



Report to: General Committee

Meeting Date: November 16<sup>th</sup>, 2020

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**SUBJECT:** Property Tax Payment Deferral Program

**PREPARED BY:** Shane Manson, Senior Manager, Revenue & Property Tax

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**RECOMMENDATION:**

- 1) That the report entitled Property Tax Payment Deferral Program be received; and,
- 2) That Council authorize a Property Tax Payment Deferral Program for the 2021 taxation year for eligible taxpayers; and,
- 3) That the 2021 Interim Tax Levy By-law include the necessary clauses to permit the waiving of late payment charges for the 2021 taxation year for eligible property owners of the Property Tax Payment Deferral Program, and further;
- 4) That staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to provide Council with information on;

1. The current status of property tax arrears for the 2020 taxation year, along with;
2. The recently announced relief measures for property owners included within the 2020 Provincial Budget; and,
3. A proposed temporary Property Tax Payment Deferral Program for property owners that have been financially impacted by the COVID-19 pandemic for the 2021 taxation year.

**BACKGROUND:**

On March 27<sup>th</sup>, Council approved a number of property tax and fee relief measures to help residents and businesses experiencing financial hardship due to the COVID-19 pandemic which included:

Residents

- Waived late payment charges for residential taxpayers to Dec 31<sup>st</sup>, 2020
- Eliminated of the 2020 Stormwater fee
- Maintained the April 1<sup>st</sup>, 2019 water rate

Businesses

- Waived late payment charges for non-residential taxpayers to Dec 31<sup>st</sup>, 2020
- Eliminated the 2020 Stormwater Fee, (\$560 for a property valued at \$2M)
- Maintained the April 1<sup>st</sup>, 2019 water rate
- Suspended the Municipal Accommodation Tax (MAT) to Dec 31<sup>st</sup>, 2020.



In addition to providing the property tax fee relief measures in March 2020, the City also paused its property tax collection processes, which included the issuance of arrears notices, along with suspension of the registration of properties for the tax sale process. The intent of this decision was to provide further time and relief to taxpayers that have been facing financial difficulties resulting from the pandemic. As with the other property tax fee relief measures that will recommence on January 1<sup>st</sup>, 2021, staff will be reinstating the City's tax collection and tax sale processes in the first quarter of 2021.

### 2020 Property Tax Collection

Each year, Markham issues two property tax bills to all property owners within the City. The interim tax bill, issued annually in January, is for the first half of the year's taxes. The final tax bill, issued annually at the end of May for residential properties and end of August non-residential properties, is for the second half of the year and is predicated on the annual tax rate approved by Council for that year.

Figure 1 below illustrates the overall collection results of the total taxes billed for the period 2016 through 2019. The four year average property tax collection rate is 96.5%.

<b>Figure 1: Summary of Total Taxes in Arrears (\$M)</b>				
<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total Taxes Levied	\$651.4	\$680.8	\$708.3	\$740.1
Total Taxes Arrears	\$25.2	\$23.9	\$23.8	\$25.5
<b>% of Taxes Paid</b>	<b>96.1%</b>	<b>96.5%</b>	<b>96.6%</b>	<b>96.6%</b>

Figure 2 below illustrates the total number of properties with an outstanding property tax balance during the same period of 2016 through 2019.

<b>Figure 2: Summary of the Number of Properties with Tax Arrears</b>				
<b>Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total # of Accounts	108,210	110,055	112,713	114,238
Total # Accounts with Arrears	6,812	6,316	6,587	6,791
<b>% of Properties with Arrears</b>	<b>6.3%</b>	<b>5.7%</b>	<b>5.8%</b>	<b>5.9%</b>

For 2020, the City's property tax receivables have increased as a result of the impact of COVID-19 and the financial pressures faced by some residents and business owners. As of October 2020, the overall YTD collection result is 93.4%, leaving approximately \$44.8M of current year taxes outstanding from 12,124 properties. Staff are forecasting the overall year-end collection rate to be in the range of 92% - 95%. While this result would be lower than the 96.5% average collection received in previous years, the current results and year-end projection are significantly better than originally forecasted.



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### Property Tax Arrears

Given that property taxes form a first priority lien on the property, the City's tax receivables are secure with little or no risk of loss. The City has a detailed collection procedure to manage property tax accounts in arrears. Each year Staff actively engage with property owners that have unpaid amounts through a series of both automated and personal touchpoints, which ensure tax revenues are monitored and collected in a timely and effective manner.

The City issues property tax arrears notices to all taxpayers with an overdue amount in the spring and fall of each year. Although tax arrears notices were suspended on March 27<sup>th</sup> of this year, the final 2020 property tax bills distributed to all property owners in June and August 2020, included and noted any amounts that remained outstanding, along with the current year taxes levied for the final bill (for second half of the year).

In an effort to ensure property owners with an outstanding property tax balance are aware of the status of their account, staff mailed a reminder notice to each property owner on November 13<sup>th</sup>, 2020. As past experiences have shown, staff anticipate the City will receive payments toward the outstanding amounts, which will improve the overall collection results for the 2020 taxation year.

### **OPTIONS/ DISCUSSION:**

The COVID-19 pandemic has created an unprecedented environment of economic uncertainty which has directly impacted many residents and business owners throughout the City and Province. While it is impossible to know what the financial effects will be on the community as we move into the 2021 taxation year, it is clear that the situation is very fluid and continuously changing.

This was even more apparent with the most recent Provincial announcement on October 16, 2020, that directed York Region (along with Peel, Toronto and Ottawa) to be placed back into a modified Stage 2 position. Further, on November 3, the Province announced that the Region of York would move from modified Stage 2 position to the new category of "Restrict (orange)" position which was implemented as part of the Provinces new COVID19 response framework.

### Provincial Relief Measures for Property Owners

On November 10<sup>th</sup>, the Province released the 2020 Provincial Budget (Ontario's Action Plan: Protect, Support, Recover) in response to COVID-19 pandemic; notable highlights included:

1. Business Education Tax (BET) Reduction
2. New optional property subclass for "Small Business"
3. Seniors Home Safety Tax Credit

Further information of these relief measures is included below along with staff's initial response to the recent announcement.



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## 1. Business Education Tax (BET) Reduction

Starting January 1, 2021, the Province stated that they will level the playing field by lowering high Business Education Tax (BET) rates for over 200,000 employers, or 94 per cent of all business properties in Ontario. This will create \$450 million in immediate annual savings and represents a reduction of 30 per cent for many businesses currently subject to the highest BET rate in the province.

Staff comments:

- There is currently a wide range of Business Education Tax (BET) rates across the province, reflecting historical assessment and tax inequities. Previous plans to reduce BET rates were to be phased in over a number of years but were never fully implemented, leaving a number of key regions of the province with high BET rates. As an example, the commercial Business Education rate in York Region is 0.89%, whereas in Toronto it is 0.98% and in London it is 1.25%.
  - Example (before): A commercial property with a \$1M CVA in York Region would pay \$8,900 ( $\$1\text{M} \times 0.89\%$ ) in education taxes levies, whereas a commercial property in London would pay \$12,500 ( $\$1\text{M} \times 1.25\%$ ) in education tax levies.
  - After reducing the BET rate to 0.88%, the same valued property would pay \$8,800 throughout the province. This would translate into a savings of \$100 for the York example and \$3,700 in London example noted above.
- It is anticipated that the Provincial announcement will provide York Region businesses owners a savings of approximately \$12,413,000. This translates into BET Tax Cut Percentage of 2% or \$5,105,000 for commercial property owners and 10% or \$7,308,000 for industrial property owners throughout the Region of York.

## 2. New Optional Property Subclass For “Small Business”

Beginning in 2021, municipalities will be able to adopt a new optional property subclass for small business properties. “Small Business” would be defined locally by the municipality. The small business property subclass will allow municipalities to target tax relief by reducing property taxes to eligible small business properties. The Province also indicated that they will consider matching these municipal property tax reductions to support small businesses.

Staff comments:

- In Ontario, tax policies are established annually by the upper-tier municipality, meaning that York Region Council would have to approve the adoption of this initiative based on input received from the lower-tier municipalities.
- While the new optional property class could allow for a reduction in property taxes for eligible small business properties, it would result in a shift in property tax burden to others. This means that a property tax reduction for the eligible small businesses would have to be offset by an increase to others within the broad class.
- City Staff, in consultation with both the Region of York and its lower tier municipalities, will review the new authority of the optional tax subclass, to determine its feasibility and impact, and will report back to Regional Council within their annual Tax Policy Report in the spring of 2021.



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### 3. Seniors Home Safety Tax Credit

The Province is also proposing a new Seniors Home Safety Tax Credit for the 2021 taxation year to help seniors, and intergenerational families who have seniors living with them, “make their homes safer and more accessible.” The proposed new personal income tax credit would support seniors regardless of their incomes and whether they owe income tax for 2021.

Staff comments:

- City staff support this Provincial initiative.

#### City of Markham: Relief Measures for Property Owners

In addition, on October 27, 2020 Council authorized the continued suspension of the Municipal Accommodation Tax from January 1, 2021 to December 31, 2021, to further support the accommodation sector during this unprecedented time.

As a result of the economic uncertainty many property owners are facing, Staff is recommending Council consider authorizing a temporary Property Tax Payment Deferral Program to assist property owners that have been financially impacted by the COVID-19 pandemic to apply for further tax relief into the 2021 taxation year.

Unlike the property tax fee relief measures made available to all Markham taxpayers in 2020, staff are recommending an application-based deferral program be implemented for 2021 to better focus on those experiencing financial hardship, while encouraging those taxpayers that have the means, to continue to pay by the scheduled installment due dates in 2021.

#### Property Tax Payment Deferral Program

This deferral program is designed to assist both property owners who currently have an outstanding property tax balance, along with others who may require additional payment flexibility throughout 2021 taxation year. While the City has no legal authority to require eligible property owners (landlords) to pass along the deferral benefit to their respective tenants (if applicable), the City is encouraging all eligible applicants to extend the property tax relief from this program to their tenants (if applicable) during these unprecedented times.

Property owners would be required to complete an application and, if eligible, will have late payment charges (penalty and interest) waived for a period of up to twelve months, effective January 1 to December 31, 2021. Applications received and approved prior November 30, 2021 will be eligible to have late payment charges (penalty and interest) waived starting from the following month of application approval through December 31<sup>st</sup>, 2021. The reinstatement of late payment charges will commence January 1, 2022.

Although this program will provide an additional year of immediate financial relief to property owners who are in need, it must be highlighted that some property owners may be in the situation of owing up to three years of property taxes, come 2022. While the additional time will ensure qualifying property owners have payment flexibility, along with



not incurring additional late payment charges, this may compound the financial difficulties for some. However, the additional time provided by this program will also enable these property owners to seek out professional advice on how to navigate the financial pressures imposed upon them by the COVID-19 pandemic.

#### Program Eligibility

As indicated above, the taxpayer would complete an application and, if eligible, will have late payment fees (i.e. penalty and interest) waived for 2021 property taxes. Staff are recommending that the program be available to all property classes which include; residential, commercial, industrial and multi-residential property classes.

Applicants of the Property Tax Payment Deferral Program will be required to demonstrate and provide supporting documentation evidencing the financial hardship incurred which has resulted from the COVID-19 pandemic in one or more of the following categories: prolonged suspension of pay, loss of employment, extreme business revenue loss, business closure, insolvency, and/or bankruptcy. In addition, the property must not have tax arrears prior to January 1, 2020 to be eligible for the program.

Property owners that have their property taxes paid with their mortgage payment by their financial institutions are not eligible for the Property Tax Payment Deferral Program. As these accounts have no amounts outstanding, the property owner is encouraged to speak with their financial institution to obtain any payment flexibility which they may require.

As indicated in resolution 3 of this report, staff have included the necessary clauses within the 2021 Interim Tax Levy By-law which is on the same report agenda, to permit the waiving of late payment charges for the 2021 taxation year for eligible property owners of the Property Tax Payment Deferral Program.

#### **FINANCIAL CONSIDERATIONS**

The cost of providing this program and the impact on the 2021 late payment charges (penalty and interest) revenues will depend on the volume of applications received and approved. Staff will monitor and report back to Council in Q3 2021 with further information related to the uptake on the program along with the financial impact.

Staff will administer the program with existing resources and will report back to Council should a need for additional resources arise based on application volumes.

#### **HUMAN RESOURCES CONSIDERATIONS**

Not applicable.

#### **ALIGNMENT WITH STRATEGIC PRIORITIES:**

Not applicable.

#### **BUSINESS UNITS CONSULTED AND AFFECTED:**

Not applicable.



**RECOMMENDED BY:**

X

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Joel Lustig  
Treasurer

X

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Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

Not applicable.