

**Date:** 2021-02-10

**Subject:** **Property Tax Assistance for 2021**

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**Report Number:** Corporate Support Services-2021-172

**Recommendations:**

1. That the report titled: **Property Tax Assistance for 2021** to the Committee of Council meeting February 24, 2021, be received ;

**Overview:**

- **The COVID-19 pandemic continues to impact residents and businesses in the City of Brampton and as of Thursday, January 14, 2021, the Province of Ontario has declared a 2<sup>nd</sup> State of Emergency.**
- **Council suspended penalties and interest on overdue property tax accounts from April 1<sup>st</sup> to December 31, 2020 to provide assistance to taxpayers during the COVID-19 pandemic. This decision provided financial relief of approximately \$10.3 million to many in our community that were most impacted by this pandemic.**
- **Penalty and Interest suspensions for all tax accounts was a broad approach to assist the community. Public reaction in 2020 has been mixed with some finding it beneficial and others questioning the fairness of the assistance and preferring to continue with tax payments similar to previous years.**
- **Throughout the year, staff have monitored property tax collection activities against previous year trends to immediately identify any significant changes in property tax revenue received. Property tax collection arrears have increased compared to last year. Tracking of arrears for 2020 does indicate that some property owners are still experiencing difficulties.**

- **The Provincial and Federal governments are providing financial assistance programs relating to COVID-19.**
- **Staff have surveyed several municipalities to determine what options our counterparts are currently considering or implementing for 2021, regarding property tax assistance. Three approaches have been identified and are discussed in this report for Council's information:**
  - **Proceed with standard billing practice**
  - **Extend the suspension of Penalties and Interest for all overdue accounts**
  - **Application based deferral program**

### **Background:**

At the onset of this pandemic, Council immediately recognized the serious economic impact that COVID-19 was having in our community and took action to provide temporary financial relief.

Council suspended penalty and interest charges from April 1 to December 31, 2020 to provide additional flexibility in the timing of tax payments. This decision provided financial relief of approximately \$10.3 million to many in our community that were most impacted by this pandemic. Also, the 2020 final due dates were delayed to accommodate the interim deferral with the first instalment scheduled in September.

These measures applied to all taxpayers as a broad approach to assist the community during the onset of the pandemic. Public reaction has been mixed with most property owners being appreciative while others would have preferred for the payment schedule to remain similar to previous years.

Staff have been monitoring the balance of taxes owing throughout the year and while tax collection continues to be received at a similar rate to previous years, the arrears have increased by just over 1%. There is evidence that some property owners continue to experience difficulties in making property tax payments since the onset of the pandemic.

### **Current Situation:**

#### Property Tax Assistance

The COVID-19 pandemic continues to impact residents and businesses in Brampton in 2021. Council's waiver of penalties and interest expired on December 31, 2020. As a result, property tax billings have resumed as per our normal practices. The 2021 Interim Tax Bills were mailed to all taxpayers on January 25<sup>th</sup> and the interim due dates are February 17<sup>th</sup>, March 24<sup>th</sup>, and April 19<sup>th</sup>.

The balance of tax receivables as at December 31, 2020 increased to 6.83% (\$78,078,311) from the previous year's balance of 5.79% (\$64,564,690) on December 31, 2019. In total during 2020, the City processed \$1,274,024,389 in collectible billings. Overdue accounts over the same time period increased by 4,315 accounts (21,566 to 25,881). Staff will continue to monitor the balance of tax receivables for any significant changes to the balance outstanding. Payment of property taxes is secured as unpaid taxes have priority lien status.

Staff have surveyed several municipalities to determine what options our counterparts are currently considering or implementing for 2021, regarding property tax assistance. Three distinct options that have been identified and are discussed in this report for Council's information:

- Proceed with standard billing practice
- Extend the suspension of Penalties and Interest for all overdue accounts
- Application based deferral program

### **Option 1: Continue with standard billing practice (receive report for information)**

The suspension of penalty and interest charges ended on December 31, 2020. The City began to charge as per our usual practice at 1.25% on arrears on the first of each month and 1.25% on any balances not paid by the due dates.

The interim billing for 2021 has been processed and bills mailed to residents which represent 50% of the prior year taxes. Many municipalities have discontinued the previous year's property tax assistance programs and are reverting to their usual cycle for 2021. These include Toronto, Ottawa, Milton, Hamilton, Burlington, Oakville, Vaughan, Whitby, Peterborough, Guelph, St. Catharines and Township of Clearview.

### **Option 2: Extend the suspension of penalty and interest charges (6 or 12 months)**

This would apply for all properties including those that were in arrears prior to the pandemic. This option would require staff to reverse penalty/interest charges incurred on all accounts to date in 2021. It would result in an approximate loss of \$1 Million per month or \$6 million for the interim billing and \$12 million for the full year.

If this option is adopted, By-Law 229-2020 to Provide for the Levy and Collection of the Interim Taxes for the Year 2021 must be amended to enable suspension of penalty and interest charges.

Taxpayers who have registered to the City's pre-authorized tax payment program (PTP) program will continue to have payments withdrawn as per the chosen interim billing due dates. Those who cannot commit to these payments must notify the City, in writing, to cancel their PTP plan. City staff will make every effort to process cancellations as quickly as possible. However, due to resource limitations and potential volume of requests, the City cannot guarantee that all cancellations will be processed prior to the

previously set withdrawal extraction dates. If an automatic withdrawal is made on an account where a cancellation request could not be processed prior to the withdrawal date, the City could waive the internal fee of \$35 plus HST. Taxpayers that withdraw from the PTP program will then have to reapply at a later date, if they would like to resume participation in the program.

Taxpayers that have an agreement with a financial institution to make tax payments through their mortgage will continue to be collected as per the billing due dates. The City is not party to those agreements and will expect the financial institutions to continue to make their client payments as per previously billed arrangements.

We are aware of only Orangeville and Richmond Hill offering this support in 2021. Orangeville will be waiving penalty and interest charges to March 31<sup>st</sup>. Richmond Hill's waiver is only until January 31<sup>st</sup>.

### **Option 3: Application-based deferral program**

A few municipalities are offering application-based programs. At the time of preparing this report Caledon, Markham, Newmarket, Mississauga and Clarington are known to have introduced additional assistance for 2021.

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. Markham and Mississauga have also introduced a temporary application-based tax deferral program.

Generally, these programs require property owners to state the reason for their financial hardship as resulting from the COVID-19 pandemic including prolonged suspension of pay, loss of employment, extreme business revenue loss, business closure, insolvency and / or bankruptcy. In addition, eligibility for the program requires that the applicant's tax account was in good standing prior to the start of the pandemic.

It is important to note that this approach could result in negative reaction from the community, as less than 5,000 accounts have fallen into arrears since the pandemic started, while accounts that were in arrears prior to the pandemic amounted to over 20,000. Equitability and fairness may be questioned by taxpayers who were previously in arrears and facing additional difficulty as a result of the pandemic. In addition, manually responding to and adjusting each account could result in significant resource requirements with the risk of being unable to respond to each request timely, leading to additional complaints.

The application-based deferral program would be available to all property owners (residential and non-residential) though conditions for eligibility must be established. There is no legislated ability for the City to provide assistance directly to tenants who may be responsible for payment of property taxes. It would be the responsibility of the property owner to adjust their agreements with tenants.

Application-based deferral programs are intended to better focus financial relief to those specifically impacted by the pandemic, while encouraging taxpayers that have the means to continue to pay by the scheduled installment due dates. It is anticipated that additional administrative resources will be required to operate this type of program.

### Provincial and Federal Assistance Programs

Both the Provincial and Federal governments have introduced several assistance programs for residents and businesses during the pandemic 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 dependants due to closures, high risk and caregiver availability
- Canada Recovery Sickness Benefit (CRSB) – Up to two 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 organizations affected by COVID-19

The Provincial government has also introduced a number of support programs relating to COVID-19, most recently for businesses impacted by the “control or lockdown” regions with an application-based rebate for property taxes and energy costs.

In the Provincial Budget for 2021, the business education tax (BET) rate for commercial and industrial properties is being reduced to 0.88 %. This represents an over 10% drop from the 0.98% rate in 2020. In addition, the Province will be adjusting their funding model so that revenue for school boards will remain unchanged.

The budget also introduced an optional small business sub-class that municipalities can choose to adopt. This optional sub-class will enable municipalities to provide a tax rate reduction for small business. Adopting this sub-class would benefit small business but would create a shift in tax burden to the other property classes including the residential class. City Staff are working with the Region and other lower-tier municipalities on this program. To date, the regulation for this new optional sub-class has not been released by the Province

### **Corporate Implications:**

#### Financial Implications:

If the City provides no further assistance at this time, there would be no immediate financial implication.

Suspension of penalties and interest for all property tax accounts would result in lost revenue of approximately \$1 million per month, which amounts to \$6 million for the 6 months covered by interim billing or \$12 million for fiscal year 2021.

Revenue loss related to an application-based deferral program would depend on program eligibility criteria and volume of accounts that apply and qualify for such assistance. Furthermore, depending on volume, additional resources may be required for intake, processing and responding to individual requests for assistance.

The Province has not amended their due dates for the education portion as they did in 2020. Payments of taxes collected on behalf of the Region of Peel and the school boards would still be remitted based on their usual payment schedules. Any taxes not received by the City will result in a decline in cash flow from property tax revenues, which will affect investment income.

**Term of Council Priorities:**

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial revenues.

**Conclusion:**

The COVID-19 pandemic continues to affect the residents and businesses in Brampton into 2021. Financial assistance programs are being provided by the Provincial and Federal governments. The majority of municipalities are not providing any additional property tax assistance for 2021.

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