

Summary of COVID-19 Property Tax Payment Deferral Program

Date: October 8, 2021
To: Executive Committee
From: Controller
Wards: All

SUMMARY

This report responds to [Item MM35.9: Supporting Small Businesses during the Pandemic by Eliminating Unfair Interest Payments](#), adopted at the July 14, 15 and 16, 2021 City Council meeting. This report presents a summary of the tax relief that was provided to eligible properties through the Property Tax Payment Deferral Program that was implemented by Council in response to the unprecedented COVID-19 impacts in May of 2020. This report also provides an update on the number of properties that applied for a tax deferral but that subsequently failed to repay the full amount of deferred taxes by the November 30, 2020 deadline as required, and therefore incurred interest charges.

The objective of the Property Tax Deferral Program was to relieve some of the severe financial hardships experienced specifically due to COVID-19, which included residential and small business properties. In addition to this, the City provided further support for impacts arising from COVID-19 through a 60-day extension to property tax instalment and utility bill due dates, and a 60-day grace period, wherein late penalties and interest charges were not applied to property tax accounts with outstanding balances during the period March 16 to May 15, 2020.

Staff are not recommending a further property tax deferral program for 2021, nor an extension or continuation of the original program, nor any retroactive change to the eligibility or repayment requirements of the 2020 deferral program.

RECOMMENDATIONS

The Controller recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

There is no direct financial impact arising from the recommendation in this report.

In total, the COVID-19 Property Tax Payment Deferral Program provided tax relief, in the form of waived late payment penalty, fees and interest charges, totalling \$119,355 to two hundred and ten (210) properties in Toronto (one hundred and twenty-four (124) residential and eighty-six (86) non-residential properties), as shown in Table 2, acknowledging the financial difficulties experienced due to COVID-19. The costs of this tax relief were completely funded from 2020 revenues for interest and late payment penalties (Non-program budget item), and as such, there are no continued or additional financial implications from this program on current or future year budgets.

In addition to the two hundred and ten (210) properties identified above that received a waiver of late payment penalty, fees and interest charges under the deferral program, there were a total of fifty (50) properties (thirty-eight (38) residential and eighteen (18) non-residential) that applied and were deemed eligible for the program, but that failed to repay the deferred tax amounts by the November 30, 2020 deadline for repayment, as required in order to receive the waiver of accumulated late payment penalty, fees and interest charges.

Should Council decide to retroactively eliminate the late payment penalties and interest charges incurred by those fifty (50) properties that did not repay the deferred amount by the required deadline (for the period of time that they would have been eligible in 2020, to a maximum of the 6-month period from June to November 2020), the total additional one-time relief that would be provided is approximately \$21,000 (\$4,000 residential and \$17,000 non-residential), as shown in Table 3. Funding to provide this relief to these additional properties would represent an unfunded expenditure within the current year's operating budget. Council would be required to identify a funding source and to amend the City's by-laws in order to provide this relief retroactively.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implication as identified in the Financial Impact section.

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 the amendment of various bylaws and Chapter 767 of the City of Toronto Municipal Code. The amendments were required to implement property tax relief measures to assist residents and businesses impacted by COVID-19. The report recommended:

- City Council revise the interim payment due dates for property tax accounts on the regular instalment option and the six (6) and eleven (11) installment pre-authorized tax payment plans.

- City Council revise the final payment due dates for property tax accounts on the regular installment option and all pre-authorized tax payment plans.
- Suspend the application of penalties and interest during the period March 16, 2020 and May 15, 2020, to reflect a 60-day grace period on the payment of property taxes.
- Change the application deadline date from August 31, 2020 to October 31, 2020 for the Tax Deferral and Tax Cancellation for Low-Income Persons program, Single Family Residential Low-Income Relief program and the Water Rebate for Low-Income Persons with a Disability and Low-Income Seniors program for the 2020 tax year.

At its special meeting of May 28, 2020, City Council adopted [Item CC21.2: Property Tax Payment Deferral Program due to COVID-19 Impacts](#), which recommended a property tax payment deferral program for impacted residential and business property owners to apply for 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.

Most recently, at its meeting of July 14, 15 and 16, 2021, City Council adopted [Item MM35.9: Supporting Small Businesses During the Pandemic by Eliminating Unfair Interest Payments](#), which requested that the City Manager review and report back on the Property Tax Payment Deferral program implemented due to COVID-19 impacts to retroactively eliminate interest payments on late payments accumulated during the deferral period for approved applicants. This report responds to that request.

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 to provide additional relief included a 60-day extension to property tax instalment and utility bill due dates, as well as a 60-day grace period wherein late penalties and interest charges were not applied to property tax accounts with outstanding balances during the period March 16 and May 15, 2020. These measures were approved by City Council at its April 2020 meeting. Although these measures provided property taxpayers with much needed relief during this unprecedented time, it was clear that the economic uncertainty that businesses and residential property owners faced would extend well beyond the May 15, 2020 end date of the grace period.

City Council's subsequent approval of a property tax payment deferral program offered property tax relief for property owners who continued to experience severe financial impacts due to the effects of COVID-19 once the grace period ended. The deferral program required applicants to submit an application and supporting documentation to establish that they had experienced severe financial impacts as a result of the COVID-19 pandemic and that they met the additional eligibility criteria listed below. Once

approved for the program, property owners were eligible to have late payment penalties, fees 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, on the understanding that all property taxes would be repaid in full by November 30, 2020.

Eligibility Criteria for the COVID-19 Property Tax Payment Deferral Program

1. Property owners were required to demonstrate and to include documentation to establish that they had experienced severe 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 led to a pending insolvency or bankruptcy, determined in the sole discretion of the Controller.
2. All property taxes had to be paid up to date before the March 2020 interim installment.
3. The property was either:
 - a. A taxable residential property with a residential structure; or
 - b. A taxable property assessed in the commercial, residual commercial, shopping centre, office, industrial, multi-residential or new multi-residential tax classes, with a total taxable 2020 Current Value Assessment (CVA) equal to or under 10.0 million.

Property owners that applied for and were approved before July 31, 2020 were eligible to have late payment penalties, fees and/or interest amounts added to the tax account in June and July waived, as well as any penalties, fees or interest incurred up to November 30, 2020. Applications approved after July 31, 2020 were eligible to have late payment penalty or interest amounts waived from the date the application was approved, and up to November 30, 2020.

The key requirement for the deferral program was that all property taxes for the 2020 year had to be paid in full by November 30, 2020 in order to receive the waiver of late payment penalty, fees and interest charges that would otherwise have applied during the deferral eligibility period. The program also stipulated that where any portion of property taxes remained unpaid after November 30, 2020, any late payment penalty, fees or interest charges that were incurred during the deferral eligibility period would remain due and payable.

Table 1 below provides a summary of the total number of residential and non-residential property owners that applied for the property tax payment deferral and the number of qualified applicants that were eligible to have late payment penalty, fees and interest charges waived when the application period ended on October 31, 2020.

Table 1 Summary of COVID-19 Property Tax Payment Deferral Program Applications

	Total Number of Applications Received	Total Number of Eligible Applicants
Residential	245	162
Non-Residential	126	98
Total	371	260

Properties that were approved for the deferral program were required to make full payment of all property taxes owing on or before November 30, 2020 in order to have the late payment penalties, fees and interest waived. Of the two hundred and sixty (260) properties from Table 1 that were approved for the deferral, two hundred and ten (210) property owners repaid all amounts due by the November 30, 2020 deadline, and were therefore eligible to have all late payment penalties, fees and interest waived. The total amount of penalty, interest and fees waived is provided in Table 2.

Table 2 Total Late Payment Penalty, Fees and Interest Waived under the COVID-19 Property Tax Payment Deferral Program

Account Type	Number of Approved Accounts	Total Late Payment Penalty, Fees and Interest Waived
Residential	124	\$12,465
Non-Residential	86	\$106,890
Grand Total	210	\$119,355

For the fifty (50) additional properties that were approved for the deferral program but that failed to repay the 2020 property taxes in full by the November 30, 2020 deadline, a total of \$21,092 in late payment penalty, fees and interest were charged to thirty-eight (38) residential properties and twelve (12) non-residential properties, as shown in Table 3.

Table 3 Summary of Accumulated Penalty, Interest and Fees for Accounts not paid in full by November 30, 2020

Account Type	Number of Accounts	Total Penalty, Fees and Interest added as of November 30, 2020
Residential	38	\$4,043
Non-Residential	12	\$17,049
Grand Total	50	\$21,092

At the time this report was prepared, the majority of these accounts have since paid their 2020 property taxes in full, with only four (4) of the original fifty (50) properties continuing to carry a balance outstanding for their 2020 property taxes, as summarized in Table 4.

Table 4 Remaining Accounts with Outstanding 2020 Property Taxes as of September 1, 2021

Account Type	Accounts with 2020 Property Taxes Outstanding	2020 Billed Property Taxes Outstanding	Interest & Penalties as of September 1, 2021
Residential	3	\$3,401	\$959
Non-Residential	1	\$92,764	\$16,274
Grand Total	4	\$96,165	\$17,233

Staff are not recommending a further property tax deferral program for 2021, nor an extension or continuation of the original program, nor any retroactive change to the eligibility or repayment requirements of the 2020 deferral program. Staff are also not proposing any waiving of the approved program provisions for individual businesses, as the City of Toronto Act expressly prohibits the granting of financial assistance, including a total or partial exemption from any levy, charge or fee, to a commercial enterprise.

Tax relief programs that are approved by Council and which are available to the general public must have criteria that are clear, fair and transparent, and any application deadlines established by City by-laws must be strictly observed and consistently applied in order to maintain the integrity of the programs. Inconsistencies in administering program requirements may increase the risk of a precedent being set, and may compromise the fairness and intent of the program.

CONTACT

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SIGNATURE

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