



Toronto has Plenty of Room for Increasing Residential Property Taxes

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The opinions expressed in this research report are those of the author only and do not represent opinions and views of either CUR or Ryerson University.

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1. EXECUTIVE SUMMARY

The bottom line is the City of Toronto has the capacity to increase its average property tax levied on homeowners by 17 percent to 23 percent if the taxes paid by homeowners in the median-ranked GTA municipality excluding Toronto is applied as a benchmark.¹ In fact, it is likely the capacity exists to raise taxes even more than this conservative benchmark as long as Toronto taxpayers are aware of and support the services funded by the additional taxes.

This conclusion is based upon a comparative analysis covering all municipalities in the Greater Toronto Area (GTA) using unpublished data from the 2011 National Household Survey:

- **In absolute dollars** the average Toronto homeowner paid \$3,307 in property taxes, 40 percent less than the taxes paid by Township of King homeowners (\$5,465) and 16 percent less than the average taxes paid in the median-ranked municipality excluding Toronto (\$3,921) in 2011;
- **The effective tax rate** (taxes as percent of market value of homes) incurred by the average homeowner in Toronto (0.64 percent) was 56 percent less than the average effective tax rate in Oshawa (1.44 percent) and 23 percent less than the average tax rate for the median-ranked municipality excluding Toronto (0.83 percent); and
- **The tax burden** (taxes as percent of household income) borne by the average Toronto homeowner (2.85 percent) was 34 percent lower than the burden in Oshawa (4.3 percent) and 17 percent less than average property tax burden for the median-ranked municipality excluding Toronto (3.45 percent).

While 2011 data are nearly six years old they still reflect the relative differences between municipalities in the GTA. During the time since 2011 increases in average incomes and average property taxes have tended to approximate the inflation rate and the property value increases have generally been in the same approximate ranges.

¹ The GTA is approximated by municipalities within the Toronto and Oshawa Census Metropolitan Areas.

2. INTRODUCTION

A 2015 study by Tassonyi, Bird and Slack using econometric analysis concluded that Halton Region followed by the City of Toronto (“Toronto”) have more room to increase residential property tax rates than the Regions of Peel, York or Durham or most local municipalities within the GTA without tipping over the “revenue hill.”²

We take a different approach. Using data from the 2011 National Survey of Households, we compare annual property tax payments of home-owning households in Toronto with all the other municipalities in the GTA in terms of:

- The average amount of property taxes paid per household;
- The effective tax rate (average property taxes expressed as a percent of the average market value of the homes); and
- The property tax burden (average property taxes as a percent of average household income).

The underlying premise of this comparative analysis is that Torontonians have the same capacity to pay residential property taxes as homeowners living in the 905 areas of the GTA. It is posited, conservatively we would add, that Toronto homeowners have the capacity to pay taxes equal to the taxes paid by homeowners in the median-ranked municipality (half below and half above the median) in relation to property values and household incomes. In reality, homeowners have the capacity to pay even more in property taxes as long as Toronto taxpayers are aware of and support the services funded by the additional taxes.

² Tassonyi, Almos, Bird, Richard M., and Slack, Enid, *Can GTA Municipalities Raise Property Taxes? An Analysis of Tax Competition and Revenue Hills*, Institute on Municipal Finance & Governance, Munk School of Global Affairs, 2015.

Going up the revenue hill, tax rate increases produce more tax revenue. Once over the top of the revenue hill further tax increases reduce the tax revenue generated.

3. THE DATABASE

The 2011 National Household Survey conducted by Statistics Canada asked homeowners questions on: the annual property taxes paid in 2011(municipal and education); the estimated value of the dwelling units they occupied in mid-2011; and total household income in 2010. Property taxes excluded taxes paid as part of regular monthly mortgage payments.³

This information was obtained from Statistics Canada through a special request.

While the absolute amount of taxes paid has increased since 2011, it is not likely that the relative ranking of municipalities has changed materially today from the rankings in 2011. While 2011 data are nearly six years old they still reflect the relative differences between municipalities in the GTA. During the time since 2011, increases in average incomes and average property taxes have tended to approximate the inflation rate and the property value increases have generally been in the same approximate ranges.

The GTA is approximated by municipalities constituting the Toronto and Oshawa Census Metropolitan Areas.

³ Approximately 18 percent of GTA homeowners paid their property taxes through their lenders in 2011. Comparing average property taxes excluding these owners with average household incomes and average home values with these owners included is not likely to distort the relative positioning of municipalities.

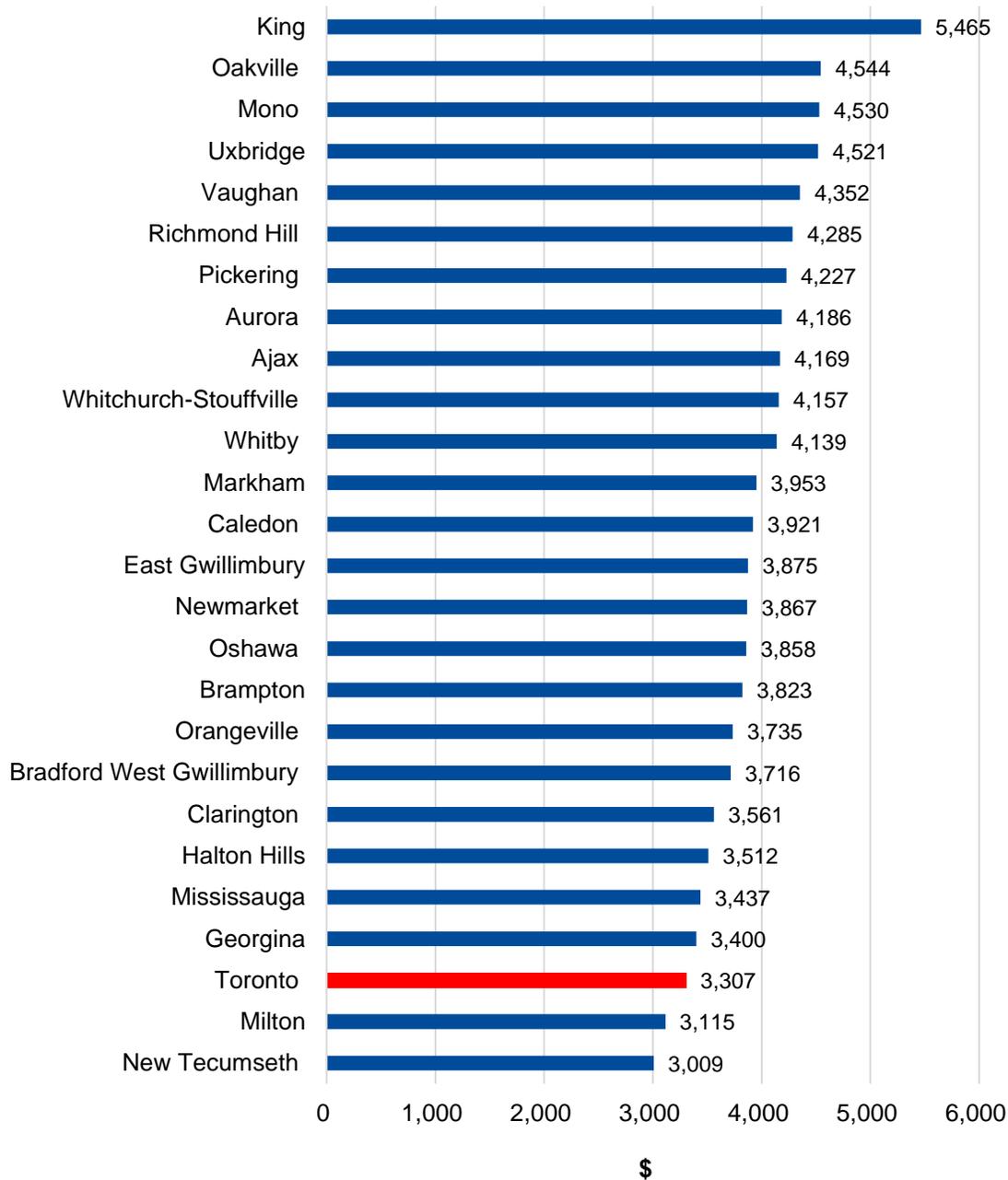
4. AVERAGE PROPERTY TAXES PAID

Average property taxes paid within the GTA ranged between \$3,009 and \$5,465 per owned dwelling with Toronto third from the bottom with an average tax of \$3,307 (see Figure 1). To put Toronto's taxes of \$3,307 in perspective:

- Twenty-three GTA municipalities recorded higher average property taxes than the City of Toronto;
- Only homeowners in New Tecumseth and Milton paid less in average taxes than Toronto;
- King Township had the top average property taxes paid (\$5,465) followed by Oakville (\$4,544); and
- Average property taxes in Toronto (\$3,307) were some 16 percent less than the median taxes paid (\$3,921) in the 25 GTA municipalities excluding Toronto.

The average property tax payment reflects the mix of housing unit types in a municipality as well as the tax rate and the value of homes. Toronto has a larger component of condominium apartments in its mix than the other municipalities which have much lower average market values than single-detached houses – this dampens Toronto's average property tax payment per household.

**Figure 1:
Average Residential Property Tax Paid, Municipalities
Within the GTA, 2011***



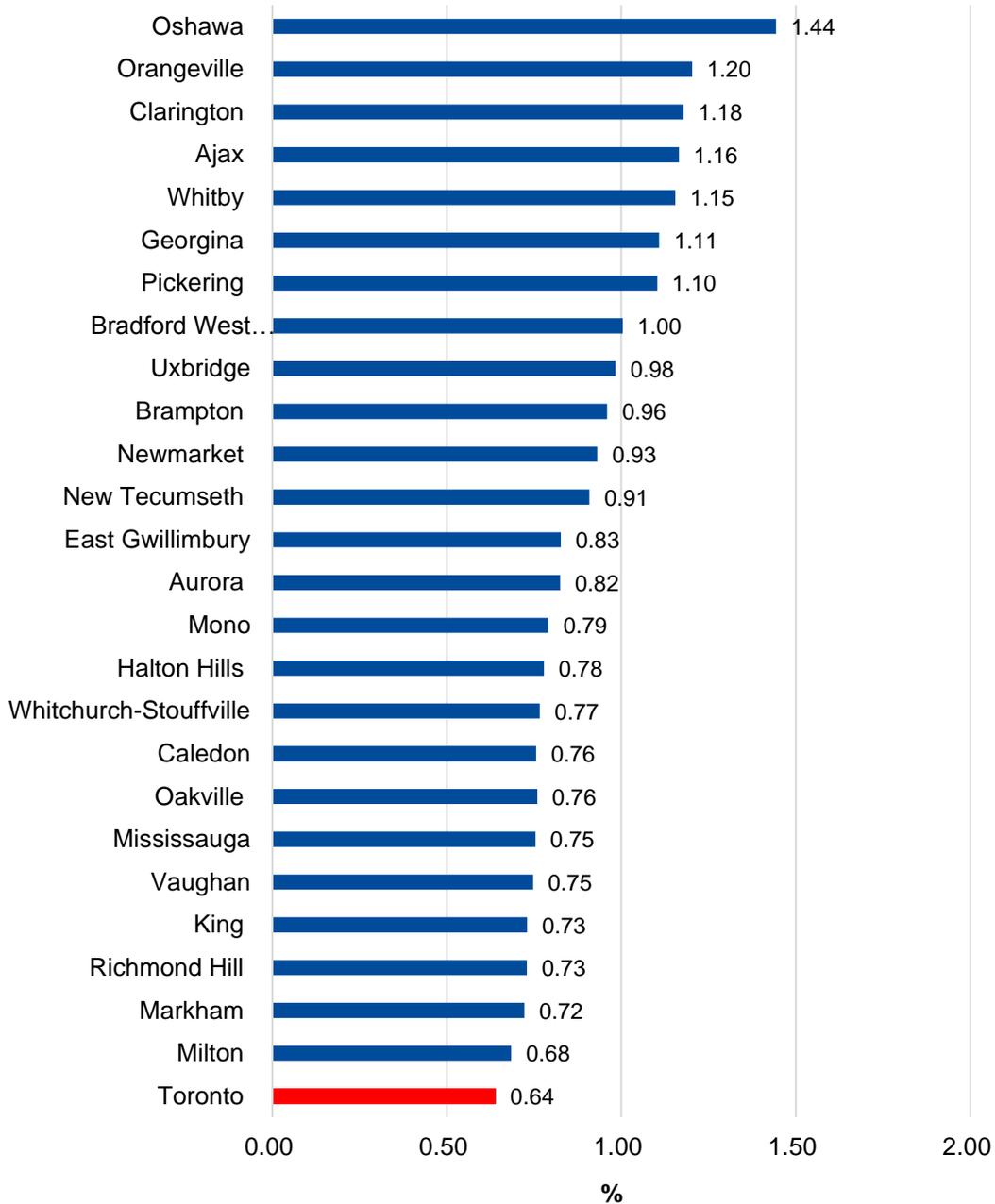
*Municipal and education property taxes paid by homeowners.
Source: CUR based on special tabulations from the 2011 National Household Survey.

5. EFFECTIVE PROPERTY TAX RATE (PROPERTY TAX AS PERCENT OF MARKET VALUE)

Average effective property tax rates (average property taxes as percent of average market value of homes owned) in the GTA varied from a low of 0.64 percent (Toronto) to a high of 1.44 percent (Oshawa):

- Twenty-five municipalities within the GTA had a higher effective tax rate than Toronto;
- Oshawa (1.44 percent) and Orangeville (1.20 percent) had the highest effective property tax rates;
- Toronto's effective property tax rate was 15 percent lower than in Mississauga and Vaughan and 33 percent lower than Brampton; and
- Toronto's effective tax rate of 0.64 percent was 23 percent below the median of 0.83 percent for the 25 municipalities in the GTA other than the City of Toronto.

**Figure 2:
Average Residential Property Tax as a % of Average Value
of Dwelling, Municipalities within the GTA, 2011***



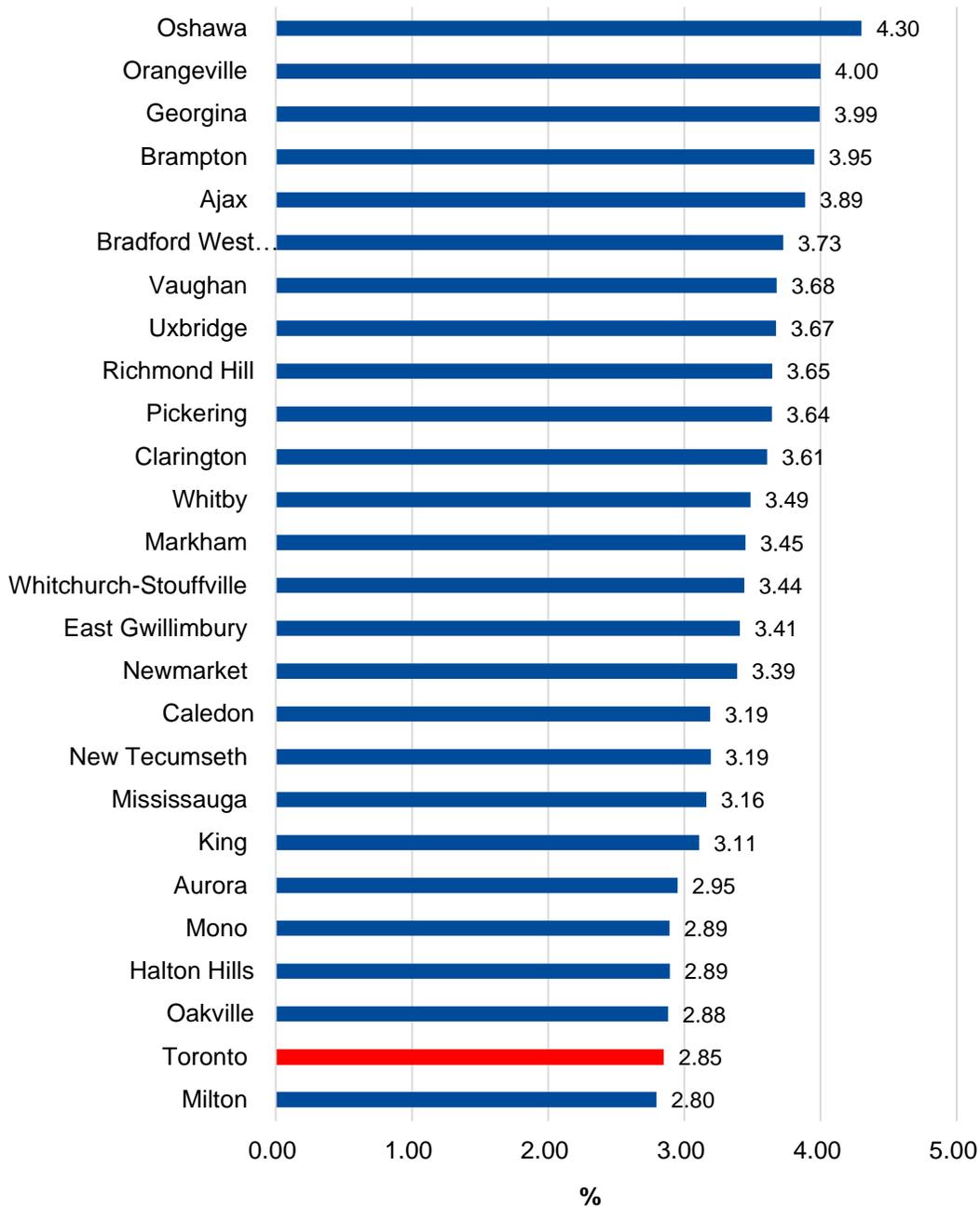
*Municipal and education property tax payments and average dwelling values of homeowners.
Source: CUR based on special tabulations from the 2011 National Household Survey.

6. PROPERTY TAX BURDEN (PROPERTY TAX AS PERCENT OF HOUSEHOLD INCOME)

There is a wide disparity in property tax burdens (average property taxes as percent of average household income) within the GTA ranging from a high of 4.3 percent and 4.0 percent in Oshawa and Orangeville to a low of 2.80 percent and 2.85 percent in Milton and Toronto, respectively. To put Toronto's average taxes to household income ratio of 2.85 percent into context:

- Eleven municipalities had property tax/income ratios of 3.5 percent or higher while six had effective tax rates of less than 3 percent;
- Oshawa and Orangeville experienced the highest average property tax burdens with burdens of 4.3 and 4.0 percent, respectively;
- Toronto's property tax burden of 2.85 percent was 17 percent below the median of 3.45 percent for all 25 municipalities in the GTA excluding Toronto.

Figure 3:
Average Residential Property Tax as a % of Average Household Income, Municipalities within the GTA, 2011*



*Municipal and education property tax payments and average household incomes of homeowners.
 Source: CUR based on special tabulations from the 2011 National Household survey.

7. SUMMARY

The comparative analysis covering all municipalities in the Greater Toronto Area (GTA) using unpublished data from the 2011 National Household Survey found:

- **In absolute dollars** the average Toronto homeowner paid \$3,307 in property taxes, 40 percent less than the taxes paid by Township of King homeowners (\$5,465) and 16 percent less than the average taxes paid in the median-ranked municipality excluding Toronto (\$3,921) in 2011;
- **The effective tax rate** (taxes as percent of market value of homes) incurred by the average homeowner in Toronto (0.64 percent) was 56 percent less than the average effective tax rate in Oshawa (1.44 percent) and 23 percent less than the average tax rate for the median-ranked municipality excluding Toronto (0.83 percent); and
- **The tax burden** (taxes as percent of household income) borne by the average Toronto homeowner (2.85 percent) was 34 percent lower than the burden in Oshawa (4.3 percent) and 17 percent less than average property tax burden for the median-ranked municipality excluding Toronto (3.45 percent).