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UPDATE ON PROPERTY TAX RELIEF OPTIONS FOR SENIORS AND OTHER LOW-INCOME PERSONS

(Regional Council at its meeting on February 21, 2008 amended the following Clause to request that the additional report be tabled at the June 5, 2008 Committee meeting and include information on potential impacts to the Region as a result of updated census data from Statistics Canada.)

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, January 25, 2008, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The Region maintain its current property tax deferral program for seniors and low-income disabled homeowners;

2. The Region reduce the threshold for the deferral of property tax increases from $300 to $100 for low-income seniors aged 55 to 64;

3. The Regional Chair write to the Minister of Finance requesting that the government act on its campaign promise to create a new homeowners' grant for seniors who have difficulty paying their taxes and request the Province to enhance its Ontario Property Tax Credit program by increasing the refundable tax credit available to *all* low-income persons, regardless of age, to an amount equivalent to the education portion of the residential property tax;

4. Staff report to the Finance and Administration Committee on provisions, or the lack thereof, for property tax relief for seniors and low-income persons following from the 2008 Ontario Budget; and

5. The Regional Solicitor be authorized to amend the current by-law to give effect to the above noted recommendation.

2. PURPOSE

The report provides an update on the status of property tax relief for seniors and low-income individuals as requested by Council at its June 21, 2007 meeting. This report also provides an analysis of property tax relief options available to seniors, low-income disabled and low-income persons in the Regional Municipality of York and within the Greater Toronto Area (GTA).

3. BACKGROUND

At its meeting of April 19, 2007, Regional Council requested that staff report on property tax options for assisting seniors and other qualifying low-income individuals. Further, at its June 21, 2007 meeting, Council requested that the Commissioner of Finance report back to the Finance and Administration Committee in nine months' time on the status of this matter.

3.1 Property Tax Relief in York Region

Key provisions of the York Region property tax relief policy for homeowners are as follows:

- All property tax increases in a year may be deferred for seniors 65 years of age and older and low-income disabled persons;
- Low-income seniors aged 55-64 may defer increases greater than $300;
- The deferral applies to the local, regional and provincial education components of the tax bill;
- All deferrals are free of interest until the property is sold or ownership changes;
- The low income threshold is $23,000 for individuals and $40,000 for a household of two persons or more.

As at December 2006 there were 246 individuals utilizing the tax deferral program for a total cumulative deferral of approximately $84,000 of Regional taxes. The total cumulative deferral for all three taxing jurisdictions (local, regional, education) was $188,700. The number of individuals in participating in this program has increased on average by approximately 20 per year.

The property tax relief offered by York Region is consistent with the rest of the GTA. No regional government in the GTA currently offers a grant to seniors or low-income disabled persons. Notwithstanding, the City of Toronto offers a cancellation of property tax increases to eligible low-income seniors and low-income disabled. Toronto's program has 2700 participants for a total annual cost of approximately $500,000.

Grant Programs for Seniors offered by the Local Municipalities

Vaughan, Richmond Hill and Newmarket have grant programs for low-income seniors but do not include other low-income individuals. Outside of York Region, four GTA lower-tier municipalities offer a grant or loan program for low-income seniors. Table 1 provides a summary of the local municipal grant programs in York Region.

Table 1
Local Municipal Grant Programs for Seniors in 2007

Municipality	Program Name	Date of Program	Number of Participants	Grant Provided	Total Cost to Municipality
Town of Newmarket	Seniors' Tax Rebate Grant	2005	49	$200	$9,800
Town of Richmond Hill	Seniors' Grant	1994	330	$250	$82,500
City of Vaughan	Seniors' Grant	1970	1139	$270	$307,530
Total			**1518**		**$399,830**

3.2 Property Tax Relief for Seniors and Low-Income Disabled Persons in the GTA

The following table provides a summary of applicable property tax relief programs in the GTA:

Table 2
Property Tax Relief Programs for Seniors and Low-Income Disabled Persons in Toronto and the GTA Regional Municipalities

Municipality	Program	Eligibility Criteria
York Region	Deferral	• Seniors, 65 yrs and above: full tax increase • Low-income persons, 55 to 64 yrs: all tax increase in excess of $300 • Low-income disabled: full tax increase
Peel Region	Deferral	• Seniors, 65 yrs and older receiving GIS, and low-income disabled individuals receiving ODSP: full tax increase
Durham Region	Deferral	• Seniors, 65 yrs and older receiving GIS , and low-income disabled individuals receiving ODSP: reassessment increase in excess of $100
Halton Region	Deferral	• Seniors, 65 yrs and older, and disabled individuals with income less than $40 K: reassessment related tax increase
City of Toronto	• Tax cancellation	• Seniors, 65 yrs and above OR disabled persons with income less than $26 K; CVA of house less than $454 K: cancellation of full tax increase
	• Deferral	• Low income persons, 50 yrs and above OR disabled individuals with household income of $40 K or less: deferral of full tax increase

4. ANALYSIS AND OPTIONS

At its June 21, 2007 meeting, Council requested that the Commissioner of Finance report back to the Finance and Administration Committee on the status of Provincial initiatives to provide property tax relief for seniors and low-income individuals.

4.1 The Province Has Not Provided Additional Tax Relief

The Province has not responded to Council's second recommendation from the June 2007 report on this matter (recommendation 2. of this report)—that the Province enhance the Ontario Property Tax Credit program. The Province has implemented a proposal in the 2007 Ontario Budget to increase the income threshold of the Ontario Property and Sales Tax Credits for senior couples to be consistent with the criteria for the federal Old Age Security (OAS) and Guaranteed Income Supplement (GIS) programs.

4.2 The Province Is Well Positioned to Enhance Tax Relief

The Province has established a program to provide property tax relief for both homeowners and renters. The Ontario Property Tax Credit program is a universal, cost effective program appropriately delivered at the Provincial level and consistent with the social support obligations of the senior levels of government. Because the program assists both renters and property owners, and the program is clearly income redistribution, it is the best vehicle for direct financial assistance to low-income individuals.

In 2004 the Ontario property tax credit for low-income seniors aged 65 and older, either renting or owning property, was increased from a maximum of $500 to $625. For 2007 the income reduction threshold was subsequently increased to $23,820 per senior couple and the property tax credit is fully clawed back at $39,445. However, the program does not recognize the higher assessments and therefore the higher property taxes in the GTA.

Council, at its June 21, 2007 meeting, endorsed a request that the Province enhance its Ontario Property Tax Credit program by increasing the refundable tax credit available to *all* low-income persons, regardless of age, to an amount equivalent to the education portion of the residential property tax. In 2006 the education portion represented 26% of the average regional residential tax bill and the average residential property in York Region was assessed at $372,238. Therefore, the equivalent rebate that would have been paid in 2006 under this provision is an estimated $982.

The Liberal Party Supports a Homeowner's Grant for Seniors

Further, during the 2007 provincial election, the Liberal Party announced that if it formed the next provincial government that it would create a new *homeowners grant for seniors* who have trouble paying their taxes. It is antcipated that the Province will provide more detail in its 2008 Ontario Budget.

4.3 The Region Currently Provides Tax Relief for Seniors and Low-Income Disabled Persons

Regional Council already provides for the complete interest free deferral of property tax increases for seniors 65 years of age and older and low-income disabled persons, and partial deferrals for seniors aged 55 – 64 years that is considerably less restrictive than comparable Provincial legislation. The "household" threshold amount of $40,000 in the Regional by-law is significantly higher than the Ontario property tax credit threshold of $23,820 for 2007.

The Region's deferral program removes the burden of property taxes during a period of financial hardship while preserving the obligation to pay those taxes upon the sale of the property at a time when the owner will realize a significant increase in its value. This policy ensures that no homeowner would lose the right of occupancy due solely to property tax increases. While critics of this policy have raised the concern that deferred taxes could erode the financial legacy of seniors, this view does not recognize that the appreciation of the homeowners property will far exceed the amount of taxes being repaid.

The Region does not offer a specific deferral for renters, however it should be noted that significant tax relief was provided when Council approved a phased reduction in the multi-residential property tax ratio from 2.1 in 2000 to 1.0, effectively reducing by more than half the property tax burden for multi-residential renters.

An Enhancement for Low-Income Seniors is Recommended

The Regional deferral policy currently includes a provision for a $300 threshold—the first $300 of a tax increase is borne by the taxpayer—for property tax increases for low-income seniors aged 55 to 64. This provision was created at a time when large reassessment related property tax increases were anticipated every few years. The current assessment legislation has introduced a four-year reassessment cycle with one-quarter of the reassessment phased in each year.

In anticipation of smaller annual assessment increases and in order to better match tax relief with the assessment process, it is recommended that the threshold for the deferral of property tax increases be reduced from $300 to $100. The minimum of $100 is recommended as an amount that is approximately 2% of the property tax payable on the average residential assessment in York Region.

4.4 Considerations With Respect To A Regional Grant Program

Should the Region decide to provide direct grants and/or tax cancellation, it might appear to be voluntarily funding a new social support program. Regional Council has previously advocated that social support programs should be funded through the progressive tax base accessed by the Province.

Notwithstanding, if the Region were to choose to undertake a grant program, there are a number of issues that must be resolved. There is difficulty in quantifying the potential cost impact of a broad based grant program which is further discussed in the financial implications section of this report. The Region does not have the complete statistics from the most recent census to fully examine the cost impact by target groups.

The application of a grant program would require determining if the program is a matching program or a universal program. A matching program could match exactly the grant provided by a local municipality, offer a grant proportional to the tax revenue sharing (the Region is approximately double the local municipality), or set a specific grant amount approved by Council. The grant would be available only in those municipalities with a grant program.

Conversely, Regional Council could specify a universal grant amount available to all eligible individuals across the Region. This latter scenario would create a greater degree of equity for a Regional program but increase the overall cost.

Regional Council would have to also determine who qualifies for assistance: all low-income property owners; low-income disabled; low-income seniors; all senior property owners? Further, the definition of “low income” would have to be determined and verified through an auditable mechanism.

It is anticipated that the application, verification, and record keeping for a grant program would be administered at the local municipal level in conjunction with the tax records as is the practice for the current regional tax deferral program.

5. FINANCIAL IMPLICATIONS

This report recommends that the threshold for the deferral of property tax increases be reduced from $300 to $100 for low-income seniors between the ages of 55 to 64. If Council approves the recommendation, there will be property tax revenue deferred to a future date and an interest cost associated with the deferral of tax revenue. While it is very difficult to project the financial impact of this policy change, the Regional revenue deferred arising directly from this decision is estimated to be less than $5,000 annually and associated interest cost at the Regional level of less than a thousand dollars. The total Regional tax deferred under the current by-law is estimated to be less than $90,000 for 2007.

The Province has not proceeded to date with legislation to act on the election promise to create a new homeowners’ grant for seniors who have trouble paying their taxes. The 2008 Ontario Budget may make such a provision and staff proposes to report to Committee following the budget announcements.

Consistent with the June 2007 report on this matter, this report does not propose any new Regional grant programs. Notwithstanding, if the Region were to offer grant based tax relief, the following analysis, presented in the June 2007 report, attempts to broadly quantify the potential financial impact.

5.1 Illustration of Costs Associated with a Regional Grant Program

The following example is reproduced from the June 2007 report and is presented for illustration purposes. While the local municipal grant cost was $399,830 in 2007, following from Table 1 and under the proportional matching scenario proposed by Vaughan, the Regional cost of grant would amount to approximately $580,000. If this was expanded using the proportional population as a basis, the grant would be $1.3 million for approximately 3200 households in the whole of York Region.

The financial implications to the Region depend on the nature of the tax relief provided. While the incidence of low-income residents is well documented at each census, the connection between low-income status and home ownership is not as well documented. Therefore, it is particularly challenging to quantify the impact of various home ownership/renter oriented policy options. The program costs should be considered solely as an illustration and not as fully indicative of the actual costs anticipated.

The York Region publication, *A Profile of York Region's Low Income Population, Research Highlights,* based on the 2001 census (the full 2006 census results are not yet available), identified approximately 10% of York Region's population as falling within Statistics Canada's definition of low-income. Of this, 49% were in the core working group (25-64) and 12% were seniors.

A different analysis of the 2001 census, based on home ownership and a household income range of $0-24,999 (the high end of the Statistics Canada low-income range), indicates that approximately 10% of households fall within the sample income bracket while approximately 5% were rented. Recognizing the limitations of the two analyses, using the 20,640 households falling within a low-income homeowner definition similar that of Statistics Canada, then costs may be as indicated in Table 2 following. Similarly, if 12% of the low-income population are seniors, then 2,477 individuals would be senior, low-income home owners.

Table 3
Potential Grant Program Costs Illustrated

Program	Estimated Maximum Number of Participants	Estimated Annual Cost
Low-income homeowners from 2001 census	20,640	$4.1 million*
Low-income senior homeowners from 2001 census	2,477	$0.5 million*
Low-income seniors based on the existing local grant program in York Region	3200	$1.3 million**
Low-income disabled	n/a	n/a

*A regional grant of $200 is assumed.
**This projection would increase with the projected increases in the local grants for 2007.

6. LOCAL MUNICIPAL IMPACT

Should Council approve the reduction to the threshold for property tax increases for low-income seniors between the ages of 55 and 64, there will be an amount of revenue deferred to a future date and an interest cost associated with the deferral of tax revenue. The amount arising from this decision is estimated to be less than $3,000 annually for the deferral of revenue and the associated interest across all of the local municipalities. This does not include the education portion of the property tax revenue. The local municipalities already administer the deferral program and therefore no substantive increase in administrative burden is anticipated.

If a grant program is contemplated, it is anticipated that the local municipalities, as the tax billing entities, would process the application, issue the grant amount, and maintain the record keeping. In those local municipalities with an existing grant program, the administrative structure is in place but for others it would comprise a new administrative component.

7. CONCLUSION

There has been no substantive change to the Ontario Property and Sales Tax Credit program since the time of the June 2007 report on this matter. This report, consistent with the June 2007 report, recommends that the Province enhance the Ontario Property Tax Credit program by increasing the refundable tax credit available to all low-income persons to an amount equivalent to the education portion of the residential property tax.

The 2008 Ontario Budget may contain provisions for a homeowners' grant for seniors having difficulty paying their taxes. This report recommends that the Province act on this election promise at its earliest opportunity. The report further recommends that staff monitor the budget announcements for changes in Provincial policy and subsequently report to Committee.

The Region's property tax deferral program ensures that no property owner will lose occupancy of their home due to the burden of property tax increases. This program is consistent with these of the other GTA regional municipalities and no additional grant program is recommended. However, to better match tax relief with the revised assessment process, it is recommend that the property tax deferral threshold for seniors aged 55to 64 be reduced from $300 to $100.

The Senior Management Group has reviewed this report.