

Date: October 27, 2020	Originator's files:
To: Chair and Members of Budget Committee	
From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer	Meeting date: November 23, 2020

## Subject

**Low Income Seniors Tax Relief Threshold Levels**

## Recommendation

That the report of the Commissioner of Corporate Services and Chief Financial Officer dated October 27, 2020 entitled "Low Income Seniors Tax Relief Threshold Levels" be received for information.

### Report Highlights

- The City's property tax rebate program provides eligible low income seniors and low income persons with disabilities an annual property tax rebate.
- The property tax rebate is indexed annually by the blended tax impact and is currently \$436 for 2020.
- The income eligibility criteria for the tax rebate for seniors is being in receipt of the Guaranteed Income Supplement (GIS). This is also used for the Stormwater Charge Subsidy and the Outdoor Maintenance Subsidy programs.
- GIS is used by the majority of municipalities as criteria for income eligibility for low income seniors rebate programs.
- GIS is the most efficient, confidential and cost effective means of confirming income eligibility.

## Background

At the General Committee meeting of October 7, 2020, staff presented a report titled "Low-Income Seniors Financial Assistance Update", Appendix 1 attached. General Committee requested staff to provide additional information on the impacts of providing a scaled tax rebate for different income levels.

## Comments

The City currently provides a property tax rebate of \$436 to eligible low income seniors; this amount is indexed annually by the blended tax impact. Additionally, the Province provides an annual credit of up to \$1,235 through the Ontario Energy and Property Tax Credit (OEPTC) program to help low to moderate income seniors with their property taxes.

### Census Data

The 2016 Census data indicates that 101,780 residents or 14.1 percent of the population in the City of Mississauga is age 65 and older and that 12,100 or 1.7 percent is age 85 and older.

Statistics Canada uses the After-Tax Low Income Measure (LIM-AT) as an indicator of those with low income. The LIM-AT identifies various households with an after-tax income lower than 50 percent of the median national income for all families in a given year.

According to the 2016 Census income data the median after tax income of households in 2015 is \$72,657. The median after-tax income for a one-person household is \$36,716 and for a two-person household is \$83,286. The census also reports that 11,415 or 11.8% of the population aged 65 and older are living in low-income based on the LIM-AT.

The second low income measure used by Statistics Canada to determine low income status is the Low Income Cut Off (LICO) which is the after-tax income threshold below which a family will likely devote a larger share of their income on the necessities of food, shelter and clothing than the average family. Based on LICO, 7.5 percent or 7,245 residents age 65 and older are considered low income.

Below is a table showing distribution of the Household After-Tax Income for Private Households in Mississauga. This is for all ages and is not provided by separate age groups.

Income Range	Households	Percentage
Under \$10,000	7,430	3.1%
\$10,000 to \$19,999	11,075	4.6%
\$20,000 to \$29,999	16,145	6.7%
\$30,000 to \$39,999	19,025	7.9%
\$40,000 to \$49,999	21,500	8.9%
\$50,000 to \$59,999	20,795	8.6%
\$60,000 to \$69,999	19,370	8.0%
\$70,000 to \$79,999	18,445	7.7%
\$80,000 to \$89,999	16,565	6.9%
\$90,000 to \$99,999	14,630	6.1%
\$100,000 and over	75,935	31.5%
<b>Total</b>	<b>240,915</b>	<b>100.0%</b>

The 2016 Census housing data indicates that 42,665 residents age 65 and older own their home. This is at all income levels; we cannot estimate how many seniors that own their homes are also low-income.

### Federal Pensions

Persons living in Canada who are 65 years old and older, a Canadian citizen or legal resident and have resided in Canada for at least 10 years since they were the age of 18 can receive the Old Age Security pension (OAS). OAS is a monthly pension amount up to \$614.14 per month (current 2020 monthly maximum). The amount received depends on the length of time living in Canada. To receive OAS, their annual income must be less than \$128,149, the maximum income threshold, persons with incomes between the minimum (\$79,054 for 2020) and maximum income thresholds will need to repay part or the entire OAS pension. The OAS pension is reviewed in January, April, July and October to reflect increases in the cost of living as measured by the Consumer Price Index. The monthly payment amount will not decrease if the cost of living goes down. The OAS pension payment is taxable.

The Guaranteed Income Supplement (GIS) is a monthly payment based on income available to low-income OAS pensioners and is not taxable. The current income thresholds for GIS are:

- below \$18,624 if single, widowed, or divorced
- household income is below:
  - \$24,576 if the spouse/common-law partner receives the full OAS pension
  - \$44,640 if the spouse/common-law partner does not receive an OAS pension
  - \$44,640 if the spouse/common-law partner receives an Allowance

The spouse or common-law partner of a recipient of GIS may also be eligible to receive an Allowance benefit if the spouse or common-law partner:

- Is 60 to 64 years of age
- Is A Canadian citizen or legal resident
- Resides in Canada and has resided in Canada for at least 10 years since the age of 18
- Combined family income is less than \$34,416

The current maximum monthly amount is \$916.38 if the recipient is single, widowed, divorced or their spouse/common-law partner does not receive an OAS pension. The maximum monthly amount for a couple with both receiving OAS/Allowance is \$551.63.

The Guaranteed Income Supplement (GIS) benefit is reviewed in January, April, July and October to reflect increases in the cost of living as measured by the Consumer Price Index. The monthly payment amount will not decrease if the cost of living goes down.

### Income Thresholds

The income threshold for the low income seniors property tax rebate, the stormwater subsidy and the outdoor maintenance programs is being in receipt of GIS. GIS is the income threshold used by the majority of municipalities that offer a tax rebate program. As GIS is only available to

citizens aged 65 or older it also provides age verification. The income thresholds for these programs are discretionary and can be adjusted to any other limit.

GIS is used as the income threshold as Service Canada can provide an independent verification of the recipient's eligibility to the City. Selecting an income threshold other than GIS would require the applicant to provide additional documentation such as their CRA Notice of Assessment to be used by staff to verify eligibility. In addition, applicants would also be required to provide proof of age. As the information included on the Notice of Assessment is personal and confidential in nature additional precautions would be required by staff to ensure the privacy of the individuals is protected. This will also lead to a more burdensome process for applicants preferring to provide their income verification documents in-person.

A scaled approach to the income threshold for the tax rebate program would provide a maximum rebate at the GIS income level and reduced rebates as income increases. This approach would require applicants to provide documentation to confirm their income eligibility. Implementing a scaled approach would increase the cost to administer the program as it would increase the number of applicants and require additional precautions for the handling of the documentation used for income verification. A scaled approach would also require modifications to the tax system (TXM Tax Manager) to accommodate this approach.

An example of the cost impacts for a scaled income approach is provided in the table below. Applicants receiving GIS would receive the full rebate amount. This example assumes applicants receiving GIS are below the \$18,624 income threshold for a single person. The example also assumes that the number of applicants at each income level would remain the same as the current level for applicants receiving GIS. It is not possible to determine the actual number of applicants that would be received at the various income levels. The City's current share of the tax rebate is approximately 36 percent.

Income Threshold	Number of Applicants	Rebate Amount	Program Cost	City Share
Receiving GIS – income below \$18,624	1,700	100% - \$436	\$741,200	\$265,350
\$18,625 to \$28,999	1,700	75% - \$327	\$555,900	\$199,000
\$29,000 to \$39,999	1,700	50% - \$218	\$370,600	\$132,700
<b>Total</b>			<b>\$1,667,700</b>	<b>\$597,050</b>

## Financial Impact

Through the *Municipal Act, 2001*, the cost of the City's low-income seniors tax rebate program is automatically shared with the school boards and the Region of Peel has the option to cost share in the same proportion as property taxes. The Region currently cost shares in the program and has since it was introduced in 2010. The City would be required to absorb the Region's share should the Region decide to stop participating in the program.

Currently, the City's 2020 budget for the tax rebate program is \$220,000 which is below the estimated program costs for 2020 based on 1,700 recipients. Currently, the City's share in the program is 36 percent; increasing the rebate amount by \$100 at the current participation rate would cost an additional \$61,200.

Based on the example above of a scaled approach, the cost of the program would increase to approximately \$600,000 for the City as long as the Region continued to cost share in the expanded program. The Region's share is approximately 45 percent, or approximately \$745,500 for the scaled approach example. If the Region did not cost share in a scaled approach, this cost would have to be absorbed by the City. The financial impact would depend on the design of a scaled approach and the number of recipients at each income threshold.

If the income threshold for the tax rebate program were to be expanded, one additional FTE would be required to administer the program at a cost of \$66,700. Additionally, modifications would be required to the tax system to implement a scaled income threshold approach at a one-time cost of \$45,000 and would take a minimum of 2 months to implement.

## Conclusion

The current income threshold for the tax rebate program of being in receipt of GIS is consistent with other municipal programs. Being in receipt of the GIS confirms both age and income eligibility and is therefore the most efficient method for confirming an applicant's eligibility. Should an income threshold other than GIS or a scaled approach be established, it would require applicants to provide additional documentation to verify income and age. The cost of administering the program would increase and the tax system would have to be modified for a scaled approach.

## Attachments

Appendix 1 - Low-Income Seniors Financial Assistance Update



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