

Eligibility Criteria for the City's Property Tax, Water and Solid Waste Relief and Rebate Programs

Date: June 8, 2020

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

As requested by City Council, this report reviews the feasibility and implications of amending the eligibility criteria for the City's property tax, water and solid waste relief and rebate programs, to ensure that low-income residents, who otherwise meet the eligibility criteria, are not disqualified in cases where a co-owner is registered on title to the property but does not reside at the property.

The report also provides a financial impact analysis and implications of increasing the current maximum household income thresholds that establish eligibility for the property tax increase cancellation and deferral programs, and the water rebate and solid waste relief programs.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council amend the low-income senior and low-income disabled person property tax cancellation and deferral, water and solid waste relief and rebate programs by amending the definition of "eligible property" for each program to also allow for property ownership by an eligible person, or their spouse, widow or estate, as applicable, together with another person, or persons, who do not reside at the eligible property, and to amend City of Toronto Municipal Code Chapters 767, 844 and 849 accordingly.

FINANCIAL IMPACT

The impact on the City's 2020 tax supported budget from the recommended amendment to the eligibility criteria for low-income seniors and low-income disabled persons, in cases where owners are registered on title but do not reside at the property is estimated in the range of \$0.5 M to \$0.9 M for property tax and solid waste assistance. In addition, the impact on 2020 Toronto Water's operating budget is estimated between \$0.17 M to \$0.28 M.

It is expected that the additional costs for relief for eligible applications approved for the 2020 year will be funded from the current budget allocation. For 2021 and future years, the increased costs of relief under these programs will require increases in future budget years, and will reflect the actual and projected future program take-up for these programs.

DECISION HISTORY

On December 17, 2019, City Council adopted [Item MM13.15: Improving the Relief Programs for Property Tax, Water and Solid Waste](#), requesting that the City Manager and the Chief Financial Officer and Treasurer report on:

- a) the feasibility and implications of amending the City's Tax, Water and Solid Waste Relief Programs eligibility requirements to ensure that low-income residents who otherwise meet the eligibility criteria are not disqualified where a co-owner is listed on title but does not reside at the property; and
- b) the financial and other implications of increasing the current maximum household income thresholds that establish eligibility for the property tax increase cancellation and deferral programs, and the water and solid waste rebate programs.

City Council adopted tax rates and other tax policy decisions for the 2019 taxation year by adopting items [EX2.1: 2019 Property Tax Rates and Related Matters](#).

COMMENTS

Property Tax, Water and Solid Waste Assistance for Low-Income Seniors and Low-Income Disabled Persons

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 persons that meet certain eligibility criteria. (Table 1)

The tax relief program for low-income seniors and disabled persons was first introduced in 1998, with a by-law that provided for the deferral of the assessment-related tax increases. Subsequently, in February, 2003, City Council expanded the tax relief program by introducing the tax increase cancellation program. The programs have been further amended over time.

One of the eligibility criteria is that the combined individual incomes of all eligible persons occupying an eligible property must be below the household income threshold amount adopted by City Council. This report reviews the potential impact of increasing the household income threshold and of amending the requirement of combined household income, in cases where additional owners may be registered on title but do not reside at the property.

In addition, low-income seniors and low-income disabled persons who are eligible for either of the above property tax assistance programs can also apply for a water rebate, representing a 30% reduction from the Block 1 rate on their utility bill in respect of their water account, so long as their water consumption is less than 400 m³ annually and they otherwise meet the required eligibility criteria. Also, effective April 1, 2019, eligible persons that meet the required eligibility criteria may receive the benefit of a higher rebate adjustment on the solid waste management component of their utility bill.

In 2015, City Council adopted a motion enhancing the low income property tax relief programs for seniors and disabled persons by adopting an automatic adjustment of the income criteria in future years based on the Consumer Price Index (CPI) annual change for all items for Toronto.

Accordingly, based on the 2019 CPI of 2.0%, the household income eligibility for the property tax increase cancellation program will be increased to \$42,052 for 2020, from \$41,228 under the existing policy. The threshold for household income for the tax increase deferral, water and solid waste programs remains at \$50,000, as shown in Table 1.

In February, 2017, City Council set the property tax increase cancellation program household maximum CVA threshold to be \$850,000 for 2017 and 2018, and \$975,000 for 2019 and 2020. There is no household maximum CVA threshold for the deferral program.

Table 1: Property Tax Assistance for Low-Income Seniors and Low-Income Disabled Persons, applicable for 2020 under existing policy

	Tax Increase Deferral Program	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 \$42,052 or less Property CVA equal to or less than \$975,000 for 2020.

	Tax Increase Deferral Program	Tax Increase Cancellation Program
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 \$42,052 or less Property CVA equal to or less than \$975,000 for 2020.

Since the inception of these programs, the City has funded over \$16.5 million from its operating budget for the tax increase cancellation program for the City portion of taxes (an additional \$6.4 million in provincial education taxes were also cancelled), and deferred over \$7.4 million in tax increases, of which the current receivable to the City is \$3.3 million. There is no interest charged under the deferral program.

Table 2 below shows the number of approved applications for each of the assistance programs in 2019, and the total value of the relief provided, as well as the average assistance per household provided. The values in the table show the total number of applications from low-income seniors and disabled persons. The number of applications from disabled persons varies between 4% and 8% of the total applications. The following impact analysis of income threshold increase is based on the statistics available for seniors, since they represent the majority of people benefitting from the programs, and there is better data available for seniors.

Table 2: 2019 Tax, Water and Solid Waste assistance provided to low income seniors and disabled persons

Program	Approved applications	Provided assistance, \$'000s		Average assistance per household
		City Portion	Total (City + Education)	\$
Tax Cancellation (City + Education)	6,127	\$2,833	\$3,857	\$630
Tax Deferral (City + education)	305	\$138	\$188	\$616
Total Tax Relief	6,432	\$2,972	\$4,045	
Water Rebate ¹	5,982	\$1,060		\$177
Solid Waste	6,200	\$464		\$75
Total Water Rebate and Solid Waste Relief		\$1,524		\$252
Total	6,432	\$4,496	\$5,569	\$866

1. Water rebate figures are the rebates provided in 2019 for 2018

Low Income Threshold Benchmarks

Statistics Canada currently provides data on two different measures of gross low income - the Low Income Cut-Off (LICO) and the Low Income Measure (LIM).

The LICO threshold is used by the City of Toronto Welcome Policy subsidy program, and in 2017 was \$31,544 (before taxes) for 2 people. The LIM threshold, reported in 2017 for private households of 2 persons in Canada was \$36,084 (before taxes).

The low income threshold for the tax cancellation program in Toronto for 2017 was \$39,380, and if no changes are made to the current policy, will be \$42,052 in 2020. Although the above benchmarks are not specific to seniors living in Toronto and are not fully comparable in that they represent different measures of income and applicability, the current low income threshold for Toronto's relief and rebate programs is above both the LICO and LIM measures.

Across Canada there are various programs that provide assistance to low-income senior property owners, either through tax deferral programs (both for tax increases and total taxes) or through a rebate/grant to assist in paying for property taxes. It seems, as shown on Table 3, that tax deferral programs are the predominant form of tax assistance provided. Tax deferrals don't impact municipal tax revenues in the long term, since in most cases the deferred tax revenues are collected following a change in ownership.

The varied nature of the programs and the income and cost of living contexts make it difficult to perform direct comparisons across jurisdictions. However, where programs exist to defer or cancel/rebate taxes, and have an income threshold, as shown in Table 3, the thresholds are comparable to or set at a lower income than Toronto's relief program. A large number of the programs require that applicants are recipients of the Federal Guaranteed Income Supplement (GIS), which requires an annual income at or below \$18,600 for a single person, and \$24,576 for two people.

For the programs whose income threshold is not based on GIS, the City of Ottawa and Halton Region offer only deferral programs, and the income thresholds are about \$43,000 and \$51,000 respectively, compared to the \$50,000 threshold for the deferral program in Toronto.

Neither Vancouver nor Montreal have municipal tax deferral or cancellation programs, while provincial grant programs are in place in British Columbia and Quebec.

The Province of Quebec has the highest income threshold of \$52,600 per family for their grant of up to \$500 to offset tax increases, while the average tax assistance in Toronto is above \$600.

Table 3: Tax Relief Programs in other jurisdictions (2019)

Government	Household Income Threshold	Program
Mississauga (Peel Region)	\$18,600/\$24,576 GIS or ODSP eligible	Tax rebate of \$423 to offset taxes
York Region	\$18,600/\$24,576 GIS or ODSP eligible	Full Property Tax Deferral Program for low income seniors and low-income disabled persons
Durham Region	\$18,600/\$24,576 GIS or ODSP eligible	Property Tax Deferral of annual reassessment increases, in excess of 5% or \$100
Oshawa (Durham Region)	\$18,600/\$24,576 GIS or ODSP eligible	Property Tax Grant Program of \$535
Niagara Region	\$18,600/\$24,576 GIS or ODSP eligible	Property Tax Deferral Program for low income seniors and low-income disabled persons
Nova Scotia	\$18,600/\$24,576 GIS	Tax rebate of up to 50% of previous year's residential property taxes, up to \$800
Toronto	\$41,228	Property Tax Increase Cancellation
City of Ottawa	\$42,749	Full Property Tax Deferral Program for low income seniors and low-income disabled persons
Toronto	\$50,000	Property Tax Increase Deferral
Halton Region	\$50,900	Property Tax Deferral Program for low income seniors and low-income disabled persons
Province of Quebec	\$52,600	Grant for seniors to offset a residential tax increase (Max. \$500)

From the information in the above table, Toronto has one of the most robust and accessible low income tax assistance programs, providing both tax increase cancellations and deferrals with income thresholds amongst the highest in the country. The programs also provide relief for water and solid waste services to eligible residents, which provide for additional benefits in the form of reduced utility charges.

Low Income Seniors Profile

The majority of applications (about 95%) are for the tax increase cancellation program which provides a higher benefit than tax deferrals. Also, low-income seniors make up about 94% of applicants and accordingly, for the purposes of this analysis, Statistics Canada's numbers for low-income seniors are used to assess the policy rationale and financial impacts of changes to the program income thresholds.

According to latest Statistics Canada data (Census 2016), there are 173,595 private households in Toronto led by residents of age 65 and over. Statistics Canada data show that about 46,000 senior-owned households have incomes below \$41,000, and potentially eligible for the tax assistance programs.

As shown on Table 2, in 2019 there were 6,432 approved applications for tax assistance, which represents about 14% of all eligible seniors.

Based on the low up-take of the current program and based on the comparison with similar programs in other jurisdictions, there is no evidence for a strong need to increase the income threshold.

Implications of increasing income thresholds

Statistics Canada data show that about 13,256 households owned by seniors are within the \$42 to \$50 K income bracket, and 14,350 households owned by seniors have incomes between \$50 to \$60 K.

Assuming the current uptake of 14% for each income bracket, if the maximum income threshold for the property tax increase cancellation program was increased from the current \$42,052 to \$50,000, it can be expected that about 1,856 additional applications would be approved, requiring additional funding of approximately \$895,000. If the maximum income threshold was increased to \$55 K, about 2,920 additional applications and \$1.7 million in additional tax, water and solid waste assistance could be expected. If the income threshold was increased to \$60K, a further 3,800 additional applications would be approved and \$2.4 million in additional assistance would be required from the City's Budget, as shown in Table 4.

Table 4: Projected Additional Cost of the Assistance Programs, if income threshold is increased to \$50K, \$55K and \$60K

	Estimated average 2020 City assistance	Additional assistance for up to \$50 K income	Additional assistance for \$50- \$55 K income	Additional assistance for \$55 -\$60 K income
Tax Cancellation (City)	\$482	\$894,606	\$487,525	\$432,456
Tax Deferral (City)	\$473		\$25,168	\$22,320
Total Tax assistance			\$512,693	\$454,775
Water Rebates	\$188		\$199,956	\$177,368
Solid Waste Rebates	\$75		\$79,670	\$70,670
Total water and solid waste assistance			\$279,627	\$248,038
Incremental additional total assistance		\$894,606	\$792,319	\$702,814
Cumulative Additional Total		\$894,606	\$1,686,925	\$2,389,738

Expanding Eligibility Criteria with regards to Property Co-ownership

The City of Toronto provides a property tax, water and solid waste relief and rebate program to ensure that low-income seniors, and low-income disabled persons can maintain and live a good quality of life. However, the current eligibility criteria applied to these programs limits eligibility, depending on the circumstances, to situations where the property is either owned by the low-income person individually or in combination with their spouse, widow or estate, as may be applicable.

In order to ensure that the greatest number of low-income households (seniors and disabled persons) may benefit from the City's various relief and rebate programs, staff recommend that the definition of "eligible property" be expanded to include property ownership by an eligible person (or their spouse, widow or estate, as applicable), together with another person, or persons, who do not reside at the eligible property. This would mean that assuming an applicant was otherwise eligible, relief could be expanded to instances where another family member or person co-owns the property and is registered on title, but does not reside at the property. It is proposed that the income of such additional person(s) not be included in the determination of total combined household income. The recommended amendment would capture more low-income seniors and low-income disabled persons who occupy their property as the relief programs originally intended.

As part of the application process, all registered owners on title of a property will be required to disclose whether or not they live at the subject property.

Financial Implications of Expanding Eligibility Criteria

Should Council decide to amend the eligibility criteria for the tax, water and solid waste relief and rebate programs as set out in the recommendation to allow applications where one or more of the registered owners listed on title to the property does not reside at the property (e.g., family member), it is estimated that approximately 965 to 1,605 additional applications could be received each year. This represents an increase of approximately 15% to 25% over the 2019 applications received of 6,432 for 2019. It is difficult to accurately predict in advance how many low income households may have circumstances that would see them qualify or apply under new criteria – actual impacts will depend on applicant uptake.

As shown in Table 5, this change would increase the total relief and rebates provided under these programs from the City's budget from \$703,000 to \$1,169,000.

Table 5: Estimated Additional Applications and Assistance Amount

Program	Estimated average 2020 city assistance per Household	Additional	
		Number applications	City assistance \$'000
Tax Cancellation	\$482	920-1,530	\$443-737
Tax Deferral	\$473	45-75	\$21 - \$35
Total Tax Relief		965-1,605	\$464 - \$772
Water Rebate	\$188	897-1,495	\$169 - \$281
Solid Waste Relief	\$75	930-1,550	\$70 - \$116
Total Water Rebate and Solid Waste Relief	\$263		\$239 - \$397
Total		965-1,605	\$703 - \$1,169

The current cost of tax relief provided under the City's Property Tax Increase Cancellation and Deferral programs is funded from the non-program Tax Deficiency account. Solid waste relief is also provided from the property tax funded non-program account, while water rebates are funded from the Toronto Water operating budget, which is fully funded by water and wastewater rates. It is expected that the additional costs for relief for eligible applications approved for the 2020 year will be funded from the current 2020 budget allocation. For 2021 and future years, the increased costs of relief under these programs will require increases in future budget years, and will reflect the actual and projected future program take-up for these programs.

CONTACT

Casey Brendon, Director, Revenue Services
Phone: (416) 392-8065, E-mail: Casey.Brendon@toronto.ca

Boriana Varleva, Senior Financial Analyst, Financial Policy and Strategies,
Office of the Controller, Phone: (416) 392-4949, E-mail: Boriana.Varleva@toronto.ca

SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer