increases of properties in those property classes for that year.

REPORT HIGHLIGHTS

- The 2013 reduction of tax decreases ("clawback factors") required to fund the cap on tax increases in the capped property classes are: 16.14873% for commercial, 33.77981% for industrial and 5.67898% for the multi-residential class.
- Regional and area municipal Finance staff has reviewed and confirmed the calculations to determine the clawback factors.
- Regional Council is required 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 11, 2013 approved By-law 43-2013 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 2013. Section 330 of the Act allows municipalities to fund the cap for 2013 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 2012 are eligible to be removed from the capping program for the 2013 taxation year.
5. Properties that cross over from being capped properties in 2012 to clawback properties in 2013 are eligible to be removed from the capping program for the 2013 taxation year.
6. Properties that cross over from being clawback properties in 2012 to capped properties in 2013 are eligible to be removed from the capping program for the 2013 taxation year.

2. Findings**a) 2013 Clawback of Tax Decreases**

The Regional and area municipal Finance staff agreed to continue to use the Online Property Tax Analysis (OPTA) system for the 2013 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 2013 clawback of tax decreases and confirms the 2013 clawback factors as follows:

Final 2013 Clawback Factors (\$000's)

	Commercial Class	Industrial Class	Multi-residential Class
Capped Taxes \$	\$(600)	\$(800)	\$(44)
Clawback Taxes \$	\$600	\$800	\$44
Surplus/(Shortfall) \$	\$0	\$0	\$0
Properties Capped	98	55	3
Properties Clawed back	296	203	40
Decrease % Allowed	83.85127%	66.22019%	94.32102%
Clawback %	16.14873%	33.77981%	5.67898%

b) Capping/Clawback Summary

It should be noted that for 2013, 1.0 per cent of the properties in the commercial, industrial and multi-residential classes are capped, while 3.3 per cent of the properties in these classes will have their tax decreases reduced or "clawed back". The remaining 95.7 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 93.2 per cent of properties in 2012. The details of the 2013 capping calculation by lower-tier municipality are provided in the Appendix.

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 2013 capping requirements. This is the first year of tax capping in the current four-year (2013-2016) reassessment cycle.

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CONCLUSION

The Regional and area municipal Finance staff has reviewed the capping calculation and confirms that the 2013 clawback factors required to fund the 2013 capped increases in the capped property classes are 16.14873 per cent for commercial, 33.77981 per cent for industrial and 5.67898 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:



D. Szwarc, Chief Administrative Officer

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c. Legislative Services

Region of Peel
2013 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>
<u>Capped Tax Increases</u>								
Mississauga	36	243,316	18	274,723	3	44,099	57	562,138
Brampton	21	109,472	7	222,325	-	-	28	331,797
Caledon	41	247,517	30	302,972	-	-	71	550,489
Total Region	98	600,305	55	800,020	3	44,099	156	1,444,424
<u>Clawback of Tax Decreases</u>								
Mississauga	235	461,111	158	443,425	25	18,885	418	923,421
Brampton	53	128,159	38	264,303	15	25,214	106	417,676
Caledon	8	11,035	7	92,292	-	-	15	103,327
Total Region	296	600,305	203	800,020	40	44,099	539	1,444,424
<u>Net Balance</u>								
Mississauga		217,795		168,702		(25,214)		361,283
Brampton		18,687		41,978		25,214		85,879
Caledon		(236,482)		(210,680)		-		(447,162)
Total Region		-		-		-		-

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