

Date: 2021-11-19

Subject: Complimentary Report to the Interim Tax Levy Report

Contact: Nash Damer, Treasurer
905-874-3595 nash.damer@brampton.ca

Report Number: Corporate Support Services-2021-1234

Recommendations:

1. That the report titled: **Complimentary Report to the Interim Tax Levy Report** to the City Council meeting of November 24, 2021, be received;

Overview:

- In response to Council's deferral of the 2022 Interim Tax Levy By-law, staff are presenting options to provide relief against late penalty and interest charges for 2022 taxation as well as the option to continue usual business.
- The COVID-19 pandemic continues to financially impact certain residents and businesses in the City of Brampton.
- At this time, staff are not aware of any other municipality offering a deferral program in 2022.
- Council suspended penalties and interest on overdue property tax accounts from April 1st 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.
- In 2021, Council approved a new application-based deferral program. The program was intended to better focus financial relief to those specifically impacted by the pandemic. This resulted in \$1.8 Million in property taxes being deferred to December 15th, 2021.

- **The percentage of tax arrears on October 31st was 7.6% which is lower than the same time in 2020 (8.9%) but slightly higher than 2019 (6.7%) suggesting a return to normal.**
- **Each quarter-point drop in the Penalty and Interest fee would result in revenue losses of approximately \$3.2 Million and would require the 2022 budget to be adjusted accordingly.**
- **To ensure 2022 Interim Tax Levy bills are delivered to residents on the usual schedule, and that pre-authorized tax payment due dates are consistent with standard practice, the 2022 Interim Tax Levy By-law requires approval at this Council meeting, including any potential changes.**

Background:

On November 17th, 2021 at the Committee of Council, city staff presented the report titled “2022 Interim Tax Levy” (Appendix A). Council referred the report to the City Council meeting of November 24th, 2021. Staff were directed to provide options for relief from late property tax penalty and interest charges as financial hardships from COVID-19 continue to impact certain residents.

Since the onset of this pandemic, Council has recognized the serious economic impact that COVID-19 was having in our community and took action to provide temporary financial relief. Initially, Council suspended penalty and interest charges from April 1st to December 31st, 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.

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

For 2021 taxation, Council approved a new application-based deferral program. The program was intended to better focus financial relief to those specifically impacted by the pandemic. The program was based on the honour system, meaning all applicants were accepted and no audits performed. Applicants were required to declare they met the eligibility requirements during the online application process. The program attracted 497 applicants and resulted in \$1.8 Million in 2021 property taxes being deferred to December 15th, 2021.

Property	Count	Tax Deferred
Residential	469	\$447,901
Business	28	\$1,385,938
Totals	497	\$1,833,839

Current Situation:

The COVID-19 pandemic may continue to financially impact certain residents and businesses in Brampton in 2022. Council has asked that staff present options for residents that seek continued relief from late property tax Penalty and Interest (**P&I**) charges.

The following options are presented for Council's consideration.

Option 1: No Financial Relief - Continue with standard billing practice

Council may choose not to implement any COVID-19 property tax relief programs in 2022 and continue with normal business practices.

If the City provides no further assistance at this time, there would be no financial implications and therefore no impact to the proposed 2022 budget.

This will enable the City to process 2022 Interim billing as outlined in the "*2022 Interim Tax Levy*" (Appendix A) and *By-law to Provide for the Levy and Collection of Interim Taxes for the Year 2022* (Appendix B). This would include six pre-authorized tax payments (PTP) from January to June 2022.

Option 2: Application-based deferral program

Council can direct staff to continue operating the same application based deferral program offered to residents in 2021. The program would only apply to 2022 property taxes. Prior year arrears would still generate P&I charges as per the interim and final levy By-laws.

The program requires 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.

Due to resource limitations and privacy concerns, the program would remain on the honour system, as it was in 2021. There would be no audits performed to certify the applicant meets the eligibility requirements. To qualify for the program, applications must be submitted to the City by Friday, April 8th.

The application-based deferral program would 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.

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.

Option 3: Re-introduce 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. It would result in an approximate loss of \$1.3 Million in revenue collections per month or \$8 million for the interim billing and \$16 million for the full year. This is the same relief that was offered at the onset of the pandemic in March 2020.

If this option is adopted, the By-law before Council today, *A By-law to Provide for the Levy and Collection of the Interim Taxes for the Year 2022*, must be amended to reflect that P&I charges will be 0% in 2022.

Taxpayers who have registered to the City's 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 the 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 should 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 a party to those agreements and will expect the financial institutions to continue to make their client payments as per previously billed arrangements.

This option applies to all taxpayers as a broad approach to assist the community. In 2020, public reaction was mixed with many property owners being appreciative while others would have preferred for the payment schedule to remain similar to previous years.

Option 4: Consider Revising Late Payment Charges

Under Section 345 of the *Municipal Act, 2001*, local municipalities may pass by-laws to impose penalty charges for unpaid taxes on the first day of default. In addition, interest charges on overdue taxes may be imposed each month for the non-payment of taxes.

It is an important fact that P&I charges act as an incentive to encourage timely payments. As property tax is the primary source of revenue for a municipality, reliable cash flow from tax revenues is relied upon to support the financial needs of a

municipality. A reduction in P&I rates may influence lower compliance on due dates and negatively affect cash flow. Also important, local municipalities must pay the Region and School Board levy portions in full, as per legislated guidelines, regardless of whether the tax has been collected or not. Reduced collections on due dates will not relieve our obligations to make those payments in full.

The City of Brampton charges the maximum allowed which is 1.25% for late payments on the first day after the due date (Penalty) and 1.25% on the first day of each month on tax arrears (Interest). Charging 1.25% on both P&I is common practice among most municipalities including all local municipalities in the Regions of Peel, York, Halton and Durham.

However, the local municipality has the authority to choose not to charge either penalty or interest. Municipalities can also choose to just charge one or the other. Local municipalities may also determine a rate that is lower than 1.25% but cannot exceed 1.25%.

Council may opt to impose a rate that is lower than our current rate or even choose to eliminate the charge. For 2021, the City's rate for both P&I is 1.25% and will generate an estimated \$16 Million in revenue by year-end 2021. Using this as an estimate for potential impacts in 2022, the table below illustrates the effect of each quarter-point drop to the rate.

P&I Rate	Revenue	Revenue Loss	Tax Increase %
1.25%	\$16,000,000	\$0	0.00%
1.00%	\$12,800,000	\$3,200,000	0.65%
0.75%	\$9,600,000	\$6,400,000	1.29%
0.50%	\$6,400,000	\$9,600,000	1.94%
0.25%	\$3,200,000	\$12,800,000	2.59%
0.00%	\$0	\$16,000,000	3.24%

If this option is adopted, the By-law before Council today, *A By-law to Provide for the Levy and Collection of the Interim Taxes for the Year 2022*, must be amended to reflect Council's decision on this matter.

Corporate Implications:

Financial Implications:

If the City provides no further assistance at this time (Option 1), there would be no financial implication.

Revenue loss related to an application-based deferral program (Option 2) would depend on program eligibility criteria and the 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. For 2021, foregone P&I due to the program amounted to approximately \$275,000.

Suspension of penalties and interest (Option 3) for all property tax accounts would result in lost revenue of approximately \$1.3 million per month, which amounts to \$8 million for the 6 months covered by interim billing or \$16 million for the fiscal year 2022.

Reductions to the P&I rate (Option 4) would result in losses of approximately \$3.2 Million for each quarter-point drop.

Term of Council Priorities:

This report fulfills 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 certain residents and businesses in Brampton into 2022. Options are presented for Council's consideration regarding continued relief measures for those in financial hardship due to COVID-19 or to continue with our usual billing practices. At the time of writing, we are not aware of any other municipality offering a deferral program in 2022. The percentage of tax arrears on October 31st was 7.6% which is lower than 2020 (8.9%) but slightly higher than 2019 (6.7%) suggesting a return to normal.

To ensure 2022 Interim Tax Levy bills are delivered to residents on the usual schedule, and that pre-authorized tax payment due dates are consistent with standard practice, the 2022 Interim Tax Levy By-law requires approval at this Council meeting, including any potential changes.

Authored by:

Reviewed by:

Martin Finnegan
Senior Manager, Revenue

Nash Damer, Treasurer

Reviewed and Submitted by:

David Barrick, Chief Administrative Officer

Attachments:

Appendix A: Report – 2022 Interim Tax Levy – November 17, 2021

**Appendix B: A By-law to Provide for the Levy and Collection of the Interim Taxes
for the Year 2022**