



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	December 9, 2020
SUBJECT/REPORT NO:	Deferral of Full Taxes for Seniors and Low-Income Persons with Disabilities Program (FCS18005(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Gloria Rojas (905) 546-2424 Ext. 6247
SUBMITTED BY:	Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the three-year pilot for a Deferral of Full Taxes for Seniors and Low-Income Persons with Disabilities Program (“Full Tax Deferral Program”) become a permanent program under the criteria included in Appendix “A” to Report FCS18005(a);
- (b) That the 0.5 temporary Full Time Equivalent for the administration of this program funded from the Tax Stabilization Reserve (110046), be eliminated.

EXECUTIVE SUMMARY

In January 2018, Council approved Report FCS180005, “Tax Assistance Programs for Seniors and Low-Income Persons with Disabilities”, including a three-year pilot for the Deferral of Full Taxes for Seniors and Low-Income Persons with Disabilities, where low-income seniors and persons with disabilities had the option to defer the full amount of taxes for the applicable year. The last year of the three-year pilot is 2020 and staff is submitting a recommendation to make the program permanent starting in 2021 and eliminating the 0.5 temporary Full Time Equivalent (FTE) originally approved for the administration of the program as the duties can be absorbed by the existing staff in the Taxation Section.

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Although the number of applications has not increased significantly over the three-year pilot, staff is recommending that the Program become permanent as it provides direct assistance to eligible taxpayers that are facing financial hardship but wish to remain in their home, without significant additional administrative burden to the City.

This program does not have an impact on the property tax levy since deferred amounts are protected as they are set up as a receivable and protected by a special lien. The cost of the program is related to the opportunity cost of forgone investment revenue. The deferred amounts are subject to annual interest in order to offset lost investment revenue. The total amount deferred over the life of the pilot is approximately \$135,000 and for the 2020 year, the City has 18 approved applications (see Table 1).

The complete list of the conditions for the program can be found in Appendix “A” to Report FCS18005(a), Deferral of Full Taxes for Low-Income Seniors and Persons with Disabilities.

Alternatives for Consideration – N/A

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The Full Tax Deferral Program will not have any operating budget levy impact as the deferred amounts will be set up as a receivable. In addition, the eligible amounts will be subject to interest based on the City’s external debt forecasting assumptions, which for 2020 is 3%. This rate will be reviewed annually and published in the Tax Policy Report. The City also receives application and renewal fees.

Staffing: The previously approved 0.5 temporary FTE will be eliminated as the administration of the program can be absorbed within the existing complement of the Taxation section.

Legal: Municipal authority for providing deferrals or cancellations in respect of all or part of the tax increases on residential properties for owners who are low-income seniors or low-income persons with disabilities is found within Section 319 of the *Municipal Act, 2001* and requires that municipalities pass a by-law. The Legal and Risk Management Services Division has been consulted on the by-law governing the program. This by-law adopted three years ago will continue to be in effect since no changes are needed.

HISTORICAL BACKGROUND

The 2017 Tax Policies and Area Rating Report (FCS17045) contained the recommendation that the Seniors (65+) Tax Rebate Program (“Seniors Rebate Program”) be reviewed for the 2018 taxation year. Following this recommendation, staff initiated a review of all the tax incentive programs for seniors and low-income people with disabilities.

In January 2018, Council approved Report FCS18005, “Tax Assistance Programs for Seniors and Low-Income Persons with Disabilities”, including a three-year pilot program where low-income seniors and persons with disabilities had the option to defer the full amount of taxes for the applicable year. The original criteria for the program, specifically the calculation of the income threshold, was revised in 2020 based on citizens’ feedback and approved as part of the 2020 tax policies (Report FCS20039, “2020 Tax Policies and Area Rating”). The by-law governing the program was approved with the original report and since the detailed calculation of the threshold is not included in the by-law, it does not need to be amended.

The amended calculation for the income threshold was approved equally for all the tax assistance programs for seniors and persons with disabilities (Seniors Tax Rebate Program, Deferral of Tax Increases Program and Full Tax Deferral Program) as they share similar criteria.

As 2020 is the last year of the three-year pilot, staff is submitting a recommendation to make the program permanent starting in 2021.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Section 319 of the *Municipal Act, 2001* requires that municipalities pass a by-law providing for deferrals or cancellations in respect of all or part of the tax increases on residential properties for owners who are low-income seniors or low-income persons with disabilities. The existing Deferral of Tax Increases Program falls under this category.

The Full Tax Deferral Program is not a mandatory program under the *Municipal Act, 2001* but is recommended by staff as it provides direct benefits to low-income seniors or low-income persons with disabilities.

The criteria for the calculation of the income threshold, in which the amount dedicated as pension splitting is deducted from the main applicant’s income to avoid double-counting, was updated in 2020. Overall, the criteria for this program will be reviewed annually and incorporated in the Tax Policy Report. Application and renewals fees will also be reviewed annually and incorporated into the User Fee By-law.

RELEVANT CONSULTATION

During 2017, staff consulted with the Seniors Advisory Committee (SAC), as well as, the Advisory Committee for Persons with Disabilities (ACPD) on the details of the program. The two Advisory Committees were supportive of the program.

This program has also been discussed with the Taxation Section of the Corporate Services Department which administers the program and is supportive on the program becoming permanent.

The Legal and Risk Management Services Division has been consulted regarding the development of the by-Law to ensure that it agrees with the program and the *Municipal Act*.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Staff is recommending that the three-year pilot program for full deferral of taxes for seniors and low-income persons with disabilities, in which the full amount of taxes for the year can be deferred, become permanent starting in 2021. The complete list of the conditions for the program, including previously updated criteria for the calculation of the income threshold, in which the amount dedicated as pension splitting is deducted from the main applicant’s income to avoid double-counting, can be found in Appendix “A” to Report FCS18005(a), Deferral of Full Taxes for Low-Income Seniors and Persons with Disabilities.

This program does not have an impact on the operating budget tax levy since deferred amounts are protected as they are set up as a receivable and protected by a special lien. The cost of the program is related to the loss of investment revenue. However, the deferred amounts are subject to annual interest (3% for 2020 based on the City’s external debt forecasting assumptions) in order to offset lost investment revenue.

The total amount deferred to date is approximately \$135,000. Table 1 shows the number of deferrals and total amount deferred for every year since the beginning of the program.

**Table 1
Deferral of Full Taxes Program per Year**

Year	Deferrals (#)	Total Deferred (\$)
2018	4	\$ 13,845
2019	18	\$ 61,795
2020 (*)	18	\$ 59,410

(*) Some applications are still pending review

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The four properties that deferred taxes in 2018 have continued to do so for 2019 and 2020. With respect to the properties that applied for the first time in 2019, most, but not all, have also applied in 2020 and two have repaid the deferral.

The original approval included a 0.5 temporary FTE funded by the Tax Stabilization Reserve (110046) and partially recovered by the application and annual renewal fees. However, due to the low volume of applications, staff in the Taxation Section will be able to absorb the duties performed by the temporary FTE without compromising efficiency and effectiveness in their normal duties and, therefore, staff is recommending that the 0.5 temporary FTE initially approved for the administration of the program be eliminated. The Taxation Section will monitor the volume of applications in the upcoming years and, should it be required, a dedicated resource for the administration of the program will be requested to Council.

Although the number of applications has not increased significantly over the three-year pilot, staff is recommending that the program become permanent as it is an option available to eligible taxpayers that are facing financial hardship but wish to remain in their home and does not create a significant administrative burden to the City at current application volumes.

While this program might not be an appealing option to all eligible applicants, it is an additional support option available to seniors and low-income persons with disabilities in financial need. In this program, deferred amounts can be repaid at any time should their situation change or if it no longer makes sense for them to continue to defer.

The following have been identified as some of the benefits of the program:

- Increased financial assistance to seniors and low-income persons with disabilities.
- Eligible persons will be able to focus their resources where they are needed the most.
- May assist eligible persons to stay in their home.
- The City will recover full taxes once the property is sold or once the owners are no longer eligible.
- The City would receive interest revenue to offset lost investment revenue.
- Hamilton would be the second municipality in the Province to have the program for both seniors and persons with disabilities.

The program, however, may have some drawbacks for potential applicants such as:

- Application and renewal fees.
- It will create a special lien on the property.
- Requirement to renew annually.
- Deferred amounts will be subject to interest that could be higher than those offered by some financial institutions.

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- Staff recommend that applicants carefully consider the benefits of the program alongside other options available such as lines of credit available through financial institutions and reverse mortgages when determining whether this program is the best choice for their needs.

Other Municipalities

A similar program has been in place in Halton Region since 2016 and current enrolment varies by municipality: Oakville has 37 properties in the program, Burlington has eight, Halton Hills has four and Milton has one. Ottawa also has offered a similar program since 2017 and currently has 151 approved applications.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS18005(a) – Criteria for the Deferral of Full Taxes for Seniors and Low-Income Persons with Disabilities Program (“Full Tax Deferral Program”)

GR/dt