



REPORT FOR ACTION

Property Tax Payment Deferral Program due to COVID-19 Impacts

Date: May 21, 2020

To: City Council

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report recommends adoption of a property tax payment deferral program to allow residents and businesses who have no other financial options and are affected by the COVID-19 pandemic to request additional time to pay their property taxes without incurring late payment penalties or interest charges.

This program will further assist business and residential property owners faced with severe financial difficulties due to the COVID-19 pandemic beyond the 60-day grace period for property taxes that was implemented by the Mayor's Economic Support and Recovery Task Force and approved by City Council.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the property tax payment deferral program set out in this report to allow impacted residential and business property owners who have no other financial options to use an online application process to request additional time to pay their taxes without incurring late payment penalties or interest charges during the six month period between June 1, 2020 to November 30, 2020, and delegate authority to the Controller and his designates to administer the program based on the eligibility criteria set out in this report.
2. City Council authorize amendments to the City of Toronto Municipal Code Chapter 767, Taxation, Property Tax, to implement the property tax payment deferral program set out in Recommendation 1.

3. City Council authorize the introduction of the necessary bills in Council to give effect to Council's decision.

FINANCIAL IMPACT

The financial impact associated with the implementation of the COVID-19 property tax payment deferral program is estimated to be between \$7.8M and \$39.3M, depending on the number of property owners that apply for and are approved for the program. Total program costs would be net against planned 2020 budget revenues of \$31.0 million for interest and late payment penalties (Non-program budget).

The benefit of waived payment penalties would depend on the property type, the Current Value Assessment (CVA) of the property and the length of time over which penalty and interest amounts are waived. Examples of residential and commercial properties are shown below, up to the maximum benefit if all penalties and interest amounts were waived for the full 6-month period.

Table 1: Estimated Benefit to Property Owner of Waived Interest/Penalty Amounts

Property Type	Annual Property Taxes	Average Instalment (6-Instalments per year)	Average Monthly Penalty/Interest at 1.25%	Maximum Benefit from 6 Month Waiver of Late Payment Penalty
Residential CVA = 1,000,000	\$5,997	\$1,000	\$12.49	\$262.37
Commercial CVA = 5,000,000	\$107,593	\$17,932	\$224.15	\$4,707.19
Commercial CVA = 10,000,000	\$216,183	\$36,031	\$450.38	\$9,458.02

The table below provides estimates of the total costs of the benefit, based on take-up rates between 2% and 10% for both residential and commercial properties.

Table 2: Potential Applicants and Total Program Costs for Payment Deferral Program

Property Type	Number of Properties	CVA < 10M	Applicants at 2% Take-up	Applicants at 10% Take-up	Total Program Cost at 2% Take-up	Total Program Cost at 10% Take-up
Residential	792,792	792,792	15,856	79,279	\$4,160,105	\$20,800,523
Commercial / Industrial	40,835	32,668	653	3,267	\$3,696,292	\$18,481,459
Total:					\$7,856,396	\$39,281,982

DECISION HISTORY

At its special meeting of April 30, 2020, City Council adopted item CC20.4 "2020 Education Property Tax Levy and Clawback Rate By-Law and COVID-19 Tax Relief By-Law Amendments" which recommended Council to authorize amendments to various bylaws and Chapter 767 of the City of Toronto Municipal Code. The amendments were a result of the property tax relief measure implemented to assist residents and businesses impacted by COVID-19. The link to the staff report and Council decision are available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.CC20.4>

COMMENTS

At the onset of the COVID-19 pandemic, the Mayor launched an Economic Support and Recovery Task Force to help protect Toronto's economic stability. To mitigate economic impacts on Toronto residents and businesses, various measures were announced in order to provide immediate relief for taxpayers. These measures included a 60-day extension to property tax instalment due dates, as well as a 60-day grace period wherein late payment penalties and interest charges were not applied to property tax accounts with outstanding balances during the period between March 16 and May 15, 2020 and were approved by City Council at its April meeting. Although these measures provided property taxpayers with much needed relief during this unprecedented time, it is clear that the economic uncertainty that businesses and residential property owners are faced with may extend well beyond the May 15, 2020 end date of the current grace period.

This report recommends City Council's approval of a property tax payment deferral program that will offer property tax payment relief for property owners who have no other financial options that continue to experience severe financial impacts once the current grace period has ended. In order to qualify, residential and business property owners must submit an application and supporting documentation to establish that they have experienced severe financial impacts as a result of the COVID-19 pandemic, and that other eligibility criteria are met. Once approved, property owners are eligible to have late payment penalties and interest amounts waived for a period of up to six months, from June 1 to November 30, 2020, depending on the date they become eligible.

Revenue Services will be able to administer and manage the deferral program using existing staff resources and processes already established for the existing property tax deferral program for low-income seniors and low-income disabled persons, with no current year budgetary impacts for program administration.

Amendments to the City of Toronto Municipal Code Chapter 767, Taxation, Property Tax will be required to give effect to the recommended program.

Interest and late payment penalties are normally charged at 1.25% of the outstanding overdue balance, with a penalty being applied the day after the due date and interest applied on the first day of each month thereafter. The recommended program would allow eligible property owners to apply for a waiver of interest and late payment penalties on overdue amounts for a period of up to six months, from June 1, 2020 to November 30, 2020. Interest and late payment penalties are added automatically to the tax accounts where amounts are overdue - this will continue during this period. At the end of this period, however, and provided payment in full for all property taxes owing for the year has been made, all penalty and interest that may have accrued during the eligible period will be removed. Where any portion of property taxes remain unpaid after November 30, 2020, any late payment penalty or interest charges which has accrued on payments not made during the period between June 1 and November 30 will remain due and payable on the account.

In order to be approved for the program, a property owner will need to submit an online or hard copy application to the Controller or his designate, and provide documents that demonstrate extreme financial hardship related to the COVID-19 pandemic. Types of acceptable documentation include a notice of business closure, notice of layoff, notice of temporary suspension of pay, forced closure notice, or documents that establish losses of business income or revenue losses in comparison to a similar period in a previous year, as set out in Schedule 1 below. A hard copy application form will be provided as an alternative for those who may have barriers preventing participation in the online application process. These applications will be mailed out upon request.

Eligibility Criteria for the Property Tax Payment Deferral Program:

1. The property owner must have experienced severe demonstrable financial hardship directly related to the COVID-19 pandemic in one or more of the following categories; prolonged suspension of pay or loss of employment, extreme business revenue loss or business closure, or another category of financial hardship related to the Covid-19 pandemic that have led to a pending insolvency or bankruptcy, as determined in the sole discretion of the Controller.
2. Applications must be accompanied by documentation or proof to demonstrate severe financial hardship, as set out in Schedule 1 below, or as otherwise deemed acceptable proof in the sole discretion of the Controller.
3. All property taxes must have been paid up to date before the March 2020 interim installment.
4. The property must be either:
 - a) A taxable residential property with a residential structure; or
 - b) A taxable property assessed in the following tax classes; occupied commercial, residual commercial, shopping, office, industrial, multi-residential or new multi-residential class and have a total taxable 2020 property assessment value equal to or under 10.0 million.

5. Property owners may apply for the deferral at any time between June 1, 2020 and October 31, 2020. Applications received and approved before July 31, 2020 will be eligible to have late payment penalties and/or interest amounts added to the tax account in June and July waived, as well as any penalties or interest incurred up to November 30, 2020. Applications approved after July 31, 2020 will be eligible to have late payment penalty or interest amounts waived from the date the application is approved, and up to November 30, 2020.
6. Late payment penalties and interest charges will only be waived where payment in full for all property taxes owing for the year has been received by November 30, 2020. Where any portion of property taxes remain unpaid after November 30, 2020 (excluding any supplementary or omitted taxes that may have been levied for the year and which are not yet due), any late payment penalty or interest charges incurred will remain due and payable on the account.
7. The property will be ineligible for a waiver of late payment penalty or interest charges if false or inaccurate information is provided in the application. Eligibility for inclusion in the program will be determined at the time the application is first approved and changes in financial circumstances before November 30th will not affect eligibility.

Schedule 1

Examples of Acceptable Documents/Evidence of Severe Financial Hardship related to COVID-19*

For Non-residential Properties	For Residential Properties
Documents that establish disruption of business beginning in March 2020 or later: Forced closure notice, Notice of lay-off provided to employees, Notice of closure provided to stakeholders/patrons, etc.	Documents that establish disruption of employment beginning in March 2020 or later: Record of Employment form, Notice of lay-off, Notice of termination, etc.
Evidence of application/acceptance to receive benefits under federal/provincial COVID-19-related relief programs, e.g., Canada Emergency Commercial Rent Assistance (CECRA) program, other provincial business relief or similar programs.	Evidence of application/acceptance to receive benefits under federal/provincial COVID-19-related relief programs, e.g., Canada Emergency Response Benefit (CERB); Emergency Leave, or similar programs.
Documents that establish excessively reduced business income or profitability for the period beginning March 1, 2020, in relation to a similar period in the immediately preceding year (gross receipts, revenues from sales or operations, profit/loss statements, evidence of defaulted rent payments, etc.).	Documents that establish severely reduced household income for the period beginning March 1, 2020, in relation to a similar period in the immediately preceding year (pay or income statements, T4 forms, letter from employer).

For Non-residential Properties	For Residential Properties
*Any other document, form or evidence that establishes severe demonstrable financial impacts, as determined in the sole discretion of the Controller.	*Any other document, form or evidence that establishes severe demonstrable financial impacts, as determined in the sole discretion of the Controller.

While there is no reduction to the property taxes levied, the recommended program will provide property owners most financially affected by the pandemic with more time to manage their finances without incurring late payment penalties or interest charges, as part of the City's multi-faceted recovery and rebuild strategy.

CONTACT

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SIGNATURE

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