

City of Mississauga

Corporate Report



Date: 2020/03/18

To: Mayor and Members of Council

From: Gary Kent, CPA, CGA, ICD.D,
Commissioner of Corporate Services and Chief
Financial Officer

Originator's files:

Meeting date:
2020/03/19

Subject

COVID-19 Pandemic - Property Tax Assistance

Recommendation

1. That the 2020 interim tax levy instalments for the months of April, May and June for properties enrolled in the City's pre-authorized payment plan be deferred to their chosen withdrawal date in the months of July, August and September, 2020, respectively.
2. That the 2020 interim tax levy instalment dates of April 2 and May 7 be deferred to July 2 and August 6, 2020, respectively.
3. That the Region of Peel be requested to defer their payments requirement by 90 days to align with the change in instalment dates.
4. That the Province of Ontario be requested to defer the June and September school board payment requirements by 90 days.
5. And that the necessary by-laws be enacted.

Report Highlights

- The COVID-19 pandemic has financially affected businesses and residents.
- Staff recommends deferring the 2020 Interim Tax Bill future due instalments of April, May and June by 90 days for residents and businesses to assist with cash flow pressures for taxpayers.
- The 2020 interim tax bills were issued prior to the COVID-19 outbreak with regular instalment dates in March, April and May and monthly instalment dates from January to June.

- Interim taxes of approximately \$849.5 million have been billed of which \$453.6 million has been collected from January to March.
- All taxes for a year must be billed within the calendar year which will result in the doubling up of three PTP payments at final billing
- Approximately \$2.4 M in interest revenue would be lost and penalty revenue of approximately \$350,000 would be deferred by 90 days.
- Payments to the Region and school boards should be deferred in order to align with the delay in receiving the balance of the interim taxes.
- If residents and businesses wish to continue to pay taxes, they may do so through their financial institution and electronic banking.
- Landlords are being asked to pass the tax deferral on to their tenants.
- FAQs are being developed and will be communicated to taxpayers.
- Customer inquiries can be made to 3-1-1.

Background

As a result of the widespread closure of businesses and declaration of a state of emergency by the Province of Ontario due to the COVID-19 pandemic, many Mississauga businesses are closed and residents are being financially impacted.

Interim property tax bills were issued in January. Some businesses and residents may find it difficult to pay the taxes as originally billed. Options for providing assistance have been considered and are outlined in this report.

Comments

Taxes are billed twice a year, Interim and Final taxes. Interim taxes are billed in January and equal 50% of prior year taxes. Final taxes are billed in July and represent the balance of taxes owing for the current year.

The City has approximately 218,000 tax accounts; 208,000 residential and 10,000 non-residential (commercial, industrial and multi-residential). Approximately 30% of accounts are on a monthly pre-authorized payment plan (PTP).

In total the City bills about \$1.7 billion in taxes each year. The City has billed approximately \$849.5 million in taxes so far this year, due as follows:

	Jan	Feb	Mar	Apr	May	June
Residential	\$20.6 M	\$20.5 M	\$133.4 M	\$135.0 M	\$135.5 M	\$20.5 M
Non-Residential	\$22.6 M	\$22.8 M	\$269.9 M	\$22.9 M	\$22.9 M	\$22.9 M
Total	\$43.2 M	\$43.3 M	\$403.3 M	\$157.9 M	\$158.4 M	\$43.4 M

In addition to the City's levy, taxes are billed and collected for the Region and school boards. These monies are passed on to them on the following schedule:

	Jan	Feb	Mar	Apr	May	June
Region	\$16.4 M	\$16.1 M	\$154.2 M	\$59.2 M	\$59.5 M	\$16.4 M
School Boards			\$140.5 M			\$140.5 M

The Region's payment schedule is established by the Region to be the day after the instalment dates for regular instalments and the 15th of each month for the PTP payment dates. The school board payment dates and amounts are prescribed by the Province in the *Education Act*. Interest is applicable if the City is late in making these payments.

How is Money Received

Taxpayers have a number of ways to remit payment including by mail; cash or cheque at the Civic Centre Cashiers; at financial institutions, both in person and electronically; and through mortgage companies. Additionally for properties enrolled in a PTP plan, monies are withdrawn from the taxpayer's bank account. The distribution of how monies are received is as follows:

Payment Method	% of Taxes
Financial Institutions – in person and electronic banking	36.1%
PTP payment withdrawal from bank accounts	35.6%
By cheque mailed in	14.4%
Mortgage companies	11.9%
At Civic Centre Cashiers	1.9%

To date, we have collected \$453.6 M of interim taxes billed; \$159.3 M residential and \$294.3 M non-residential. This represents the March instalment and January to March PTP instalments.

The remaining amount due from April to June is \$395.9 M which consists of the April and May residential instalments and the April, May and June PTP instalments for residential and non-residential properties and any outstanding payments from January to March.

With the exception of making payment at Cashiers due to the Civic Centre closure, all payment avenues continue to be available to residents and businesses.

Options for Assistance

Defer Payment Due Dates by 90 Days

The remaining instalment dates for the interim billing can be deferred by 90 days. This would mean that the April 2 and May 7 instalments would be deferred to July 2 and August 6 and the remaining PTP instalment dates would move from the taxpayers chosen day of the months of April, May and June to July, August and September. Revenue would be deferred as follows:

	April	May	June	July	Aug	Sept
Original	\$157.9 M	\$158.4 M	\$43.4 M			
Revised				\$157.9 M	\$158.4 M	\$43.4 M

In total \$359.7 M of revenue would be deferred by 90 days. Approximately \$2.4 M in interest revenue would be lost. Penalty revenue of approximately \$350,000 would be deferred by 90 days.

A 90-day deferral for the average single family dwelling assessed at \$645,000 would be:

- Paying by instalments would defer two instalments and be approximately \$1,840
- Paying by PTP would defer three instalments and be approximately \$1,380

A 90-day deferral for non-residential properties would benefit the 2,900 taxpayers on a PTP plan. Example of the benefit from a 90-day deferral for some typical commercial properties:

- Strip Mall Unit – Assessment Value \$365,000, deferring three PTP instalments = \$1,677
- Gas Station - Assessment Value \$1,507,000, deferring three PTP instalments = \$6,675
- Shopping Centre - Assessment Value \$56,117,000, deferring three PTP monthly PTP instalments = \$258,216

Final taxes normally have instalment dates in July, August and September with six monthly PTP instalments for residential properties from July to December and five monthly instalments for non-residential properties from August to December.

All taxes must be billed within the calendar year. By deferring the interim instalment dates to July and August, the final instalment dates would also need to be adjusted as to not overlap with the interim dates. For three months of the PTP plan, instalments would have to be doubled in order to accommodate the three months of deferred payments. This will be addressed in the Final Tax Levy report.

Waive Penalty And Interest Charges

Legislation requires that penalty and interest be applied in the same manner and at the same time for all properties. If penalty and interest were to be waived, it would have to be waived on all tax arrears.

There is currently about \$72 M owing from prior years. Waiving interest would provide an unintended benefit to taxpayers that were in arrears prior to the COVID-19 outbreak. Lost penalty and interest revenue for 90 days would be approximately \$3.3 M.

Staff recommends deferring the April, May and June interim tax instalment dates by 90 days. Deferring instalment dates would provide direct assistance for taxes during the COVID-19 outbreak. Landlords are being asked to pass this tax deferral on to their tenants.

With the exception of making payment at the Civic Centre Cashiers, taxpayers may still continue to pay their taxes.

Financial Impact

Deferring the remaining 2020 interim due dates by 90 days would result in \$359.7 M of revenue being deferred. Approximately \$2.4 M in interest revenue would be lost. Additionally, penalty revenue of approximately \$350,000 would be deferred by 90 days. Investment income related to the lost revenue would be impacted. The City has adequate cash flow to accommodate the deferral.

Conclusion

The COVID-19 pandemic has caused financial hardship for many residents and businesses. The 2020 Interim Tax Bills were issued prior to the COVID-19 outbreak. Staff has looked at various options for providing cash flow assistance to property taxpayers. Staff recommends deferring the April, May and June instalment dates to July, August and September. This would

provide a deferral of 90 days of these instalments. \$359.7 M of taxes would be deferred resulting in approximately \$2.4 M in lost interest revenue and an additional \$350,000 in penalty revenue being deferred by 90 days.

A handwritten signature in black ink that reads "G. Kent." with a period at the end.

Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer

Prepared by: Connie Mesih, Director, Revenue and Materiel Management