



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

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	January 17, 2018
<b>SUBJECT/REPORT NO:</b>	Tax Assistance Programs for Seniors and Low Income Persons with Disabilities (FCS18005) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Gloria Rojas (905) 546 2424 Ext. 6247
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager Finance and Corporate Services
<b>SIGNATURE:</b>	

**RECOMMENDATIONS**

- (a) That a three-year pilot for a Deferral of Full Taxes for Seniors and Low Income Persons with Disabilities Program (“Full Tax Deferral Program”) be approved under the criteria included in Appendix “B” to Report FCS18005;
- (b) That a 0.5 temporary FTE for the three-year pilot funded from the Tax Stabilization Reserve (110046) in the amount of \$41,400 annually be approved for the administration of this Program;
- (c) That the revised criteria for the Deferral of Tax Increases for Seniors and Low Income Persons with Disabilities Program (“Deferral of Tax Increases Program”) listed in Appendix “A” to Report FCS18005 be approved;
- (d) That the criteria for the Seniors (65+) Tax Rebate Program listed in Appendix “C” to Report FCS18005 be approved;
- (e) That the City Solicitor be authorized to prepare the necessary amendments to the by-laws for the consideration of City Council.

## **EXECUTIVE SUMMARY**

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.

### **Tax Deferral Programs for Seniors and Low Income Persons with Disabilities**

*Deferral of Tax Increases Program:* This is a mandatory program under the *Municipal Act* in which eligible seniors and persons with disabilities can defer the tax increases without interest until the property is sold. If the owner is no longer eligible, the accumulated deferred amounts remain in the deferral account until they become payable. As of 2016, Hamilton has 51 participants in the program and the cumulative amount of deferred taxes is \$113,000.

Staff is recommending revisions to the Program in order to clarify and update the criteria. For example, when determining eligibility, some of the programs listed in the criteria no longer exist while others need to be added (for example, Canada Pension Plan (CPP) disability benefit). An income threshold has also been introduced to be consistent with the Seniors Rebate Program. Staff does not anticipate any changes in program participation due to these modifications. Additional details on the Program can be found in the Analysis and Rationale section of this Report as well as in Appendix “A” to Report FCS18005, Tax Deferral Programs for Low Income Seniors and Persons with Disabilities – Criteria for Deferral of Tax Increases.

*Full Tax Deferral Program:* Staff is recommending that Council adopt a three-year pilot program where eligible seniors and persons with disabilities can defer the full amount of property taxes until the property is sold.

Halton Region and Ottawa are already offering a similar program, although in Ottawa, the program is only available to Seniors. Staff is recommending a criteria that is similar to what is offered by Halton Region and Ottawa. Some of these criteria include offering the Program to both seniors and low income persons with disabilities, having an income cap consistent with other tax assistance programs run by the City and having the deferred amounts subject to an annual interest. A complete list of the conditions of the Program can be found in the Analysis and Rationale section of this Report as well as in Appendix “B” to Report FCS18005, Tax Assistance Programs for Seniors and Low Income Persons with Disabilities.

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Since staff is recommending that the deferred amounts will be subject to interest to compensate for the loss of investment revenue, the Program is not expected to have a financial impact. The recommended three-year temporary 0.5 FTE for the administration of the Program estimated at \$41,400 annually would be funded from the Tax Stabilization Reserve which will be partially recovered from the application and annual renewal fees proposed for the Program.

### **Seniors (65+) Tax Rebate**

The Seniors (65+) Tax Rebate Program (Seniors Rebate Program) offers a property tax rebate of \$186 (2017) for seniors that fall within the eligible income and property criteria. For 2016, the program provided a total of \$598,000 in rebates to 3,791 successful applicants.

The existing criteria for the Program was approved by Council in 2006 and staff is recommending minor revisions in order to clarify some of the criteria and make updates based on current practices. Since the conditions of the Program are not being modified, staff does not anticipate any changes in program participation or any financial impacts. Additional details on the Program and required clarifications can be found in the Analysis and Rationale section of this Report as well as in Appendix “C” to Report FCS18005, Criteria for the Seniors (65+) Tax Rebate Program.

### **Other Financial Assistance Programs**

The City provides additional financial assistance to seniors and low-income persons with disabilities through other programs such as the utilities arrears programs, dental programs, special support for low income seniors and reduced rates for transit and recreation programs.

The Province of Ontario also provides financial support with several grants and tax credits directed to this group of the population including the Ontario Senior Homeowner’s Property Tax Grant, the Ontario Senior’s Public Transit Tax Credit, the Ontario Energy and Property Tax Credit and the Low-income Energy Assistance Program (LEAP).

***Alternatives for Consideration*** – See Page 11

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The Full Tax Deferral Program will not have any 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 2018 is 5%. This rate will be reviewed annually and published in the Tax Policy Report. Staffing costs (see below) will be funded from the Tax Stabilization Reserve (110046) and will be partially recovered by the application and renewal fees. The estimated gross cost of the position is \$41,400 annually.

**Staffing:** Staff is recommending that a 0.5 temporary FTE be approved for the administration of the Full Tax Deferral Program, which falls under the Taxation Section of the Corporate Services Department. Among other duties, the incumbent will be in charge of verifying the eligibility of the applicants, updating the tax system, maintaining program records and other duties as assigned.

**Legal:** The appropriate by-laws will need to be amended to include the new and revised criteria and conditions of the programs.

## **HISTORICAL BACKGROUND**

On May 10, 2017 City Council approved Report FCS17045, "2017 Tax Policies and Area Rating" containing the following recommendation:

- (j) That the Seniors (65+) Tax Rebate Program criteria be reviewed for the 2018 taxation year;

The review initiated for the Seniors Rebate Program prompted a review of the other tax assistance programs for seniors and low income persons with disabilities.

The Seniors Rebate Program has been in place since 2002 (formerly referred as the Elderly Tax Rebate). However, the former municipalities of Dundas, Hamilton and Stoney Creek provided tax assistance to seniors previous to amalgamation. The criteria for the Program was reviewed in 2006 and is being reviewed once again in this Report.

The Deferral of Tax Increases Program has been in place since 1998 (reviewed in 2001) and is mandatory under Section 319 of the *Municipal Act*. This Program allows eligible seniors and persons with disabilities to defer the tax increases for the year without interest until the property is sold.

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The Full Tax Deferral Program is a new program that is being recommended for a three-year pilot term. Similar programs have been successfully implemented in Ottawa and Halton Region.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Every year, in its Tax Policy Report, the City of Hamilton updates the amount of the tax rebate, the income threshold and the assessment cap for the Seniors Rebate Program. This program is optional under the *Municipal Act*.

Section 319 of the *Municipal Act*, however, 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 recommended Full Tax Deferral Program is not a mandatory program.

The thresholds and fees associated with these programs, if approved, will be reviewed annually and incorporated in the User Fee By-law.

## **RELEVANT CONSULTATION**

Staff has consulted with the Seniors Advisory Committee (SAC) as well as the Advisory Committee for Persons with Disabilities (ACPD). At the SAC meeting on Friday, December 1, 2017, the following Motion was approved:

- (a) That the full tax deferral program for seniors and persons with disabilities be supported in principle.
- (b) That the decision of SAC being included as a part of the staff presentation to the General Issues Committees' decision in 2018.

These programs have also been discussed with the Taxation Section of the Corporate Services Department, which administers the programs.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

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

## **Tax Deferral Programs for Seniors and Low Income Persons with Disabilities**

### **1. Deferral of Tax Increases Program**

The Deferral of Tax Increases Program allows eligible seniors or persons with disabilities to defer tax increases for the taxation year. Under this program, the annual tax increase is deferred without interest until the property is sold. If the owner is no longer eligible, accumulated deferred amounts remain in the deferral account. According to the *Municipal Act*, deferred amounts are a special lien on the property.

The following table summarizes the details of the program for the last three years:

<b>Year</b>	<b>Accumulated Deferral (\$)</b>	<b># of Deferrals</b>
2016	\$113,400	51
2015	\$121,800	54
2014	\$131,900	54

Staff is recommending some modifications to conditions of the Program in order to update the criteria based on the existing income benefits and also to ensure the integrity of the Program. Staff does not anticipate any changes in program participation or any financial impact due to these changes. The most significant changes are explained below:

*Eligibility:* The eligibility criteria is updated to remove the *Family Benefits Act* which no longer exists and adds the CPP disabilities benefit.

*Income:* An income cap has been introduced to ensure that the Program is targeted to low income citizens and to be consistent with other tax assistance programs offered by the City. The recommended income cap has been set at a level higher than the programs used for the eligibility criteria (150% of Guarantee Income Supplement (GIS)).

*Maximum Accumulated Deferred Amount:* A new condition has been included to limit the accumulated deferred amounts to not more than 40% of the property's assessment.

The complete criteria for the Program can be found in Appendix "A" to Report FCS18005, Tax Assistance Programs for Seniors and Low Income Persons with Disabilities.

## **2. Full Tax Deferral Program**

Staff is recommending that Council adopt a three-year pilot program for seniors and low income persons with disabilities in which the full amount of taxes for the year can be deferred. This Program has been in place in Halton Region since 2016 and currently has 39 participants. Ottawa also has a similar program since 2017 and currently has 122 participants. Details of the program in these municipalities can be found in Appendix “D” to Report FCS18005, Tax Assistance Programs for Seniors and Low Income Persons with Disabilities.

Some of the highlights of the Program are as follows:

*Deferred Amount:* Total taxes payable for the current year. Accumulated deferred amounts should not exceed 40% of the assessed value of the property.

*Eligibility:* Seniors (65+) and low income persons with disabilities (further defining criteria within Appendices).

*Income:* Income threshold consistent with the Deferral of Tax Increases Program and the Seniors Tax Rebate Program. For 2017, this threshold is \$34,800 and will be updated annually.

*Application:* Annual application is required to defer the current year’s taxes. If an application is not made for the taxation year, the property taxes for the taxation year become payable. Prior year amounts remain deferred.

*Interest:* Deferred amounts will be subject to interest, compounded annually, based on the City’s external debt forecasting assumptions (5% for 2018 - to be revised annually).

*Special Lien:* Deferred amounts and applicable interest create a special lien on the property.

*Repayment:* Deferred amounts, plus interest, become payable immediately if the property is sold.

*Fees:* The Program will be subject to application and renewal fees (see below).

The complete list of the conditions for the Program can be found in Appendix “B” to Report FCS18005, Tax Deferral Programs for Low Income Seniors and Persons with Disabilities – Criteria for Full Deferral of Taxes.

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Data related to home ownership by income and age is not readily available and therefore, having a reliable estimate of the expected participation and potential amounts deferred is challenging. Staff has estimated the potential impact based two different scenarios:

*Scenario 1* - Number of applications: 15 (based on applications received in 2017 for the Deferral of Tax Increases program in the City) - Potential impact: \$50,000

*Scenario 2* - Number of applications: 100 (based on applications received in Halton Region and Ottawa) - Potential impact: \$300,000

Deferred amounts are protected as they are set up as a receivable and protected by a special lien. Similar to the Deferral of Tax Increases Program, the cost of the Program is related to the loss of investment revenue. The deferred amounts will be subject to annual interest (based on the City's external debt forecasting assumptions) in order to offset lost investment revenue.

For the administration of the Program, staff is recommending a 0.5 temporary FTE (estimated at \$41,400 annually) to be funded by the Tax Stabilization Reserve (110046) during the three-year pilot period and partially recovered by the application and annual renewal fees of \$200 and \$100, respectively. All of the costs associated with the Program will be reviewed annually and included in the User Fee and Tax Policy reports.

**Seniors (65+) Tax Rebate Program**

The Seniors (65+) Tax Rebate Program offers a tax rebate of \$186 (2017) for seniors that fall within the eligible income and property criteria. The program has been in place city-wide since 2002 providing relief to a large number of applicants. The table below summarizes the details of the Program for the last three years:

<b>Year</b>	<b>Total Rebate (\$) Municipal Portion</b>	<b>Applicants</b>
2016	\$598,300	3,791
2015	\$576,360	3,748
2014	\$560,800	3,776

Staff is recommending some minor modifications to the By-law in order to clarify the criteria and be consistent with other programs offered by the City. Staff does not anticipate any changes in program participation or any financial impact due to these changes. The most significant changes are explained below:



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*Income Criteria:* The rebate is available to all Seniors 65 or older whose income (single or combined) is less than \$34,800 (2017). The income threshold is established based on 150% of the maximum GIS income (couple where both spouses are 65 or over). The threshold will continue to be updated every year and reported in the Tax Policy report.

*Application:* All registered owners and their relationship with the applicant must be listed in the application. The income threshold, however, will continue to be calculated only based on the income of the owner applicant and the owner's spouse.

*Annual Review:* The rebate program requires a one-time only application process. Starting in 2018, Taxation will undertake an annual review of a portion of the applications on file in order to ensure the integrity of the program (property is still under the applicant's name, owners are still eligible, property taxes are up to date, etc.).

The complete criteria for the Program can be found in Appendix "C" to Report FCS18005, Tax Assistance Programs for Seniors and Low Income Persons with Disabilities.

### **Municipal Comparators**

*Seniors (65+) Tax Rebate Program:* Staff surveyed a number of municipalities and considered what they offer in their recommendations. Overall, most municipalities have a program similar to Hamilton's program but none of the municipalities have an assessment requirement and make the program available only to GIS recipients. By having an income threshold 150% above the GIS maximum amount, the City's program reaches a greater number of participants than other municipalities.

*Deferral of Tax Increases Program:* Although this is a mandatory program under Section 319 of the Municipal Act, the criteria varies widely among municipalities with some having income caps or a requirement for minimum tax increase.

*Full Tax Deferral Program:* Out of all the municipalities surveyed, Ottawa and Halton Region are the only ones offering a full deferral of the property taxes. The program is fairly new in both municipalities.

The City of Mississauga prepared a report on the issue of Financial Assistance Programs for Low Income Seniors, which included a comprehensive survey of the programs offered by other municipalities. This survey is attached as Appendix "E" to Report FCS18005, Tax Assistance Programs for Seniors and Low Income Persons with Disabilities.

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## **Other City of Hamilton Programs for Seniors and Low Income Persons with Disabilities**

In addition to the tax assistance programs, the City has a number of resources to address the needs of seniors and low income persons. Some of the resources available are:

- Utilities arrears program: provides assistance for utility arrears (hydro, electric, heat, water / sewage), security deposits and / or reconnection fees when the utility charges are not included in the cost of rent / condo fees.
- Low income and seniors' dental program: includes adult emergency dental treatment and dentures.
- Special support for low income seniors: provides a wide range of health related benefits to City residents living independently in the community to improve their quality of life, health, wellness, safety and self-sufficiency (eye glasses, hearing aids, diabetic supplies among others).
- HSR senior fares and Presto Golden Age pass.
- Recreation fee assistance program: provides City of Hamilton residents living with a low income the opportunity to participate in organized sports and recreation programs.
- Home Management Program: teaches the necessary skills to be more successful and independent in the day to day living.
- Helping Hands Program: provides assistance with house cleaning, laundry, lawn and yard maintenance, etc.

## **Provincial Programs for Seniors and Low Income Persons with Disabilities**

- Ontario Senior Homeowner's Property Tax Grant: The Province provides up to \$500 to help low income seniors with their cost of their property taxes.
- Ontario Senior's Public Transit Tax Credit: Eligible seniors can claim up to \$3,000 in eligible public transit expenses and receive up to \$450 each year. Transit expenses incurred on or after July 1, 2017 can be claimed for the credit.
- Ontario Energy and Property Tax Credit: This credit helps low to moderate income individuals with property taxes and the sales tax on energy. The credit is part of the Ontario Trillium Benefit.
- Low-income Energy Assistance Program (LEAP): pays up to \$500 of the amount owing on the Hydro One bill (up to \$600 if the home is electrically heated). This is a one-time emergency payment only for families below a certain income.
- Trillium Drug Program: provides assistance for high prescription drug costs.
- Ontario Renovate: offers financial assistance to households occupied by persons with disabilities who require special modifications to improve accessibility to their residence.

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- Home and Vehicle modification program and Assistive Devices Program.

**ALTERNATIVES FOR CONSIDERATION**

The following have been identified as some of the benefits to adopt the Program in Hamilton:

- 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 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 adoption of 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
- It would require careful consideration of other options available for similar purposes such as lines of credit available through financial institutions and reverse mortgages

Some identified drawbacks for the City are:

- Unreliable estimate of the cost for the City
- Requires additional resources for the administration of the Program
- Potential budget pressure for other taxpayers if interest is not charged on deferred amount

Staff has also considered the alternative to incorporate a two-tier income threshold in which a lower cap is determined for single individuals while a higher one would apply for couples combining their income. This option is not recommended since the lower income threshold will result in some single seniors who are currently eligible to become disqualified for the program. In addition, there will be an increased administration component in order to properly validate marital status and other requirements that may arise from the two-tier income threshold.

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**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.*

**Healthy and Safe Communities**

*Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.*

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” – Tax Deferral Programs for Low Income Seniors and Persons with Disabilities – Criteria for Deferral of Tax Increases Program

Appendix “B” – Tax Deferral Programs for Low Income Seniors and Persons with Disabilities – Criteria for Full Deferral of Taxes Program

Appendix “C” - Criteria for Senior’s (65+) Tax Rebate Program

Appendix “D” – Full Deferral of Taxes Program in Ottawa and Halton Region

Appendix “E” – Survey of Municipal Tax Relief Programs

GR/dt