

City of Mississauga

Corporate Report



9.5

Date: November 24, 2020

To: Chair and Members of General Committee

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

Originator's files:

Meeting date:
January 13, 2021

Subject

Property Tax Assistance for 2021

Recommendation

That the report of the Commissioner of Corporate Services and Chief Financial Officer dated November 24, 2020 entitled "Property Tax Assistance for 2021" be received for information.

Report Highlights

- The COVID-19 pandemic and Public Health measures to manage the spread of the virus will continue into 2021.
- Some residents and businesses continue to experience financial difficulties.
- Council introduced two deferral programs in 2020 in response to the COVID-19 pandemic.
- Property Tax deferrals for all were a blunt instrument to assist the community while not understanding who needed help. As a result, public reaction to the tax deferrals in 2020 has been mixed with some finding it beneficial and others preferring to continue with tax payments similar to previous years.
- Property tax collection arrears is slightly elevated compared to last year. Tracking of arrears for 2020 does indicate that some additional property owners are experiencing difficulties.
- Financial assistance programs relating to COVID-19 are being provided by the Provincial and Federal governments.
- An application based property tax deferral program for 2021 could be implemented to provide assistance to eligible property owners requiring continued assistance.

Background

In response to the COVID-19 pandemic, Council deferred the property tax due dates for the 2020 interim taxes and then deferred the due dates for the 2020 final taxes. These deferrals were for both the instalment due dates and for the pre-authorized tax payment (PTP) due dates. As the interim deferral occurred after the interim taxes had been billed, notices of the change in payment due dates were mailed to all impacted property owners. As taxes must be collected within the calendar year, the deferrals for monthly PTP accounts resulted in larger monthly withdrawals in the later part of 2020.

Property Tax deferrals for all were a blunt instrument to assist the community while not understanding who needed help. As a result, public reaction to the property tax deferrals has been mixed with some property owners being appreciative of the revised payment schedule while others, especially those on monthly PTP 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 are slightly elevated. There is evidence that some property owners are experiencing difficulties in making property tax payments since the onset of the pandemic.

Comments

Property Tax Assistance

The COVID-19 pandemic continues to impact residents and business in Mississauga and there remains uncertainty on how this will continue to affect the community in 2021. Property tax billings, collection and applicable fees and charges are planned to resume normal practices in 2021.

The balance of tax receivables as at November 30, 2020 indicates 4.88 percent of taxes billed and due as outstanding. This increases to 6.39 percent when prior year outstanding taxes are included. The balance of outstanding taxes billed and due is approximately 2.5 percent higher than typically experienced by the end of November. 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.

Based on the comments received and the tax payments made in 2020, it suggests that providing assistance for property tax payments is not required by the majority of property owners. As the financial situation caused by the pandemic is being experienced differently by some property owners, the option of an application based deferral program could be offered as one time cash flow assistance in 2021. This application-based deferral would provide assistance for eligible property owners who would benefit from continued assistance relating to the COVID-19 pandemic. It would not be the intention to repeat this program in 2022.

The deferral would be designed to defer the property tax due dates from the normal schedule to one due date of December 15, 2021. This would mean that the total balance of taxes billed for 2021 would need to be paid by the one due date. This would provide the property owner with the maximum length of time to make their payments for 2021. Property owners in the deferral program would still be able to make periodic payments throughout the year 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, 2021 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 annually.

The deferral 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 up to the property owner to adjust their agreements with tenants. As this deferral program would be designed to assist property owners experiencing difficulties relating to COVID-19, any property owner with outstanding taxes prior to the beginning of the pandemic (March 2020) would not be eligible for the deferral.

Late payment charges are resuming for all property tax accounts beginning January 1, 2021. Late payment charges would be applied to any balance of 2020 taxes owing for any property owners requesting the 2021 deferral until the 2020 taxes are paid in full. Late payment charges on deferred 2021 taxes would not be applied until after December 15, 2021.

The program could be designed to offer two opportunities for property owners to apply, one for the interim tax billing and one for the final tax billing. A program would need to be implemented no later than February 1, 2021 to allow interim taxes to be deferred and no later than June 1, 2021 to allow the final taxes to be deferred. Deferral of the final tax payments would automatically occur for any property owners that enrolled in the deferral during the interim tax billing. Property owners applying during the final tax billing will only defer the final instalments; interim taxes will remain due as billed. An application period would then run for two months from the program implementation allowing applications to be received and processed during the billing cycle.

Property owners would need 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.

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.

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

Staff would need to develop an on-line application process for this deferral. Hard copies of the application would be available upon request from any property owner unable to complete the on-line application.

Municipal Survey

Staff have reached out to other municipalities to gather information on their planned assistance for 2021 due to COVID-19. At the time of preparing this report only Caledon, Markham and Newmarket 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 has also introduced a temporary application based tax deferral program. Newmarket has extended their waiving of penalty and interest charges to January 31, 2021.

All other municipalities surveyed will not be providing any assistance or have not made any decisions regarding assistance for 2021. The municipalities surveyed includes Toronto, Ottawa, Brampton, Milton, Burlington, Oakville and Vaughan.

Provincial and Federal Assistance Programs

Both the Provincial and Federal governments have introduced several assistance programs for residents and businesses during the pandemic.

As an initial response to the pandemic, the Federal government provided the Canada Emergency Response Benefit (CERB). This program has now ended, employment insurance (EI) has changed to support more Canadians through the pandemic and several other programs are also available, 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 an application based rebate for property taxes and energy costs.

Recently announced as part of the Provincial Budget for 2021, the Province will be reducing the education tax rate for commercial and industrial properties. The Province will be adjusting their funding model so that funding for school boards will remain unchanged.

The budget also introduced an optional small business sub-class that municipalities can choose to adopt. This would give municipalities the ability to provide a tax rate reduction for small business as defined by the municipality. Adopting this sub-class would benefit small business but would create a shift in tax burden to the other property classes.

Financial Impact

If an application based deferral program for property taxes is implemented it will create a shift in the cash flow of property tax revenues and therefore impact investment income opportunities. It is anticipated that this will be a minimal impact and would be dependent on the number of applications and the total tax payments deferred, which staff feel is less than five percent.

Providing a deferral program will also reduce penalty and interest revenue as late payment charges on the 2021 taxes would not be collected from any accounts in the deferral program. The potential revenue loss would be dependent on the total amount of taxes deferred.

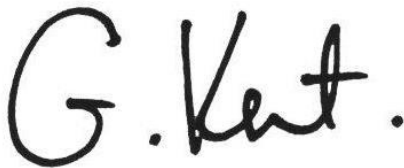
Payments of taxes collected on behalf of the Region of Peel and the school boards would still be required to be made based on their payment schedules.

Conclusion

The COVID-19 pandemic continues to affect the residents and businesses in Mississauga. This impact is being experienced differently by each property owner. Financial assistance programs are being provided by the Provincial and Federal governments. Most municipalities surveyed are not providing any additional property tax assistance for 2021. The option of an application based property tax deferral would be better matched to provide assistance to those property owners needing assistance resulting from the COVID-19 pandemic.

Attachments

N/A



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

Prepared by: Louise Cooke, Manager, Revenue and Taxation