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UPDATE ON PROPERTY TAX RELIEF FOR SENIORS

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report, April 10, 2008, from the Commissioner of Finance:

1. RECOMMENDATION

It is recommended that:

1. The report be received for information.

2. PURPOSE

This report provides an update on new property tax provisions for seniors arising from the March 25, 2008 Ontario Budget.

3. BACKGROUND

At its meeting of February 21, 2008, Regional Council received a staff report on Property Tax Relief Options for Seniors and Other Low-Income Persons. Council adopted the recommendation to request that 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; additionally, the recommendation requested 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.

Further, Council requested that staff report to the Finance and Administration Committee on the provision, or the lack thereof, for the property tax relief for seniors and low income persons following the 2008 Ontario Budget.

The Province, in its March 25, 2008 budget, acted on its campaign promise to create a new homeowners grant for seniors who have difficulty paying their taxes by providing a new property tax grant to seniors with low and moderate incomes who own their own homes. This new grant would be available in early 2009 to help seniors pay their 2009 municipal and education property taxes. Grants would be provided in each year thereafter. Also included in the budget is a proposal to increase the senior couples' income threshold in 2008.

4. ANALYSIS AND OPTIONS

At its February 21, 2008 meeting, Council requested that the Commissioner of Finance report back to the Finance and Administration on the provisions, or the lack thereof, for property tax relief for seniors and low-income persons following the 2008 Ontario Budget.

4.1 The Province Announces Property Tax Grants for Seniors

The new Provincial program provides that starting in 2009, senior homeowners would be able to obtain a new grant of up to $250. The maximum grant would be increased to $500 for 2010 and subsequent years. Senior homeowners would apply for the grant when filing their 2008 and subsequent income tax returns.

Eligible single seniors with $500 or more in property taxes and income of up to $35,000 a year would receive the maximum grant. Eligible single seniors with income between $35,000 and $50,000 would receive a proportionately smaller grant. Eligible senior couples with $500 or more in property taxes and income up to $45,000 a year would receive the maximum grant. Eligible senior couples with income between $45,000 and $60,000 would receive a proportionately smaller grant.

Although the budget announcement did not specify the definition of “Seniors”, staff was able to confer with Ministry of Finance officials to obtain clarification. Staff was advised that seniors, as they are referred to in the 2008 Budget proposal, were meant to be persons age 65 or older. This explanation is consistent with reference to other provincial tax relief initiatives for seniors such as the Ontario Property and Sales Tax Credit program.

The following tables show the combined effect of the new grant and the existing property tax credit. This is in addition to the deferral program available from the Region.

Table 1
Single Seniors Paying $2,000 in Property Taxes

	2009			2010 and Subsequent Years		
Income	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit (1)**	**Total Tax Relief**	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit (1)**	**Total Tax Relief**
$20,000	250	825	1,075	500	825	1,325
$25,000	250	718	968	500	718	1,218
$30,000	250	540	790	500	540	1,040
$35,000	250	361	611	500	361	861
$40,000	167	183	350	334	183	517
$45,000	84	4	88	167	4	171
$50,000	0	0	0	0	0	0

Source: 2008 Ontario Budget

Table 2
Senior Couples Paying $2,000 in Property Taxes

	2009			2010 and Subsequent Years		
Income	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit (1)**	**Total Tax Relief**	**New Seniors' Property Tax Grant**	**Existing Property Tax Credit (1)**	**Total Tax Relief**
$25,000	250	803	1,053	500	803	1,303
$30,000	250	642	892	500	642	1,142
$35,000	250	481	731	500	481	981
$40,000	250	320	570	500	320	820
$45,000	250	159	409	500	159	659
$50,000	167	0	167	334	0	334
$55,000	84	0	84	167	0	167
$60,000	0	0	0	0	0	0

(1) Calculated as a share of property and sales tax credits proportionate to eligible property tax, using an estimate of the proposed increase to the 2008 senior couples' income threshold

Source: 2008 Ontario Budget

Staff contacted the Ministry of Finance to verify the methodology that will be used in administering the new low-income seniors' property grant. Ministry staff was able to confirm only that applications for these grants by the eligible low-income seniors will be automatic, by virtue of these seniors filing annual income tax returns starting in 2009. This would remove the burden from the seniors of having to apply separately for this benefit annually.

4.2 Proposed Enhancement to the Ontario Property and Sales Tax Credits

In addition to the proposed grant program, the Province proposes to increase the amount of the senior couples' income threshold with the new threshold amount to be determined when the federal government finalizes OAS and GIS amounts. The Ontario Property Tax Credit for seniors was increased in 2004 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.

4.3 The Province Is Well Equipped To Deliver Grant Programs

The proposed new grant for seniors is an income redistribution program and as such properly resides with the Province. Appropriately, the administration of this proposed grant for low-income seniors will be done through the income tax system, an effective mechanism for a broad based program.

4.4 York Region Offers Property Tax Deferral for Seniors and Low-Income Disabled Persons

York Region has a long standing policy of providing property tax relief for qualified seniors, a policy similar to that of the other GTA regional municipalities but one that has been enhanced a number of times since 1998. Most recently, at its February 21, 2008 meeting, Council voted to reduce the threshold for property tax increases for low-income seniors aged 55-64 from $300 to $100.

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 $100;
- 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.

5. FINANCIAL IMPLICATIONS

There are no financial implications to the Region.

6. LOCAL MUNICIPAL IMPACT

There are no financial implications to the local municipalities.

7. CONCLUSION

The Province acted on its promise by extending to seniors with low or moderate incomes a property tax grant that could earn eligible seniors a maximum of $250 in 2009, and $500 in 2010 and beyond. The budget also proposed, starting in 2008, an increase in the threshold amounts for senior couples when the federal government finalizes OAS and GIS. These two initiatives demonstrate the Province’s commitment to assisting low-and moderate-income senior homeowners having difficulty paying their property taxes. With the provision of this new grant, no further action is recommended.

For more information on this report, please contact Brian Parrott, Manager, Fiscal Policy at Ext. 1667 or A. Edward Hankins, Director, Policy, Risk and Treasury at Ext. 1644.

The Senior Management Group has reviewed this report.