3
PROPERTY TAX DEFERRAL FOR ELIGIBLE SENIOR AND DISABLED HOMEOWNERS

(Regional Council at its meeting on March 25, 2004, amended the following Clause to request that this report be circulated to all area municipalities.)

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report March 4, 2004, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. Council reinstate its policy to provide an interest free deferral of property tax increases for qualified senior homeowners aged 65 or older, effective January 1, 2004;

2. The Property Tax Deferral for Low-Income Seniors and Low-Income Disabled Persons Policy be clarified to show that all property tax increases may be deferred annually starting with the 2004 taxation year; and

3. Legal Services be authorized to prepare the necessary by-law to implement this change.

2. PURPOSE

The purpose of this report is to recommend the reinstatement of the interest free deferral of property tax increases for seniors aged 65 and older, and to provide clarification of the benefit permitted under the Region's current property tax deferral program for eligible seniors and disabled persons.

3. BACKGROUND

On September 18, 2003, Council amended its property tax deferral policy for low income seniors and low income disabled persons by repealing the section of the program that permitted deferrals for seniors aged 65 years and older.

This amendment was a consequence of the Province's enactment of the Ontario Home Property Tax Relief for Seniors Act (the "Act"). The Act was to provide homeowners and renters who are at least 65 years of age with a refund which would have been equal to the education portion of property tax paid on their principal residence, starting July 1, 2003.

Since the provincial refund program was expected to benefit seniors to a much greater extent than the tax deferral offered by the Region, Council amended its policy to no longer provide a deferral to seniors aged 65 and older, effective January 1, 2004. However, Council's tax deferral policy for low income seniors aged 55 to 64 and low income disabled persons continued.

In December 2003, the new government repealed the Act. As a result, senior homeowners and renters will not be provided with the anticipated tax rebate of the education portion of their property taxes.

3.1 History of the Region's Tax Deferral Policy

In 1998, in response to the requirements of the *Fair Municipal Finance Act*, Council approved a policy that provided a deferral on only the assessment related property tax increases for qualified low income seniors and qualified low income disabled persons. The original tax deferral attracted interest. However, in 1999, Council amended its policy to make the deferrals interest free until December 31, 2005.

In 2000, the *Continued Protection for Property Taxpayers Act (Bill 140)* required municipalities to establish a permanent property tax relief program that would apply to each future reassessment. It also allowed municipalities to provide relief up to the entire property tax increase in the year of a reassessment (i.e. including municipal levy increases), not just reassessment-related tax increases. In 2001, *The Responsible Choices for Growth and Accountability Act, 2001 (Bill 45)* further directed that deferrals for low-income seniors and low-income disabled persons for the taxation years 2001 and beyond be interest free.

In 2001, Council amended its own tax deferral policy to accommodate all these legislative requirements, as well as enhanced the policy for senior homeowners who are 65 years of age and older by eliminating the low income requirement to be eligible for a tax deferral, commencing with the 2001 taxation year.

3.2 Overview of the Terms of the Existing Policy

A summary of the existing Tax Deferral Policy is as follows:

Table 1
Summary of the Region of York Tax Deferral Policy

- An eligible Person is defined as:

  a) Seniors 65 of age and older *(Note: this section has been repealed by Council effective Jan 1, 2004, but this report recommends that it be reinstated)*
     - the tax deferral is calculated as the increase in current property taxes billed for the year in which the reassessment applies over the total taxes for the prior year;

  b) Low-Income Seniors (55 – 64)
     A person between 55 and 64 years of age with a gross household income of less than $23,000 in the case of a single person, or $40,000 in the case of a family of two or more persons
     - the tax deferral is the amount in excess of $300 after calculating the increase in the current property taxes billed for the year in which the reassessment applies over the total taxes for the prior year;

  c) Low-Income Disabled
     A disabled person of any age who is in receipt of benefits under Ontario Disability Support Program (ODSP) or Guaranteed Annual Income System (GAINS) for the Disabled
     - the amount eligible for an annual deferral is the tax increase in the current property taxes billed for the year in which reassessment applies over the total taxes for the prior year

- The subject property must be within the Region of York and must be the principal residence of the eligible person and owned by that person or their spouse on January of the taxation year of reassessment for which the deferral has been requested;

- All tax deferrals resulting from this program are interest free;

- All deferred taxes will become due upon the disposition or transfer of the property;

- The cumulative amount of the deferred and outstanding taxes can not exceed 75% of the assessed value of the property.

4. ANALYSIS AND OPTIONS

4.1 Reinstatement of Property Tax Deferral Program for Seniors Above 65

With the repeal of Ontario Home Property Tax Relief for Seniors Act in December 2003, senior homeowners in York Region will not be provided with the tax relief that was contemplated when Council amended its property tax deferral policy in September 2003.

Therefore, it is recommended that the previous tax deferral program for seniors of 65 years of age and older be reinstated.

4.2 Clarification of Amounts Eligible to be Deferred

At its meeting of February 19, 2004, Council requested that staff clarify the amount that would be eligible to be deferred under the current property tax deferral policy.

As required by Section 319 of the *Municipal Act, 2001*, the tax deferral provided by the Region's policy has been defined, starting with the 2001 taxation year, to be all tax increases, including municipal levy increases, not just reassessment-related increases. Notwithstanding, rewording the deferral policy (and by-law) is recommended in order to make this intent more clear.

In addition, the current policy states that an eligible person can receive a deferral of a tax increase for a year in which re-assessment applies over the total property taxes billed for the immediately preceding year. Two points should be clarified here. First, the intent of the property tax relief policy is to defer all eligible property tax increases from the time an eligible person enters the program, so long as an eligible person continues to make an application on an annual basis. While this is how the policy is being applied by local municipalities, the intent of the policy could be strengthened by rewording the by-law. Second, since property reassessments in Ontario will occur annually starting with the 2004 taxation year, the need to refer to the year of reassessment can be removed. This will clarify that the policy will permit a tax deferral to be granted in any future year.

5. FINANCIAL IMPLICATIONS

There is no additional financial impact in 2004 compared to 2003 as a result of reinstating the tax deferral program for seniors (65 and above) and clarifying the current tax deferral program. In 2002, 86 seniors participated in the tax deferral program, which represents less than 0.1% of the eligible senior homeowners, and costs the Region approximately $10,000. It is estimated the costs associated with the reinstatement of the program for seniors aged 65 and older will remain at a similar level.

6. LOCAL MUNICIPAL IMPACT

There is no additional financial impact to local municipalities in 2004 compared to 2003 as a result of reinstating the tax deferral program for seniors (65 and above) and clarifying the current tax deferral program. The local municipal share represents approximately 25% of the total deferment amount. Of the $22,216 tax deferred in 2002, an estimated $5,700 was deferred by local municipalities. As similar participation rate is estimated, the deferral amount will remain at a similar level.

7. CONCLUSION

This report recommends that in response to recent legislative changes, the original policy approved by Council to defer property assessment tax increases for seniors aged 65 and older be reinstated. It is also recommended the benefit as indicated under the Region's current tax deferral policy be clarified through the necessary by-law.

The Senior Management Group has reviewed this report.