



# **How Much Room Does the City of Toronto Have for Increasing Residential Property Taxes?**

Centre for Urban Research and Land Development

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# 1. In Sum: Toronto Has Room to Raise Property Taxes

The City of Toronto (“Toronto”) faces a growing financial challenge in its need to replace deteriorating infrastructure and to add new infrastructure in response to demands for enhanced city services as a result of population growth. It is often suggested that the senior governments should provide a share of their income tax or HST revenue to the City to fund these needs. However, it seems unlikely that this will happen in the foreseeable future. Rather, our approach is to explore whether higher municipal property taxes could be used to finance the infrastructure and services being demanded by city residents.

We have concluded that Toronto has room to increase the average property tax rate on homes by approximately 20% and still be in the middle of the range of taxes levied by 28 other municipalities within the Greater Toronto and Hamilton Area (“GTHA”).<sup>1</sup>

This finding is based upon an analysis of unpublished data from the 2016 Census of Canada using two measures commonly used in the public finance literature to measure effective property tax rates and tax burdens:

- **The average effective property tax rate** - average property taxes as percent of average market value of owner-occupied homes.<sup>2</sup>

Toronto’s average effective tax rate of 0.51% is 21% less than the average rate for the median-ranked municipality in the GTHA. Only two other municipalities have a lower effective tax rate.

- **The average property tax burden** - taxes as percent of household income.

Toronto’s average property tax burden of 2.74% is 22% less than the average tax burden for the median-ranked municipality in the GTHA.

Even in absolute dollars, the average Toronto homeowner paid 10% less in property taxes than the average owner in the median-ranked municipality in the GTHA, despite the average value of an owner-occupied home being 9% above the average home value for the GTHA as a whole (\$782,611 vs. \$716,924). The average Toronto household paid \$4,027 in taxes compared to an average of \$4,484 paid in taxes by residents of the median-ranked municipality.

The underlying premise for the calculation of the room to increase tax is that homeowners living in Toronto should be capable of bearing the same property tax levy in relation to the value of their home or household income as homeowners who live in at least 50% of the municipalities in the GTHA.

## 2. Introduction

A 2015 study by Tassonyi, Bird and Slack used econometric analysis and concluded that the Halton Region, followed by Toronto, has more room to increase residential property tax rates without tipping over the “revenue hill” than do the Regions of Peel, York or Durham or indeed most local municipalities within the GTA.<sup>3</sup>

We take a different approach. Using data from the 2016 Census of Canada, we compare average annual property tax payments of home-owning households in Toronto, including condo owners, with all the other municipalities in the GTHA in terms of the average value of the homes occupied and average household income.<sup>4</sup>

The underlying premise of this comparative analysis is that Torontonians have the capacity to pay residential property taxes at the same rates as homeowners living in the 905 areas of the GTA. Further, we

<sup>3</sup> Tassonyi, Almos, Bird, Richard M., and Enid Slack (2015). “Can GTA Municipalities Raise Property Taxes? An Analysis of Tax Competition and Revenue Hills.” Toronto: Institute on Municipal Finance & Governance, Munk School of Global Affairs, 17. 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.

<sup>4</sup> The variables from the 2016 Census of Canada are described in the appendix.

1 The GTHA is approximated by municipalities within the Toronto, Oshawa and Hamilton Census Metropolitan Areas.

2 All owner-occupied homes, including condominiums.

have conservatively posited that Toronto homeowners have the capacity to pay tax rates at least equal to those paid by the average homeowner in the media-ranked municipality in the GTHA.

In other words, Toronto could at least raise its property taxes to a rate where half the municipalities in the region pay more taxes and half pay less. Toronto homeowners have the capacity to pay more in property taxes, and we argue they would be willing to do so, as long as they are aware of, and actively support, the services to be funded by the additional taxes.

Putting a residential property tax increase into perspective, an analysis of the City's finances conducted by the Institute of Municipal Finance and Government noted that property

taxes per household when adjusted for inflation actually declined from 2000 to 2016.<sup>5</sup>

### 3. Average Property Taxes Paid

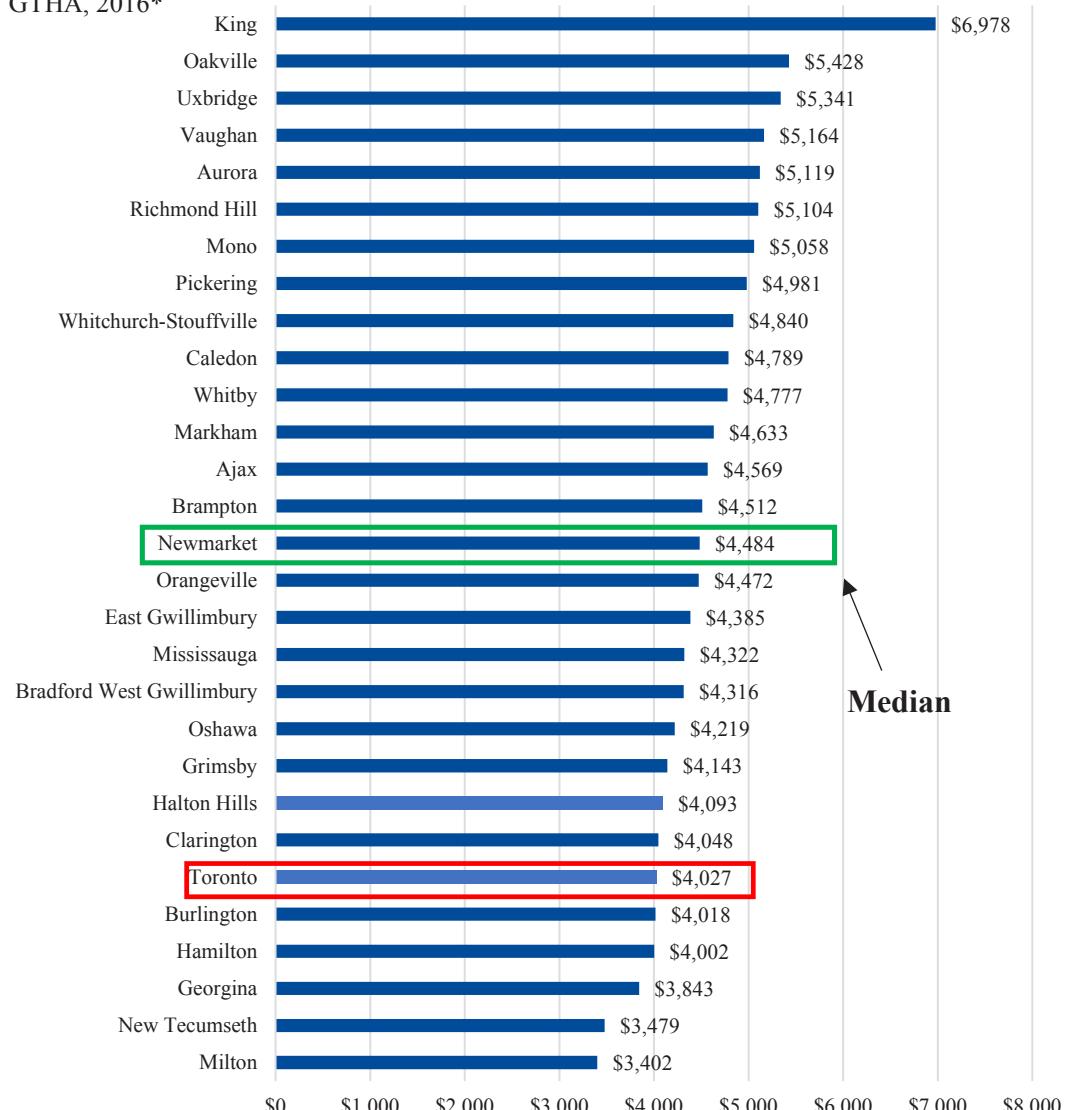
Average property taxes paid within the GTHA ranged between \$3,402 and \$6,978 per owner-occupied dwelling. Ranked by municipality, Toronto is sixth from the bottom with an average tax of \$4,027 (see Figure 1).

To put Toronto's tax rate of \$4,027 in perspective:

- Average property taxes in Toronto were

<sup>5</sup> Institute of Municipal Finance and Governance (2018). "A Check-up on Toronto's Fiscal Health, 2018." [Online]. Available at: <https://munkschool.utoronto.ca/imfg/research/a-check-up-on-torontos-fiscal-health-2018/>

**Figure 1: Average Residential Property Tax Paid, Municipalities Within the GTHA, 2016\***



\*Municipal and education property taxes paid by homeowners.  
Source: CUR based on special tabulations from the 2016 Census of Canada.

some 10 percent less than the taxes paid by owner-occupants in the median municipality in the GTHA (\$4,484 in Newmarket).

In addition:

- Twenty-three GTHA municipalities recorded higher average property taxes than Toronto;
- Only homeowners in Milton, New Tecumseth, Georgina, Hamilton and Burlington paid less in average taxes than Toronto; and
- King Township had the top average property taxes paid (\$6,978) followed by Oakville (\$5,428).

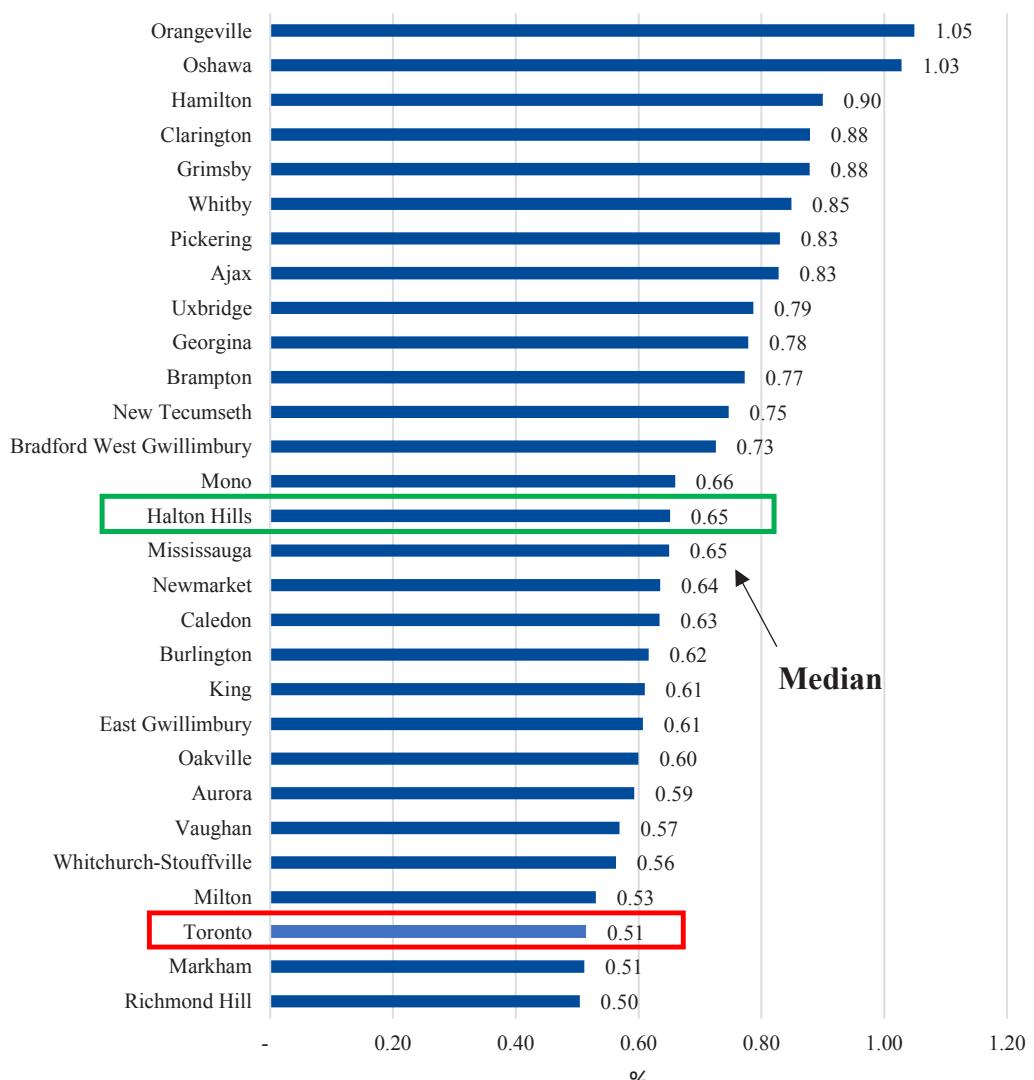
The average property tax payment reflects the mix of housing unit types in a municipality as well as the tax rate and the value of homes. Toronto has a larger component of

condominium apartments (which have much lower average market values than single-detached houses) in its mix of housing types than the other municipalities – this dampens Toronto’s average property tax payment per household.

## 4. 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 owner-occupied homes) in the GTHA varied from a low of 0.50 percent (Richmond Hill) to a high of 1.05 percent (Orangeville) (see Figure 2).

**Figure 2: Average Residential Property Tax as a % of Average Value of Dwelling, Municipalities Within the GTHA, 2016\***



\*Municipal and education property tax payments and average dwelling values of homeowners.  
Source: CUR based on special tabulations from the 2016 Census of Canada.

To put Toronto's average effective tax rate of 0.51 percent in perspective:

- Toronto's effective tax rate was 22 percent below the median of 0.65 percent for the 29 municipalities in the GTHA.

In addition:

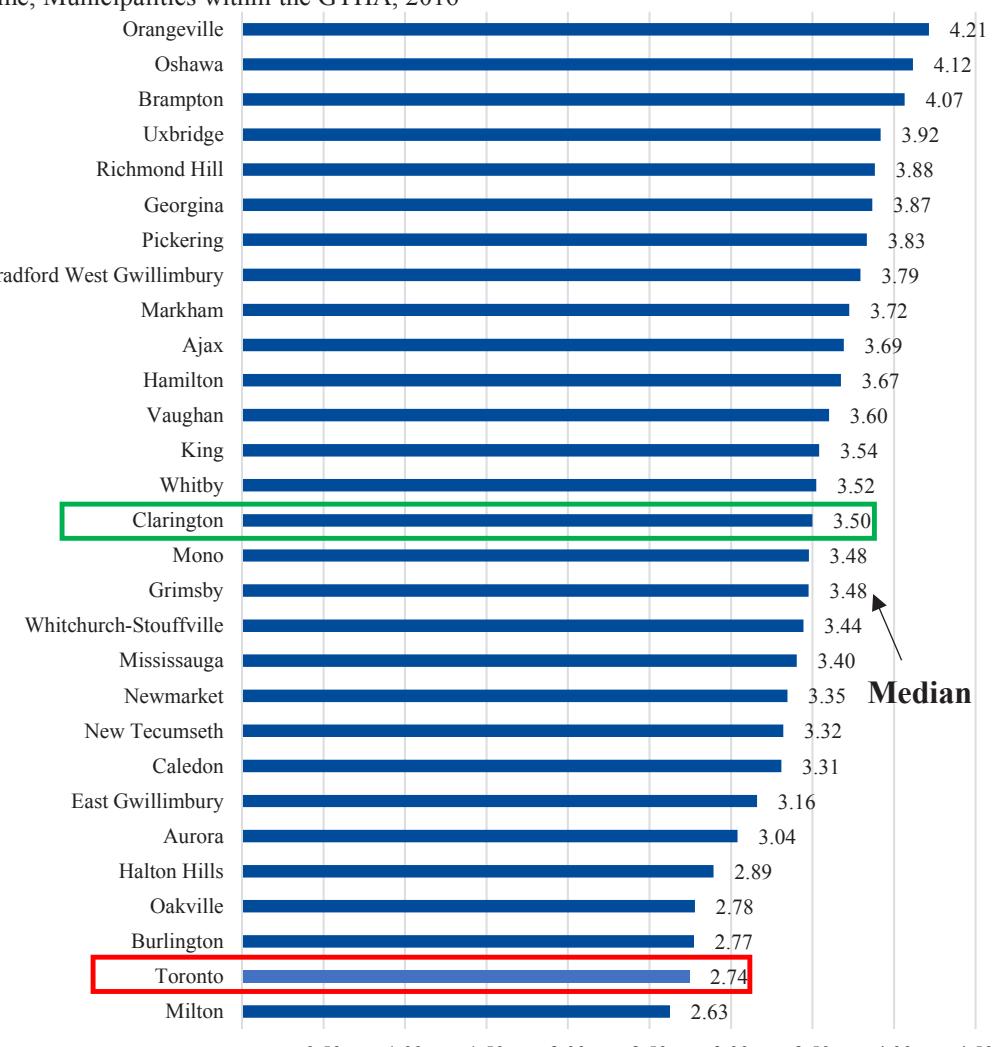
- Twenty-six municipalities within the GTHA had a higher effective tax rate than Toronto;
- Orangeville (1.05 percent) and Oshawa (1.03 percent) had the highest effective property tax rates; and
- Toronto's effective property tax rate was 20 percent lower than Mississauga and 34 percent lower than Brampton.

## 5. Property Tax Burden (Property Tax as Percent of Household Income)

There is a wide disparity in owner-occupied housing property tax burdens (average property taxes as percent of average household income) within the GTHA, ranging from a high of 4.2 percent and 4.1 percent in Orangeville and Oshawa respectively, to a low of 2.63 percent and 2.74 percent in Milton and Toronto, respectively (see Figure 3).

To put Toronto's averages taxes to household income ratio of 2.74 percent into perspective:

**Figure 3: Average Residential Property Tax as a % of Average Household Income, Municipalities within the GTHA, 2016\***



\*Average residential property tax as a % of average household income.  
Municipal and education property tax payments and average household incomes of homeowners.  
Source: CUR based on special tabulations from the 2016 Census of Canada.

- Toronto's property tax burden was 21 percent below the median of 3.50 percent for all 29 municipalities in the GTHA.

In addition:

- Fifteen municipalities had property tax/income ratios of 3.5 percent or higher while five had effective tax rates of less than 3 percent; and
- Orangeville and Oshawa experienced the highest average property tax burdens with burdens of 4.2 and 4.1 percent, respectively.

## **6. Summary**

Looking at the average property tax levied on the average owner-occupied home in Toronto compared to the other 28 municipalities in the GTHA in 2016:

- Average property taxes in dollars in Toronto were some 10 percent less than the taxes paid by the median-ranked municipality in the GTHA;
- Toronto's average effective property tax rate (taxes as a percent of market value) was 22 percent below the median of 0.65 percent for the 29 municipalities in the GTHA; and
- Toronto's average property tax burden (taxes as a percent of household income) was 21 percent below the median burden for GTHA municipalities.

## Appendix: The 2016 Census of Canada Property Tax Database

The 2016 Census of Canada conducted by Statistics Canada asked a sample of homeowners questions regarding: the annual property taxes paid in 2016 (municipal and education); the estimated value of the dwelling unit they occupied in mid-2016; and their total household income in calendar year 2015.<sup>6</sup> Homeowners whose property taxes are paid as part of regular monthly mortgage payments are excluded.<sup>7</sup>

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<sup>6</sup> These variables were included on the long form questionnaire which was distributed to 25% of households across Canada and was obtained from Statistics Canada through a special request.

<sup>7</sup> Approximately 19 percent of GTHA homeowners paid their property taxes through their lenders in 2016. 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.