AMENDMENT TO PROPERTY TAX DEFERRAL PROGRAM FOR SENIORS AND LOW-INCOME DISABLED HOMEOWNERS

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, August 22, 2003, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. Regional By-law A-0293-2001-064 (the "By-law") pertaining to tax relief for low income seniors and low income disabled persons be amended such that effective January 1, 2004:

   (a) the tax deferral program will not apply to seniors aged 65 years and older, and

   (b) tax deferrals resulting from this program pertaining to the 1996 reassessment year (used for the 1998, 1999, and 2000 taxation years) will not be subject to interest so long as the senior owns the property and meets the other conditions of the policy.

2. The Regional Solicitor be authorized to prepare a by-law to amend the existing tax relief By-law as required.

2. PURPOSE

The purpose of this report is to recommend changes to the Region's property tax deferral program for seniors and low income disabled persons due to the significant benefits now available through the Ontario Home Property Tax Relief for Seniors program. The report also recommends that tax deferrals pertaining to the 1998-2000 taxation years remain interest free, which is consistent with Council's policy for 2001 and future deferrals.

3. BACKGROUND

3.1 Existing Policy

In 1999, Regional Council adopted a policy that provided for the deferral of property tax increases resulting from reassessment for 1998 and future taxation years for low-income seniors and low-income disabled persons. The program provided that the deferrals would be interest free for up to 8 years. While the tax deferral for seniors was originally meant to alleviate the financial burden of only low-income seniors, *The Continued Protection for Property Taxpayers Act, 2000* (Bill 140) required the policy be amended so that all senior homeowners who are 65 years of age and older would be eligible starting with reassessments for the 2001 taxation year, regardless of their income level. Furthermore, *The Responsible Choices for Growth and Accountability Act, 2001* (Bill 45) required that all future deferrals for low-income seniors and low-income disabled persons for the taxation years 2001 and beyond be interest free.

The existing Tax Deferral Policy is summarized in Table 1.

Table 1

Summary of the Region of York Tax Deferral Policy for Seniors

- *An eligible senior is defined as:*

  a) *a person over 65 years of age*
     - *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) *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;*

- 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 1st of the taxation year of reassessment for which the deferral has been requested;

- The tax deferrals resulting from the 1996 reassessment (1998, 1999 and 2000 taxation years) do not accrue interest until December 31, 2005, after which time the accumulated deferral will be subject to interest at the rate of the bank prime plus ½%;

- As a result of Bill 140, the policy was amended so that tax deferrals resulting from this program for 1999 and subsequent reassessments will be interest free;

- All deferred taxes and applicable interest, if any, will become due upon the disposition or transfer of the property; and

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

3.2 Recent Legislation: Ontario Home Property Tax Relief for Seniors Act, 2003

Recently, the Province enacted *the Ontario Home Property Tax Relief for Seniors Act, 2003,* which will provide starting July 1, 2003 homeowners and renters who are at least 65 years of age with a refund which is equal to the education portion of the property tax paid on their principal residence. In order to receive this new credit, seniors must apply to the Province who will be fully responsible for administering this program. When the new program is fully functional, it will provide an average grant of $475 a year for 945,000 senior households in Ontario, of which an estimated 42,400 are located in York Region.

3.3 Committee of Area and Regional Treasurers

Because of the legislative changes which have occurred since the Region's property tax deferral program was approved by Council, the Committee of Area and Regional Treasurers (the "Committee") recommended that it be reviewed. The recommendations contained in this report represent a consensus of this Committee.

4. ANALYSIS AND OPTIONS

4.1 Tax Deferral for Seniors of ages 65 and Above

In 2002, only 86 seniors participated in the tax deferral program, which represents less than 0.1% of the eligible senior homeowners. The amount deferred for homeowners aged 65 and older ranged from $25 to over $1,000 with an average of $258.

Since the education portion represents about 30% of the total residential tax bill, a grant equal to this amount will be more effective in relieving the financial burden of most senior homeowners. While the average Ontario grant to both senior *homeowners* and *renters* will be about $475 a year (compared to $258 for York's tax deferral program), it is anticipated that the average senior *homeowner* in York Region could receive as much as $1,000 under the new progam.

Since the provincial program benefits seniors to a greater extent than the tax deferral program does, the Committee is proposing that Council amend the current tax deferral program such that it will no longer be available to seniors aged 65 and older, effective Jan 1, 2004.

The following table provides a summary of tax deferrals in area municipalities.

Table 2
Summary of Tax Deferrals in 2002 for Seniors Age 65 and Higher in York Region

Area Municipality	No. of Deferrals	Total Deferment $	Average Deferment $
Aurora	4	345	86
East Gwillimbury	0	-	-
Georgina	13	2,814	216
King	2	432	216
Markham	10	4,638	464
Newmarket	5	2,385	477
Richmond Hill	45	11,200*	249*
Vaughan	3	174	58
Whitchurch-Stouffville	4	228	57
Total	***86***	***22,216***	***258***

Source: Information provided by area municipal tax offices.
* Estimated

4.2 Interest Free Deferral

In 1999, Council approved that any assessment-related increases be deferred interest-free until after December 31, 2005, in order to give recipients up to eight years of transitional benefits. Following this date, deferrals would be subject to interest at a rate equal to the prime lending rate plus ½% of the Region's bank, as at January 1st of each year of the deferral. In 2001, Bill 45 was enacted and prohibited a municipality from charging interest on tax deferrals for low-income seniors and low-income disabled persons for the taxation years 2001 and beyond. In response to this legislative change, Council approved that any tax deferrals for the 1999 and subsequent reassessments (applications for 2001 or after) to be interest free.

As tax relief recipients from different application years are currently receiving different treatments regarding the interest charges associated, the Committee felt that such inconsistency should be addressed. Therefore, it is proposed that tax deferrals resulting from this program pertaining to the 1996 reassessment year (used for the 1998, 1999, and 2000 taxation years) will not be subject to interest so long as the senior owns the property and meets the other conditions of the policy.

5. FINANCIAL IMPLICATIONS

As shown in Table 2, the tax deferral for the 86 senior applicants aged 65 and older in 2002 averaged $258. Of the total $22,216 deferment in 2002, about $10,000 was the Region's share. Ceasing the tax deferral program for seniors of 65 years of age and older would represent a saving to the Region by this amount.

The cost of property tax deferral is the forgone interest that would have applied to the 1996 reassessment year (used for the 1998, 1999, and 2000 taxation years). It is estimated that the Regional share of the forgone interest could be approximately $1,750 per year after December 31, 2005.

6. LOCAL MUNICIPAL IMPACT

The local municipalities administer the property tax deferral program for seniors (>65), low income seniors (between 55 and 64), and low-income disabled persons. The proposed amendments to the existing Tax Deferral Policy are in response to the review of the effectiveness of the existing tax deferral program, and the recent legislative changes. The local municipal share represents approximately 25% of total deferment amount. Of the $22,216 tax deferred in 2002, an estimated $5,700 was deferred by local municipalities. Ceasing of the program will represent a saving to the local municipalities. The cost resulted from this amendment is the forgone interest which is estimated to be about $1,000 per year after December 31, 2005. Tax deferrals are generally shown by local municipalities as a write-off reduction.

7. CONCLUSION

This report has reviewed the current tax deferral program and contains recommendations to enhance the tax deferral policy such that it reflects the recent legislative changes.

The Senior Management Group has reviewed this report.