

REPORT

COUNCIL MEETING

MEETING DATE: FEBRUARY 22, 2020

FROM: Finance Department

DATE: February 9, 2021

SUBJECT: 2021 COVID-19 Property Tax Assistance

LOCATION:

WARD: Town wide

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RECOMMENDATION:

1. That the report entitled “2021 COVID-19 Property Tax Assistance” dated February 9, 2021 be received.
2. That By-law 2021-041, a by-law to amend By-law 2020-114, a by-law to provide for an interim levy in 2021, amended to include an application based property tax assistance, be passed.

KEY FACTS:

The following are key points for consideration with respect to this report:

- The Ontario government ordered a Province wide shutdown effective December 26, 2020 in an effort to halt the growth of COVID-19 spread. Prior to this date, since mid-November the Region of Halton was in the red control status of Ontario’s COVID-19 response levels to the maximum restrictions of a full lockdown.
- The Ontario government declared a second Provincial COVID-19 state of emergency January 12, 2021 effective January 14, 2021, with a scheduled end date of February 10, 2021.
- In addition to the state of emergency, a legal stay at home order has been put in place as of January 14, 2021 and allow only the following exemptions: grocery or pharmacy outings, access to health care services, exercise and essential work.

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- The Provincial and Public Health measures have produced and continued financial hardship for some Oakville residents and businesses in 2021.
- Council approved property tax relief measures in 2020 in response to the COVID-19 pandemic. The assistance included extended property tax due dates, waived penalty and interest on outstanding property tax from May 1 to December 31, as well as waived additional fees and charges associated to property tax collection.
- The revenue loss from waiving penalty and interest in 2020 is estimated to have been approximately \$2.89M based on 2019 figures.
- The property tax relief measures were put in place in 2020 to assist the entire Oakville community as a whole. This resulted in varied reaction from the Town's property owners with some finding it beneficial, to others continuing to pay their property tax payments similarly to previous years, and foregoing the extended due dates.
- The 2020 property tax collection arrears are slightly elevated compared to previous years. This illustrates that although there have been requests for tax relief in 2021, the majority of the Town's property owners were able to pay their property taxes.
- Financial assistance programs relating to COVID-19 are being provided by the Provincial and Federal governments.
- A property tax assistance program for 2021 may be implemented by the Town, to provide further government assistance to property owners who are in need of greater financial assistance.
- To implement a property tax assistance program, the 2021 interim tax levy has been amended, if Council approves the recommended relief program as included within this report.

BACKGROUND:

In response to the COVID-19 pandemic, Council approved property tax relief measures in 2020 that applied to all property owners within the Town, in effort to assist those with uncertain financial hardships during the onset of the pandemic. The Council approved relief measures included: waived penalty and interest for all property tax owing past April 2020 until December 31, 2020, extended final due dates, and waived all fees and penalties associated with property tax for all property owners within the Town. Penalty charges resumed January 1, 2021.

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The 2020 relief measures were a blanket assistance to help the community as a whole, while not knowing who required true assistance at that time. Several taxpayers were appreciative of the relief, while the majority of property owners maintained the typical cadence from previous years tax payment due dates and paid earlier than the extended due dates.

The total tax collection for 2020 is forecasted to be approximately 95.5%. This is down slightly from previous years where the Town's collection has averaged 96.22% from 2017-2019. These figures illustrate that the 2020 property tax collection is generally in line with the earlier years, with the majority of property owners paying their property tax.

In discussions with multiple property owners as of late, particularly with the announcement of the second state of emergency by the Province, staff is acknowledging individuals are requesting aid from the Town, past what the Provincial and Federal governments have in place.

COMMENT/OPTIONS:

Provincial and Federal Assistance Programs

The Provincial and Federal governments have both introduced several assistance programs for residents and businesses during the pandemic.

Federal

The Federal government provided the Canada Emergency Response Benefit (CERB) at the start of the pandemic. This program has now ended, and employment insurance (EI) has changed to support more Canadians through the pandemic and several other programs are available, including:

- Canada Recovery Benefit (CRB): income support for self-employed not eligible for EI;
- Canada Recovery Caregiving Benefit (CRCB): income support for persons having to stop work to care for dependents due to closures, high risk, and caregiver availability;
- Canada Recovery Sickness Benefit (CRSB): up to two (2) weeks of support for persons ill or having to self-isolate as a result of COVID-19;
- Canada Emergency Wage Subsidy (CEWS): a wage subsidy for Canadian employers to re-hire workers previously laid off as a result of COVID-19;
- Canada Emergency Rent Subsidy (CERS): rent and mortgage support for qualifying applicants affected by COVID-19.

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Provincial

The Provincial government has also introduced assistance measures due to COVID-19. In November, the Province released the 2020 Provincial Budget (Ontario's Action Plan: Protect, Support, Recover) in response to COVID-19. The Budget included property tax relief measures, such as:

- Business Education Tax (BET) Reduction: the Province will reduce all BET rates to a rate of 0.88% for all business properties, effective 2021. The BET reduction benefits the Town's Industrial business properties, but not the Town's Commercial properties as they are already under the 0.88% threshold; and
- The new optional small business property class subclass: for the 2021 taxation year, Municipalities can provide a tax reduction for small businesses, through adopting a new optional small business subclass. This is currently under review with the Region and lower-tier Municipalities.

Moreover, the Province has instilled the Ontario Small Business Support Grant for businesses that were required to shut down, or significantly restrict services, due to Provincial public health measures (modified stage 2 or areas categorized as control, lockdown or Province wide shutdown). This Provincial application based grant provides a rebate of a minimum 10K to maximum 20K to eligible business in respect of property taxes and energy bills, due to revenue decline as a result of public health measures and restrictions.

Property Tax Assistance through the Town:

An application based deferral program could be offered to all Oakville property owners as a one-time cash flow assistance in 2021. An application based deferral program is recommended by staff to better focus on those experiencing financial hardship, while encouraging those taxpayers that have the means, to continue to pay by the scheduled installment due dates in 2021.

A deferral program could be offered to applicants in need to defer property tax due dates from their normal schedule to one due date as December 15, 2021, with waiving penalty and interest for the whole 2021 tax year to those eligible (staff can adjust those accounts already charged penalty and interest for January and February in 2021). The program would apply to all property classes (residential and non-residential) to be fair and equitable. Eligible applicants would be able to make payment at any time during the year while on the program.

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Eligible property owners would be required to complete an application, demonstrate and provide supporting documentation showing financial hardship as a result of COVID-19 in one or more of the following categories:

- Prolonged suspension of pay;
- Loss of employment;
- Extreme business revenue loss;
- Business closure;
- Insolvency, and/or bankruptcy.

Additionally, eligible property owners would be required to not have tax arrears on account prior to a certain date. This date is recommended to be March 1, 2020 as the onset of the pandemic.

Property owners that have their property taxes paid with their mortgage payment by their financial institutions would not be eligible for a potential deferral program. As these accounts have no amounts outstanding, the property owners would be encouraged to speak with their financial institution to obtain any payment flexibility that they may require.

Any property owner who applies to a deferral program and is on a Town's pre-authorized payment program (PAP) would be removed and required to use an alternative payment method for the deferred taxes. Following the deferral, the property owner would be required to reapply to PAP if they so choose to return to the program.

If an application based deferral program were implemented, it would create a shift in cash flow of property tax revenue, and therefore may impact investment income opportunities. Although, it is anticipated by staff that the impact would be minimal, and dependent on the number of applications, and total tax deferred.

Similarly, loss of revenue from penalty and interest would also occur, as those accounts on the program would not incur penalty and interest. This impact is also expected to be minimal, and considered less financially risky for the Corporation, as opposed to waiving penalty and interest for all property owners as tax assistance. If the Town were to waive all penalty and interest from March to December, this would equate to a revenue loss of approximately \$3.51M.

Property tax payments are secured as unpaid taxes have priority lien status. Taxes levied will be due December 15, 2021 for deferral applicants, as the Municipality does not have the authority to write-off taxation as prescribed. Payments of taxes collected on behalf of the Region of Halton and the school boards would still be required to be made based on their payment schedules.

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To implement this program, an amendment to the 2021 interim tax levy by-law is required to include an application based property tax assistance program with a deferred due date of December 15, 2021.

Municipal Survey:

Staff has discussed with multiple Municipalities their plans to, and/or plans not to, assist property owners with property tax relief in 2021 due to COVID-19. At the time of preparing this report, the following Municipalities have introduced relief for 2021:

Mississauga: Mississauga will be implementing an application based tax deferral program, similar to discussed earlier in this report. Council approved the program January 20, 2021.

Markham: Markham has implemented an application based tax and storm water deferral program, similar to discussed earlier in this report. The program was approved by Council November 2020.

Caledon: Caledon has introduced two programs for 2021, a no interest pre-authorized payment plan for outstanding 2020 tax balances and an application based deferral for 2021 taxes.

Newmarket: Newmarket has extended their waiving of penalty and interest charges to January 31, 2021.

St. Catharines and Niagara Falls: both Municipalities have introduced a special pre-authorized COVID-19 property tax payment plan for 2021. The PAP payment plan allows all taxpayers who taxes were paid in full by February 28, 2020 and have proven severe financial hardship due to the pandemic, to pay their outstanding 2020 and 2021 taxes penalty free over a 12-month period. The program is installment based and payments are drawn on the 15th of each month from February 15, 2021 to January 15, 2022.

The majority of Municipalities surveyed will not be providing any assistance or have not made any decisions regarding property tax relief in 2021. Toronto and Ottawa have no plans to introduced 2021 COVID-19 measures at this point. The other Halton lower-tier Municipalities and Guelph have been asked by Council to look into potential tax relief measures recently. Milton and Halton Hills are considering an installment based relief program through PAP.

The majority of Municipalities who had waived penalty and interest in 2020, are not recommending the same for 2021 due to cash flow issues and risk. Similarly, the

majority of Municipalities are not in favor of extending due dates due to the same issues.

CONSIDERATIONS:

(A) PUBLIC

(B) FINANCIAL

- The Town requires the ability to operate and maintain cash flow in order to provide public services.
- If a relief program for property taxes is implemented it will create a shift in the cash flow of property tax revenues and therefore, affect investment income opportunities. This impact would be dependent on the number of applications and total tax payments deferred.
- Providing a property tax relief program will also reduce penalty and interest revenue as late payment charges on the 2021 taxes would not be collected from any accounts in the program. The potential revenue loss again would be dependent on the total amount of taxes deferred.
- Payments of taxes collected on behalf of the Region and school boards would be required to be made based on their payment schedules.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Not applicable.

(D) CORPORATE AND/OR DEPARTMENT STRATEGIC GOALS

This report addresses the corporate strategic goal to:

- be accountable in everything we do
- be fiscally sustainable

(E) COMMUNITY SUSTAINABILITY

Ensuring adequate revenue is available to provide services is essential to the Town's obligation to Oakville residents.

APPENDICES:

Appendix A – By-law 2021-041, a by-law to amend By-law 2020-114

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Services