Appendix A

Appendix A to the 2023 Tax Policy and Other Revenue Matters report provides additional data on the 2022 growth at the ward level and provides a history on the capping program.

1. Tax Levy Growth by Ward

The following chart details the amount of property tax levy growth, per Ward, that was recorded during 2022. Ward 3, Barrhaven West had the most growth in 2022 while. Ward 9, Knoxdale recorded negative growth due to assessment appeal reductions being greater than the growth within the ward.

Tax Levy Growth by Ward

Ward Name	2022 Levy ($ millions)	Base 2023 Levy before Tax Increase ($ millions)	Growth ($ millions)	Growth %
1 Orléans East- Cumberland	73.39	74.31	0.92	1.2%
2 Orléans West- Innes	64.51	64.89	0.38	0.6%
3 Barrhaven West	78.15	86.44	8.30	10.6%
4 Kanata North	94.67	97.40	2.73	2.9%
5 West Carleton-March	39.70	40.79	1.09	2.8%
6 Stittsville	77.20	84.45	7.25	9.4%
7 Bay	87.10	88.22	1.12	1.3%
8 College	90.15	90.21	0.06	0.1%
9 Knoxdale-Merivale	82.04	81.75	-0.29	-0.4%
10 Gloucester-Southgate	78.99	79.19	0.21	0.3%
11 Beacon Hill-Cyrville	65.79	66.06	0.27	0.4%
12 Rideau-Vanier	107.95	108.58	0.63	0.6%
13 Rideau-Rockcliffe	78.36	79.83	1.46	1.9%
14 Somerset	191.65	191.79	0.14	0.1%
15 Kitchissippi	94.25	96.11	1.86	2.0%
16 River	74.75	75.57	0.82	1.1%
17 Capital	91.26	92.34	1.08	1.2%
18 Alta Vista	89.67	90.48	0.81	0.9%
19 Orléans South-Navan	79.57	82.24	2.66	3.3%
20 Osgoode	47.92	48.94	1.02	2.1%
21 Rideau-Jock	46.08	49.23	3.15	6.8%
22 Riverside South- Findlay Creek	57.20	62.53	5.33	9.3%
23 Kanata South	74.39	75.12	0.72	1.0%
24 Barrhaven East	66.60	67.14	0.54	0.8%
GRAND TOTAL	**1,931.34**	**1,973.61**	**42.27**	**2.2%**

2. Capping History

After the change to the CVA process in 1998, the Province imposed mandatory limits on assessment-related property tax increases over 1997 taxation levels for commercial, industrial and Multi-Residential properties. In December 2000, the Continued Protection for Property Taxpayers Act, 2000 was enacted. It legislated that for 2001 and subsequent years, all municipalities are required to limit the assessment-related property tax increases on Commercial, Industrial and Multi-Residential properties to five per cent of the previous year's annualized taxes. For 2005 and subsequent years, Council was authorized to increase this limit to 10 per cent.

Annualized taxes are a property's taxes for the full year, including any capping or clawback, while CVA taxes are a property's taxes for the full year without any capping or clawback.

The tax capping limit is referred to as the tax cap and is calculated each year based on the previous year's taxes. The tax cap remains in place until properties reach a property tax levy based on their CVA tax. Municipal levy changes and changes to the tax rate resulting from budgetary decisions are applied to the tax cap.

The tax cap applies to all properties in the Commercial, Industrial and Multi-Residential classes except for:

- Farm Land awaiting development
- Provincial and municipal property subject to PILTs (except that the limits would protect commercial tenants in provincial or municipally owned properties)
- Particular power generation and transformer facilities.

The tax cap does not apply to Residential, Farm, Managed Forest, New Multi-Residential and Pipeline property classes.

The individual properties protected by the tax cap generate a foregone revenue or taxation shortfall. This taxation shortfall is the difference between the amount of taxes the CVA generates and the cap over the previous year's taxes. This uncollected amount must be recovered from other taxpayers. An available mechanism, chosen by Council each year since 1998, is to "clawback" some of the decreases from properties within the property class experiencing a decrease in taxes. In other words, taxpayers who would be entitled to a reduction in their taxes pay the tax not paid by another taxpayer because of the capping limit.

To address some of the limitations associated with the capping regime, such as properties not paying full CVA taxes and the prolonged period for properties to transition to paying full CVA taxes, the Ministry introduced new capping options in Bill 83 of the *Budget Measures Act, 2004*. Although these options do not address all inequities that keep properties from paying their full share of taxes, they accelerate the transition for those properties toward paying full CVA taxes.

The capping options for 2023 that are being recommended to support the phase-out exiting strategy are summarized below.

Ten Per cent of Annualized Tax

The major disadvantage of the original capping program and a continuous cycle of reassessments is that many of the capped properties within the City would never reach their full CVA taxes. To rectify this situation, the Ministry provided flexibility to Council to increase the five per cent tax cap up to 10 per cent. Council has approved this change each year since 2006 as part of the tax policy submission process. A decision not to implement this option each year would mean the tax cap would revert to five per cent of the previous year's annualized tax.

Increase to 10 Per cent of CVA Tax

With the annual restriction applying the tax cap to the previous year's annualized taxes, any property with a significant disparity between its annualized and CVA taxes would be capped for an extensive period. To this problem, the Ministry introduced a new capping option to increase taxes by up to five per cent of the previous year's CVA tax (before levy change). Council has approved this five per cent increase to capped properties for 2006 and subsequent years. For 2023 staff recommend increasing this to 10 per cent to support exiting the program sooner. Only a small number of properties that pay less than 50 per cent of their CVA taxes would be affected.

Increase to $500 Threshold Option

Administratively, several small businesses and Multi-Residential properties were being capped or clawed back by nominal amounts because the Province had not established a minimum threshold. A change was enacted allowing municipalities to pass a by-law to move capped properties whose recalculated annualized taxes fell within $250 of the current year's annualized tax to their CVA tax for the year. Previously, Council approved this $250 threshold; however, for 2023, the report recommends increasing the threshold to $500. That means if the differential between the CVA taxes and the tax capping limit is less than $500, the taxpayer is automatically moved to their CVA tax. This will move more properties to CVA taxes faster, thereby supporting the strategy to exit capping sooner.

Properties at CVA Tax Level

Since 1998, the capping program has offered protection for any assessment-related tax increases to specific classes. While there was a significant tax impact on specific properties, the Province anticipated that the new values would be fully integrated and taxes would be at their full CVA tax level after a few years. This process has taken much longer than intended. Most municipalities in Ontario have not met the goal of having all properties pay their share of taxes based on a simple valuation formula applied to a ratio-driven tax rate set by the Province.

In order to finance the protection provided to properties with large increases, other properties are denied their full tax decrease by a clawback mechanism (see Clawback recovery discussion above). Historically, the number of clawed back properties can be several times the number of properties being protected. This would imply that a smaller number of large properties benefit from the protection relative to a larger number of smaller properties being denied lower taxes. Experience has demonstrated that whatever gains are made during a non-reassessment year can be lost during a reassessment year with new properties being brought into the protected category. Suppose a property is significantly undervalued in any given year and subsequently corrected. In that case, it will have benefited from lower taxation for all previous years and be protected for many years to follow.

Clawback Recovery

To determine how much taxation to clawback from taxpayers in the class whose taxes were decreasing, a percentage is calculated, which, when added to their taxes, funds the taxation shortfall. Council must approve this percentage, known as the clawback percentage. As noted in the report, the final percentages will be approved by way of by-law when the final tax rates are approved.

In summary, the option to exclude properties that have reached their CVA tax level or crossed over from the clawed back to the capped category continues to significantly reduce the capping requirement for all classes for the coming years. In 2023, staff have recommended the Council also approve the option to exclude property once they cross over from the capped category to clawed back. This will ensure that more properties move to CVA tax level faster.

Will not apply interest of the interim because applied March 17.