



REPORT TO: Chair and Members of the
Corporate Services Committee

SUBJECT: Low-Income Seniors and Low-Income Disabled
Homeowners Deferral - Revisions

RECOMMENDATION

That this Committee recommend to Regional Council:

1. That Regional Council adopt and approve the new By-law to Establish Criteria for Applications for Tax Deferrals by Low-Income Seniors and Low-Income Disabled Persons attached as Appendix B to this Report to take effect on January 1, 2006.
2. That the Regional Clerk be directed to make the necessary arrangements to ensure this By-law is implemented in accordance with applicable laws.
3. That this report be received and circulated to the Councils of the Area Municipalities and local school boards for information.

PURPOSE

This report recommends changes to the Region's Low-Income Seniors and Low-Income Disabled Homeowners By-law in response to a request from the City of St. Catharines.

EXECUTIVE SUMMARY

By resolution dated April 12, 2006, the City of St. Catharines has requested that the Region review and update the tax deferral eligibility criteria for low-income seniors and low-income disabled homeowners' property tax. (see [Appendix A](#)). Criteria were discussed at the June 16, 2006 Area Treasurers meeting resulting in the development of the attached draft By-law (see [Appendix B](#)) for which staff now seek approval.

FINANCIAL IMPLICATIONS

If the proposed By-law is adopted, the financial implication to the Region will be the interest carrying charges, estimated to be approximately \$4,200 annually, for the deferred amount of taxes.

BACKGROUND

Property tax legislation passed in 1998 required upper and single tier municipalities to provide tax relief for assessment related tax increases for low-income seniors and low-income disabled persons owning and occupying property in the residential class. Relief was to be provided in years of general reassessment. Legislation defined assessment related tax increases, however the definition of low-income seniors and low-income disabled persons was to be determined by the municipality. Municipalities also had the responsibility of determining the amount of tax relief (all or part of the assessment related tax increase) and the type of relief (refund or deferral).

The definition for tax increase has since been amended in Legislation to include all increases, budgetary or assessment related. Under the legislation, the maximum amount of tax relief to be provided is the difference between the taxes levied on the property in the year preceding a reassessment and the taxes levied in the year of a reassessment.

REPORT

Administration

The Area Municipalities are responsible for administering the tax relief program for low income seniors and low income disabled persons as they are responsible for billing and collecting property taxes. Applications for tax relief are accepted and processed by the Area Municipality in which the individual resides. The Region has developed an application form that will be available on the Region's web-site and to each Area Municipality ([see Appendix C](#)).

Current Program

The current tax deferral program has been in effect since 1998 and includes the following key elements:

- persons eligible for tax relief are low income seniors and low income disabled persons owning and occupying property in the residential property class;
- low income seniors are persons who are 65 years of age or older and in receipt of the monthly Guaranteed Income Supplement (GIS) program (or pending) and low income disabled individuals are persons who are in receipt of an increment paid under the Ontario Disability Support Program Act;
- tax relief is in the form of a deferral and no interest is charged on the deferred amounts;
- minimum amounts to be deferred are \$200;

- the deferral period is 3 years;
- the applicants' property taxes must be current at the time of application; and
- if an eligible person for which tax relief has been granted ceases to be an eligible person, all tax relief ceases and the total amount deferred becomes a debt payable to the applicable Area Municipality.

Options for Tax Relief

Section 319 of the Municipal Act provides two basic tax relief options for upper and single tier municipalities. In each case the option may be applied to all or a portion of the tax increase:

- 1) refund/cancel all or a portion of the tax increase; or
- 2) defer all or a portion of the tax increase;

Option 1 involves a refund or cancellation of the property tax increase. With a refund or cancellation, the Region and the Area Municipalities forego tax revenue equal to the amount of the refund or cancellation on an annual basis until such time as the property is sold or the applicant ceases to be eligible. This lost revenue would be recorded as a tax write-off.

Option 2 involves a deferral of the property tax increase. Tax relief in the form of a deferral recognizes that eligible individuals own homes with a net asset value. When the home is eventually sold, the deferred taxes can be paid from the proceeds of the sale. The impact on the Region and Area Municipalities from deferred taxes is minimal as the impact is essentially limited to foregone interest.

Recommended Approach

The recommended approach is to provide tax relief based on a tax deferral of a portion of the tax increase. This option mirrors the tax relief currently provided but permits eligible homeowners to seek a deferral based on the total year over year tax increase, not just the assessment related tax change. Low-income seniors and low-income disabled persons will benefit from the expanded definition of tax increase as the deferrals are now calculated on a larger amount. It is also recommended that a threshold deferral amount of \$200 continue to apply. With this limit, low income seniors and low income disabled persons would be responsible for the first \$200 of their property tax increase. The amount of the tax increase exceeding \$200 would be the amount deferred. Interest will not be charged as it is prohibited by legislation.

Cancellations or refunds (Option 1) are not recommended as they do not recognize the equity that homeowners have in their homes or the homeowner's ability to pay once the property is sold.

In addition, the following limitations and criteria have been added to the program roughly based on suggestions outlined in the City of St. Catharines April 12, 2006 letter (Appendix A).

- Accumulated amount of deferral cannot exceed 50% of the property's Current Value Assessment (CVA).
- Applicant must have owned a residential property within the Region for a period of 1 or more years.
- Documentation is required for proof of age, and receipt of Guaranteed Income Supplement (GIS) or Ontario Disability Support Program (ODSP).

Together with the continued deferral option all but two of the criteria contained in the City of St. Catharines resolution have been satisfied. The recommendation for registering a lien on the property was determined not to be necessary as outstanding property taxes take priority. Also it is not recommend that a CVA threshold be adopted as CVA may not be an accurate indication of a homeowner's equity or ability to pay.

Financial Impact

The impact of tax relief as proposed in this report is dependant on the number of eligible applicants and the amount of their tax increases in excess of the \$200 threshold amount. Analysis has indicated that approximately 90,000 residential properties have a tax increase greater than 3%. Assuming 20% of these homes are owned and occupied by seniors and disabled persons, the number of potential properties would be 18,000. If it is further assumed that 25% of these homeowners qualify as low-income, the number of potential applicants could be 4,500. With a threshold amount of \$200 and the Regional portion of the tax bill at 50%, the maximum amount of deferred taxes for the Region would be approximately \$98,000 per year. The actual impact to the Region would be the carrying charges of this amount. Based on the Region's current portfolio rate of 4.25%, the annual cost to the Region is estimated to be \$4,200.

Submitted by:

Approved by:

John Bergsma
Commissioner of Corporate Services

Mike Trojan
Chief Administrative Officer

This report was prepared by Debbie Williams, Senior Financial Analyst and reviewed by Michael Kyne, Director Legal Services.

Attachments

C.02.0041

CITY OF ST. CATHARINES

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CORPORATE SUPPORT
SERVICES DEPARTMENT

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April 12, 2006

CS 42-2006

Ms. Pam Gilroy, Regional Clerk
Regional Municipality of Niagara
2201 St. David's Road
Thorold, Ontario

Re: Proposed 0% Tax Increase for Seniors
on a Limited Fixed Income
File: 10.57.99

Please be advised that the Council of the Corporation of the City of St. Catharines at its meeting held on April 10, 2006, gave consideration to the above-referenced matter and enacted the following resolution:

That the Region be requested to to review and update their tax deferral for low income seniors and low income disabled property owners to include the following:

- be a deferral of the property tax increase.
- have an age limitation (i.e., over 64 years old).
- have an income restriction (i.e., be in receipt of Guaranteed Income Supplement).
- have a Current Value Assessment (CVA) threshold (e.g., no support for CVA greater than the median household value in the lower-tier municipality in which they reside).
- be owned and occupied as the applicant's principal residence.
- the deferral be a lien on the property with the maximum accumulated deferral of 50% of the CVA.
- that the lien be repaid on sale.
- include the Ontario Disability Support Program recipients.

RECEIVED APR 20 2006

Region of Niagara - Clerk's Office
Original to: Clerk

Chair	Comm. Ser.
Councillors	Corp. Ser.
CAO	HR
DClerk	Planning
AClerk	Public Health
Com. Secy	Public Works
CMC	File <u>C.00.0011</u>
Date	Initiator <u>OGP</u>

*C. G. Lockyer
J. Murphy
D. Williams*

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Your consideration of Council's request in this regard, is appreciated.

Further information may be obtained by contacting the Financial Management Services Department directly at (905) 688-5601, Extension 1423.

Yours truly



KT
Kenneth R. Todd
Director of Corporate Support Services

cc Financial Management Services

THE REGIONAL MUNICIPALITY OF NIAGARA

BY-LAW NO.

A BY-LAW TO ESTABLISH CRITERIA FOR
APPLICATIONS FOR TAX DEFERRALS BY
LOW-INCOME SENIORS AND LOW-INCOME
DISABLED PERSONS

WHEREAS Section 319 of the Municipal Act, 2001 S.O. 2001 C. 25, as amended, requires the Regional Municipality of Niagara to pass a by-law providing for deferrals or cancellation of, or other relief in respect of, all or part of a tax increase for 1998 and subsequent years on property in the residential property class for persons assessed as owners who are, or whose spouses are,

- (a) low-income seniors as defined in the by-law; or
- (b) low-income persons with disabilities as defined in the by-law.

THEREFORE the Council of The Regional Municipality of Niagara enacts as follow:

1) In this by-law:

“tax increase” is the difference between the annual taxes levied on the property in the preceding year and the annual taxes levied in the current year;

“eligible deferral amount” means that part of the tax increase for the taxation year in which the application is made which is in excess of two hundred dollars (\$200.00);

“Treasurer” means the Treasurer of the lower-tier municipality within which an eligible property is located;

“eligible property” means the owner’s principal residence which is in the residential property class and for which all property taxes have been paid in full;

“principal residence” is as defined by the Income Tax Act;

“residential property class” is as defined by the Assessment Act, R.S.O. 1990, c. A.31, as amended and the regulations thereto;

“owner” means an individual who owns eligible property and who is, or whose spouse or same-sex partner is:

- i) at least 65 years of age and in receipt of, or has made application for, the monthly Guaranteed Income Supplement (GIS) provided under Part II of the Old Age Security Act (Canada); or
- ii) disabled and in receipt of, or has made application for, benefits under the Ontario Disability Support Program (ODSP).

- 2) To be eligible for a property tax deferral, the owner:
 - a) must occupy the property, within the Regional Municipality of Niagara, as his/her principal residence for the full year for which the tax deferral is sought;
 - b) must have owned a residential property within the Regional Municipality of Niagara for a period of at least one year preceding the application;
 - c) ensure that the property taxes on the eligible property have been paid in full for the tax years proceeding the application;
 - d) must be responsible to pay a tax increase of at least \$200 in the year of application; and
 - e) submit all relevant documentation to the Treasurer.
- 3) The following conditions apply to deferred taxes:
 - a) The deferred taxes must be repaid in full as soon as:
 - i) the property is sold;
 - ii) on tax sale of the property;
 - iii) the owner dies;
 - iv) the owner's of title to the property is transferred (excluding transfer of ownership to spouse) and before the proceeds of sale are disbursed; or
 - v) when the property or owner ceases to be eligible under the criteria established by the by-law including when an application for GIS or ODSP is rejected.
 - b) Tax relief amounts under municipal by-laws are not transferable to others or the estates of deceased owners.
 - c) No interest charges shall accrue on property taxes deferred pursuant to this by-law.

- 4) The following limits apply to any deferral under this by-law:
 - a) Only current taxes but not tax arrears or outstanding taxes can be deferred.
 - b) Only one deferral granted per owner per eligible property.
 - c) The tax increase must be greater than \$200.
 - d) The accumulated amount of the tax deferral cannot exceed 50% of the current assessed value of the property.

- 5) All applicants for tax deferrals under this by-law shall submit an application and provide all supporting documentation in a form satisfactory to the Treasurer including:
 - a) proof of age as applicable;
 - b) proof of receipt of GIS or ODSP payments as applicable; and
 - c) permitting the local municipality to independently verify all documentation provided in an application.

- 6) That this by-law shall come into force and take effect on January 1, 2006 at which time Regional Municipality of Niagara By-law 87-2001 shall be repealed.

THE REGIONAL MUNICIPALITY OF NIAGARA

(Peter Partington, Regional Chair)

(Pam Gilroy, Regional Clerk/
Associate Director of Corporate Strategy)

Passed: _____