

**Personal Vehicle Tax – Refund Policy: Feasibility of Additional Refinements**

<b>Date:</b>	August 3, 2010
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2010\Internal Services\Cf\Ec10040cf (AFS #12365)

**SUMMARY**

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The purpose of this report is to respond to the City Council direction to the Deputy City Manager and Chief Financial Officer for a report on the feasibility of changing the City's Personal Vehicle Tax (PVT) refund policy to more closely resemble the Provincial vehicle registration system.

Staff conclude that it is not cost-effective or appropriate for the City to implement further refinements of PVT refund (and charges) policy at this time (for the remaining months until the next renewal date). Instead, the feasibility for the PVT to more closely resemble the Provincial vehicle registration system, wherein the Province administers refunds and charges on behalf of the City, should be examined as part of the Provincial modernization project currently under development.

**RECOMMENDATIONS**

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**The Deputy City Manager and Chief Financial Officer recommends that:**

1. No further changes to the City's Personal Vehicle Tax refund policy be adopted at this time.

**Financial Impact**

There is no financial impact of the recommendation in this report.

## **DECISION HISTORY**

On October 22-23, 2007 City Council approved the PVT, effective September 1, 2008, as a new taxation measure within the City of Toronto, pursuant to the statutory authority granted under the *City of Toronto Act, 2006*. On April 28-29, 2008, Council approved the PVT administrative design features and implementation authorities. Unlike the Provincial vehicle registration fee system, the City by-law did not provide for refunds (or part year charges) in cases of change of ownership or place of residence.

City Council, at its meeting on April 5, 2010 directed the Deputy City Manager and Chief Financial Officer to develop an exemption from the Personal Vehicle Tax for residents who are over the age of 65 and/or disabled, and who have a gross income of less than \$50,000, and to report to the Executive Committee with an implementation plan for the 2011 budget process [ <http://www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-04-15-cc48-dd.htm> ], Action Item EX42.1, sub-item 106].

At its meeting on June 8, 2010, City Council approved new refunds of the City's PVT in instances where ownership or residence changes occur prior to the onset of a full renewal year, and for all individually owned City-licenced taxicabs. [ <http://www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-06-08-cc50-dd.htm> ], Action Item 44.12].

At the June 8, 2010 meeting City Council also requested the Deputy City Manager and Chief Financial Officer to report to City Council for its August 25, 2010 meeting, through the Executive Committee, on how all Personal Vehicle Tax payers can receive their proper rebates when warranted, the report to include all details and costs.

## **COMMENTS**

### **Feasibility of Part Year Refunds and Charges**

In accordance with the terms of an agreement between the City and the Province, the Province collects the PVT on the City's behalf. The agreement with the Province allows for cost-effective collection of the tax and ensures PVT payment compliance, since the vehicle permit will not be renewed if PVT is not paid.

Currently, the PVT is charged in whole year increments when a vehicle registrant renews a vehicle plate. The refinement contemplated by the Council motion would mean that the City would charge part-year PVT in cases where a licence plate renewal was secured for a part-year, e.g. whereby an individual moved in to the City or purchased a new vehicle and plates. Conversely, part-year refunds would be provided when a plate holder moved out of the City or disposed of their vehicle part way through the year.

The Province is undergoing a multi-year system modernization project, including developing a new vehicle registration system. As a result, the Province cannot redirect their resources to the old 'legacy system' to accommodate major changes such as those

required to make the City's tax operate like the Provincial vehicle registration fee system. Even minor changes to the existing legacy system are not practical, cost-effective and will not be entertained.

Accordingly, in the case of the recently approved refund policy amendments, the City will administer refunds on an application basis for the relatively few circumstances where appropriate. Similarly, although the PVT exemption plan for seniors and/or City residents with disabilities is still under development, it is clear that the City and not the Province would need to be responsible for determining their exemption-eligibility and for issuance of PVT refunds.

Staff have calculated that a net PVT revenue reduction of \$10.7 million, representing 22 per cent of annual PVT revenues, would occur if such a partial year refund/charge program were instituted and administered by the City, as outlined in Appendix 'A'. This is made up of a direct net loss in revenue of \$2.2 million and staffing and administration costs of \$8.5 million based on a transaction volume estimated at 275,300 per year and 65 new related staff positions. Further, the City has no practical means to enforce payment of partial year tax without the ability to refuse vehicle permit renewal. The City therefore cannot effectively develop an internally supported system that would guarantee payment compliance of the PVT, as the Provincial registration system does.

If these refinements are to be considered in future, the City will require Provincial approval and cooperation in accommodating the City requests into their system modernization project. In this regard, Provincial and City staff met and discussed potential City requirements on July 9, 2010, as part of the stakeholder consultation under the Provincial modernization project. Several City and Provincial issues for further consideration were identified. For example, the current Provincial system does not incorporate a financial transaction for personal vehicle registrants moving out of the City of Toronto to a location in Ontario or moving into Toronto from a location in Ontario. For the purpose of PVT, personal vehicle registrants moving in and moving out of Toronto within Ontario would require further review regarding its cost-effectiveness, feasibility, PVT payment compliance and appropriateness of the PVT charges. The Province would have to consider the possible impact on address change compliance and the desirability of more closely linking the PVT to the Provincial registration system.

The issues surrounding additional refinements of the City's refund policy will require careful assessment of all pros and cons, including obtaining Provincial agreement and cooperation to build appropriate capacity into the system modernization project. Significant financial implications could also result, at a time when the City's revenue growth is not matching its annual expenditure growth. As such, it is recommended that no further changes to the City's PVT refund policy be adopted at this time. City staff will continue to monitor developments with the Provincial system modernization project and discuss opportunities for enhancing the capacity and flexibility in the new Provincial registration system to accommodate potential PVT refund/collection policy changes in the future.

## **CONTACT**

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## **SIGNATURE**

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Deputy City Manager and Chief Financial Officer

## **ATTACHMENT**

Appendix A -  
Estimated revenues and costs of additional refinements of the City's PVT refund policy

## Appendix A

### Estimated Revenues and Costs of Additional Refinements of the City Personal Vehicle Tax Refund Policy

The estimated costs and revenues are summarized as follows (\$000's):

#### **If the City of Toronto Administers**

<b>PVT Refund or Charge</b>	<b>Estimated Volume</b>	<b>Total Gross Revenues (Costs)</b>	<b>Apportioned Administration (Costs)</b>	<b>Total Net Revenues (Costs)</b>
Moving Out Refunds	25,500	(\$1,388)	(\$794)	(\$2,182)
Moving In Charges	32,400	\$950	(\$1,010)	(\$60)
Cancellation Refunds	80,400	(\$4,216)	(\$2,508)	(\$6,724)
New Issuance Charges	137,000	\$2,466	(\$4,272)	(\$1,806)
<b>Total</b>	<b>275,300</b>	<b>(\$2,188)</b>	<b>(\$8,584)</b>	<b>(\$10,772)</b>

#### **If the Province Administers (Post Modernization Project)**

<b>PVT Refund or Charge</b>	<b>Estimated Volume</b>	<b>Total Gross Revenues (Costs)</b>	<b>Apportioned Administration (Costs)</b>	<b>Total Net Revenues (Costs)</b>
Moving Out Refunds	25,500	(\$1,388)	(\$130)	(\$1,518)
Moving In Charges	32,400	\$1,426	(\$166)	\$1,260
Cancellation Refunds	80,400	(\$4,216)	(\$412)	(\$4,628)
New Issuance Charges	137,000	\$3,699	(\$702)	\$2,997
<b>Total</b>	<b>275,300</b>	<b>(\$479)</b>	<b>(\$1,410)</b>	<b>(\$1,889)</b>