

**REPORT FOR ACTION****Automated Income Verification for Property Tax, Water and Solid Waste Relief Programs**

Date: November 22, 2019

To: General Government and Licensing Committee

From: Controller

Wards: All

SUMMARY

This report seeks City Council's authority to allow the City to enter into a Memorandum of Understanding with the Canada Revenue Agency to obtain information from the Canada Revenue Agency to verify income and related information for the purposes of determining eligibility of applicants to various City programs, beginning with the City's Property Tax, Water and Solid Waste Relief Programs.

This report also seeks City Council's authority to make the necessary amendments to the City of Toronto Municipal Code Chapters 767, 844, and 849 that will allow for the indirect collection and use of personal information, including Social Insurance Numbers, and any other such information that may be required by the Canada Revenue Agency pursuant to the Memorandum of Understanding between the City and the Canada Revenue Agency, for the purposes of determining eligibility under the City's programs.

RECOMMENDATIONS

The Controller recommends that:

1. City Council authorize the Chief Financial Officer and Treasurer to enter into a Memorandum of Understanding with the Canada Revenue Agency to indirectly collect information from the Canada Revenue Agency to verify income and related information of applicants to City programs for the purposes of determining eligibility for City programs for which income verification is a requirement for eligibility, beginning with the City's Property Tax, Water and Solid Waste Relief programs and adding additional City programs over time.
2. City Council authorize that the necessary amendments be made to City of Toronto Municipal Code Chapter 767 (Taxation, Property Tax), Chapter 844 (Waste Collection, Residential Properties) and Chapter 849 (Water and Sewage Services and Utility Bill) to allow for the indirect collection, and use of income information received, from the Canada Revenue Agency as well as the collection of any additional personal

information from applicants that is required by the Canada Revenue Agency for the evaluation of eligibility for the tax cancellation and deferral, and water and solid waste rebate programs for low-income seniors and disabled persons.

3. City Council authorize the Chief Financial Officer and Treasurer, in consultation with the City Clerk, the Chief Information Officer and the City Solicitor, to examine the relevant legislation and City By-laws in respect of future City programs and to allow these programs to be added to the Memorandum of Understanding with the Canada Revenue Agency with respect to the indirect collection and use of personal information such as Social Insurance Number and related information for the purposes of automated income verification, with a view to determining whether this indirect collection of information is permitted and to report back to City Council to seek any further authority in respect of such programs as may be required.

FINANCIAL IMPACT

It is estimated that the total one-time set-up costs to launch the Automated Income Verification program are approximately \$190,000. This includes the cost for development, testing, privacy impact assessment and project management, and will be funded from the Office of the Controller, with no additional anticipated budgetary impacts on the current 2020 budget estimates.

There will also be ongoing annual costs associated with the number of records requested from the CRA per calendar quarter. The fee structure based on the proposed Memorandum of Understanding with the Canada Revenue Agency is provided in Table 1 below.

The maximum projected cost for the service is \$20,000 per annum, which assumes many City programs are using automated income verification to determine program eligibility. Initially, however, based on approximately 6,700 applications being received per year for the four Tax, Water and Solid Waste Relief Programs, the majority of which are received between June and August, it is expected that the annual costs incurred in 2020 will not exceed \$2,000, as these requests would typically be made within one or two quarterly cycles.

Table 1: Quarterly Costs from Canada Revenue Agency for Record Requests

Number of records per quarter	Quarterly costs
0 – 499	no cost
500 – 79,999	\$1,000
80,000 – 499,999	\$2,500
500,000 or more	\$5,000

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

DECISION HISTORY

Toronto City Council has adopted a number of relief programs over the years to ease the burden of property tax, water and solid waste billings for low-income seniors and low-income persons living with a disability. The programs include:

July 1998: Property Tax Increase Deferral program, and Property Tax Increase Cancellation program ([Strategic Policies and Priorities Committee Report No. 13, Clause No. 3](#))

June 2007: Water Rebate program
(EX9.2: [Water Rate Restructuring - Results of Public Consultation and Recommended Rate Structure](#))

March 2019: Single Family Residential Low-income Relief Program (Solid Waste Rebate)
(EX2.3: [2019 Rate Supported Budgets - Solid Waste Management Services and Recommended 2019 Solid Waste Rates and Fees](#))

COMMENTS

The City offers various financial supports for residents, including low-income seniors and low-income persons living with disabilities through several programs that are administered by different divisions. Although each program has its specific criteria for eligibility, most of them are managed and assessed manually by City staff as applicants have to fax or mail in the applications for processing.

The Chief Financial Officer and Treasurer has requested that staff engage the Canada Revenue Agency (CRA) to provide income verification using the CRA's data so that the City can easily determine whether applicants meet the eligibility criteria for the program(s) based on household income.

It is expected that use of the CRA income verification service would eventually be expanded and used by other City divisions that offer programs that use an applicant's income level to determine eligibility. Utilizing the Canada Revenue Agency's automated income verification will reduce processing cycle time and program administration costs, assist in determining fraud, and provide near real-time response to applicants to determine their eligibility for a specific program. It is anticipated that the City can develop a generic architectural design for the automated income verification process, such that it may be easily adapted to and utilized by other programs within the City requiring income verification.

The Canada Revenue Agency requires that to implement this proposed arrangement, the City would need to enter into a non-binding Memorandum of Understanding (MOU) with the Canada Revenue Agency. The MOU sets out the parameters of how income verification and applicant information can be provided to the City for the purposes of determining eligibility for the City's relief programs for Property Tax, Water and Solid Waste, while maintaining and ensuring the confidentiality of personal and income information.

It is important to note that applicants to the City's relief programs for property tax, water and solid waste are currently required to supply documents and income information sufficient to establish their household income, and that of their spouses or other persons registered on title to the property. In providing this information, applicants are required to grant their consent for the City to use the information to establish eligibility. The required documents would normally include hard copies of CRA Notices of Assessment (which includes the last four digits of the applicant's social insurance number), and other forms or statements attesting to eligibility for benefits under various pension or disability programs. The move to an automated income verification service therefore does not require additional disclosure than that currently provided, rather, it simplifies the process for the applicant and for City staff determining eligibility. And with on-line verification in real-time, the potential risk of lost or misdirected documents containing personal information is substantially reduced.

Initially, automated income verification will be used to determine eligibility for four relief programs administered by Revenue Services Division – these include the Property Tax Increase Deferral program, the Property Tax Increase Cancellation program, the Water Rebate and Solid Waste Rebate programs for low-income seniors and low-income persons with disabilities.

Revenue Services division manually processes approximately 6,700 rebate applications per year. The application process for these programs is currently paper-based, and can be quite lengthy and highly administrative in nature, often requiring multiple interactions between Revenue Services' staff and the applicant, with large quantities of hard copy documents requiring processing and storage – the current application process is inefficient and unsustainable in its current form.

Currently, applicants fill out a single paper form, sign it to provide their consent, and send it along with multiple hard copies of proof of income and/or disability status such as a CRA Notice of Assessment or Old Age Security statement. Revenue Services Division staff process the application form and review the information and documentation provided to determine if the applicant meets the eligibility requirements. Staff create a rebate record for each application in the City's tax system. This eligibility review cycle can take a significant amount of time depending on several factors. Multiple interactions are often required in order to determine eligibility and to obtain all of the necessary documentation required in order to process these applications. The current application system is not customer friendly, is largely paper-based, and requires significant staff resources to administer. Further, the number of applications, and the associated storage and rendering of large quantities of hard copy documents renders the current application process inefficient and administratively burdensome.

The Automated Income Verification program will provide a fully digital end-to-end solution for Revenue Services' Rebate Programs, utilizing the Canada Revenue Agency for income verification while providing near real-time response to applicants to determine their eligibility for a specific program. Other expected benefits include a reduction in fraud, a reduction in application cycle time as well as a reduction in program administration costs, allowing staff to focus on more value added-tasks.

Using a digital on-line solution will allow applicants to receive confirmation of their eligibility or ineligibility in near real-time, and is expected to reduce the number of rebate applications as applicants who know they are not eligible will not apply. The applicant will have to submit their consent and the consent of their spouse or any other household members whose income is counted in the household income that determines eligibility before the City submits income verification requests. In order to provide the income verification service to the City, the CRA requires the social insurance number of all applicants. Additionally, the new application process, will involve the indirect collection of personal information (specifically income amounts) from the Canada Revenue Agency rather than directly from the affected individual. However, this information will not be stored electronically on any City systems beyond the Automated Income Verification Service digital portal for this purpose.

It is anticipated that on-line applications to confirm eligibility will be processed within 72 hours provided the name, social insurance number and date of birth submitted to the Canada Revenue Agency can be successfully verified and a response provided to the City's income verification request within 48 hours. All other eligibility criteria can be validated and assessed by the on-line application rules and by utilizing information that already exists in the tax system.

Given the demographic of prospective applicants, the manual application process will continue to be provided as an alternative for those suffering barriers preventing participation in the automated income verification process. The use of the automated income verification process as the primary method for processing applications will eliminate the operational pressures that render the current process unsustainable; however, the anticipated reduced volume would allow for the continued operation of the current process as a secondary application process for those unable or unwilling to use the on-line application and automated income verification process.

Overall, utilizing an automated income verification process for the four Property Tax, Water and Solid Waste Relief Programs will offer improved service to Toronto residents, in the form of a simpler and more efficient application process, and operational efficiencies to the City in the form of a faster and more accurate determination of eligibility, and a reduction in the need for paper-based record-keeping and storage.

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SIGNATURE

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