COMMITTEE OF THE WHOLE APRIL 30, 2007

NON-RES PROPERTY TAX CAPPING PROGRAM UPDATE

Recommendation

The Commissioner of Finance & Corporate Services and the Director of Financial Services, in consultation with the Manager of Property Tax & Assessment recommends:

That this report be received for information purposes.

Economic Impact

There is no economic impact to the City of Vaughan.

Communications Plan

A Communications Plan is not applicable to this report.

Purpose

The purpose of this report is to provide an update to Council related to the Capping and Clawback program for non-res properties. Each year, the Region must set, by By-law, their tax policy tools and options. This By-law will also include the provision for the Provincial capping/clawback program for the non-residential property tax classes. As previously reported to Council in April of 2005, the Province introduced additional options in 2004 relating to the capping and clawback of properties in the commercial, industrial and multi-residential (business class) properties. These options are administered by the Region and have been in place for 2005 and 2006.

Background - Analysis and Options

Business class properties have been protected from large assessment related tax increases since 1998. Protection was introduced, a 10% cap for 1998 and 5% for 1999 through to 2004. The tax revenue that is not collected from protected or capped properties is recovered from properties that should be receiving tax decreases (clawback). In addition, effective in 2001, all “new construction” and “new to class” properties have also been protected.

The result of this legislated protection was that properties were not progressing toward full taxation based on their Current Value Assessment (CVA) as quickly as anticipated. The Province recognized this and, effective 2005, provided new and additional capping tools. These tools continue today and remain as follows:

- Assessment-related property tax increases be limited to an amount which is the greater of,
  - 10% of the previous year’s annualized capped taxes, and
  - 5% of the previous year’s annualized full CVA taxes
- Properties that would receive a cap credit of $250 or less will be moved directly to CVA tax.
- Properties that would be subject to a clawback of $250 or less will be moved directly to CVA tax.
- New Construction and New to Class properties that would be protected through a review of comparable properties were limited to a tax level of 70% of their CVA tax for 2005 and 80% for 2006. This protection will rise to 90% for 2007 and then 100% for 2008 and beyond.

Decisions relating to the capping and clawback tools and options still remain the responsibility of the Region of York. The above tax policy tools have been in effect for 2005 and 2006 and the Region will be recommending that they continue in 2007.

Annual Regional Tax Policy Recommendation:

Based on a detailed analysis of the tools each year by Regional staff, and with the participation and support of the local municipal Treasurers and property tax staff, the Region will be recommending that we continue to apply a combination of all the above available tools provided by the Province. This will continue to encourage the movement of capped properties to their full CVA level taxation.

Impacts:

An analysis shows that applying all the new optional tools to the City of Vaughan business class properties results in an increase in the number of properties that will be taxed more appropriately at CVA level taxation. It is also important to note that as a result of the recommended new tools, some of those properties that should be experiencing a decrease in taxation will now get the benefit of paying taxes based on their CVA or a lower clawback percentage.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

The tax revenue that is not collected from protected or capped properties is recovered from properties that should be receiving tax decreases (clawback). When there are insufficient decreases available across the Region to fund the protection in a particular class, there may be a shortfall that is funded jointly by the Region and all the local municipalities. However, the continual use of the optional recommended tools should continue to eliminate any potential shortfall.

Conclusion

City Finance staff agree with the Region of York's recommendation for 2007 to continue to implement a combination of all the available Provincial optional tools, as completed in 2005 and 2006, which will extend the movement of business class properties to full taxation based on current value assessment.

Attachments

None

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