

**Date:** 2021-03-02

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

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**Report Number:** Corporate Support Services-2021-313

**Recommendations:**

1. That the report titled: **Options for 2021 Property Tax Assistance** to the Committee of Council meeting of **March 10**, 2021, be received;

**Overview:**

- **At the February 24<sup>th</sup>, 2021 Committee of Council meeting a report titled ‘Property Tax Assistance for 2021’ was presented and Council referred that report back to Staff for further information.**
- **Council directed Staff to provide more information on two approaches:**
  - **Extend the suspension of Penalties and Interest for all overdue accounts**
  - **Application based deferral program**

**Background:**

On February 24<sup>th</sup>, 2021 an information report titled **Property Tax Assistance for 2021 (Appendix A)** was presented at the Committee of Council meeting. The report detailed three options that Council may consider regarding property tax relief in 2021.

Council referred the report back to staff with direction to provide additional information on the second and third options. Specifically, the option to extend the suspension of penalty and interest charges (6 or 12 months) or to implement an application-based deferral program.

Council also requested that information be included regarding the programs offered by other municipalities, specifically the City of Mississauga and Town of Caledon and any economic indicators that illustrate the impacts the pandemic has had on the residents of Brampton.

### Current Situation:

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 standard practices. The 2021 Interim Tax Bills were mailed to 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>.

As of January 1<sup>st</sup>, 2021, penalty and interest charges began to accrue on all tax accounts with arrears. The City charges 1.25% on arrears on the first of each month and 1.25% on any balances not paid by billing due dates. In the absence of a property tax relief program, these charges will be applied as per Interim Levy by-law 229-2020 and User Fee By-law 380-2003 as amended.

Our lower-tier counterparts in the Region of Peel are both offering property tax assistance programs in 2021. The following table represents progress of their programs at time of writing. Also, the attached **Appendix B** provides further details of these programs and others in neighbouring municipalities.

	Program Type	Accounts in Arrears (Jan 1, 2021)	Applications for Tax Assistance	Estimated Cost
City of Mississauga	Application Based Deferral	28,300	500	Unknown at this time
Town of Caledon	Application Based Deferral	2,700	130	@ \$500 - \$1,000 per account
	Pre-authorized 2020 Arrears Payment		90	@ \$500 - \$1,000 per account

In comparison, the City of Brampton began 2021 with 25,885 accounts in arrears. When the pandemic shut down usual city operations on March 16<sup>th</sup>, 2020, our status of overdue accounts was 25,585. At its peak during the pandemic, the City reached 48,600 overdue accounts on April 27<sup>th</sup>. The increase is attributed to the penalty and interest waiver that Council approved which began on March 18, 2020 and ultimately was extended until December 31, 2020. The overdue accounts steadily reduced since then ending at 25,885 accounts in arrears by year's end. Prior to the first interim due date of February 17<sup>th</sup>, 2021, the City had 22,242 overdue accounts, a reduction of 3,500 since the beginning of the year.

## Economic Indicators

It has been reported that the City of Brampton had 20.71% of its residents receiving the Canada Emergency Response Benefit (CERB) last year. The figure comes from federal data The Canadian Press obtained under the Access to Information Act. In the first four-week period at the onset of the pandemic, there were 166,570 people in the city receiving the CERB, and the figure fell from there. There were 124,020 in the second period, 103,530 in the third, 88,930 in the fourth, 74,650 in the fifth, 68,660 in the sixth, and 60,070 in the final month before a trio of new benefits and a revamped employment insurance system replaced CERB.

Unfortunately, this is the only information available to us at this time. Economic Development have consulted with Peel Region's Senior Economist and confirmed that the Region is working on purchasing more complete data if it becomes available.

## Property Tax Assistance Options

The following section outlines the two options for property tax assistance in 2021 that Council requested for staff to provide further information.

### **Option A: 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 onset of the pandemic. If adopted, this option would require staff to reverse penalty/interest charges incurred on all accounts to date in 2021. Staff are confident that this can be managed internally without incurring any administration costs.

In effect, this option would enable taxpayers to forego a billing due date without being subjected to added interest or penalty charges for the duration of the suspension.

For customers on regular instalment billings, no action would be required. The taxpayer can choose not to make their payment due date. However, taxes **are not cancelled** and will remain as arrears on the account with no penalty or interest charges for the duration of the suspension. Council can choose the 6 month option (January - June) or the full year option.

Taxpayers who have registered to the City's Pre-Authorized Tax Payment Program (PTP) will continue to have payments withdrawn as per the billing due dates they previously chose. 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.

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.

Adopting this option would result in an approximate loss of \$1 Million per month or \$6 million for the interim billing period and \$12 million for the full year.

Additionally, an amendment to By-Law 229-2020 (to Provide for the Levy and Collection of the Interim Taxes for the Year 2021) would be required to enable suspension of penalty and interest charges for the interim billing period.

Staff also recommend that if Council chooses this option, they also consider waiving specific fees in User Fee By-law 380-2003 (as amended):

1. Insufficient funds fee (\$35 plus HST) if an application for PTP cancellation was received but not processed prior to an extraction date for automatic withdrawal.
2. Post dated cheque pull request fee (\$15) be waived for those who request a cheque pull before the March 24<sup>th</sup> or April 19<sup>th</sup> interim due dates.
3. Overdue tax notice fee (\$9) for the scheduled April run.

In order to ensure that our property owners are informed as to the amounts owing, staff recommend that the overdue tax notices scheduled for issuance in April, be modified to inform property owners of any amounts owing, encourage those that are able to do so to continue to make payments, but remove the deadline for payment. Suspending the overdue tax notification fee will result in a revenue loss to the City of @ \$235,000.

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

A few municipalities are offering application-based programs including the Town of Caledon and the City of Mississauga. As previously stated, **Appendix B** provides details of these and other municipal programs.

The application-based deferral program could be available to all property owners (residential and non-residential). 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.

Any property owner who applies that is currently paying through our PTP program would be removed from PTP and required to use an alternative method for paying their deferred taxes. Following the deferral, they could re-apply for inclusion back in the PTP.

The program would only be available to property owners that make their tax payments directly to the City, property owners paying their taxes through their mortgage company would not be eligible as financial institutions would not be eligible for the deferral. The property owner would be encouraged to speak with their financial institution to obtain any payment flexibility they may require.

Generally, these programs require property owners to state the reason for their financial hardship as resulting from the pandemic including prolonged suspension of pay, loss of employment, extreme business revenue loss, business closure, insolvency and / or bankruptcy.

As this deferral program would be designed to assist property owners experiencing difficulties relating to the pandemic, any property owner with outstanding taxes prior to the beginning of the pandemic (March 2020) should not be eligible for the deferral.

Staff would implement an on-line application process to ease the administrative burden of this type of program. Hard copies of the application would be available upon request for any property owner unable to complete the on-line application. The process would be based on a series of questions in which the applicant would need to confirm that they are experiencing financial hardship due to the pandemic. The City would not ask applicants to submit documents for verification, due to the administrative burden and risk of subjective application of the program. Rather, similar to other municipalities, the City would rely on the trustworthiness of each applicant by accepting all applications that meet the on-line requirements.

#### Application Based Deferral of Interim Billing 2021

The interim billing is based on 50% of the prior year's levy and tax bills have been delivered with instalment due dates of February 17<sup>th</sup>, March 24<sup>th</sup>, and April 19<sup>th</sup> or PTP dates each month between January and June on the 1<sup>st</sup> or 15<sup>th</sup> as requested by the customer.

Two of the three interim instalment due dates will be in the past by the time a program can be implemented. Past instalments not paid become arrears and subject to penalty and interest charges. The tax system is designed to automatically apply these charges to any accounts in arrears. To successfully manage these applications would require a program script to adjust each deferral eligible account by reversing penalty and interest charges on a monthly basis for the duration of the deferral period. Staff are confident that it can be mostly managed through development of a script to be run monthly. However, manual intervention cannot be ruled out in unforeseen circumstances. Testing will be required prior to any implementation in the live production environment.

Interim applications should be received no later than April 15<sup>th</sup>, 2021 to ensure completion prior to final billing and support our ability to successfully manage the program. It is recommended that the final due date for interim taxes for eligible

applicants be extended to no later than December 15<sup>th</sup>, 2021. No refund of taxes should be made to those who have already paid any past due interim instalments.

### Application Based Deferral of Final Billing 2021

As final billing will be processed in June, the deferral program can be designed to defer the property tax due dates from the normal schedule to one single due date of December 15<sup>th</sup>, 2021. As per legislation, the tax levy must be collected within the calendar year. This would result in the total balance of final taxes billed for 2021 becoming due for payment by one due date for eligible applicants.

The process can be managed within the current capabilities of the tax system. It would be set up similarly to our current PTP applicant process. Each application would require a manual input into the tax system and be billed accordingly.

Property owners would still be able to make periodic payments against the balance of taxes owing depending on their own financial situation. These periodic payments would then reduce the total balance due. A due date of December 15<sup>th</sup>, 2021 for final billing allows time for payments to be applied to the account prior to the processing of the legislated year-end statements for any tax accounts with an outstanding balance as of December 31<sup>st</sup> annually.

Final billing applications should be received no later than May 1<sup>st</sup>, 2021 to ensure applications are entered into the tax system prior to final billing in our test environment in mid May and to support our ability to successfully manage the program.

Application-based deferral programs are intended to better focus financial relief to those in need, while encouraging those taxpayers that have the means to continue to pay by the scheduled instalment due dates. Additional administrative resources will be required to operate this deferral program.

### Property Tax Collections

At the Committee of Council meeting of September 23, 2020, Council approved the report titled "Relief Measures for Overdue Property Taxes" which included the suspension of the following tax collection activities for accounts that were three years in arrears:

- a. Registration of tax arrears certificate (@ 140 registrations remain from 2020 and an estimated 100 - 150 for 2021)
- b. Tax sale of property (Seven potential tax sale properties remain from 2020)
- c. Important Overdue notices (@ 2,000 notices per run)

Accounts three years in arrears would not be eligible for the deferral program and it is recommended that staff now resume collection activities in accordance with our Tax Billing and Collection Policy # 13.10.0 and the *Municipal Act*, 2001. There is currently a significant backlog to address and it would be prudent to resume collection actions on

accounts that were in arrears prior to the pandemic. This position is also shared by a number of municipalities that are resuming collection activities in 2021 including Mississauga, Caledon, Guelph, Vaughan, Cambridge, Markham, Barrie, and Peterborough.

### **Financial Implications:**

Suspension of penalties and interest for all property tax accounts would result in lost revenue of approximately \$1 million per month or \$12 million for fiscal year 2021.

Suspending the overdue tax notification fee of \$9.00 plus HST for the April 2021 overdue notices is estimated to result in a revenue loss of approximately \$235,000.

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. As a general example, if we base an estimate on the total amount of tax arrears divided by the number of accounts in arrears at the end of 2020, the average amount would be \$3,016 per account. For an average property assessed at 539,000 that was in the deferral program, new taxes would become due but would not pay penalty and interest until after December 15<sup>th</sup>. In this hypothetical example, the lost revenue would total \$934. Therefore, for each 100 similar applications, foregone revenue is @ \$93,400. This general estimate would be higher for non-residential applications.

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 available 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. Council directed staff to present more information for potential property tax relief programs for 2021. Two options are described in detail for Council's consideration. Council may also opt to not provide further assistance in 2021.

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**Attachments:**

Appendix A: Property Tax Assistance for 2021  
Appendix B: 2021 Property Tax Relief Programs – Municipal Scan