TORONTO

STAFF REPORT
ACTION REQUIRED

Property Tax Increase Deferral/Cancellation Programs – Review of Eligibility Requirements for Ownership

Date:	April 3, 2014
To:	Executive Committee
From:	Treasurer
Wards:	All
Reference Number:	P:\2014\Internal Services\rev\ec14010rev (AFS19106)

SUMMARY

As requested by City Council, this report reviews the feasibility and implications of amending the eligibility criteria for the City's Tax Increase Cancellation and Tax Increase Deferral programs for low income seniors and low income disabled persons by revising the eligibility criteria that the property be owned solely by one or more eligible persons, to account for situations where another family member co-owns the property, but does not reside at the property or contribute financially to it.

This report does not recommend amending the current Council-approved eligibility criteria for property tax relief under the City's Tax Increase Cancellation and Tax Increase Deferral Programs to account for situations where another family member co-owns the property but does not reside or contribute financially to it as such criteria would be extremely difficult, if not impossible, to verify and monitor. Expanding the current eligibility criteria to allow property owners to qualify for tax relief where one or more of the property owners does not meet the age, income, residency or disability criteria, (e.g. another family member), could potentially challenge the integrity and fairness of the rebate programs.

RECOMMENDATIONS

The Treasurer recommends that:

1. The Executive Committee receive this report for information.

Financial Impact

There are no financial implications arising from the recommendations in this report.

Should Council approve amendments to the current tax cancellation/deferral programs to change the eligibility criteria to allow applications where one or more of the registered owners of the property do not meet the age, income, residency or disability criteria (e.g., another family member), the financial impacts associated with the expanded eligibility criteria are identified in the body of this report, under the section headed: *Financial Implications of Expanding Eligibility Criteria*.

The 2014 Approved Operating Budget currently includes, as part of the non-program Tax Deficiency budget, an amount of approximately $0.9 million for these programs, representing the City's share of rebates paid under the tax cancellation program. The cost of the education portion of the cancellation rebate (approximately $0.5 million) is recoverable from the Province.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on January 29 and 30, 2014, in its consideration of Item EX37.3: *2014 Property Tax Rates and Related Matters*, City Council adopted the following:

"City Council request the Deputy City Manager and Chief Financial Officer to report to the Executive Committee on the feasibility and implications of amending the City's Tax Increase Cancellation and Tax Increase Deferral Programs, by amending the eligibility requirement that the property be owned solely by one or more eligible persons, to account for situations where another family member co-owns the property but does not reside at the property or contribute financially to it".

Council's decision is available at:
http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX37.3

ISSUE BACKGROUND

Pursuant to section 283 of the *City of Toronto Act, 2006* and Chapter 767 of the City of Toronto Municipal Code, the City of Toronto provides both a Tax Increase Cancellation Program and a Tax Increase Deferral Program for low-income seniors and low-income disabled homeowners that meet certain eligibility criteria.

The tax relief program for low-income seniors and disabled persons was first introduced in the City of Toronto in 1998. In 1998, City Council passed a by-law that provided for the deferral of the assessment-related tax increases arising from the 1998 reassessment for low-income seniors and low-income disabled persons. Subsequently, at its meeting held on February 4, 5, 6 and 7, 2003, City Council expanded the tax relief program by including the Tax Increase Cancellation program. The programs have been further amended over time, including being expanded to include all tax increases.

Under the Tax Increase Deferral program, eligible homeowners can have their tax increases, whether assessment or budgetary related, deferred without interest. The deferred amounts are only required to be repaid once the homeowner no longer owns the property. Under the Tax Increase Cancellation program, eligible homeowners can have their annual tax increase, whether assessment or budgetary related, cancelled.

Table 1 provides a summary of the eligibility criteria for both programs as established under the City of Toronto Municipal Code (Chapter 767: Taxation, Article 1V: Tax Deferral and Tax Cancellation for Low-Income Persons).

Table 1
Eligibility Criteria - Property Tax Deferral/Cancellation Programs for Low-Income Seniors and Low-Income Disabled Persons

	Property Tax Increase Deferral Program	Property Tax Increase Cancellation Program
Seniors	• age 65 years or older; or aged 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance. • or aged 50 years or older and receiving either a registered pension or pension annuity. • household income $50,000 or less.	• aged 65 years or older. • or 60-64 years and receiving a Guaranteed Income Supplement (GIS) and/or Spousal Allowance. • household income $38,000 or less. • property CVA equal to or less than $650,000 for 2013 and 2014 $715,000 for 2015 and 2016.
Disabled Persons	• No age requirement. • receiving support from one or more specified disability programs. • household income $50,000 or less.	• No age requirement. • receiving support from one or more specified disability programs. • household income $38,000 or less. • property CVA equal to or less than $650,000 for 2013 and 2014 $715,000 for 2015 and 2016

COMMENTS

As provided in Table 1, “Household Income” is one of the eligibility criteria for property tax relief under both property tax relief programs. Household income is determined by combining the individual incomes of all owners and spouses occupying an eligible property. For both programs, the ‘eligible’ person is a low-income person, meeting the applicable definition of a senior or disabled person, occupying the eligible property as his or her principal residence, or the spouse or widow/widower of such a person occupying the eligible property.

To qualify for tax relief under either of these programs, the ‘eligible property’ must be:

- occupied by the eligible person making the application as his or her principal residence, and is
- owned solely by one or more eligible persons for no less than one (1) year immediately preceding August 31 of the current taxation year, or
- owned solely by the estate of a low-income person, by the widow/widower, or by both.

To qualify, property owners must apply annually by August 31 of the year for which the tax relief is sought, confirming their eligibility under the program's criteria. Table 2 summarizes the definition of eligible person(s), eligible property, and household income.

Table 2
Summary of the Definition of Eligible Person, Eligible Property and Household Income

Eligible Person is a:	**Eligible Property**: To qualify for tax relief, the eligible property must be:	**Household Income** is determined by:
▪ Low income person meeting the applicable definition of a senior or disabled person (summarized in Table 1) ▪ Who occupies the eligible property as his or her principal residence; Or ▪ The spouse or widow/widower of such a person occupying the eligible property	▪ occupied by the eligible person making the application as his or her principal residence, And ▪ owned solely by one or more eligible persons for no less than one year immediately preceding August 31 of the current taxation year; Or ▪ owned solely by the estate of a low-income person, by the widow/widower, or by both.	▪ combining the individual incomes of all eligible persons occupying an eligible property.

Current Program Criteria surrounding Ownership and Household Income

Under the current program eligibility criteria, where a property is owned by a spouse, either or both of the spouses must meet the definition of 'eligible person', i.e., that they are a low-income senior or a low-income disabled person, and their combined household income does not exceed the household income threshold (as set out in Table 1). This ensures that where one spouse meets the eligibility requirement, even if the other spouse does not (e.g., is not a senior or is not disabled), the qualifying spouse is still eligible to receive tax relief under these programs.

However, when more than one (1) person owns a property and the registered owners are *not* spouses of one another, each of the owners must qualify as an "eligible person" for tax relief in order to be eligible. For example, where one (1) of the owners may meet the definition of a low-income senior or a low-income disabled person, if the property is jointly owned with a family member other than a spouse, that family member must also be a low-income senior or low-income disabled person for the property to be eligible for tax relief under the program.

The combined income of all *owners* and their spouses occupying the property must be below the relevant "household income" threshold for the program. Any family members, or others (other than the spouse of the eligible person), who reside at the property but are not a registered owner of the property, including those who are not seniors or disabled persons themselves will not affect the eligibility of the property for tax relief. Any income they may have will not affect the property's eligibility. However, if any such persons are owners of the property, the property is not eligible for tax relief.

As an example, where parents own a property jointly in their names but have children or other family members that reside with them (who are not registered owners on title), as long as one or both of the parents meet the eligibility requirements of the program, the income of any non-owner residents is not included in total 'household income,' and the owners would qualify for tax relief under the current programs.

Feasibility of Amending the Ownership Eligibility Requirement

Amending the eligibility criteria to allow a property to be eligible under the program where a property is co-owned with a family member or other person who does not meet the definition of a low-income senior or a low-income disabled person, and where the non-qualifying owner does not live at the property or contribute financially to this property, would be an extremely difficult and costly program enhancement to administer and substantiate.

This would be the case in situations where one or more qualifying low-income seniors or disabled persons own and live in a home, and have chosen to add another non-qualifying owner on title to the property (who may or may not live at the property). It is understood that, for estate planning purposes, many owners will add an additional person on title to the property. This is done to ensure that title to the property is transferred upon the death of one (1) of the owners to the remaining owners on title. This practice ensures a smooth transition in transferring control of a person's estate on the death of an owner, and can save costly probate fees or avoid problems in transferring title following a person's death.

In other cases, property owner(s) may not meet the financial requirements necessary to qualify for a mortgage, and so an additional person (who meets the financial requirements) is added to the title to the property (whether they live at the property or not) to satisfy the mortgage holder or lender's requirements for security. Both are common and valid reasons for adding additional owners on title.

However, in the cases described above, it would be impossible to ascertain the financial details or residency arrangements that may exist between registered owners on title to a property, such that the integrity, fairness and equity of eligibility for tax relief under the City's programs is maintained.

Firstly, it would have to be established that there is a family relation between the individuals on title. This would be especially problematic or difficult to prove where the surnames differ due to marriage. Examples of this situation could involve two siblings with different surnames on title, or parents with their daughter(s) on title with differing surnames. While it is feasible that family relationships could be established by requiring additional documentation (e.g., marriage licences, name change documents), the difficulty would lie in establishing clear standards that would define acceptable forms of documentation that would provide consistent and auditable means to substantiate family relationships.

Proving that one (1) or more of the persons listed on title does not reside at the property would also be difficult to conclusively establish. Ascertaining that the person(s) eligible for tax relief resides at the property, and that no other non-eligible person does, would be impossible to monitor or confirm on a continuing basis, as residency could change over the course of a year. Even if additional staff resources were made available, it is not contemplated that the application approval process would require that properties be inspected periodically to ensure compliance with eligibility requirements, nor would additional documentation be able to conclusively satisfy the need to ensure that the program's eligibility criteria were met.

Further, to substantiate that a non-qualifying owner on title does not contribute financially to the property in question would be extremely difficult. This would have to be proven through examining financial records of both the resident owner and the non-resident owner. The sensitivity and nature of the type of investigation required to substantiate this point are clearly beyond the scope and expertise of the staff involved in processing these types of applications currently. This point alone demonstrates that it is not feasible to amend the eligibility requirements for the Tax Cancellation and Deferral programs as suggested.

The eligibility requirements and the level of tax relief provided under the current tax cancellation and tax deferral programs are reviewed and approved annually by Council within the context of approving the City's property tax policies. This annual review ensures that the eligibility criteria, including the household income threshold levels, are revisited frequently enough to ensure that rising income levels are considered, and that the programs continue to provide an adequate level of tax relief to those groups most in need.

In fact, Toronto's tax relief programs for low-income seniors and disabled persons are more generous and more inclusive than many other GTA or Ontario municipalities. Many other municipalities do not offer tax cancellation programs, or limit the annual amount of tax relief available, or have lower qualifying thresholds for maximum household income than Toronto. Attachment 1 provides a comparison to other municipal tax relief programs.

In providing tax relief under these programs and establishing the program requirements by by-law, Council has delegated responsibility to staff to ensure that these programs are administered fairly and equitably, and that prescribed eligibility requirements are met. As such, staff are required to exercise due diligence in reviewing and approving individual applications for tax relief, including documentation provided in support of an application, that provides auditable evidence that the program criteria are met.

While the rationale behind the suggested amendments surrounding owners who do not live at the property or contribute financially to it are clearly understood, the difficulties inherent in being able to verify and monitor such an eligibility criteria could negatively impact the overall integrity and fairness of Council's tax relief programs. Expanding the ownership eligibility criteria to allow non-qualifying owners could potentially result in non-qualifying owners receiving the benefit of tax relief, whether intentionally fraudulent or not. This is not consistent with the spirit or Council's intent for the City's tax relief programs. As such, this report does not recommend any changes to the current Council-approved eligibility criteria.

These programs should continue to require clear cut eligibility requirements that are readily substantiated through sufficient documentation, so as to ensure accountability, transparency and fairness and equity in administering these programs. Overall, the time, cost and difficulty involved in proving the special circumstance where an individual on title does not live at or contribute financially to the property would far outweigh the financial impact of the tax relief that could be granted to a relatively small number of owners that have chosen to co-own a property with a non-spouse family member for personal, financial or estate planning purposes.

Revenue Services will continue to seek Council's authority on a case by case basis, as in the past, with respect to the rare cases that arise where an application for the cancellation or deferral programs is otherwise consistent with the intent of tax relief provided under the programs, but where, due to extenuating or special circumstances, such applications do not qualify under the current eligibility requirements.

Financial Implications of Expanding Eligibility Criteria

Although not recommended, should Council approve amendments to the current tax cancellation/deferral programs to change the eligibility criteria to allow applications where one or more of the registered owners of the property do not meet the age, income, residency or disability criteria (e.g., another family member), it is estimated that up to an additional 500 to 1,000 applications could be approved each year. This represents an increase of between 10% and 20% over the total 2013 approved applications of 4,765. It is difficult to accurately predict in advance how many households may have circumstances that would see them qualify or apply under new criteria – actual impacts will depend on homeowner uptake.

As shown in Table 3, this change would increase the total tax relief provided under these programs by anywhere from $181,300 to $362,500 per year. This represents an approximate increase of between 12 and 24 per cent in the annual tax relief provided under these programs currently.

Table 3:
Low-Income Senior and Disabled Cancellation and Deferral Programs
Potential Additional Tax Relief Provided under Expanded Eligibility Criteria

Program		Current (2013)		Additional[1]	
		#	$000	#	$000
Tax Cancellation	Seniors	4,188	$1,249.2	346 – 693	$80.0 - $160.0
	Disabled	285	$64.9	24 – 47	$5.4 - $10.9
	Total Tax Cancellation	**4,473**	**$1,314.1**	**370 – 740**	**$85.5 - $170.9**
Tax Deferral	Seniors	273	$168.1	122 – 243	$89.6 - $179.1
	Disabled	19	$5.9	8 – 17	$6.2 - $12.5
	Total Tax Deferral	**292**	**$174.0**	**30 - 260**	**$95.8 - $191.6**
Total		**4,765**	**$1,488.2**	**500 – 1,000**	**$181.3 - $362.5**

1. Number of additional eligible applications is estimated at 10 - 20% of annual applications that are received currently.

In terms of budgetary impacts, expanding the eligibility criteria would require an increase in the operating budget for the non-program tax deficiencies account of between approximately $61,000 and $122,000 annually. This represents the municipal share of the increased amounts estimated to be paid under the seniors/disabled tax cancellation program. The increased provincial education share of amounts paid under the cancellation program would be funded by the Province, with no impact on municipal revenues.

Additional amounts to be paid under the seniors/disabled tax deferral program, (should the eligibility criteria be expanded) will have no budgetary impacts on future year budgets, as deferred amounts are treated as deferred revenues, rather than expenditures, and so are not included in the tax deficiencies budget.

Additionally, should the program criteria be expanded, it is expected that an increase in the current staff complement in Revenue Services of at least one (1) additional full-time Revenue Clerk 3 position will be required to review, process and approve the increased volume of applications under the expanded program criteria, given the additional administrative requirements that would be necessary to verify applications received where one (1) or more of the registered owners of the property does not meet the age, income, residency or disability criteria. This would require an increase in Revenue Services staff complement of at least one (1) Revenue Clerk 3 position, with an increase in the operating budget for the Office of the Treasurer – Revenue Services of approximately $73,000 for salaries and benefits.

CONTACT

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Treasurer

ATTACHMENTS

Attachment 1: Comparison of Municipal Property Tax Assistance Programs for Low-Income Seniors and Low-Income Disabled Persons 2014

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Attachment 1

Comparison of Municipal Property Tax Assistance Programs for Low-Income Seniors and Low-Income Disabled Persons 2014

Region/ Municipality	Type of Assistance	Age Criteria	Income Criteria
Region of Halton	Tax Increase Deferral	• 65 years of age or older (senior) • No age criteria for disabled	• Combined family income not more than $43,200 (senior) • In receipt of ODSP or similar disability income (disabled) and combined family income not more than $43,200
Region of York	Tax Increase Deferral	• 65 years of age or older (senior – full deferral) • 55-64 years of age (senior - partial deferral) • No age criteria for disabled (full deferral)	• none • Combined household income not more than $40,000 (2 or more persons) or $23,000 for single (senior) • In receipt of ODSP, GAINS or similar disability income (disabled)
Region of Peel	Tax Rebate Program ($400 per year)	• 65 years of age or older (senior) • No age criteria for disabled	• In receipt of GIS (senior) • In receipt of ODSB or similar disability income (disabled)
City of Pickering	Tax increase Deferral Program (of amount in excess of 5% of assessment-related increase or $100.00, whichever is greater)	• 65 years of age or older (senior) • No age criteria for disabled	• Eligible to receive benefits under GIS or GAINS (senior) • Eligible to receive payment under ODSP or GAINS (disabled)
Kingston	Tax Deferral Program (up to $1,000) (seniors and disabled) Tax Increase Deferral Program (seniors and disabled) *Seniors* Property Tax Credit Program ($100) (seniors only)	• Senior • Disabled	• In receipt of GIS (senior) • In receipt of ODSP or similar disability income (disabled)
City of Ottawa	Full Tax Deferral Partial Tax Deferral on tax increase over $100 and 5% over previous year	• 65 years of age or older (senior) Disabled 65 years of age or older (senior) Disabled	• Eligible for benefits under OAS pension (senior) • $39,334 or less total gross income for 2014 • In receipt of ODSP (disabled); and be eligible to claim a disability amount on CRA Income Tax Benefit Return • $39,334 or less total gross income for 2014 • Property CVA less than $500,000 • $30,000 or less gross household income • In receipt of ODSP (disabled); or • Eligible to claim a disability amount on CRA Income Tax and Benefit Return

Comparison of Municipal Property Tax Assistance Programs for Low-Income Seniors and Low-Income Disabled Persons 2014

Region/ Municipality	Type of Assistance	Age Criteria	Income Criteria
Calgary	Tax assistance (in the form of rebate/credit equal to property tax increase	None	• Income Thresholds: • **1 person:** 23,647 • **2 person:** 29,440 • **3 person:** 36,193 • **4 person:** 43,942 • **5 person:** 49,839 • **6 person:** 56,209 • **7 or more:** 62,581
City of Toronto	Tax Increase Deferral Program (CVA and Budgetary related changes)	• 65 years of age or older (senior), or 60-64 and receiving GIS or Spousal Allowance, or 50 years of age and receiving either a registered pension or pension annuity • No age criteria and receiving disability support	• Household income $50,000 or less
	Tax Increase Cancellation Program (CVA and Budgetary related changes)	• 65 years of age or older (senior), or 60-64 and receiving GIS or Spousal Allowance • No age criteria for disabled	• Household income $38,000 or less • Property CVA less than $650,000

Notes:
OAS – Old Age Security
ODSP – Ontario Disability Support Program
GIS – Guaranteed Income Supplement from the Federal government
GAINS – Guaranteed Annual Income System
CRA – Canada Revenue Agency
CVA – Current Value Assessment

The Guaranteed Income Supplement program is administered by Human Resources Development Canada (HRDC) in conjunction with Old Age Security Pension. Residents must apply annually to HRDC – Income Securities Program to get this supplement income.

Income criteria for GIS eligibility: Single person - less than $16,728
Partners both receiving OAS – less than $22,080
Pensioners whose spouse does not receive OAS – less than $40,080