

## Enhanced Tax Deferral Program for Older Adult and Disabled Homeowners

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Recommended by:	General Manager of Corporate Services

### Report Summary

This report provides information regarding a potential enhanced property tax deferral program for older adult and disabled homeowners in accordance with Council's direction.

### Relationship to the Strategic Plan, Health Impact Assessment and Climate Action Plans

This report refers to operational matters.

### Financial Implications

Staff recommend that no changes be made to the existing tax deferral program for low-income senior or low-income persons with disabilities. There are no financial implications associated with this recommendation.

However, should Council direct staff to enhance the tax deferral program in 2025, any financial implications will form part of the 2025 year-end position. For 2026 and future years, staff will include any financial implications within the base budget. The financial implications will be based on several variables, including the number of successful applicants in 2025 as well as the type of enhancement selected.

It is important to note that there could be financial loss relating to potential investment income and/or potential interest revenue.

### Background

This report is to provide information regarding options for an enhanced tax deferral program as per the following motion that was passed at the Finance and Administration meeting of March 16, 2024:

WHEREAS low-income seniors and low-income residential property owners with disabilities are experiencing a period of high inflation and increased municipal taxation at the same time as minimal increases to their income;

AND WHEREAS the City has a tax deferral policy (By-Law 2003 – 96F) which

provides tax relief in the form of a deferral of tax increases greater than \$100, while other municipal tax deferral policies allow for the deferral of the total amount of current property taxes;

THEREFORE BE IT RESOLVED that the City of Greater Sudbury directs staff to produce a report describing amendments to the existing policy which could allow for deferral of the total amount of property taxes in any given year, and that this report be published during the third quarter of 2024 so that a revised program of tax deferral could be available for the 2025 tax year.

## **General Information**

For municipalities in the Province of Ontario, property taxes are the main source of revenue.

The principle of equality, rather than equity, guide home ownership and property tax billing and collection within Ontario. Regardless of the current value assessment of a property or the income level of the property owner the same legislative collecting tools are used for all property taxes. Ensuring the equal treatment of all taxpayers is the essence of property tax legislation.

Late fees for unpaid taxes and interest on overdue property taxes have been in effect for decades. These fees are applied to property tax accounts to encourage property owners to make tax payments before the due date or as soon as possible thereafter. Interest also assists the municipality in bearing the costs of paying the school boards for taxes levied and not collected as legislatively required. The municipality has a requirement to pay the school boards regardless of the tax account collection status.

To assist property owners, the City has several different payment options for annual taxes by spreading tax payments throughout the year. Currently there are two monthly pre-authorized payment plans that allow taxpayers to make their property tax payments over 12 months. These plans do not have any extra fees, penalties or interest associated with them. Currently 50% of eligible property tax accounts are enrolled in one of these plans. There are also a number of property tax accounts that have their property taxes paid through their mortgage company.

## **Legislative Requirements, Property Tax Relief**

In addition to payment options, there are legislative requirements for property tax assistance and rebates. There are some legislative requirements for property tax relief that must be offer by every municipality and there are other programs that are optional. The are also rebates and relief that are provided by other levels of government.

### Mandatory Tax Relief for Low-income Seniors and Low-income Persons with Disabilities under the Municipal Act – Current Program

In accordance with Section 319 of the Municipal Act, all municipalities are required to maintain a program to provide financial relief from year-over-year tax increases for low-income seniors, and low-income persons with disabilities. The City of Greater Sudbury offers a program as per By-law 2003-96F (Appendix 'A'). This mandatory program only applies tax increases beginning in a taxation year in which a general reassessment occurs.

The program is limited to assessment related increases which are \$100.00 or more. A person is eligible if they and their spouse meet all the following criteria:

- A person who is 65 years of age or older and in receipt of an increment paid under the Guaranteed Income Supplement Program (GIS) as established under the Old Age Security Act (Canada); or
- A person who is in receipt of an increment paid under the Ontario Disability Support Program

(ODSP).

- Own and occupy property in the residential/farm property class in the City of Greater Sudbury; and
- Be a resident of Canada; and
- The applicant's property tax account must be current.

Application can be made annually to the City to establish eligibility or maintain eligibility. Application must be made during the taxation year to which the deferral applies along with all supporting documentation.

If a deferral is approved a lien is placed against the property. The deferral continues until the property is sold, the eligible applicant passes away, or the eligible applicant ceases to be eligible then at such time the deferred amount(s) become a debt payable to the City.

To date the City of Greater Sudbury has not had any property owners participate in this program. It has been observed by staff that most property owner's do not have an interest in a lien being placed on their property.

### Compassionate Application Related to Extreme Poverty or Sickness

Section 357 of the Municipal Act allows for an application where a property owner is unable to pay taxes because of extreme poverty or sickness. An application under this section requires a significant disclosure of financial and personal information. The authority to review and make decision on merit has been delegated to the Assessment Review Board. Over the last several years there has only been 2 applications under this section. One person decided not to proceed and the second is still under review by the Assessment Review Board.

### Older Adult Property Tax Assistance Credit

The City of Greater Sudbury also offers an Older Adult Property Tax Assistance Credit to qualifying applicants on an annual basis under Section 365 of the Municipal Act as per By-law 2023-52 (Appendix 'B'). The purpose of this program is to provide eligible older adults a property tax rebate.

Qualifying older adults who own and reside in their home as their personal residence can apply on an annual basis for this rebate. The deadline to apply is December 31<sup>st</sup> of each year. A person is eligible if they or their spouse meet all the following criteria:

- Occupied as their personal residence, the property to which the application applies, for the entire calendar year to which the application relates;
- Have attained the age of 65 years on or before the 31<sup>st</sup> day of December in the calendar year to which the application applies; and
- Is receiving a monthly guaranteed income supplement under Part II of the Old Age Security Act (Canada); and
- The owner has been assessed as the owner of the property to which the application applied for a period of not less than one year immediately preceding the year to which the application applies.

For the calendar year 2023, this amount was increased from \$275.00 to \$400.00 per year and each subsequent calendar year the amount will increase or decrease by the same percentage as the percentage change in the budget relative to the prior calendar year. The amount of the rebate for 2024 was \$424.00.

The City of Greater Sudbury issued 720 rebates at a municipal value of \$301,000 for the 2024 calendar year as this program is cost shared with the school boards.

### Rebates/Credits – Senior Levels of Government

There are also several property tax relief programs that are typically provided by senior governments for low to moderate-income persons as governing agencies of taxation policy. Below is a list of senior government programs:

- Ontario Senior Homeowner's Property Tax Grant (OSHPTG)
  - This program helps low- to moderate-income seniors with the cost of their property taxes. Property owners can apply for this grant through the completion of their personal income tax and benefit return annually. The grant is up to \$500.00 depending on adjusted family income.
  - <https://www.canada.ca/en/revenue-agency/services/child-family-benefits/provincial-territorial-programs/ontario-senior-homeowners-property-tax-grant-oshptg-questions-answers.html#q1>
- Ontario Energy and Property Tax Credit (OEPTC)
  - This program is offered under the Ontario Trillium Benefit to help low- to moderate-income Ontario residents with property taxes and sales tax on energy. This credit is applied for by completing the Application for Ontario Trillium Benefit as part of filing an annual income tax and benefit return.
  - <https://www.canada.ca/en/revenue-agency/services/child-family-benefits/provincial-territorial-programs/ontario-energy-property-tax-credit-questions-answers.html#q1>
- Northern Ontario Energy Credit (NOEC)
  - This program is to help low- to moderate-income residents of Northern Ontario with higher energy costs. This credit is applied for by completing the Application for Ontario Trillium Benefit as part of filing an annual income tax and benefit return.
  - <https://www.canada.ca/en/revenue-agency/services/child-family-benefits/provincial-territorial-programs/northern-ontario-energy-credit-questions-answers.html>
- Exemption for Seniors and Persons with a Disability and/or garden suites
  - This program offers a property tax exemption for residential units that are built or altered to accommodate a senior or a person with a disability.
  - <https://www.mpac.ca/en/MakingChangesUpdates/ExemptionSeniorsandPersonsDisability>

## Other Municipalities

As noted above all municipalities have a requirement under the Municipal Act to offer a tax relief program for low-income older adults and low-income homeowners with disabilities. As per Council's request, staff have been reviewing additional options provided by other municipalities throughout the province and have found that there are few municipalities that offer enhanced tax deferral programs. The few municipalities that do offer an enhanced property tax deferral program have based the program on a set of eligibility criteria. Some offer a partial deferral which is usually based on increase in taxes from year to year while others offer a full deferral. All programs vary slightly with most being offered to low-income older adult and low-income disabled homeowners. These programs are income tested, require a lien to be placed on the title of the property, charge interest on the deferral and have application fees.

Below is summary of enhanced deferral programs offer by other municipalities:

Municipality	Partial Deferral	Full Deferral	Interest Rate	Application Required	Fee	Renewal Required	Fee	Notes
Halton Region		Y	same as tax arrears	Y	Y	Y	N	Full Increase - for Older Adults Only / Interest relief through grant
St. Catharines		Y	5%	Y	Y	N	N	Full Increase - Older Homeowners Only / Interest relief through grant
Ottawa	Y	Y	5%	Y	Y	Y	Y	
Hamilton	Y	Y	3%	Y	Y	Y	Y	Interest is adjusted annually
Toronto		Y	n/a	Y	N	Y	N	Increase only

## Enhanced Deferral Program

While not recommended by staff, should Council wish to offer an enhanced property tax deferral program for low-income older adult and low-income persons with disabilities homeowners, the program could be designed to allow eligible homeowners to defer the municipal (City) portion of their annual property tax bill. All deferred taxes would represent a debt to the City and carry a priority lien against the subject property. These deferred amounts would attract interest for as long as they remain outstanding.

Qualifying applicants could be allowed to defer a portion or the full amount of the City portion of their annual property tax bill from the year of application until such time as they sell or otherwise dispose of their home.

- Eligible homeowners:
  - would be those 65 years of age or older, or
  - would be those persons with disabilities.
- Annual income would be at or below a determined threshold level, potentially using Statistics Canada Low Income cut-offs before tax.
- Applicants would also be required to meet several technical requirements related to residency, occupancy, and the status of their property tax account.
- Renewal would be required yearly.
- Deferred taxes would be subject to interest; however, this could be subsidized by the City resulting in the effective rate being substantially lower than that which applied to outstanding taxes generally.
- Application and/or renewal fees may be necessary to cover administration costs.

### Statistical Data

As per the Census, 2021, Statistics Canada, there are 23,095 persons 65 years of age or older that own their own home in the City of Greater Sudbury. Approximately 1,160 of these homeowners are classified as low-income.

### Eligible Amounts – Defining City Taxes

Total property taxes are made up of amounts levied by the City and the Province, which sets the education tax rates. The City levies and collects the education taxes on behalf of the Province. These amounts are required to be paid to the applicable four school boards on a quarterly basis, therefore the school board portion of the annual tax levies would not be eligible for deferral. This amount would be required to be paid in full each year for a property to remain eligible for the deferral of City taxes.

For a residential property with a 2016 assessed value of \$230,000, the 2024 tax levy was broken down as follows:

2024 Municipal Tax Levy	\$4,007.85
2024 Education Tax Levy	<u>351.90</u>
2024 Total Tax Levy	<u>\$4,359.75</u>

Therefore, the eligible amount for deferral would be a maximum of \$4,007.85, for the 2024 taxation year.

### Rates and Form of Interest

Deferred amounts would attract interest but could be applied at a rate much lower than the default 15% per year that applies to outstanding tax balances generally. The City could implement a fixed interest rate of 5% for this program for a number of reasons;

- If interest rates were to increase significantly, a participant could face carrying costs that they had not considered with a variable rate.

- A fixed rate will allow taxpayers to make solid, informed decisions as to how this program may fit and benefit them. A fixed rate will ensure what they plan for, and a benefit they expect will not change over time.
- A floating interest rate could give the program the outward appearance of a financing product, rather than a relief program, which is understood to be the core objective of the program.
- Even with a fixed rate there will be significant administrative complications involved with adjusting for the difference between the default interest rate and the program interest, a floating rate would intensify this effort.

### Additional Information

From the staff review of other municipalities, eligibility for this type of program is typically income tested based on the Notice of Assessment from the Canada Revenue Agency (CRA). Income would also include all government assistance including Old Age Security (OAS), Canada Pension Plan (CPP), Guaranteed Income Supplement (GIS) and Guaranteed Annual Income Supplement (GAINS). Staff would recommend setting an income threshold, potentially using Statistic Canada's Low-Income cut-offs before tax or Statistic Canada's Median Total Income for Households for the City of Greater Sudbury adjusted annually for the annual Consumer Price Index (CPI).

Residents will be encouraged to consult with a financial advisor before applying for this enhanced tax deferral program. Participants will want to confirm any potential implications regarding their eligibility to claim the property tax related income tax credits such as the Ontario Property Tax Credit and the Senior Homeowners' Property Tax Grant.

It will also be important for property owners to inform themselves as to how participation in this program may affect lending arrangements that are currently in place or may be obtained in the future. This is important as mortgage agreements usually have a condition for property owners who pay taxes directly to the City to keep the property taxes current. Tax arrears and tax deferrals have priority obligations and supersede the interest of the mortgage company therefore a tax deferral may have negative consequences for the borrower.

### Financial Implications for the Homeowner

A program could allow eligible homeowners to defer the full amount or a portion of the municipal portion of their annual property tax bill. The illustrations below, provide details on how this new program would benefit/cost the homeowner.

Five Year Tax Deferral Illustration based on home with assessed value of \$230,000 (Sudbury tax rate):

## Deferral of Municipal Tax Increases

Taxes				Interest	
Tax Year	Total Taxes	City Portion	Eligible Increase for Deferral	Program Interest @ 5%	Payout Balance (Tax & Int)
2019	\$ 3,362.34	\$ 2,992.04			
2020	\$ 3,432.03	\$ 3,080.13	\$ 88.09	\$ 2.96	\$ 91.05
2021	\$ 3,557.60	\$ 3,205.70	\$ 125.57	\$ 11.62	\$ 137.19
2022	\$ 3,657.71	\$ 3,305.81	\$ 100.11	\$ 25.75	\$ 125.86
2023	\$ 3,793.90	\$ 3,442.00	\$ 136.19	\$ 46.14	\$ 182.33
2024	\$ 4,007.85	\$ 3,655.95	\$ 213.94	\$ 76.01	\$ 289.95
<b>Total</b>	<b>\$ 21,811.44</b>	<b>\$ 19,681.64</b>	<b>\$ 663.90</b>	<b>\$ 162.48</b>	<b>\$ 826.38</b>

Under this illustration where the taxpayer is only deferring the increase year over year on the municipal portion of property taxes, the homeowner deferred \$663.90 in municipal taxes in a five-year period. The cost to the taxpayer would be \$162.48.

## Deferral of 50% of Municipal Taxes

Taxes				Interest	
Tax Year	Total Taxes	City Portion	Eligible Increase for Deferral	Program Interest @ 5%	Payout Balance (Tax & Int)
2020	\$ 3,432.03	\$ 3,080.13	\$ 1,540.07	\$ 51.75	\$ 1,591.82
2021	\$ 3,557.60	\$ 3,205.70	\$ 1,602.85	\$ 183.22	\$ 1,786.07
2022	\$ 3,657.71	\$ 3,305.81	\$ 1,652.91	\$ 397.16	\$ 2,050.07
2023	\$ 3,793.90	\$ 3,442.00	\$ 1,721.00	\$ 696.70	\$ 2,417.70
2024	\$ 4,007.85	\$ 3,655.95	\$ 1,827.97	\$ 1,086.57	\$ 2,914.54
<b>Total</b>	<b>\$ 18,449.10</b>	<b>\$ 16,689.60</b>	<b>\$ 8,344.80</b>	<b>\$ 2,415.40</b>	<b>\$ 10,760.20</b>

Under this illustration where the taxpayer is deferring 50% of the municipal portion of property taxes, the homeowner deferred \$8,344.80 in municipal taxes in a five-year period. The cost to the taxpayer would be \$2,415.40.

## Deferral of Total Municipal Taxes

Tax Year	Taxes			Interest	
	Total Taxes	City Portion	Eligible Increase for Deferral	Program Interest @ 5%	Payout Balance (Tax & Int)
2020	\$ 3,432.03	\$ 3,080.13	\$ 3,080.13	\$ 103.49	\$ 3,183.62
2021	\$ 3,557.60	\$ 3,205.70	\$ 3,205.70	\$ 366.44	\$ 3,572.14
2022	\$ 3,657.71	\$ 3,305.81	\$ 3,305.81	\$ 794.32	\$ 4,100.13
2023	\$ 3,793.90	\$ 3,442.00	\$ 3,442.00	\$ 1,393.39	\$ 4,835.39
2024	\$ 4,007.85	\$ 3,655.95	\$ 3,655.95	\$ 2,173.13	\$ 5,829.08
<b>Total</b>	<b>\$ 18,449.10</b>	<b>\$ 16,689.60</b>	<b>\$ 16,689.60</b>	<b>\$ 4,830.77</b>	<b>\$ 21,520.37</b>

Under this illustration where the taxpayer is deferring 100% of the municipal portion of property taxes, the homeowner deferred \$16,689.60 in municipal taxes in a five-year period. The cost to the taxpayer would be \$4,830.77.

Any amount of taxes deferred along with program interest would represent a priority lien against the property and would become due if the property were sold, transferred or otherwise subject to a change in ownership.

### Municipal Funding of Deferrals

The proposed program would provide for a deferral rather than the cancellation or rebate of tax. The full municipal portion of taxes levied against participating properties will be collected at an undetermined future date.

The quantifiable relief being provided to the taxpayer is the reduced interest in comparison to what would apply if the same tax amounts were left unpaid outside this program and avoids the collection process. The interest offset amount is technically a cost to the City, but it is more of an opportunity loss than a hard cost.

The primary function of penalty and interest provisions are to compel timely payment of tax levies; however, they also serve to offset the cashflow related to expenses that result from delinquent accounts. In very simple terms, when taxes go unpaid the expenses that those taxes would have paid must be covered by borrowed money or funds drawn from reserves. Interest on the unpaid taxes offset the interest paid on loans, or not realized from funds that might otherwise be invested.

The utility and mechanics of this proposed program are straight forward; municipal taxes are deferred fully or partially from the year of program enrollment and accrue interest at a rate of 5% per year. From a municipal operational perspective, it is somewhat more complicated because interest cannot be imposed at a reduced rate in the first instance, nor can the difference simply be written-off.

### **Other Considerations**

- Deferrals may have unintended consequences, potentially increasing property tax debt and/or more properties being sold through a sale of land by public tender.
- Low-income is not necessarily connected to low net worth, a property owner may have limited taxable income on an annual basis but may have significant net worth, either through the equity in their home or otherwise.
- As property values have increased more than property taxes have increased. This increase in property values has created enhanced equity and wealth for most homeowners. In these situations,



there may be opportunities to refinance or obtain a collateral mortgage through the security of equity in the property. A property owner may benefit from a conversation with their lender.

## **Summary**

All municipalities are required to maintain a program to provide financial relief from year-over-year tax increases for low-income seniors, and low-income persons with disabilities. The City of Greater Sudbury currently offers such a program along with other rebates and credits. It appears that very few municipalities offer an enhanced deferral program. While staff do not recommend implementing an enhanced deferral program, Council could direct staff to implement a program as described in this report.

## **Resources Cited**

[Municipal Act, 2001](#)